Deloitte.

Vlerick Leuven Gent Management School

the Autonomous Management School of
Ghent University and Katholieke Universiteit Leuven

Engaging in turbulent times
Direction setting for business and IT alignment

by Stijn Viaene, Olivier Jolyon and Steven De Hertogh

Contents

3 Foreword

4 Introduction

5 A time to revisit business-IT duality

7 Theme 1: Bonding at the top

9 Theme 2: Looking for benefits

11 Theme 3: Serving professionally

13 Theme 4: Engaging respectfully

15 Do not waste a good crisis

16 Appendix 1: About the research

17 Appendix 2: IT's diet – losing the first pounds

18 Acknowledgements

19 Contacts

Foreword

We are delighted to present this paper to you. It is the result of a Research Chair collaboration initiated in 2009 by Deloitte and Vlerick Leuven Gent Management School to foster research on topics which are at the heart of today's business.

The insights presented here are based on an extensive round of research interviews with many prominent companies. The research was made possible thanks to the enthusiasm with which they responded to our call. This is in itself a very encouraging echo to what we are trying to achieve with our research: to be as close to the business as possible.

The research journey started by Vlerick Leuven Gent Management School with the support of Deloitte is a long one – five years. This paper is therefore only one stepping stone before going to the next, but we have every reason to believe that this is enticing food for thought which will fuel further developments.

Prof Dr Stijn Viaene
Partner and Chairman Competence Center Operations and Technology Management
Vlerick Leuven Gent Management School

Christian Combes
Partner and leader of CIO Services
Deloitte, Consulting

Introduction

Eager to test the hypothesis that the crisis of 2008 exerted significant impact on the way companies manage their IT, we invited a selection of high-profile companies to participate in a study. We targeted companies that were seriously hit by the crisis but nevertheless were displaying best practices in managing their IT against this background. We interviewed eighteen CIOs and ten of the CFOs of those same companies about the way they were dealing with IT management in the current crisis.[1]

It did not come as a surprise to see a great deal of energy being spent on trimming away fat in the IT operation in 2009. More intriguing to us, however, was the discovery that the crisis functioned as a catalyst for rethinking the way the IT department aligned with its demand side.

Indeed, something definitely seemed to be brewing in the relationship between business and IT. We heard many participants eagerly comment on how they were trying to team up IT and the business more effectively. This need for better engagement reflected a fundamental recognition of the necessity of successfully partnering technological and business competences to ensure optimal use of the available technological capabilities.[2]

The interviews provided us with a valuable set of data covering experiences, aspirations, lessons learned, opinions and stories. From this wealth of information we compiled a set of best practices and insights, embodying the direction in which we saw a more effective kind of engagement between business and IT people take shape. To give structure to this evolution, we distilled four main engagement themes: bonding at the top, looking for benefits, serving professionally, and engaging respectfully.

We begin this article by making a case for revisiting approaches that reflect a business-IT duality – as in 'IT people' versus 'business people.' We then go on to elaborate on the above engagement themes.

[1] See Appendix 1: About the research

[2] The term business-IT engagement was introduced by Nils O. Fonstad and David C. Robertson. See "Realizing IT-enabled change: The IT engagement model," *Research Briefing*, IV(3D), MIT Sloan Center for Information Systems Research, Cambridge, MA, October 2004; see also Fonstad, N.O., and Robertson, D.C., "Transforming a company project by project: The IT engagement mode," *MIS Quarterly Executive*, 5(1), March 2006.

A time to revisit business-IT duality

We started our interviews by polling participants about the impact of the current business turbulence on the way they were managing their IT. Not surprisingly, most began their answers by listing a set of 'usual suspects' for immediate cost-cutting. The latter represented opportunities to cut fat out of the IT organization relatively quickly and included rationalizing the vendor portfolio, switching to commercial-off-the-shelf, streamlining applications and reports, extending infrastructure lifecycles, getting lean on external resources, and going for a select set of internals.[3]

Cost-cutting: Been there, seen it, done it. CIO

Beyond the IT diet

Some participants expressed a sense of déjà-vu, referring to the period of the dot-com bust at the beginning of the century. It was not the first time they had to cut costs, they said, and it would definitely not be the last time, either.

However, questioning our interviewees about the harshness of the current crisis and its effects on corporate strategy caused all of them to be extremely guarded in their answers. Although no one ruled out the hypothesis of unprecedented consequences for corporate strategy, they apparently considered it premature to comment on it extensively.

Caution was equally applied when we asked our interviewees whether they were not cutting away 'muscle' rather than 'fat.' However, this line of questioning proved more successful in getting the participants to comment more openly and in much more detail. It was, in fact, an excellent springboard for some informative discussions on how IT is expected to engage with the business against the background of the crisis.

Myopia almost naturally made way for more balanced reflections about the engagement between business and IT by participants mindful about two fundamental business-IT trends that had picked up speed way before the crisis: business-IT fusion and IT user activism.

