IT Quarterly

A Journal for CIOs and Their Leadership Teams

CEB

WHAT THE BEST COMPANIES DO

IT Quarterly

A Journal for CIOs and
Their Leadership Teams
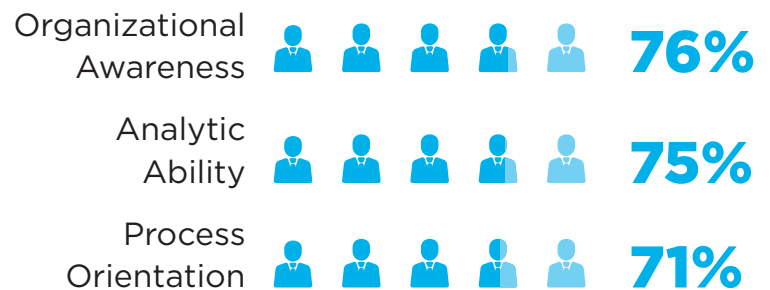
Contents

Spotlight on Business Engagement

Infographic of the Quarter

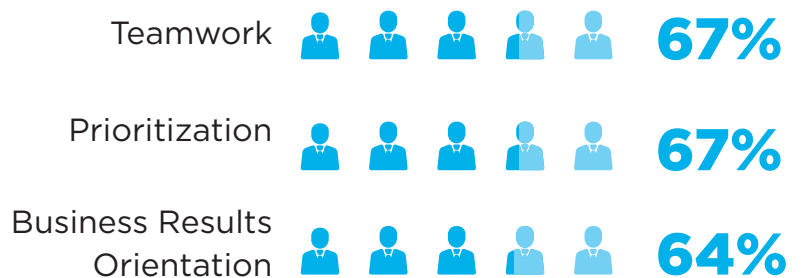## Three Insights on the Competencies Every Adaptive Workforce Needs

1. **An adaptive workforce requires new competencies.**
   Adaptive IT organizations require 12 core competencies that define world-class IT professionals.

2. **Less than half of IT employees are proficient in engagement competencies.**
   A majority of IT employees lack proficiency in the competencies critical to engagement.

3. **It's time to change your competency model.**
   IT leaders must change how they define competency models and help IT staff demonstrate the 12 competencies that define world-class IT professionals.

IT Employee Proficiency Across Competencies
Percentage of IT Employees Who Are at Least at the Proficient Level[a]

● **Relative Strengths**

Organizational Awareness — **76%**

Analytic Ability — **75%**

Process Orientation — **71%**

● **Potential Strengths**

Teamwork — **67%**

Prioritization — **67%**

Business Results Orientation — **64%**

n = 2,957.
Source: CEB 2015 IT Talent Assessment.
[a] "Proficient" is defined as scoring a 3 on the competency on a 5-point scale. Employees are defined as "at least" proficient if they score a 3, 4, or 5.

Development Needs

Creativity — **58%**

Learning Ability — **57%**

Communication — **57%**

Decision Making — **55%**

Critical Competency Gaps

Relationship Management — **50%**

Influence — **46%**

IT employees need more proficiency in the competencies necessary for engagement activities.

We can assess the potential of your staff against the 12 competencies of a world-class IT professional. Find out how.

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cebglobal.com/it-talent

Four Engagement Models Every IT Organization Must Adopt

By **Andrew Horne**

IT leaders have long worried about the best ways for their function to work with stakeholders elsewhere in the business and beyond.

Many well-worn solutions exist, which include creating business liaison roles, setting up steering committees, and fostering business skills in the IT team. But in 2015, three trends are changing how stakeholders want to work with IT, causing IT leaders to take a fresh look at their engagement models.

Trend 1: Business Leaders Take on a Greater Role in IT Decisions

Today, 72% of executive priorities rely on technology, and technology increasingly matters in areas such as product development, marketing, and sales—where many companies gain their competitive advantage. As a result, business leaders seek more authority over technology decision making, and 74% are willing to lead technology projects themselves—what we call "business-led IT." To navigate this change and to help the enterprise maximize returns from **all** technology investments (not just the ones led by IT), the IT team must adapt to different contexts and flex when and how it gets involved.

