CIO ROUNDTABLE:

The Six Traits of IT-Driven Business Innovators

An Enterprisers Project Virtual Roundtable | May 2014

A recent survey of 420 global business professionals found that companies that empower CIOs and IT executives to pursue IT-enabled innovation see greater levels of competitive advantage. The research was conducted by Harvard Business Review Analytic Services and found that these innovation-driven organizations tend to have six traits in common.

The Enterprisers Project gathered five IT executives in a roundtable to discuss and debate how much they feel each of the six areas of capability uncovered in the research contribute to IT-driven business innovation. The areas are:

- Innovation leadership that starts at the top

- Structure innovation, but move fast and cut the red tape

- Collaborate and seek out new experiences

- CIOs work as business strategists

- IT supports new business opportunities

- Invest in and reward innovation

To learn more about these six traits, download the complete HBR report, "Business Transformation and the CIO Role," at enterprisersproject.com/hbr-report.

Panelist Profiles

PETE BUONORA
Enterprise Architect
BJ's Wholesale Club

ADAM DENNISON
Vice President & Publisher
CIO, CITEworld and Computerworld

JOHN MARCANTE
CIO
Vanguard

TOM SODERSTROM
IT Chief Technology and Innovation Officer
Jet Propulsion Laboratory

AARON STIBEL
Executive Vice President of Technology
Dun & Bradstreet Credibility Corp

ROUNDTABLE: The Six Traits of IT-Driven Business Innovators

Roundtable Highlights

THE ENTERPRISERS PROJECT (TEP): To kick off, how do you feel about this idea of business transformation and the CIO role?

Tom Soderstrom

TOM SODERSTROM: I like the title "innovation accelerator" very much. I've been calling it "innovation enabler" because one of the challenges now is that IT is really challenging the old way of working. So you have really got to work hard on being an enabler to the business and not seen as competition, or pushing too hard. You have got to push hard enough to enable the innovation, but the innovation needs to be seen as coming from the business side. We call it innovation enabler and make doubly sure it's not a competitive thing, but an enabling thing.

TEP: Have you seen scenarios where that has played out? Where IT has either intentionally or inadvertently been seen as competing with the interests of the business?

TOM: Definitely. What happens is every time there is anything new that comes up and once it becomes popular in the press, such as big data, then everybody who has been doing that for a while thinks they are the real big data people. So all of the sudden IT people come in with new skills and say, "Here's this brand new technology, here's a brand new way of doing it." And

that challenges the people who currently have the old skills. The key here is that while they may have the old technical skills, they also have the business know-how. So if you can infuse the new technologies into the existing business know-how, that's success. We've had some successes and some failures and it really translates back to not focusing on enabling first.

Pete Buonora

PETER BUONORA: We've luckily been enabled by our CEO to lead in terms of technology, and we have been asked to take the lead on driving innovation. But it is important to think about: What is true innovation? Because I think it's a loaded term. You get things that are novelties being called innovations all the time. But just because we've switched from "knobs to buttons" in our interfaces doesn't necessarily mean it's an innovation. So what we're trying to do is cut through the noise and find incremental innovations that we can grow organically throughout the organization, as well as identifying more game-changing innovations and using a different approach for those.

ADAM DENNISON: I really agree with what Pete said as far as the term innovation being thrown out a lot. I'm in media and we use it a ton, maybe a little too much. I think the vendor side does as well. There are certainly degrees of it – from disruptive innovation to small innovation. From our research, something that is pretty telling too is that CIOs feel

an increased pressure within their organization to innovate, yet they feel lack of a path to it.

JOHN MARCANTE: I'd love to get the group's perspective on how the CIO gets empowered to be this innovation accelerator. I don't know how the group feels, but I feel like there are a few catalysts to becoming an accelerator. One is internal view – how does IT view itself? Is IT a service provider? Is IT an order taker? Is IT a corporate overhead expense to be managed? IT can drive revenue and drive client loyalty. IT is our business. I think that philosophy is a driver to whether you, as a CIO, are an innovation accelerator. A second driver is external view – how the CEO, chairman, and board view IT. Is it important to them? Are you truly at the table? Thirdly, I think the CIO has to have credibility at the table. So it's hard to say: "Yes, I understand technology, but business strategy isn't my thing." CIOs need to understand the business they are in as well as the technology, because, when you overlap the two, you get business-driven innovation.