Fusion and activism

In 2003, Omar El Sawy[4] coined the concept 'business-IT fusion' to describe a scenario in which business and IT operations and infrastructure become almost indistinguishable. Many, if not all, business people – including the CIO's peers – have been exposed to the impact, whether positive or negative, IT can have on achieving their business objectives. Business-IT fusion levels have simply become too elevated to ignore. This development has certainly made some CIOs nurse high hopes of being recognized by their business peers as genuine partners, i.e. co-creators of the business. Their dreams may, however, be short-lived.

Some of my fellow CIOs simply do not get it. They cannot stop complaining about the lack of respect or about being treated as 'just' a cost center. They should stop whining and look around at what is happening out there. – CIO

Just like so many other information society citizens, an increasing number of IT users up and down the corporate ladder have been acquiring significant IT savvy. Many of them, capitalizing on a wealth of enticing end-user-oriented vendor or open-source offerings, expect to be more in control of how their IT money is spent. Any IT department that does not properly address the IT complaints, demands or aspirations of these people runs the risk that they will take matters into their own hands. In other words, they might choose to eschew any engagement with the IT department.

[3] See Appendix 2: IT's diet – losing the first pounds

[4] See El Sawy, O.A., "The IS Core IX: The 3 Faces of IS identity: connection, immersion, and fusion," *Communications of the Association for Information Systems*, 12, pp 588-598, 2003.

Such IT user activism could, of course, seriously jeopardize a company's growth and integration plans. "We still have a serious issue with shadow IT," stated a CIO. He was referring, like many of his colleagues, to a problem with user-commissioned work being rerouted to 'rogue' agents working below the radar of the IT department, and covertly replicating data and functionality.

However, notwithstanding the bad and the ugly, there might actually be some good happening in these shadows from a company perspective.[5] For example, turning the conventional wisdom contained in rules, policies and the like on its head might actually be more conducive to business innovation, much sought after in these turbulent times.

Luckily, we noticed a genuine desire to forego simplistic, one-sided views of reality when discussing business-IT engagement. In particular, we witnessed a readiness to rise to the challenge of managing IT outside of the business-IT duality. "We are in the same boat," added a CIO, clearly pointing to the need for pulling on the same oars.

Managing in this crisis was not easy, though. But we observed some clever and resourceful decision- making. Almost paradoxically, we saw people who were put in a tight spot actually work consciously and more effectively on forging a real bond between business and IT to the benefit of their organization.

I definitely preferred the era before the crisis. Is the crisis an opportunity? Does it drive people into the right mindset? Well, the environment fosters the capability to execute quicker and better than before the crisis. That is what I refer to as a catalyst. CIO

Crisis as catalyst

Granted, none of the CIOs interviewed can be said to have started their engagement efforts because of the crisis. However, they did not give up on them because of it, either. On the contrary, they are trying to use the crisis to fortify their engagement efforts. This crisis can be a turning point for the long haul. In the remainder of this article we present a theme-based compilation of identified best practices and insights.

[5] See, for example, Viaene, S., De Hertogh, S., and Lutin, L., "Shadow or not? A business intelligence tale at KBC bank", *Case Folio*, pp 19-29, January 2009; and Behrens, S., "Shadow systems: The good, the bad and the ugly", *Communications of the ACM*, 52(2), pp 124-129, February 2009.

Theme 1: Bonding at the top

> We are not in a position anymore where IT and the business are just confronted with one another. We really need teamwork now. CIO

It is not uncommon for the CIO's peers to express a need for stronger engagement between IT and the business to achieve a more effective use of IT. However, our interviews pointed to a broad consensus that engagement required more than the CIO visiting the management team once a year with an overview of next year's IT budget.

For many CIOs the time has come to revisit the IT governance setup from an engagement perspective, starting at the top of the organization. At the C-level, the governance can take on a variety of forms, depending not least on the organization's experience with IT governance, the role it chose for IT, its culture, and the context. The purpose of the sought-after engagement, however, should remain the same: setting the right expectations, specifying rules for allocating resources to fulfill these expectations, and defining a framework to verify the organization's performance.

Working side-by-side

Today there is this exceptional company task force which has been focusing on IT governance. I am quite happy with it, because there will be much more co-ordination and integration than before. Business and IT are sitting together to move the governance of IT forward. Before, discussions were much more fragmented. I really hope we can continue with this joint approach after the crisis. – CIO

Quite a few CIOs stressed how the current crisis has enabled them to work side-by-side with their business peers and assess investment portfolios, discuss projects, and establish guidelines. The turbulence in the business environment seems to be serving as a common enemy, forging business-IT unity rather than business-IT duality. As one CIO rejoiced, "This is the first time that somebody from corporate planning sits down with us to truly discuss the IT budget with the affiliate businesses."

Interestingly, many participants characterized their current efforts not so much as an overhaul of existing IT governance in terms of new roles, structures or processes. Rather, they stressed the opportunity to re-interpret existing governance mechanisms with a view to more effective business-IT engagement. Moreover, informal engagement channels were valued just as much as formal ones, as exemplified by the CIO who said, "We try to lobby up front. It would be suicide to go to the executive committee without having worked everything out in advance."

