

Successfully Adapting to Rapid Market Transitions



Successfully adapting to rapid market transitions was the theme of Cisco Europe's recent CIO Day. European CIOs from a range of industry sectors gathered to share experiences in positioning their organisations for short-term optimisation as well as future growth.

The action-oriented debates covered many challenges and highlighted how existing IT models are being disrupted by the concept of 'the power of many', through Web 2.0 and collaborative models. There were five focus areas of discussion:

- The CIO's balancing role
- Innovation for Business Transformation
- Improving Productivity Through Collaboration
- The Challenge of Financing IT
- The Need to be Green

CIOs agreed on the need for the following actions:

- The CIO should support development of a collaboration strategy for the business as a whole, supported by simple collaboration models
- Server and storage virtualisation are just the start – eventually technology will allow every service and business process to be virtualised
- Engage employees – the workforce shapes how technology evolves and vice versa
- Customer-centric innovation needs to be based on providing superior customer experiences, based on relevance, personalisation and ease of access
- Focus on the client (customer) experience – as a customer of IT, the user doesn't care where IT sits but doesn't want to experience different environments, etc.
- IT needs to understand collaboration – understand how people work and interact on a human level and the technology capabilities they need to do so
- New collaborative governance models require IT also to implement a collaborative, cross-functional governance model of its own
- Redefine your end device strategy: enable any device for any service by simplifying the IT architecture to allow for XaaS, with the network and data centres as the platform; don't fight consumer IT – embrace it and make it enterprise quality
- Use Web 2.0 to capture and re-use your company's and ecosystem's knowledge and experience: when you can digitise it, you can scale and re-use it
- CIOs and CFOs need to consider alternative financing options in order to maximise their acquisition and lifecycle technology management
- Sustainability efforts need to be supported by the CIO not just to ensure compliance or meet public demand, but because they save costs, reduce complexity and position the CIO as the enabler of the carbon management accounting process.

The CIO's balancing role

Today the CIO stands at a crossroads. Finding the right balance between doing what it takes to master short-term imperatives and the need to position the organisation for future competitiveness is a critical challenge. The fundamental choice is between pure cost-cutting alone; or trying to combine necessary cost adjustments with future strategic positioning.

A dialogue between John Chambers, Cisco Chairman and CEO, and Rebecca Jacoby, Senior Vice President and CIO, illustrated the importance of the CEO/CIO relationship in ensuring that IT delivers business value. Jacoby told Chambers that her hardest challenge is prioritisation of near-term and long-term and tradeoffs, ensuring a good long-term architecture roadmap with in-built agility – a strong base with flexibility for the future.

Chambers expects Cisco's CIO to support its business leaders, understand the future of the business, demonstrate business value (balancing long-term against short-term) and grasp the importance of collaboration and its potential productivity benefits. IT should be measured on its long term contribution, due to a time-lag between decisions made now and their business impact. The CEO and CIO need to be 'joined at the hip' and share this long-term perspective.

Asked how Cisco introduced collaboration tools and teams, Chambers replied that there was little initial belief in the approach. He had to reward the right behaviours by changing the compensation structure and punishing the siloed mentality – originally, those with data had the power, and some leaders could not adapt; this led him to replace some 20 per cent of the leadership team.

One participant raised the point that collaboration has been around for years, and had not taken off for organisational culture reasons – so why should it work now? Chambers replied that for Cisco, collaboration is imperative because of the sheer diversity of the portfolio and the need to adapt the organisational structure to cope. New tools are plentiful and easy to use; there is no longer a need to have IT involved to hold a video interaction; today several key players are promoting collaboration technology so that it is now virtually mainstream.

CEOs want CIOs to become more business-relevant, with a closer alignment between IT and business strategy. CIO activities, meanwhile, are spread over a continuum, from operations to improvement, enablement and transformation. Those concentrating primarily on enablement and transformation will now need to engage more closely with operational and cost issues; those focused mainly on operations should, if possible, start thinking about new business models to take advantage of innovations and developments in IT.