Trend 2: IT Must Better Sense End-Customer Needs

As IT gets involved with more technologies that directly affect the end customer, IT leaders can uniquely help the enterprise frame the way its products and brand are experienced. This is even more important as advances in consumer technology and demographic shifts combine to increase consumer expectations for usability and interface design. IT must flex whom it interacts with and work to better understand the needs of end customers, external agencies, and channel partners.

Trend 3: Tools Outstrip Competencies

In their enthusiasm for new technology, particularly for big data and social collaboration, business leaders underappreciate the burden on employees who use the resulting analysis and networks to make decisions. Employees are hitting the limits of their ability to interpret and use larger and faster-changing sources of information and to take full advantage of broader networks. In most organizations, responsibility for analytic and collaborative skills development is unclear, and although IT cannot go it alone, it can play a valuable role when working with HR and line management.

Evolve IT's Engagement Models

In response to these three trends, IT organizations must evolve how they engage and enable business partners. Specifically, IT must be **adaptive** in how, when, and with whom it interacts. To help the enterprise extract full value from technology, Adaptive IT organizations shift among four engagement models—choosing to deliver technology solutions, consult, broker, or coach—as the operating context dictates.

- **Delivering:** This is the traditional engagement model in which IT owns the process of deploying technology functionality. Although delivering remains a frequent engagement model, the way in which it occurs often looks different. For example, IT might deliver

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by selecting and managing a cloud provider, rather than buying packaged software to run in-house.

- **Consulting:** As business leaders increase ownership of technology decisions, IT should offer advice and resources to ensure they get the most from their technology investments (Figure 1). Many of IT's areas of expertise can benefit business leaders. For example, business leaders can consult IT on project and program management, information management, business architecture, and embedding technology into strategy.

- **Brokering:** Organizations face an increasingly wide range of sourcing options, including start-ups and cloud providers who seek to work directly with business leaders. In response, IT can provide the frameworks and connections that business leaders need to make effective technology sourcing decisions (Figure 2). This support goes beyond guiding vendor selection decisions to include advising on metrics to measure and manage vendor performance and providing frameworks to assess whether the existing vendor portfolio is suitable for the organizations' evolving needs.

- **Coaching:** Technology is worthless if users lack the skills and judgment to use it. This is particularly true for burgeoning investments in big data and collaborative tools where the functionality offered already outstrips most employees' abilities. In this engagement model, IT focuses on developing employees' skills to help them fully harness the enterprise's technology and information

Figure 1: Prevalence of IT's Consulting Capabilities

Percentage of IT Organizations Indicating They Guide Business-Led Technology Decisions
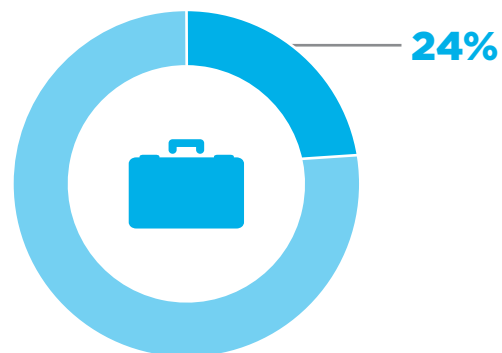

13%
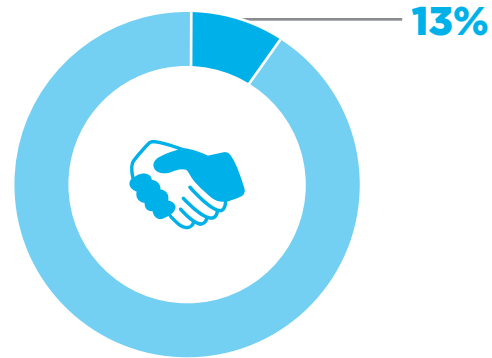
n = 80 IT organizations.
Source: CEB 2015 IT Functional Maturity Diagnostic.

Figure 2: Prevalence of IT's Brokering Capabilities

Percentage of IT Organizations Indicating They Provide Support for Business-Led Sourcing Decisions
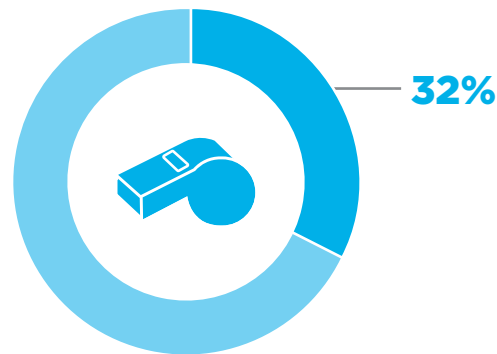

24%

n = 80 IT organizations.
Source: CEB 2015 IT Functional Maturity Diagnostic.