Another CIO shared a valuable lesson with us, when he stated that "[instead] of trying to force new ways of prioritizing requests on the business, we should have aligned and touched base with how our business peers are actually prioritizing all of their projects." It shows how some CIOs are refraining from simply imposing supply-side-centric governance on their demand side.

Still, "in times of crisis, people welcome leadership," commented one CIO. Many CIOs shared this colleague's high hopes of being recognized as first-class citizens in their company's strategic decision-making process.

We have a whole set of governance structures in place where business and IT are sitting together. We are not making their choices. We want to be as close as possible, though, to guide them with a roadmap, to have an influence on the order of things, to show interdependencies, etc. – CIO

IT roadmap

The notion of an 'IT roadmap' featured prominently as a lever for true engagement among C-level peers. It was positioned as an instrument for fostering a true dialogue, where business and IT leadership can be both senders and receivers. An IT roadmap specifies the evolution of an information systems landscape. A typical IT roadmap contains: (a) an 'as is' description, (b) a 'to be' scenario, and (c) an action path providing a timeline of key investment projects needed to get from (a) to (b).[6]

Roadmaps certainly seemed to be embraced as a popular means for influencing and guiding business decision-making in turbulent times. "We are using functional roadmaps to spar. They encompass what the business leadership wants and what their vision is," acknowledged a CIO. The ambition clearly is to upgrade a mere IT plan into a business-IT roadmap that allows the business to (re)shape its own IT destiny.

Some participants were trying to make allowances for the uncertainty in the environment by including scenario-thinking in their roadmap discussions. "We are working much more with scenarios, or trying to, that is. Much more than before. We had already started adding some flexibility in the IT plan. However, until recently 'falling off the cliff' had never been a scenario," one of our interviewees specified, adding that "[the] whole idea now is for IT to be ready to scale for more than one scenario." Another CIO expressed the same preparedness, when he said, "We have one scenario if everything picks up in 2010, and one if it does not. We know exactly what we will and will not do in either case. Every step of the way we go back to our scenarios to communicate and create visibility."

Architecting has become a key means for IT to harmonize and federate business units. The Executive Committee has clearly bought into the concept. CIO

IT architecture

The notion of 'IT architecture' was directly linked with the IT roadmap by many of our interviewees and positioned in much the same way. The concept refers to an engineered specification of an information systems landscape that represents the latter as a set of components and their linkages, supported by selected rules, policies and standards for organizing. Ideally, the model is designed to be looked at from a variety of perspectives (i.e. levels of abstraction or stakeholder views) and questioned from different aspects (i.e. what, how, when, where, who, why).[7]

Many of the interviewed companies had been investing in developing an architecting capability for several years already. In every case, it had been a tough learning experience before everyone understood that architecting was not about computer science or technology *per se*. "Five years ago, I did not dare to discuss IT architecture with my peers, because I knew the views we had were not good enough," one CIO commented. Now he used architected IT landscape specifications for linking reflections about business co-ordination and integration into IT roadmap discussions.

Prodded by the crisis, this CIO's business peers were actually willing to lend him or her their ears for helping them focus and assess the operational impact of alternative strategic options. In general, CIOs with an architecting capability at their disposal, were more than happy to oblige their business peers and put their engineered views on the table for discussion.

[6] See, for example, McKeen, J., and Smith, H., "Developments in practice XXIII: Creating and evolving a technology roadmap," *Communications of the Association for Information Systems*, 18, pp 451-463, October 2006.

[7] See, for example, Ross, J.W., Weill, P., and Robertson, D.C., "Enterprise architecture as strategy: Creating a foundation for business execution," Boston, MA: Harvard Business School Press, 2006; and Sowa, J.F., and Zachman, J.A., "Extending and formalizing the framework for information systems architecture," *IBM Systems Journal*, 31(3), pp 590-616, 1992.

Theme 2: Looking for benefits

'Challenging' has become the name of the game with projects. "I am being challenged by my CEO to challenge everyone who is just trying to drive costs into IT," stated one CIO. That was not to say that projects, big or small, would no longer be funded due to the crisis. It did emphasize the strong focus on establishing the use value of prospective IT investments.

Challenge business cases

In the past we have taken on projects for which the business case was questionable, to say the least. But because we had the resources, and we had some promise of efficiency gains, we went ahead. Some of these projects have been stopped in the meantime. Today, expect a different story. – CIO

What is the strategic value of the investment? What is its economic value? What are the risks involved? The answers to such typical business case questions are clearly subject to more scrutiny than before. Evidence is being seriously challenged and nothing is taken for granted anymore. The burden of proof is on the requesters, against a background of sizeable budget cuts across the board. Moreover, the willingness of the requester to accept accountability for any issues interfering with realizing the projected benefits is becoming an important litmus test for investment decision-makers.

Although they preferred not to have it labeled as company policy, and with the exception of a limited set of well-chosen strategic or mandated projects, many CFOs expected that the only project proposals to come their way would be ones with a short-term return-on-investment and a payback period of less than a year.