Computing has evolved from the era of mainframes via the client-server model to the age of networking, and the next big wave of business transformation has collided with the upheavals of the global recession. Several disruptive innovations had begun to transform organisational business models before the downturn began to bite. They include:

- Technology-enabled collaboration, within the organisation and beyond its traditional boundaries, pointing to the emergence of the 'borderless organisation'
- Increased reliance on Web 2.0 tools, creating large user communities that enable new models for innovations in process, products and services. These groups may include employees, customers, partners, suppliers or even competitors
- The emergence of new economic models for IT: cloud computing and software as a service; 'consumerisation' arising from the demand for seamless user experiences

Suggested Actions:

- **The CIO should support development of a collaboration strategy for the business as a whole, supported by simple collaboration models**
- **Server and storage virtualisation are just the start – eventually technology will allow every service and business process to be virtualised**
- **Engage employees – the workforce shapes how technology evolves and vice versa**

Innovation for Business Transformation

For European organisations, competition is today more likely to be driven by innovation than cost. While internal R&D programmes still have an important role to play, forward-looking companies are engaging increasingly with a wider open innovation ecosystem of partners and suppliers. IT helps enable this process.

CIOs identified three organisational models for business process design and optimisation. The strongest influence from the CIO is found where the CIO 'owns' the process and has a team of design experts. Alternatively, the process is 'embedded' in the business, with strong working relationships to the CIO. The CIO's direct influence is less marked when the CIO reports to a COO with responsibility for IT and business process.

In each type of relationship, the CIO needs to find ways of working more closely with the CEO to identify how current IT trends can be harnessed to drive business transformation, and how the organisation can take full advantage of them at the lowest cost. Three key characteristics underpinning the next wave of innovation were singled out:

- Secure, easy access to information and applications – any time, anywhere, over any device
- The spread of advanced communications technologies enabling improved collaboration, especially video-based tools
- The importance of virtual social networks to designing and implementing new business models.

Businesses are being transformed as more companies make innovative use of social networks to speed development and launch of new products and services. Social networks are also opening up innovative relationships with external parties, and the practice could eventually apply across whole sectors, with more organisations willing to consider pooling their knowledge in certain areas of common interest, such as sustainability.

Customer centric innovation: The key role of European CIOs will be to create a superior customer experience. This means identifying what customers are most likely to want in future to command lasting loyalty. Issues to consider for a given innovation include: How relevant is it to the customer? Is it as personalised as possible? Can it be made available quickly and easily?

Web 2.0 enabled innovation: Community-driven innovation demands a new service model, based on 'the power of many'. Web 2.0, enabling users to vote on whether a new service is appropriate, radically improves current self-service models. A 'top down' approach gives way to user choice. A community-based approach encourages development of new business ideas, drawing on the creativity and expertise of the workforce and customers.

Business Process innovation: Collaborative innovation outside traditional boundaries and out-tasking will drive organisations to seek a new balance between sharing ideas and maintaining competitive advantage. This demands choices on which types of data and business process to retain in-house and which to outsource. Process modularisation and partial outsourcing, rather than end-to-end outsourcing, is Cisco's preferred approach.

Suggested Action:

- **Customer centric innovation needs to be based on providing superior customer experiences, based on relevance, personalisation and ease of access**

Improving Productivity through Collaboration

Among current business transformation trends, the most significant for driving higher productivity is collaboration. While it remains hard to define success metrics, collaboration promises estimated productivity gains of five to ten per cent, while some studies suggest a nine-fold differential in performance with better collaboration management.

In contrast, improving transactional or back-office processes has a diminishing impact, and differentiation through improved transactional efficiency is limited. Yet companies are spending on average two-and-a-half times as much on transactional and back office processes as they invest in collaboration. This suggests IT investments need to be reassigned.

Collaboration is not just about technology and systems – it is about people and how they behave. The cultural changes needed to make it work require patience; embedding it in the organisation takes time. Yet the end-result makes the effort worthwhile. For example, research shows culturally diverse teams using virtual, video-based collaboration become more productive than face-to-face teams, but need 17 weeks longer to get up to speed.

Examples of advanced collaboration include Nokia, where convergence is intensifying competition and the company sees a need to educate product specialists on collaborating with people who may also be competitors. At GE, a volunteer support network of internal users has evolved into a huge social network, which has become a key tool for process re-engineering. Business project teams use self-service to create pilots without IT support.

To enable better collaboration, the CIO needs to identify the barriers to its adoption. These are located within business functions; between different functions; in variations of language and culture across a spread of geographies; and in relationships to outside organisations. This includes partners and suppliers where relationships are shifting from transactions on price and delivery to more collaborative models. The first opportunity for the CIO is to foster intra-company initiatives.

