

The Need for CIOs to Focus on the IT Organization



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INTRODUCTION

These are challenging times for IT organizations. Headcount tends to be flat and with the growing discussion of a recession, it is hard to believe that many IT organizations will be receiving significant budget increases. In addition, the conventional wisdom is that roughly 75% of IT resources are currently consumed with day-to-day operations, which is a significant increase from how things were just a decade ago. As a result, the resources that IT organizations have to implement new initiatives are decreasing rapidly.

Against this backdrop of constrained resources is the fact that IT organizations are inundated with the requirement to satisfy a wide range of CIO priorities. While IT organizations are never able to satisfy all of the demands that are placed on them, the stress is particularly acute in difficult economic times when resources are scarcer than normal.

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The goal of this IT Impact Brief is to discuss CIO priorities from a variety of different perspectives and to make a recommendation for how those priorities need to be tweaked. To achieve that goal, I will list the five priorities that I would like to see every CIO champion and will explain why I think they are so important. I will then discuss the results of a survey that we recently gave to the NetScout community. That survey asked the respondents a few questions about their CIO. That survey also asked the respondents to list both their CIO's top three priorities and to list what they believe their CIO's top three priorities should be.

The brief will also contain additional insight from interviews that I conducted with two of the survey respondents as well an interview that I conducted with a CIO. The CIO that I interviewed was Stuart McGuigan of Liberty Mutual. Both of the survey respondents work for large financial services organizations. One of the interviewees is the manager of enterprise networks and the other is the network tools architect. They will be referred to in this brief as the Enterprise Networks Manager and the Network Tools Architect.

THE ROLE OF THE CIO

We asked the survey respondents a number of questions about their CIO. Their responses are shown in Table 1. I am struck by how similar the three graphs are. For example, for each question, between a quarter and a third of the survey respondents gave their CIO high marks. My conclusion is that while some members of the NetScout community believe that their CIO is doing a great job, the overall impression given by the NetScout community is that there is definitely room for improvement.

ALIGNING IT WITH BUSINESS

We asked the survey respondents about the alignment of their CIO with the company's business and functional managers. Their responses are shown in Table 1, Question 1.

The Network Tools Architect stated that, "In a company our size, nobody above manager level is very

technically savvy." The Enterprise Networks Manager pointed out that his CIO was hired 18 months ago at a time when his company was beginning to experience significant financial pressure. As a result, the CIO was hired primarily to cut cost and spends 90% of his time on that single goal and hence spends relatively little time driving alignment with the company's business and functional managers.

McGuigan stated that his IT organization was very well aligned with the company's business and functional managers but that this alignment was the result of a lot of hard work. One of the ways that they developed better links with the company's business managers was to adopt an organizational model that was similar to that of the business. In particular, Liberty Mutual is a fairly decentralized organization. As a result, when McGuigan started at Liberty Mutual four years ago he created the position of CIO for each

of the business units. While these CIOs report to McGuigan, they function as if they report to the head of the business unit.

Another initiative that McGuigan credits with improving the alignment of IT with the business managers is that where appropriate they have implemented common technology. For example, they have a highly standardized desktop. Standardization allows them to both cut cost and to improve quality metrics as there are fewer technologies to support. McGuigan did add that they do have an exception process to deal with situations in which the standardized solution does not meet the business need.

OPERATIONAL FOCUS

We asked the survey respondents if their CIO had a strong operational focus. Their responses are shown in Table 1, Question 2.