(Figure 3). To free up resources for these coaching efforts, progressive IT teams are migrating more traditional technical support for users to self-service.

Redefine Engagement Models, Not Roles

In all but the very largest organizations, these four engagement models are just that—models, rather than dedicated roles. For example, depending on the business context and need, consulting could be provided by a business relationship manager, a service manager, an architect, or a project manager (Figure 4). Similarly,

Figure 3: Prevalence of IT's Coaching Capabilities

Percentage of IT Organizations Indicating They Coach Employees to Use Technology

32%

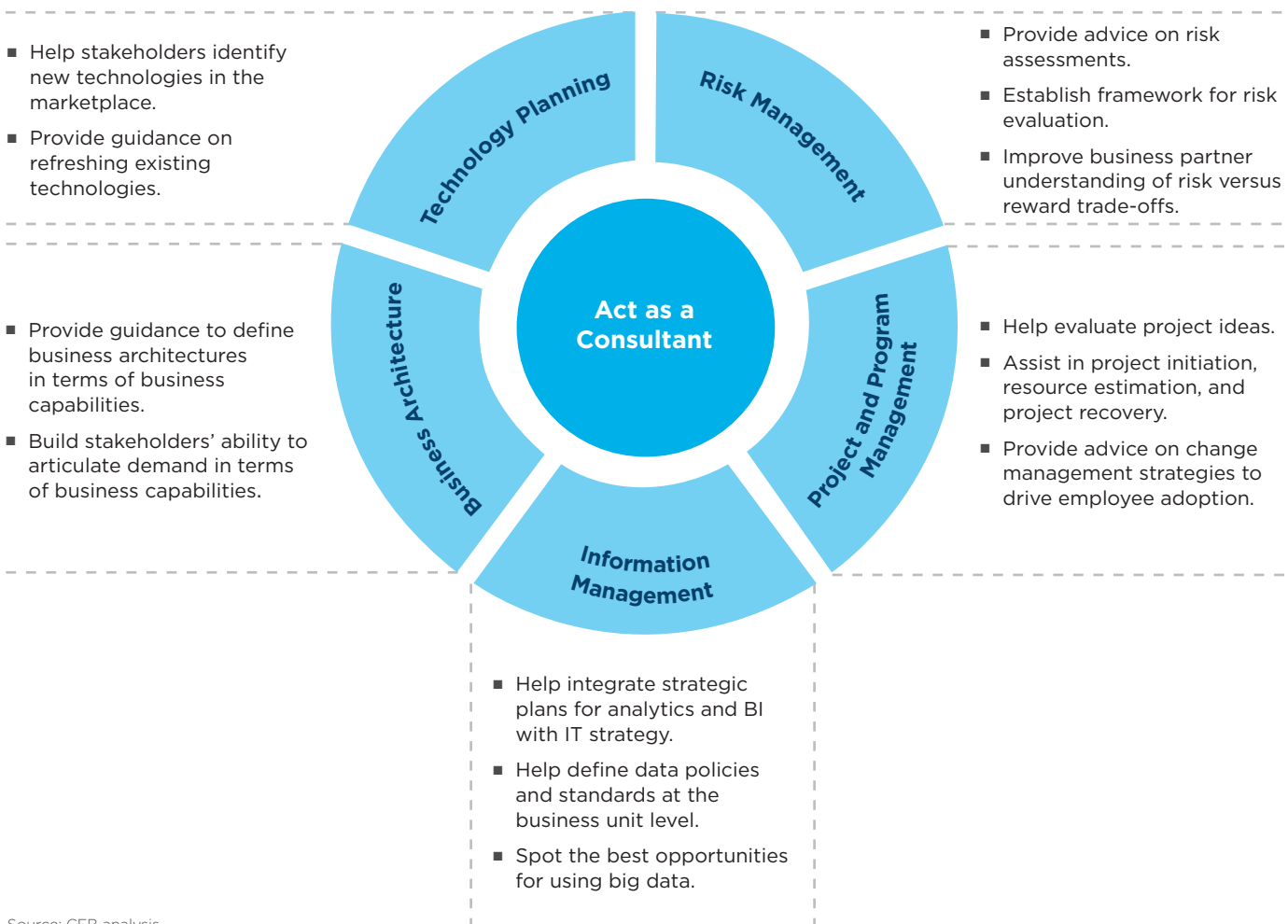*n* = 80 IT organizations.
Source: CEB 2015 IT Functional Maturity Diagnostic.