That this expectation was a topic of discussion around the water cooler was considered a good thing. Not that the rule would be mindlessly enforced or that case evaluation would revert to the use of dogma. Rather, it was expected to serve the purpose of challenging. One of the CIOs cheered the effects of this trend, stating that "[in] the business cases we are receiving, the communication is improving, and the quality of the numbers is improving, too."

Stakeholder involvement

The crisis seemed to be acting as a catalyst for a better practice, where project requesters, business and IT people alike, are putting their projects to the test of every stakeholder before seeking budgetary approval. More than before, requesters are trying to garner stakeholder commitment and buy-in from the start. "In the past, we would get a business case with a blank page where it said 'stakeholder comments.' Today, we get ten pages crammed with questions, remarks, criticisms, etc. And it happens that stakeholders do not sign off. This would never have been the case two years ago," explained a CIO.

A basic question to answer for every stakeholder is, 'What does this mean for me?' CIO

Stakeholder involvement not only makes for more scrutiny of a business case, it can certainly also help enrich the understanding of an investment because it allows for looking at it along different axes of desirability and feasibility. If systematized and well-documented, then project selection, scoping and expectation setting can be managed according to this understanding. Many participants also recognized the potential for aggregating all this project information systematically to the portfolio level. "We have assigned a person to investigate how to make value creation from a portfolio perspective more visible," said one CIO.

It was very encouraging to see companies' customers figure as the ultimate stakeholders in the way some CIOs challenged the validity of projects. For example, one CIO illustrated that "[when] people come to me with a project, the first thing I ask is which customer would really want this. I would then also ask 'why?' a couple of times to make sure that we really know why we need to invest. This really helps us flesh out the investment portfolio."

Benefits visibility

"When you look at the impacted business processes, you should be able to see the difference between having spent the money and not having spent the money," said one CFO, formulating a basic belief shared among many CFOs.

The notion of 'post-project reviews' was often just around the corner. A post-project review is a formal evaluation after a project is declared closed. Also called a retrospective, it typically includes an evaluation of the way the project was handled, an assessment of project performance, a formulation of lessons learned, and recommendations for the future.[8]

A number of CFOs and CIOs highlighted the frequent failure to identify the benefits that had actually been realized by the investments in projects. The lack of any form of project retrospective should not only be viewed as a symptom of flawed benefits management, but even more so as a wasted learning opportunity for both business and IT. Benefits management is a management approach that pays specific attention to realizing the potential business benefits from IT-intensive (aggregates of) projects. It puts a focus on realizing business benefits while managing these projects.[9]

The participants that had institutionalized regular project retrospectives did not want to waste an important opportunity for engagement with their demand side. "I expect my IT people to actually sit with the business and check the realization of benefits together," explained a CIO.

Many particpants, however, pointed out the onerous nature of the post-project reviewing exercise and the need to do a decent business case first. Given the pressure of the crisis, participants that seemed to be struggling with putting together decent business cases, very often ended up deferring post-project reviews to their 'nice-to-have' list. Still, it is questionable whether any aspirations for managing projects with a focus on benefits realization can ever succeed without having some form of benefits tracking and tracing in place.

We need to be more in control. The 'C' in our 'PDCA' cycle is what we need to focus on more. CIO

[8] See, for example, Nelson, R., "Project retrospectives: Evaluating project success, failure, and everything in between," *MIS Quarterly Executive*, 4(3), September 2005.

[9] See, for example, Ward, J., and Daniel, E., "Benefits management: Delivering value from IS & IT investments," Hoboken, NJ: Wiley, 2006; see also Ward, J., De Hertogh, S., and Viaene, S., "Managing benefits from IS/IT investments: An empirical investigation into current practice," *Proceedings of the 40th Annual Hawaii International Conference on System Sciences*, Big Island, Hawaii, January 2007.

Theme 3: Serving professionally

For any CIO, being helpful to the business is built on the foundation of having an intimate knowledge of the IT department's cost base. "You simply cannot appear credible to your business partners if you do not have transparency in your costs," acknowledged a CIO. Interestingly, many participants would not point to only the current crisis as justification for creating this transparency, but would also explicitly tie it to what lay beyond the crisis. "We definitely want to use this crisis to build a better base, with less costs, for when the business picks up again," commented a CIO.

Operational excellence

The next ambition is to cut back my cost level by 30% compared to today. This can be achieved by consolidating and integrating. But I need to get the business involved to accomplish this. You need to be operationally excellent just to be allowed to talk to 'the big guys' about strategy or business improvement. – CIO

The notion of operational excellence figured prominently in most interviews. "We try to be operationally excellent and show it clearly to the management and the stakeholders, using key performance indicators," stated a CIO. Operational excellence referred to the efficiency and quality of the IT department's service processes (e.g. help desk, configuration management, and capacity management). The term 'service' is used intentionally here not just to reflect the language used by our interviewees but also to stress the popular ambition of looking at IT management through a service management lens.[10]

"The entire company is on a path to maturity for corporate performance management," commented a CFO. While a more general notion of performance was targeted, creating better visibility on costs to know whether the company – and not just IT – was being operated and managed efficiently was still priority number one at the time of the interview. Thus, specifying and measuring the IT department's service process costs and optimizing its drivers were paramount for each and everyone we interviewed.