Governance: Concerns over the security and policy implications of wider information sharing highlighted a need for a strong governance model, coupled with training to raise staff awareness of appropriate rules. A cross-functional governance model enhances both collaboration and a more connected approach to business operations, while collaboration requires development of governance models based on demand management.

Architecture: The challenge for the CIO in adapting IT infrastructure to enable 'next generation' collaboration involves combining greater simplicity and intuitive ease of use with security. The network needs to be able to handle employee access securely, from home or on the move; to provide access to corporate and consumer applications on any device; and to set new parameters for collaborative interchanges with outside organisations.

Collaboration Tools: Delegates saw a need for simpler and cheaper collaborative models, somewhere between a complex, corporate process and simpler, Facebook-style networking with services attached, but recognised that they may pose challenges to security policies. CIOs would consider innovative financing models, such as monthly cost per user, to acquire collaboration tools.

Suggested Actions:

- **Focus on the client (customer) experience – as a customer of IT, the user doesn't care where IT sits, but doesn't want to experience different environments, etc.**
- **IT needs to understand collaboration – understand how people work and interact on a human level and the technological capabilities they need to do so**
- **New collaborative governance models require IT also to implement a collaborative governance model, based on connected operations (a strategic discipline enabling different functions to collaborate as one, engaging the business as strategic partners)**
- **Redefine your end device strategy: enable any device for any service by simplifying the IT architecture to allow for XaaS, with the network and data centres as the platform; don't fight consumer IT, embrace it and make it enterprise quality**
- **Use Web 2.0 to capture and re-use your company's and ecosystem's knowledge and experience – when you can digitise it, you can scale and re-use it**

The Challenge of Financing IT

IT must above all be seen as a business enabler rather than an expense to cut. Technology needs to be embedded in the business as a key contributor to shaping the future and requires a long-term vision: Cisco has a two to four year strategy and a 12-18 month execution plan for products and capabilities, rather than focusing on the next month or quarter, and sees globalisation as a way to access new opportunity and talent rather than a low-cost play.

It is also true that CIOs have limited room for manoeuvre within their IT budgets. Nine-tenths of the IT budget is generally reserved in advance; spending ratios tend to be static. A good balance is to align 60 per cent to operations, 30 per cent to renewal, and ten per cent to innovation. But in many organisations, the ratio can be more like 80-15-5, or even 80-20-0 – leaving nothing for innovation. Cisco aspires ideally to an equal three-way split.

CIOs need to closely align their IT investments to initiatives that support business priorities. Greater scrutiny of all investment decisions will benefit from a stronger three-way relationship between the CIO, the CEO and the CFO, ensuring closer coordination.

IT strategy alignment: A clear IT strategy, aligned with business strategy, is essential to smooth out the budgetary approval process. Providing regular visibility and updates on IT strategy to the board helps avoid surprises and speeds up approval for IT special projects. Preparing a business case for investment in collaboration technologies specifically is challenging, however, because the benefits are hard to quantify.

Collaborative funding models: Suppliers and partners can help make IT funding simpler and more co-ordinated, exploring opportunities to link a co-operative approach with innovative pricing models – especially in outsourcing relationships. Organisations are considering alternative financing models IT investments, such as leasing, or the possibility of obtaining financial support from government bodies such as the European Union.

Suggested Action:

- **CIOs and CFOs need to consider alternative financing options in order to maximise their acquisition and lifecycle technology management**

The Need to be Green

While a number of delegates felt organisational efforts to improve sustainability have suffered a setback in the recession, the general view was that the issue has moved on from being an optional market differentiator to become a basic business requirement for the future. From the CIO perspective, it is essential that all IT-enabled energy-efficiency programmes are appropriate to business aims and demonstrate an impact on the core business.

The alignment of environmental goals and core business priorities can be improved when cross-functional governance is coupled with Connected Operations. Using cross-functional governance models and Connected Operations to accelerate sustainability is an attractive option during the downturn, as Connected Operations holds out the possibility of achieving operational excellence and cost efficiencies while also advancing the green agenda.

Measurement was highlighted as a key challenge for 'green IT', both within the business itself and in the supply chain. There is a need to move towards automated systems for measuring and monitoring energy consumption and carbon emissions, ultimately providing the same level of visibility and control as the organisation has in its financial system. Organisations should also embrace other ecological factors such as water and waste.

Suggested Action:

- Sustainability efforts need to be supported by the CIO not just to ensure compliance or meet public demand, but because they save costs, reduce complexity and position the CIO as the enabler of the carbon management accounting process.

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