Table 1

Survey Question	Disagree Strongly	Disagree Moderately	Disagree Somewhat	Neutral	Agree Somewhat	Agree Moderately	Agree Strongly
Question 1: The CIO as Strategic Thinker							
Our CIO is an innovative, strategic thinker who is closely aligned with our company's senior business and functional managers	2.5%	3.5%	4.9%	23.5%	13.7%	21.4%	30.5%
Question 2: The CIO's Focus on Operations							
Our CIO has a strong focus on operational issues such as assuring availability and minimize cost	1.4%	2.8%	3.5%	18.6%	17.9%	22.1%	33.7%
Question 3: The CIO's Grasp on Technology and its Use							
Our CIO has a strong grasp of technology and how technology can be used to drive business value	2.5%	3.2%	7.0%	22.2%	15.5%	22.2%	27.5%

The Network Tools Architect stated that the degree to which his CIO is focused on operational issues “depends upon whether or not it is a huge issue that only he can decide.” He added that cost control is only a moderately important issue in his organization. As noted, The Enterprise Networks Manager stated that his CIO spends 90% of his time on cost cutting activities. He added that in order to achieve cost savings his CIO has driven initiatives such as data center consolidation.

McGuigan said that when he first arrived at Liberty Mutual he spent 80% of his time on operational issues. This approach was necessitated by the fact that they were experiencing an unacceptable level of outages in some of their core applications. Now that the availability issues have been resolved, McGuigan spends roughly 20% of his time on operational issues but this varies by business unit based on their level of business and IT maturity.

LEVERAGING TECHNOLOGY FOR BUSINESS VALUE

We asked the survey respondents if their CIO was a leader in terms of leveraging technology for business value. Their responses are shown in Table 1, Question 3.

The Network Tools Architect stated that his CIO is relatively technically savvy but that “We do not get any earth-shattering direction directly from him.” He added that the good CIOs “know what they don’t know” and that even if a CIO was highly technical at one time, they have been out of the technical realm for so long that they no longer are. The Enterprise Networks Manager stated that his CIO has a lot of experience

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as a software developer and his technical background was one of the primary reasons that he was hired.

McGuigan stated that he regards himself as a business leader who manages technology and that his approach is that any IT expenditure has to have business value. He agreed with the conventional wisdom that after the dot com implosion that IT was seen as having little direct business value but that view of IT is changing.

According to McGuigan we are at a turning point in terms of how the customer gets supported. He added that this type of work used to be very people intensive, but that at an increasing rate this work is being automated and the allowable business processes are determined by the business rules inside of the relevant enterprise applications. As such, business and IT professionals need a higher level of understanding of the applications than was previously necessary. McGuigan also stated that he has adopted an approach that was first stated by one of Liberty Mutual’s senior managers, “There is no such thing as an IT project, just business projects that have an IT component.”

JIM METZLER’S TOP FIVE CIO PRIORITIES

Based on my experience running network organizations for two Fortune 500 companies, the consulting that I do with IT organizations as well as the market research that I perform, below are the top five initiatives that I would like to see CIOs focus on over the next year.

1. Develop a strong application delivery function

I have written extensively about the fact that in my long-term vision it is widely understood that if you work in the IT organization you have one of two jobs: you either develop applications or you deliver applications. Part of this vision is that the two groups (application development and application delivery) work well together and there are few, if any, technological or organizational stovepipes. This is important to me because of my strong belief that all that matters to a company’s business and functional managers is the ability of IT to effectively and efficiently implement and support the applications that they use to run their business. This point was certainly reinforced by

McGuigan when he discussed how labor intensive activities such as customer support are now highly automated.

2. Place more emphasis on developing and acquiring WAN-friendly applications

One of the key characteristics of application development is that it is typically focused on ensuring that applications are developed on time, on budget, and with few security vulnerabilities. Another key characteristic of application development is that it is virtually always done over a high-speed, low-latency LAN. The combination of these two characteristics means that the impact of the WAN on the performance of the application is generally neither planned for nor known until after the application is fully developed and deployed. In too many instances, the result is that the application performs poorly over the WAN. In many cases WAN optimization appliances can improve application performance. However, IT organizations that are serious about improving application performance need to eliminate some of the performance problems in advance by placing more emphasis on developing and acquiring WAN-friendly applications.