That same CFO also made another interesting point. "There is, of course, always a trade-off to be made between control and the cost of control," he said. "We keep it pragmatic." He is right about the trade-off involved. His choice of the word 'pragmatic' here is interesting. Sometimes people confuse pragmatic – that is guided by practical experience and observation rather than dogma – with 'unprofessional.' That is definitely not what is meant here.

IT leadership ought to be aware of the levels of professionalism available in the IT service industry. How else can they credibly claim efficiency, if not by benchmarking against the market? Also, there are quite a few competitive commodity IT service offerings available on the market.

Yes, we are going to spend quite a lot of effort on seeing where we can outsource more. – CIO

The CIO who said, "It actually started before the crisis with an ambition to outsource," was not the only one to make the connection between his efforts to come to grips with his cost structure and the possibility to outsource some of the IT services. Now, more than ever, CIOs seem to be trying to substitute unnecessarily costly in-house services – something they would only know if they actually had good cost visibility – with offerings from the market.

If you know your 'cost-to-serve,' you can do a lot. Transparency is king! CIO

Cost-to-serve

"One of the latest things we have been field-testing is presenting each customer with his own costs of running the business." Picture yourself as a CIO who has an aggregate view of what it actually costs IT to support an internal customer's daily operation. Just imagine the effective dialogue you could initiate with that customer if you said to him: 'This is the set of services you spend

[10] See, for example: Office of Government Commerce (OGC), "ITIL v3 lifecycle publication suite," Norwich, UK: The Stationery Office, 2007.

your money on.', 'This is the list of available services.', 'Did you know you are spending this much money on that service?', 'Is this the service level you need?', 'Did you know we have alternatives?', and so on. These are just a few of the possibilities for pushing and pulling service (levels) in a concerted and transparent way.

For both parties, engagement bolstered by the availability of 'cost-to-serve' information can be a truly eye-opening experience. Just maybe, the business will finally see some of the cause-and-effect relationship between the service they get and what they pay for it.

When combined with benchmarks for other internal customers and the market, cost-to-serve information might not only give rise to the perception of a fair deal. It might also lead to more fruitful discussions at the company level about the advantages of scale and scope for the IT operation. It would certainly help the CIO who said his company was "moving in the direction of a shared service center model."

> Our focus has to be on keeping the business running. This implies being operationally excellent. We are fortunate that our IT is a little bit like an army. CIO

Managing risks

Being operationally excellent is all about smooth execution. This includes not least working to mitigate all sorts of risks that may jeopardize the process or achieving the promised results. This, too, is a plea for professionalism. "Do not hide the risks, make them visible," specified a CIO, pointing to the need for putting risks on the radar before being able to manage them properly. For one, adopting best-practice risk-mitigation approaches avoids making promises that cannot possibly be kept. For example, in terms of best-practice project management, one CIO pointed out that "[the] most dangerous thing you can have is a long, monolithic project – there goes your delivery flexibility. If you can modularize it into six-month, even better, three-month parcels, then you can get to a point where you can reconfigure when unforeseeable challenges arise."

Again, there is a great deal of knowledge available on the market about how to manage risk. Much of the best practices for risk management have been embedded in all sorts of standard best-practice IT management methodologies.[11]

Of course, having a process in place does not guarantee good management. "It is not by 'following the process, and just the process' that you will get good results," warned a CIO. He was concerned about a 'compliance is enough' mindset. He expected his IT people to not solely rely on formal procedure, but to complement it with a good sense for the issues of the situation at hand.

This CIO added that a long-time investment in social networking and knowledge sharing within his IT department was paying off in the current circumstances. "I already invested some seven years in creating communities of practice for IT maintenance people. They are self-supporting systems, and that is truly incredible," he explained. A feather in his cap, for sure. Forging an internal network of best-practice sharing will help achieve higher levels of professionalism.

Whatever you decide or do, there will be risks involved. And some risks cannot be managed by IT alone. IT has a duty, but so does the business. This is certainly the case when the structure or outcome of user-commissioned work is more ambiguous. Many of our interviewees demonstrated a strong sense of duty and a commitment to stand side-by-side with their business on this. "Let me state it like it is: In the past, many business cases were a bit optimistic," commented a CIO. "IT is in the position now to challenge business cases not only on benefits, but also on risk," added another one.

[11] See, for example, Information Systems Audit and Control Association (ISACA), "COBIT 4.1," Rolling Meadows, IL: ISACA, 2007; Project Management Institute (PMI), "A guide to the project management body of knowledge (PMBOK) - Fourth edition," Newton Square, PA: PMI, 2008; OGC, "Managing successful projects with Prince 2 - 2009 edition," Norwich, UK: The Stationery Office, 2009; and OGC, "Managing successful programmes (MSP)," Norwich, UK: The Stationery Office, 2007.