AARON STIBEL: Those three things are incredibly true. Over here we innovate a ton from technology. Product and Technology are basically the same team; that's not just external products for our customers, but also the internal products that help the front office or the back office run better, faster, what have you. The three points that you've mentioned are definitely there. I would add: How much of a cache of failure has been given to you? So besides being asked to the table, besides having equal amounts business knowledge and technology knowledge, when somebody asks you to innovate, they don't truly, truly mean it unless they have also prepared you with the necessary run room to fail and fail hard and fail over and

over again. The fifth one, which is a lot like the third, is not just a seat at the table, but when you find friendliness at the table – when you find people that like to go out to dinner together or that like to go out for a drink together. Having those relationships at the table, not just a seat at the table, is incredibly important.

John Marcante

JOHN: That's a great comment. It probably gets underplayed, but Patrick Lencioni's book, *The Five Dysfunctions of a Team*, talks about high-performing teams and serves as our gospel here. You get a lot more done when you have trust and open debate among the C-Suite, and there's no way you're going to have open debate without trust. There's no way you're going to have trust without being vulnerable and having a strong understanding of the business and strong relationships.

Don't fear failure

TEP: Have you all seen alignment between the desire to innovate quickly that the report emphasizes and the need to remove the stigma from failure?

AARON: Yes, it does align itself with the whole failure thing, because there are so many companies where politics come into play. For example, if the CTO is trying to jump ahead and do something that is

typically under the CMOs role, in a traditional company the CMO might just hope the CTO falls flat on his face. You get that more often than not, right? It's easy for me to say things like this because I've been working with this crew for so many years. One of the primary things we hire with here is, "Do I want to have a beer with this guy or this woman?" And it's really, really important in my opinion.

TOM: I think those are excellent points. It's very much our culture, too. The problem we have is we go to places that have never been gone before, do things that have never been done.

AARON: Yeah, I'd actually rather you guys not fail.

TOM: Failure is a bad thing because people have spent their career on it. So what we did is we took the same approach, but we prototype a lot. Let's prototype

> "Structured innovation is a bit of an oxymoron, and I think that's what it's meant to be. It's like structuring fun, or structuring creativity. There is room for a process in innovation that aligns to collaboration and bringing the right people into the process."

smaller things and fail together, and then you can laugh at the failure, but it's a prototype. It's not the real thing, so we can do many things at once but much smaller, and that works in our culture. So we've had tremendous success with the CIO becoming an innovator by focusing on prototyping. And I think prototyping is the solution.

PETER: I think that's a really poignant observation. That's something that's super important and we're working toward

getting to that level. But I agree it's something where if you can get those smaller failures along the way and learn from them and validate that learning and pivot based on that, then hopefully you don't have that massive failure. But it is critically important to have that flexibility.

TOM: Let me add: We changed the expectations. So if you experience failure from a prototype, we really expect to learn something. So how do you fail at that? The only failure is to not do it. So it made it much more tractable to do more prototypes because we learned something from it, and we required that lessons be learned, and we can innovate faster that way. So you can also change the expectations of what success means.

Move fast, cut red tape

TEP: Let's turn our attention to the six characteristics in the HBR report. Do any of them really jump to the top as meaningful and relevant to you?

TOM: For me No. 3, collaborate and seek out new experiences does, especially if it's a CIO-enabled thing. If collaboration is just an IT experiment, it'll never happen. It won't make it into production, whereas if it's a collaboration with the business or a collaboration with a thought leader in the industry that is coming up with new technology, then it will actually happen and be meaningful.

JOHN: The one that stood out to me is No. 2: Structure innovation, move fast and cut the red tape. Structured innovation is a bit of an oxymoron, and I think that's what it's meant to be. It's like structuring fun, or structuring creativity. There is room for a process in innovation that aligns to collaboration and bringing the right peo-

ple into the process. I'm not sure we've actually nailed it. At Vanguard we have a process for innovation. We've got a way to get through the organization and align it to true business needs, and it doesn't stop at a prototype. New ideas get into production and produce value. There is also room for failure—and I think failure is an interesting word. We allow room to disprove your hypothesis, which leads to learning—and learning, by definition, is not failure.