Figure 4: Areas Where Business Partners Benefit from IT Expertise

Technology Planning
- Help stakeholders identify new technologies in the marketplace.
- Provide guidance on refreshing existing technologies.

Risk Management
- Provide advice on risk assessments.
- Establish framework for risk evaluation.
- Improve business partner understanding of risk versus reward trade-offs.

Business Architecture
- Provide guidance to define business architectures in terms of business capabilities.
- Build stakeholders' ability to articulate demand in terms of business capabilities.

Act as a Consultant

Project and Program Management
- Help evaluate project ideas.
- Assist in project initiation, resource estimation, and project recovery.
- Provide advice on change management strategies to drive employee adoption.

Information Management
- Help integrate strategic plans for analytics and BI with IT strategy.
- Help define data policies and standards at the business unit level.
- Spot the best opportunities for using big data.

Source: CEB analysis.

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coaching could come from the service desk, an information architect, or a developer in an analytics team.

This flexibility doesn't always come naturally to IT teams, so IT leaders should focus on building an adaptive workforce—one in which their teams have the skills and mind-set to flex between the four models as the context dictates. IT leaders who get these four engagement models right will increase IT's impact on value creation from technology, whereas those who stick to a traditional delivery-focused engagement model will find that IT is suited to only one increasingly rare context.

Take Action [1]

- Understand what Adaptive IT means for your organization. | Adaptive IT: The Future of Corporate IT
  (All IT memberships at CEB)

- Identify when IT should act as a consultant. | Risk and Reward Framework for Shallow IT and Development
  (CEB CIO Leadership Council)

- Define IT's brokering role. | Competitive Infrastructure: Shifting from Utility to Broker
  (CEB Infrastructure Leadership Council)

- Develop IT's coaching skills. | Overcoming the Insight Deficit
  (CEB CIO Leadership Council)

[1] Access to these resources is available only to members of each program. Please contact your CEB account manager or e-mail IT.Support@executiveboard.com if you would like to learn more about this content.

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In 2014, CIOs responded to rising customer expectations by spending more of their budgets on the end-user experience. Are you keeping up with your peers?

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Metrics Include:

- IT Expenditure as a Percentage of Revenue
- Expected Change in Total IT Expenditure
- IT Expenditure Allocated to Cloud and Mobile Development
- IT Project Budget
- Degree of IT Outsourcing
- IT Staffing Ratios

When to Participate

16 June–31 July 2015

Use the IT Budget Benchmark to:

- Validate budget and staffing plans against peers,
- Build your business's case for new capabilities,
- Calibrate what and how much to outsource, and
- Save time when creating your 2015 budget.

Learn more.
Contact your account manager, or e-mail IT.Support@executiveboard.com.

Managing Business-Led IT: Visibility Is Not the Answer

By **Kate Sedano**

More than three in four business leaders believe that IT's speed is important to their ability to rapidly launch new products, enter new markets, and respond to changes in demand.

But today, 63% of business leaders believe that their organization's IT department responds too slowly. So it's no surprise that business partners have taken greater responsibility for and ownership of technology investments.
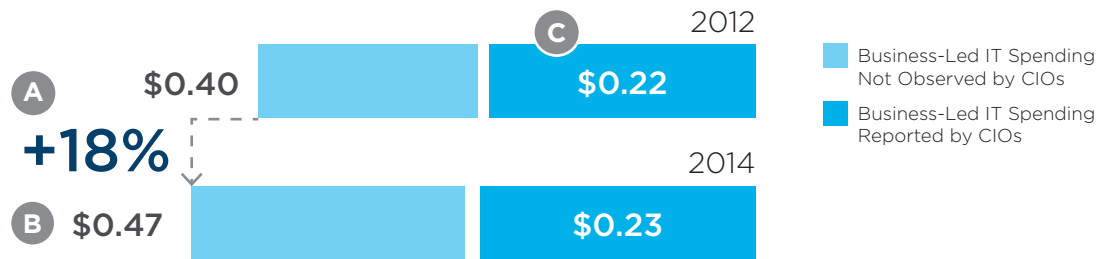
Two years ago, we showed that business partners were spending forty cents for every dollar in the corporate IT budget. By 2014, that number had grown by nearly a fifth (Figure 1A). Now, business partners spend forty-seven cents for every dollar spent by corporate IT (Figure 1B).

