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IT and business are fusing: CIOs

It's going beyond alignment, many say

By Thomas Hoffman and Craig Stedman Orlando | Monday, 24 March, 2008

Forget about mere IT-business alignment. At many companies, the new name of the game is melding together technology and business operations, with CIOs getting a say in setting not only IT plans but business strategies as well.

For example, when Anthony Hill was asked to lead an e-business initiative at Golden Gate University several years ago, what the university's academic leaders were actually asking him to do was transform its entire operating model along business-to-consumer lines.

Instead of the IT department simply supporting business operations, "we now talk about how IT gets in front of the business" and drives it into new ways of doing things, says Hill, who is Golden Gate's CIO.

"IT should no longer be viewed as just an enabler of somebody else's business strategy," he says. "We need to change the dialogue to really eliminate the lines between IT and the business."

Peter Walton, CIO at oil company Hess Corporation, has literally altered the dialogue at the company by banning IT staffers from referring to its business units as *customers* or even *users*. Instead, Walton said he wants his team to treat their fellow employees simply as "company-mates and peers". He even tries to avoid using the word *alignment* internally. It goes deeper than that now, he said: "We're trying to fuse with the business."

That's all part of an effort to stop business executives from "just seeing us as technology service providers," Walton says. "I just absolutely hate being treated like that when we can provide so much to the company." His goal, he says, is for IT to be viewed no differently than the finance and human resources departments are within the company.

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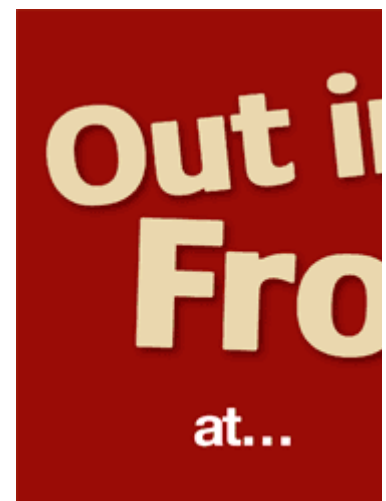
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And the strategy is getting results, says Walton, who plans to retire from Hess next month. He says that as part of a new organisational structure being adopted by the company, the CIO's office will become responsible for managing some core business functions.

In addition, Hess is creating a joint IT and business group that will work outside its day-to-day operations to develop new operating processes and advanced technologies. That unit will combine some of the company's top technical thinkers with geologists, scientists and other workers and report to the head of oil exploration and production, Walton says.

Hill and Walton are part of a growing class of IT leaders who are positioning themselves as activist CIOs within their organisations and working directly with other top executives to influence strategic directions, suggest changes in internal business processes and even lead initiatives that aren't strictly technology projects.

Richard Fox, vice president of IT at PHH Mortgage, has spent the past seven years working side-by-side with the company's sales organisation. Fox says this has helped him to build a rapport with sales executives and develop the kind of credibility needed for him to take the lead on business improvement opportunities.

For example, he points to discussions that he and the sales team are having about potentially changing some of the company's mortgage application processes. "It's absolutely about being proactive," Fox says, "and saying to your business peers, 'I know what your pain points are. Have you ever considered trying this approach?'"


Enzo Micali, CIO at market research firm TNS North America, has a similar outlook on working v units. "I think we really need to challenge the way things have always been done and ask why t done that way, and is there a more efficient way," he says. That approach has worked well for M professional standpoint: last month, he was put in charge of all operations at the firm, which is subsidiary of global market-research firm Taylor Nelson Sofres.

Integrating management of IT and business activities made sense for TNS, says Micali. "We nee are comfortable with a level of change, with taking risks and with being nimble on their feet — a traits of IT people," he says. In addition, he says IT managers are "very process-driven", makin candidates to lead business process transformation efforts.

Cardinal Health recently set up a corporate shared-services organisation, giving its CIO respons aspects of finance and HR in addition to IT, says Dave Hammond, vice president of enterprise I healthcare software and medical instruments.

The deeper business involvement extends beyond the CIO level, Hammond says. He says that a manager is currently running an entire office-building construction project, not just the technolo piece of it. And Hammond himself plans to shift into a product development job at Cardinal Hea IT have a lot to offer on the product innovation side," he says. "We can come in and say what c technically."

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There are some prerequisites for IT executives, though. TNS' Micali says that CIOs need to learn their companies, or else "no one will respect any ideas that you bring to the table." They also have to make sure that their own IT houses are in order, he added, noting that he had to fix some IT infrastructure in North America before looking to influence changes in other units.

It also pays for CIOs to be politically astute. Jeffrey Steinhorn, who currently is CIO for the refining operations at Hess, says that in developing a new IT strategic plan shortly after joining, he started by meeting one-on-one with several business executives to float ideas about internal changes.

That grassroots effort was more effective than "coming out kind of with my guns blazing", says Steinhorn, who has been tapped to replace Walton as corporate CIO at Hess. "It became their strategy, and not a non-event to present the plan to the rest of the executive committee."

Knowing when to push and when to back off is crucial as well, says Golden Gate's Hill. "The organization wants to change," he noted. "You can influence, you can cajole" — but if business executives strike back on their ideas, it might be time to retreat.

With added influence comes added responsibility, and a bigger potential downside for CIOs.

Richard Gius, CIO at Atmos Energy in Dallas, says that he and other CIOs are learning to live with change. When large ERP installations went awry, many IT executives "ran for the hills" and said they were not in charge of the projects, not initiatives, Gius says. "But now you're seeing CIOs become a little more emboldened and think we're stepping up."

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