AARON: Move fast and cut the red tape is something that we talk about a lot. Facebook has the motto: "Done is better than perfect." We've totally adopted that phrase. We allow things to get out at 80 percent, which I think is really important for innovation. The other point I really like is No. 4: CIOs work as business strategists. I feel like when I'm sitting down listening, even if it's a topic I don't understand, bringing the analytical and mathematical mind of someone from our world to these problems is sometimes new for maybe a designer, or someone in the sales or customer service organization. So it's both rewarding and fun to be able to listen to things I've never heard before and see if either I or someone in my organization can help. So I love the idea of the CIO as the business strategist.

PETER: Structure is important, so that you're not perceived as flailing around trying all these different things that are shiny and new. It's not just, "Oh yeah, we failed and we learned a lesson from it." Instead, it's about how we've experimented and basically seen that validated learning through standing up there and getting it in front of our customers, whether it's a finished product or not. That way you don't spend nine months building something that nobody wants, and that's critically important.

Adam Dennison

ADAM: I would say No. 2: Structure innovation but move fast and cut the red tape. That's something that we try to do here at IDG. I love the: Let's get it 80 percent baked and get it out the door. Also, getting the new perspectives. We've recently had our CEO change, where our previous CEO has actually moved up two notches to the global CEO of all of IDG. And then we had an executive from our international division take over IDG Enterprises, which is where I sit. And he's pretty big on cutting down some of the silos that exist within IDG and making us work in different, smaller groups to see if we can add some new perspectives. I think knowing when to cut ties with something is really important. And I think that's an area where we can probably do much better.

Creating a startup culture

TEP: The Harvard Business Review report also highlights some areas where innovation accelerators will surge ahead, such as customer engagement and insight; business models; products and services; end-user processes; supply chain/partner operations; and internal enterprise operations. In which areas of the business are you using innovation to move forward?

PETER: We're definitely focused right now on customer engagement, customer interaction, loyalty, understanding our customers and being able to give them the best experience possible, making their lives better. Absolutely hands down that's it. Where that comes into play is our system of engagement, and also in the mobile space, not just from the enterprise perspective but from the customer perspective.

TEP: To that point let's ask the group: Is there any conflict in putting something out there that's 80 percent complete? Is there any concern that yes, you might get some customer insight, but it might be at the expense of other customers?

AARON: Over here, that's the way we operate. We always say we'd rather spend a couple of dollars putting an 80 percent product out that has high demand and ends up breaking a lot and have to go into a fire drill to fix it, than spend a million dollars in a year putting out something that nobody wants. So our culture is aligned with the 80 percent solution. And trust me, we have done plenty of fire drills to fix stuff that we put out that ended up having a higher demand than we thought. So for us the answer would be no.

TOM: Paradoxically we do the same thing, the 80 percent, but inside. When we put something out on Mars it better work. But being able to move at something 80 percent complete internally is helpful. We're looking at how startups innovate, and that's the new goal for us. They have 100 percent focus on getting something done really fast, and then they create the minimum viable product and let the customers give them feedback and then fix it, if it needs fixing. It may be that nobody wants it. So that's the approach we're taking. The worst thing we can possibly do is to make something absolutely perfect, and then by the time it's done, nobody wants it.

AARON: Tom, you used the term Minimum Viable Product. We probably use that phrase MVP over here probably more often than any other phrase. It's humorous because our CEO thinks it's hysterical because he thinks of MVP as the Most Valuable Player – the best thing possible – and we're literally talking about the opposite.

TOM: One of the things we did at JPL is we took the idea of startups and did it inside our very formal enterprise and it worked great. We just did a startup inside, kept all the policies out, and gave them 100 percent focus and made a startup open environment, and it worked. So I think we can all do those things. It used to be called skunkworks. Now you can do smaller skunkworks inside your organization.