Although the "usual suspects" contribute to this forty-seven cents (e.g., Marketing), they are certainly not alone. Business partners from all corporate functions are willing to experiment with a broad range of new technologies and invest their budget in these projects (Figure 1D).

Figure 1:
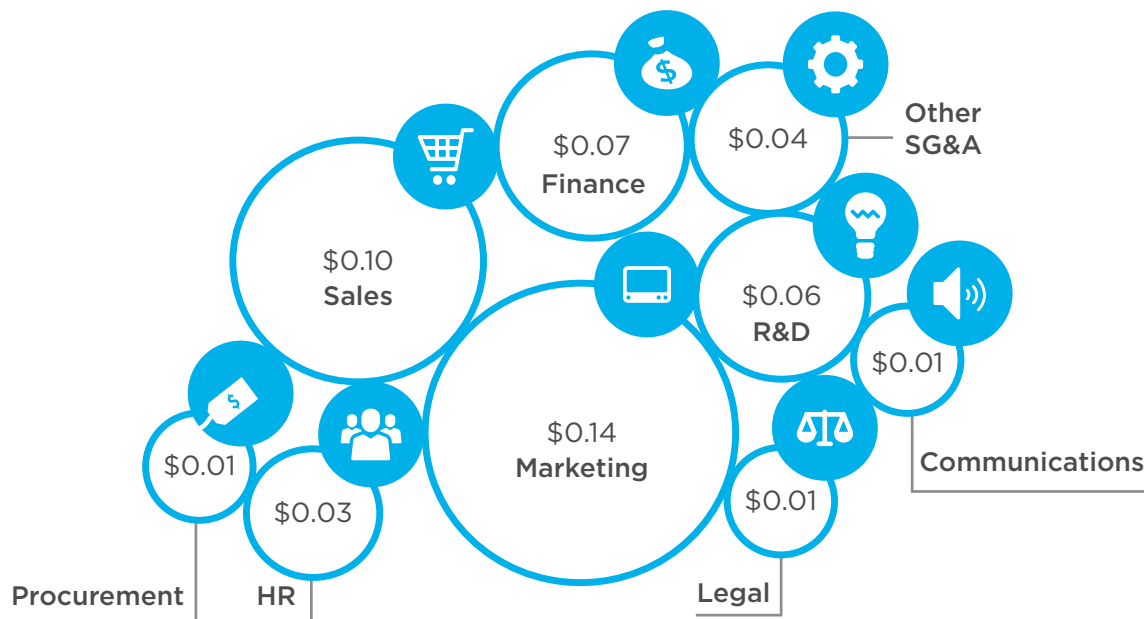# Four Truths About Business-Led IT Spending

Technology Spending Owned by Business Partners
In Addition to CIO's Budget

A $0.40   **C** **2012** $0.22

+18%

B $0.47   **2014** $0.23

Business-Led IT Spending
Not Observed by CIOs

Business-Led IT Spending
Reported by CIOs

n = 166.
Source: CEB 2014–2015 IT Budget Benchmark.

A Business-led IT spending has grown 18% over the past two years.

B Business-led IT spending now equals 47% of corporate IT spending.

C CIOs underestimate this spending, reporting only half the actual amount.

D Most corporate functions fund business-led IT initiatives, not just Marketing.

Technology Spending In Addition to CIO's Budget, By Function **D**

$0.07 Finance

$0.04 Other SG&A

$0.10 Sales

$0.06 R&D

$0.01

$0.14 Marketing

Communications

$0.01

$0.03

$0.01

Procurement   HR   Legal

n = 166.
Source: CEB 2014–2015 IT Budget Benchmark.

CIOs have tried to support business partner–driven technology initiatives by increasing the visibility IT has of these business-led IT projects. However, they have often fallen short. For the past three years, CIOs have consistently underestimated business partners' technology spending by half (Figure 1C).