3. Break down the organizational and technological stovepipes within IT

One of the reasons that ensuring acceptable application performance is so difficult is that any component of IT can cause an application to degrade. This includes any part of the network (e.g., LAN, WAN, SAN) as well as the servers, operating system, database, security device (e.g., firewall, intrusion detection

system, intrusion protection system, etc.) as well as the application itself. Planning for each component of IT in isolation increases the probability that the overall system will not perform well. Troubleshooting each component of IT in isolation increases the mean time to repair a problem. However, the last time we surveyed the NetScout community about stovepipes the responses were disappointing. For example, only 14% of the NetScout community stated that their company had aligned its IT infrastructure with the application organization. Even more discouraging, only 8% of the NetScout community stated that their company's IT initiatives are planned and funded holistically across all of the IT disciplines.

4. Implement more effective processes both within IT and between IT and the rest of the business

There is always a need for effective processes between IT and the rest of the business in order to ensure that IT is demonstrating business value and is receiving an appropriate level of resources. That need, however, is heightened in tough economic times when there is typically pressure on all support organizations to cut their budgets. The irony is that in challenging economic times, a business is often more reliant on the functionality provided by IT due to the external factors that make it difficult for a business to meet its revenue goals. Accordingly, the business needs to leverage all of the value that it can get from IT. For example, if an IT organization is late deploying a key application such as ERP or CRM—or if the network suffers a significant outage—the business is unlikely to be able to recover and still meet its revenue goals.

There is also tremendous benefit to be had by implementing better processes within the IT organization. In fact, implementing better processes within the IT organization is an absolute requirement in order to realize what I listed above as the top three CIO priorities. In addition, better processes are required in order to reduce the mean time to repair (MTTR) a trouble. In particular, in most organizations today, if an application is behaving poorly, the assumption is made that the network is at fault. This defensive approach to problem resolution has led to the concept of the Mean Time to Innocence (MTTI) for the network organization. That somewhat cute phrase underscores the need to implement more effective processes that eliminate the concept of MTTI and also reduce the MTTR.

5. Cost control

OK, this priority does not have a lot of sizzle. I would rather have listed a priority such as “Align goals across all of IT.” I placed this goal on my list of top CIO priorities to reflect the reality of that job. It is not uncommon for a company to spend 5% of its revenues on IT, therefore it is unrealistic for the CIO to not pay close attention to managing that budget.

I am not, however, suggesting that CIOs should have the goal of reducing the IT budget. I am suggesting that the CIO needs to focus on, and possibly reduce, the unit cost of IT. To put this in context, assume that a voice call costs five cents a minute and further assume that the business makes one million minutes of voice calls a month. This results in a cost of \$50,000 a month. The IT organization has some control over the per minute

cost of voice. It could, for example, implement VoIP, change vendors, or deploy a more cost effective network design. In contrast, the IT organization has very little influence over how many phone calls are made. To be successful, the CIO must concentrate on what the IT organization can influence (the unit cost of IT) and develop an effective marketing campaign to make the organizations that are consuming IT resources aware of what they are doing.

THE SURVEY RESPONDENT'S TOP FIVE CIO PRIORITIES

Table 2 contains the top five CIO initiatives from three different vantage points. The first column reflects what I think should be the CIO's priorities. The second column reflects what the NetScout community indicated are their CIO's priorities and the third column is what the NetScout community stated they believe should be their CIO's priorities. These priorities will be referred to in this brief as Jim's priorities, CIO's priorities, and Rank and File's priorities.

One observation that can be made from the data in Table 1 is that two of Jim's priorities are also two of the CIO's priorities: cost control and develop a strong application delivery function. In addition, the other three of Jim's priorities are also part of the Rank and File's priorities: develop and acquire more WAN friendly applications, break down the organizational and technological stovepipes, and implement more effective processes both within IT and between IT and the rest of the business. Unfortunately, there was no match at all between the CIO's priorities and the Rank and File's priorities.