Aaron Stibel

AARON: We did the same thing. We were noticing that some of these smaller projects that we gave these killer developers to do over the weekends were going a lot better than some of the bigger projects that we had many people and some consultants working on. We actually transformed the entire technology organization into groups of startups. I'm literally looking outside this conference room and we're a big open space and every table has at least 10 seats, and every table is a different startup. We've actually wrapped this whole culture of the startup around every single project we do internally. So we'll move these

people, project managers, engineers, Q&A, everybody to all sit together and act like a little startup. And by the way, that physical move of people helps tremendously.

TOM: I agree. We're part way there. I like what you said there. We're probably going to copy you.

JOHN: At Vanguard, we're big loyalty people. It sounds like many people on this roundtable are also big loyalty people. Client loyalty is our primary outcome measure for all of our businesses and it plays a vital role as we roll out new technology. We identify a group of clients who are wildly passionate about Vanguard and, at the same time, tech-savvy individuals, and we give them an area to play. We produce our 80 percent, and give it to them in a beta version. We allow them to play with it, and then evaluate what we would call touch point loyalty or touch point Net Promoter Score, where the measure is just of that service or that product. Our goal is to increase loyalty over time by providing a better client experience.

Commercializing initiatives

TEP: The report also found that innovation accelerators have commercialized some of their initiatives. Two rose to the top sharply, using IT to make products and services smarter and sell information around them, and offering an internally developed capability as a cloud-based service. Do those two answers track with your experiences?

TOM: Definitely, both inside JPL and what

we're seeing outside. The cloud is really the big enabler. You can get anything as Software as a Service, and then you need some inside, some outside so it becomes Platform as a Service. And you can now partner differently. You don't have to come into our infrastructure or our security policies to partner with us anymore. We can do it in the cloud. So that's a big deal. And being able to have IT create things that other people can sell is also really a drastic change for the IT organization and the CIO. It's very positive and I would definitely agree with that.

AARON: I would say it works both ways, especially with cloud and SaaS. We transformed all of our products into SaaS products in our transformation utilizing some cloud technologies. So we provided our product as cloud SaaS products. But we also, at the same time, transformed our internal organizations to use offerings in SaaS and cloud, which streamlined our organizations. For example, the phones. We have almost 1,000 inside sales people using the phones. And the organization that we took over had about 15 premise guys running the phones plus two consulting groups. It was just a nightmare. We moved to a cloud vendor, and now we have one person who worries about the phones, and I rarely worry about the phones. Now I get to worry about product. And when I look at our organization, we are really just product people in technology. We're not as much infrastructure people. So it works two ways. (A) We're innovating by offering our services in the cloud. And (B) we're taking advantage of cloud technologies to make us more innovative.

> *We actually transformed the entire technology organization into groups of startups.*

PETER: We don't have any SaaS services that we sell. We're definitely starting to take advantage of cloud computing, SaaS, and Infrastructure-as-a-Service models. The key is really in the best use of our resources. If we can redirect resource time and effort away from those intiatives that would add little business value by moving them to SaaS and use other cloud models like IaaS/PaaS to move quickly on growth and transformative areas then that is a big win.

JOHN: In the financial services industry, companies that can get to a utility-based model where we can pay for what we use, provision services quickly, get better insight faster, deliver faster, and deliver at a lower cost point are going to win the game. I think, historically, the required technology investment has been a large barrier to entry. But, the cloud has turned that on its head. We are finding new and emerging competitors taking advantages of cloud computing. And, if you're going to be late to this game without a cloud strategy, you're going to be in trouble. I think progressive companies understand that technology plays a vital role in keeping them on top.

TEP: Any closing thoughts?

TOM: I'm looking at the long-term future, 15 years or so, and one of the things that's changing, is that everybody who is coming into the business now is IT savvy. So there is a lot of workforce that is out there in the business units that are very strong in IT. So if we can use them to develop services that we sponsor, now we don't have to pay for it, because they're doing that work anyway.

JOHN: We talk about innovation and the CIO role as an individual, and the reality is that "understanding technology" is a competency that is required of the senior team. I, of course, cannot imagine an IT professional not understanding the business and the technology. Equally, I can't imagine a business leader in today's world not being tech savvy. I think it's a competency a winning management team must have.

TOM: I think it's a big shift. I think it's coming.

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