Theme 4: Engaging respectfully

CIOs were pleased with the strengthened mandates they had received from their peers to say 'no' to certain requests from an IT integration or consolidation perspective. The current atmosphere of increased scrutiny provided them with the opportunity to front-load investment decision-making by challenging a project's feasibility as well as its desirability. "We have started to discuss operational and architecture issues in executive meetings, too," said a CIO, relieved to see his business peers appreciate some of the core competencies of his IT organization.

Beyond saying 'no'

While it certainly may sound comforting to many CIOs that they are now allowed to say 'no' more often, the ultimate objective of engaging with the business should, of course, never be limited to just saying 'no.' This was emphasized by the CIO who said, "In 2001, the CEO told me 'You are an advisor.' In 2005, he said 'You are a strong advisor.' In 2008, the message was 'Now you can say no!' But it is never a question of just saying 'no.' It is about saying 'yes' to an option with the right arguments." The engagement pattern put forth by this CIO was one of respectfully challenging a proposal among peers with the ambition of furthering the interests of the organization as a whole.

It is not about discussing the color of the screens anymore, if you understand my drift. Now it is about corporate restructuring and doing it in a manner that does no harm. CIO

Many of our interviewees saw C-level discussions about the IT roadmap, architecture, policies and standards as opportunities for making these artifacts into living, negotiated platforms for executing on a need to (re)orient or (re)focus the organization.

"It comes down to allowing each other to intervene. In this world, there are no strict black and white roles, no lines that cannot be crossed," said one CIO. Intervening was no longer a far-off dream for this CIO. He had worked hard in the years before the crisis to become perceived by his C-level colleagues as professional enough to be included in the decision-making. Now he was invited by these peers to spar with them about the execution implications of strategic options.

We do not have the time to go for the 'best' solution. We figured out that having 'a' solution is better than nothing at all. – CIO

Mindful of the speed at which their industries had been evolving the last couple of years, and instilled by a sense of urgency due to the crisis, many CIOs had developed an interestingly pragmatic attitude toward IT management. As one CIO said, "We have to live with a certain discipline. On the other hand, we cannot afford to take months to execute something. We will not throw away our process but we will focus on cycling through it more quickly. We have to. Let us go with our gut feeling and enthusiasm, but without throwing out everything." His CFO recognized this, when he commented, "IT is becoming much more pragmatic in dealing with architecture. The strict architecture thinking is being considerably alleviated."

Little CIOs

Top-down, collaborative strategic IT planning issues and the co-creation of long-term visions on IT infrastructure and architecture embedded in the design of IT governance frameworks and policies were considered key to growing sustainable partnerships between the business and IT in complex settings. However, such efforts remain in vain in turbulent environments unless companies pay sufficient attention to how they execute that partnership at the level of projects and work.

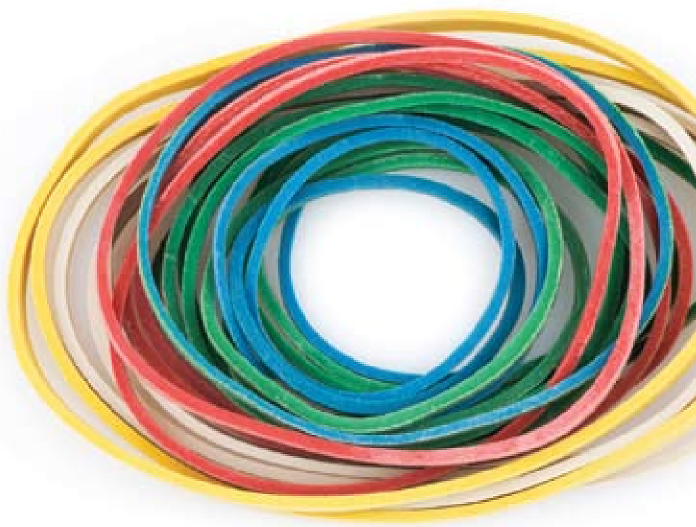
"I want to create more of me. All little CIOs," claimed one CIO somewhat jokingly. Like many of his colleagues, he clearly wanted to let his bonding mindset at the C-level trickle down into the IT organization. He expected his people to show the same critically constructive attitude when engaging with the business, propose pragmatic solutions to business problems, and follow 'just enough' process to guarantee professional execution on the IT side. Moreover, an orientation to the present resulted in his empowering his people to be decision-makers themselves.

Companies of Japanese origin all referred to current efforts to strengthen employee empowerment by taking full advantage of their organizational culture of continuous improvement. "Our company is currently re-invigorating its long-standing tradition of focusing on continuous improvement. My IT people are being exposed to this, too," was one of the comments we heard. Continuous improvement is a management approach rooted in a culture of empowerment where individual members of an organization continuously manage their own work to improve its quality; ideally, using quantitative data analysis and benchmarking.

Bridging a gap in terms of the social skills of my IT people is a priority. CIO

People in liaison roles between business and IT featured very prominently in our discussions with CIOs about what was truly the core of their operation.[12] "My business analysts are my muscle," was an often-heard statement. IT business analysts work closely with the business on improving business processes. IT account managers for business units were another role that came into focus in the discussion about social skills and building long-term relationships.