The Network Tools Architect stated that one of his CIO's top priorities is upgrading the IT infrastructure. While The Network Tools Architect believes that task definitely needs to be done, he also believes that it can be done without much involvement from the CIO. The Network Tools Architect stated that his IT organization is highly fragmented and that as a result, it takes the involvement of multiple departments just to make one simple change. He believes that his IT organization needs to implement more effective processes and to better align the goals of each group within IT. Since this involves cutting across multiple disciplines within IT, The Network Tools Architect believes that the only way they will successfully achieve these goals is with the active involvement of their CIO.

McGuigan stated that one of his top priorities for the next year is situational. Liberty Mutual recently acquired Safeco. As such, one of McGuigan's top priorities for the next year is the integration of Safeco. McGuigan added that another one of his top priorities is to continually

improve their processes. Process improvement is a key priority for McGuigan because he understands the issue raised by The Network Tools Architect. To exemplify the progress that Liberty Mutual has already made relative to process improvement, McGuigan stated that as recently as a year and a half ago, it took his organization one hundred days from when they got a request for a new UNIX server until that server was actually in production. He said that this lengthy implementation interval was because a large number of groups were involved in the implementation and that the groups worked in a serial fashion. As a result of changing their processes, they now implement a new UNIX server in under ten days.

SUMMARY

I have to admit that a large part of my motivation for writing this brief was that I dislike reading articles that merely list CIO's top priorities and do not provide any context for them. I wanted to provide some of that context by looking at CIO priorities from a number of perspectives.

Table 2

Jim Metzler	CIO	Rank and File
Develop a strong application delivery function	Cost Control	Upgrade significant portions of the IT infrastructure
Develop and acquire more WAN-friendly applications	Enhance security	Break down the organizational and technological stovepipes
Break down the organizational and technological stovepipes	Align goals across all of IT	Develop and acquire more WAN-friendly applications
Implement more effective processes both within IT and between IT and the rest of the business	Demonstrate the business value of IT	Implement more effective processes both within IT and between IT and the rest of the business
Cost Control	Develop a strong application delivery function	Simplify IT – the applications and the infrastructure

The conclusion has to be that in addition to those strategic and cost control initiatives that CIOs need to find time to also drive effective organizational change both within IT and between IT and the organization's business and functional managers.

One of the problems that I have with articles that merely list CIO priorities is that these lists often read as if the items on the list are the top priorities for all CIOs. McGuigan highlighted the impossibility of listing the top priorities for all CIOs. In his case, one of his top priorities is situational – integrate a major acquisition. That type of integration would clearly be a top priority for any other CIO whose company had just made a major acquisition and would not be at all relevant to a CIO whose company had not made a major acquisition.

The biggest surprise that I got from doing the research for this brief is the total lack of overlap between what the NetScout community indicated are their CIO's top priorities and what the NetScout community stated

they believed should be their CIO's top priorities (Table 1). The point is not that either view is wrong, they are just very different and reflect very different views of the challenges facing IT.

For example, I was not surprised that cost control is included in the CIO's priorities and is not included in the Rank and File's priorities. As mentioned, this priority lacks sizzle and I was tempted to not include it on my list of priorities. It is also not surprising that strategic initiatives (e.g., demonstrate the business value of IT, develop a strong application delivery functions) are part of the CIO's priorities. In most cases, the CIO is hired at least in part to provide strategic direction.

I was, however, struck by the input of The Network Tools Architect who discussed his fragmented organization, the impact that had on their ability to make change, and the need for the CIO to drive change in this area. As I look at the Rank and File's priorities, a number of these priorities (break down the organizational and technological stovepipes, implement more effective processes both within IT and between IT and the business, develop and acquire more WAN-friendly applications) reflect that input. What the Rank and File's priorities say to me is that most IT organizations have some significant issues and that the involvement of the CIO is required to resolve them because they cut across organizational boundaries. McGuigan clearly gets this. It appears, however, as if he is in the minority.

The conclusion cannot be that the CIO should cut back on their strategic or cost control initiatives. That would not be acceptable to the CIO's manager. The conclusion has to be that in addition to those strategic and cost control initiatives that CIOs need to find time to also drive effective organizational change both within IT and between IT and the organization's business and functional managers.



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