To more effectively support business partners' technology decisions, CIOs should focus less on gaining better visibility of these investments and focus more on activities that support business partners' ability to make those decisions successfully. Specifically, CIOs should do the following:

- **Offer Multiple "On-Ramps"—**Being involved at the start of every project requires full visibility into business partners' upcoming initiatives, which our data shows is unlikely. Instead of trying to be involved from the start, CIOs should set up IT so that business partners can start engaging with IT at different stages of a project. This approach will increase the frequency with which IT can impact business partner initiatives, as business partners will be less likely to feel that it's too late to work productively with IT.

- **Flex Between Engagement Roles—**Business partner demands will vary depending on the nature of the project, the role of technology, and the stage in which they start engaging with IT. IT teams must be willing and able to flex their role accordingly, shifting between consultant, broker, coach,

and deliverer, depending on where IT can contribute most effectively and be most supportive of business-led IT (see "Four Engagement Models Every IT Organization Must Adopt").

- **Expand IT's Stakeholder Base—**Frontline employees often have some of the best ideas for how to use technology, but most IT functions don't have good mechanisms for or roles dedicated to engaging with these employees. To gain insight on the technology ideas and needs of frontline employees, the best IT organizations will expand how they engage with frontline employees, shifting engagement resources away from senior leaders. To do so, the **entire** IT organization, not just staff at the IT–business interface, will need to develop an employee-focused mind-set. This approach will help position IT at the forefront of new technology ideas and, in turn, better enable IT's support of those initiatives.

Take Action [1]

- Learn more about the current state of business-led IT during this upcoming webinar. | Harnessing Business-Led IT *(CEB CIO Leadership Council)*

- Benchmark your organization's functional technology spending as well as other critical spending and staffing metrics. | CEB's IT Budget Benchmark *(CEB CIO Leadership Council)*

[1] Access to these resources is available only to members of each program. Please contact your CEB account manager or e-mail IT.Support@executiveboard.com if you would like to learn more about this content.

The ITQ Interview

Amy Northcutt,
CIO of the National
Science Foundation

The National Science Foundation (NSF) is part of the US government and is charged with promoting the progress of science. Stakeholders of NSF IT include the science, engineering, and education research communities; the public; and NSF staff. Amy Northcutt joined NSF in 2001 as Deputy General Counsel. She was appointed CIO in 2012. In this capacity, she is responsible for NSF's IT investments, governance, policy, and planning. IT at NSF enables the receipt, review, and funding of proposals for scientific research to advance the public good.

Ms. Northcutt holds a JD from Boston College Law School, an AMRS from the University of Chicago, and a BA from Smith College.

What business trend do you think will be the most transformational to IT in the near term?

The ability to access and leverage data; with data as the currency of the day, mission success depends on broadening access to data and deploying the right analytics capabilities to enable leveraging the data.

What one aspect of your role has changed the most over the past few years?

The community of NSF IT stakeholders has grown significantly. NSF has embraced the US government's Open Data mandate, which broadens our stakeholders to anyone who might want access to NSF

data. Perhaps more important, NSF has publicly released a plan for increasing access to the results of research funded by NSF. Although the research results are not NSF data, we are committed to expanding access to the results of the research we fund. With this initiative, NSF's IT stakeholders now include researchers we will never meet but who might accomplish significant scientific breakthroughs because they have access to the results of research funded by the NSF. As CIO, it is important to ensure that the interests of these known/unknown stakeholders are represented as we make decisions on information management priorities.

What would your business partners say is your IT organization's biggest accomplishment in the past three years?

My sense is that a shift toward more transparent and collaborative decision making around IT investments is valued by our internal stakeholders. It's difficult to earn the confidence of business partners if an IT organization doesn't use a transparent, open, and predictable process for investment decision making.

Prior to serving as NSF's CIO, I served as Deputy General Counsel and was a member of NSF's IT investment oversight committee. From that experience, I brought into the CIO role an awareness of the challenges that can result when investment decisions are not fully transparent. My top priority as CIO has been transitioning to a more open, inclusive, and predictable governance model.

In addition to meaningful process improvements, I think we're also benefitting from improved communication. I sometimes consider my most important role as "translator in chief," facilitating communication across two worlds: the world of IT and the world of the business partner. If we can move toward clear communication, we're one step closer to empowering business partners and deploying information technology to assure mission success.