In places where strategy and operations as well as business and IT meet, people should operate who are able to "sit with their peers and show the ability to listen, learn and influence," summarized a CIO. Not surprisingly, more than one CIO continued to work with the HR department to offer appropriate social skills training for different roles on the bridge between business and IT.



[12] See, for example, Viaene, S., Lutin, L., and De Hertogh, S., "Operationalised business intelligence: knowledge sharing with an enterprise ambition at the Amsterdam-Amstelland Police Department," *Proceedings of the 42nd Annual Hawaii International Conference on System Sciences*, Big Island, Hawaii, January 2009; see also Viaene, S., De Hertogh, S., Lutin, L., Maandag, A., den Hengst, S., and Doeleman, R., "Intelligence-led policing at the Amsterdam-Amstelland police department: Operationalized business intelligence with an enterprise ambition," *Intelligent Systems in Accounting, Finance and Management*, forthcoming.

Do not waste a good crisis

There are many ways to waste a crisis. According to the companies we interviewed, this one certainly does not seem to be suffering that fate. When asked about how IT was being managed in the current crisis, the CIOs and CFOs we met, did not put forward best practices and insights to just weather the storm. Mindful of such information society trends as business-IT fusion and IT user activism, they were ready to challenge out-dated business-IT duality views.

What we observed might very well be labeled by some as counter-intuitive. Not unlike their peers in other functions, CIOs have also been put in a tight spot. Yet, none of the CIOs we met, considered themselves a victim or allowed themselves to be victimized. Rather, they were working ever so hard on earning the respect of their business. The CIOs were ready to grab an oar and help their business shape its future. Possibly even more surprising was the fact that their business peers were actually inviting them to come forward and prove their worth. This transformed the crisis into a great opportunity for CIOs to work on a more effective engagement between business and IT.

We distilled four engagement themes from our interviews: bonding at the top, looking for benefits, serving professionally, and engaging respectfully. These themes characterize a type of engagement that is developing between business and IT where both are ready to ‘lead as well as be led’ in an attempt to further the interests of the organization. Our interviews provided us with extensive evidence of this evolution.

Companies can use the discussion in this article as a yardstick to benchmark their own IT management. They can also use it as inspiration to devise ways – in the spirit of the enriching, constructive and directed engagement demonstrated in this article – to follow the lead of our interviewees.

Appendix 1: About the research

The following criteria were used for including companies in our research: 1) The company had to be seriously impacted by the crisis, both financially and strategically; 2) The company had to have an established reputation among its industry peers; 3) IT had to play a significant part in the company's activities, with IT co-ordination and integration being important issues; 4) The company had to be perceived as displaying best practices in managing IT and, in particular, IT investments. We were aiming for a representation of companies across multiple sectors.

An initial list of companies was compiled on the basis of references we received from a panel of market and academic experts we polled for potential targets. The panel met five times to review prospects over the period March-August 2009. For each target, further data was gathered through desk research and talking with experts to confirm compliance with our set of inclusion criteria. Finally, whether or not we had access to the appropriate IT decision-making authority determined the ultimate list.

Once a target company was confirmed as suitable, an official invitation to participate in the research study was sent by email to the lead representatives of both the IT and finance functions. Although our study primarily targeted the leadership of the IT department, we were also keen to talk to the head of finance. We expected the latter to be able to provide valuable insights about IT governance. It also provided us with a possibility of triangulating some of the evidence gathered from the interviews with the IT leadership.

Of the 53 companies that at one time or the other figured on the list, 26 were actually invited to participate. Finally, 18 companies responded positively to our call for participation. They covered the following industries: distribution (4 companies from automotive, retail, and technology), financial services (2), telecommunications (1), manufacturing (10 companies from automotive, construction equipment, materials and metals, chemicals, consumer business, and technology), transportation (1).

In the period May-August 2009, a team of two researchers conducted 90-minute interviews with 18 IT representatives (CIO or equivalent) and 10 finance representatives (CFO or equivalent).

Interviews were based on a semi-structured approach, starting with a limited set of broad questions, which were then explored further by the two interviewers using probing techniques. Where possible, we asked for documentation to corroborate what was said during the interviews. All interviews were conducted in person, except for one CIO interview that took place over the phone. All were conducted in English, taped with permission, and transcribed for analysis.

Research is subject to bias. We selected companies that were doing comparatively well in terms of managing their IT. Our findings are based on the 'view from the top' of these companies. We aimed at polling IT leadership for their views and their operation's best practices. Interviews with the leadership of finance were used in support.

Appendix 2: IT's diet – losing the first pounds

Rationalize the vendor portfolio

In many cases license agreements have been negotiated separately for different business constituents. CIOs should renegotiate these agreements as one leveraged package. Do not forget to add maintenance and service contracts. Often, there is also a definite opportunity to standardize on fewer technologies.

Switch to commercial-off-the-shelf

Customized packages are expensive to support. They are not always pulling their weight compared to plain-vanilla, commercial-off-the-shelf (COTS) offerings. Why not lead by example and switch to these kinds of offerings where appropriate in the IT department?

Rationalize applications and reports

CIOs should try to establish an overview of the usage levels of all kinds of applications and reports being supported across the organization. Those showing little or no use can very often be decommissioned with relatively little negative impact on IT users. Those with similar functions should be checkmarked for potential rationalization.

Extend infrastructure lifecycles

Extending infrastructure lifecycles means freezing current infrastructure overhauls, reverting to supporting the legacy, and holding off on further investments. This, however, involves a balancing act. Your infrastructure decision-making will shape your execution capabilities for the future. It remains a foundation for enabling learning and growth.

Get lean on external resources

These past years, quite a few CIOs have been investing in variabilizing their cost structure by substituting internal resources for external ones. This is the time to take advantage of this risk-mitigation capability. It allows for scaling back operations without causing too much havoc. However, be careful not to throw out external resources that compensate for critical skills and knowledge not readily available within the organization.

Go for a select set of internals

Although this may be a 'last-resort' measure for some, CIOs should look for ways to trim their own workforce by letting low performers go. However, this should be part of a larger effort to scrutinize the IT workforce for competence needs, redundancies and deficiencies. This exercise will help CIOs distinguish between 'fat' and 'muscle.'

Acknowledgements

The authors of this paper would like to thank the many people that have contributed to this research. We are deeply grateful to the CIOs and CFOs who kindly accepted to dedicate some of their time to participate in the interviews. Similarly, we extend our thanks to their companies. We would also like to express our appreciation to the Vlerick Deloitte Research Chair steering committee, whose members provided guidance, advice and support throughout the research: Christian Combes, Aart Joppe, William Axelsson, Hans De Meyer, Thierry Van Schoubroeck and Luc Lutin. Finally, we would like to thank our fellow academics Guido Dedene and Joachim Van den Bergh for the insightful discussions we had while preparing this paper.

Contacts

Stijn Viaene is an associate professor of management and IT at K.U.Leuven, Belgium, and a partner of Vlerick Leuven Gent Management School, where he chairs the Competence Center Operations and Technology Management. His research zooms in on the many managerial issues in business-IT alignment and information systems management, with a particular interest in realizing the benefits from business intelligence systems.

Contact him at stijn.viaene@vlerick.be. Tel. + 32 16 24 88 45.
Address: Vlerick Leuven Gent Management School, Vlamingenstraat 83, 3000 Leuven, Belgium

Steven De Hertogh is a doctoral researcher at Vlerick Leuven Gent Management School and Universiteit van Amsterdam, The Netherlands. His research interests include business-IT alignment, business intelligence investment management, and IT programme management.

Contact him at steven.dehertogh@vlerick.be. Tel. + 32 16 24 88 58
Address: Vlerick Leuven Gent Management School, Vlamingenstraat 83, 3000 Leuven, Belgium

Olivier Jolyon is a manager at Deloitte Consulting Belgium, within the CIO services group. He specialises in technology advisory services and covers many aspects of IT management, with a particular focus on the financial management of IT and a special interest in business-IT alignment.

Contact him at ojolyon@deloitte.com. Tel. + 32 479 90 31 48
Address: Deloitte, Berkenlaan 8c, 1831 Diegem, Belgium

Christian Combes is a partner at Deloitte Consulting Belgium, leading the CIO services group. He has vast experience in large-scale business process transformation and heads projects supporting CIOs in the evolution of the IT function, in line with the business – from re-organization to package implementation.

Contact him at ccombes@deloitte.com. Tel. + 32 497 59 63 58
Address: Deloitte, Berkenlaan 8c, 1831 Diegem, Belgium

About Vlerick Leuven Gent Management School
Vlerick Leuven Gent Management School has deep academic roots. Founded in 1953 by Professor Baron André Vlerick, the School has evolved into the leading business school in Belgium and one of the top business schools in Europe. The School benefits from the amassed knowledge of the two largest Belgian universities, Ghent University and the Katholieke Universiteit Leuven.

Vlerick Leuven Gent Management School focuses on management education and research to meet the needs of managers and entrepreneurs at different stages in their careers. The School offers an International MBA programme and numerous training programmes for company executives. Close connections with the international corporate world lead to practice-based research in cooperation with numerous companies and organizations. Thousands of Vlerick graduates are successfully operating at top management levels in manufacturing, services, consultancy, and the public sector in over 100 countries.

About Deloitte
Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in 140 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte's 168,000 professionals are committed to becoming the standard of excellence.

Deloitte's professionals are unified by a collaborative culture that fosters integrity, outstanding value to markets and clients, commitment to each other, and strength from cultural diversity. They enjoy an environment of continuous learning, challenging experiences, and enriching career opportunities. Deloitte's professionals are dedicated to strengthening corporate responsibility, building public trust, and making a positive impact in their communities.

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its member firms.

ISBN 978-9-07-885846-1
Wettelijk Depotnummer: D/2009/6482/36

Designed and produced by the Creative Studio at Deloitte, Belgium