What is unique about your IT organization?

Our IT organization has deep, extensive knowledge of NSF's business processes, and my IT colleagues are particularly open to working closely with business partners. These attributes may not be unique but they facilitate effective communication and positively shape the culture in which the IT organization and business partners work together.

What do you think is the biggest risk IT organizations face today?

The risk of not broadening the conversation about IT beyond the IT organization; a "command and control" mentality toward IT operations and decision making places the IT enterprise at risk. Given the prevalence of technology today, IT organizations now have access to a technologically literate workforce; at a minimum, today's IT organization serves a workforce that brings to the workplace new expectations regarding

the performance, reliability, and usability of IT. An IT organization built around a traditional command and control model might view this shift in the workforce's technology competence ("IT IQ") as a nuisance or threat, but a vibrant, effective IT shop will see a workforce with a high IT IQ as a valuable resource that will improve the IT enterprise as a whole. IT will execute its job better when more business leaders bring technology interest and expertise to the table. Moving away from control toward collaboration and influence is not necessarily a natural shift, so it's a real challenge.

What development tactic has had the single greatest impact on your staff?

At the recommendation of our IT organization, NSF's IT governance bodies consciously chose to shift toward continuous and iterative development of IT systems. This approach requires greater involvement from business partners but provides greater flexibilities and more immediate accountability.

What new skills are you looking to source—through hiring, training, contracting, or outsourcing—in your \IT organization in the next several years?

Because of the importance of data analytics, we are wrestling with how best to resource, structure, and deploy the NSF workforce to fully utilize data. It's important that both IT and business owners understand the role of data in informing critical decisions and be knowledgeable about how to access and analyze the data to support decision making.

How do you define your personal success?

An ability to wrestle with a confounding, complex challenge— deconstruct the problem, grow the considerations relevant to the problem, change the angle of approach, open up space for reimagining the problem and possible solutions—and bring creative, constructive thinking to the table.

What do you consider essential reading (or listening or watching)?

Memos and directives from the Executive Office of the President, NSF's Strategic Plan, the *New York Times*, the *Washington Post*.

If you weren't a CIO, what other career would you have?

I am a lawyer by training and experience, and I very much enjoy legal practice. If I were to begin again, I might want to follow my heart and become a musician. I'm drawn to the beauty of music, the interweaving of structure with creativity, and the dynamic interplay between a single instrument or musician and a group of players.

How will you increase IT's clockspeed?

Pinpoint areas of friction that slow IT's ability to meet fast-changing business needs.

Attend a CEB CIO Leadership Council Event

Who Should Attend

- Reserved for CIOs

What

- Small, interactive peer groups
- High-value discussion and idea exchange
- Actionable content with immediate application
- Transformative thinking

When to Attend

21 May 2015	London
4 Jun. 2015	Chicago
8 Jul. 2015	San Francisco
14 Jul. 2015	New York
30 Jul. 2015	Chicago
18 Aug. 2015	Sydney
20 Oct. 2015	Atlanta
5 Nov. 2015	Palo Alto, CA
18 Nov. 2015	Chicago
2 Dec. 2015	New York

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WHAT THE BEST COMPANIES DO

Five Project Stakeholder Partnership Myths Busted

By **Matt McWha**

Relationships with IT project stakeholders can be hard to build and nurture, but the effort pays off. Highly engaged stakeholders can boost project outcomes by up to 30%, in addition to significantly increasing on-time and on-budget delivery (Figure 1).

However, less than 20% of IT organizations create formal stakeholder engagement plans. Accordingly, greater business dependency on technology, more tech-savvy stakeholders, and the growing accessibility of technology options to business leaders make this approach even less adequate. With these shifts in the stakeholder ecosystem, IT organizations must adapt their strategies for gaining stakeholder trust and commitment. The best IT teams do so by dispelling five myths of stakeholder partnership.

Figure 1: The Stakeholder Engagement Payoff

Project Performance Metric	Level of Project Stakeholder Engagement	
	Poorly Engaged	Highly Engaged
Percentage of projects achieving expected business outcomes	55%–60%	80%–90%
Percentage of projects delivered on time	50%–60%	75%–80%
Percentage of projects delivered on budget	60%–70%	80%–90%

Source: CEB analysis.

Myth 1: Senior business leaders and sponsors are the only project stakeholders.
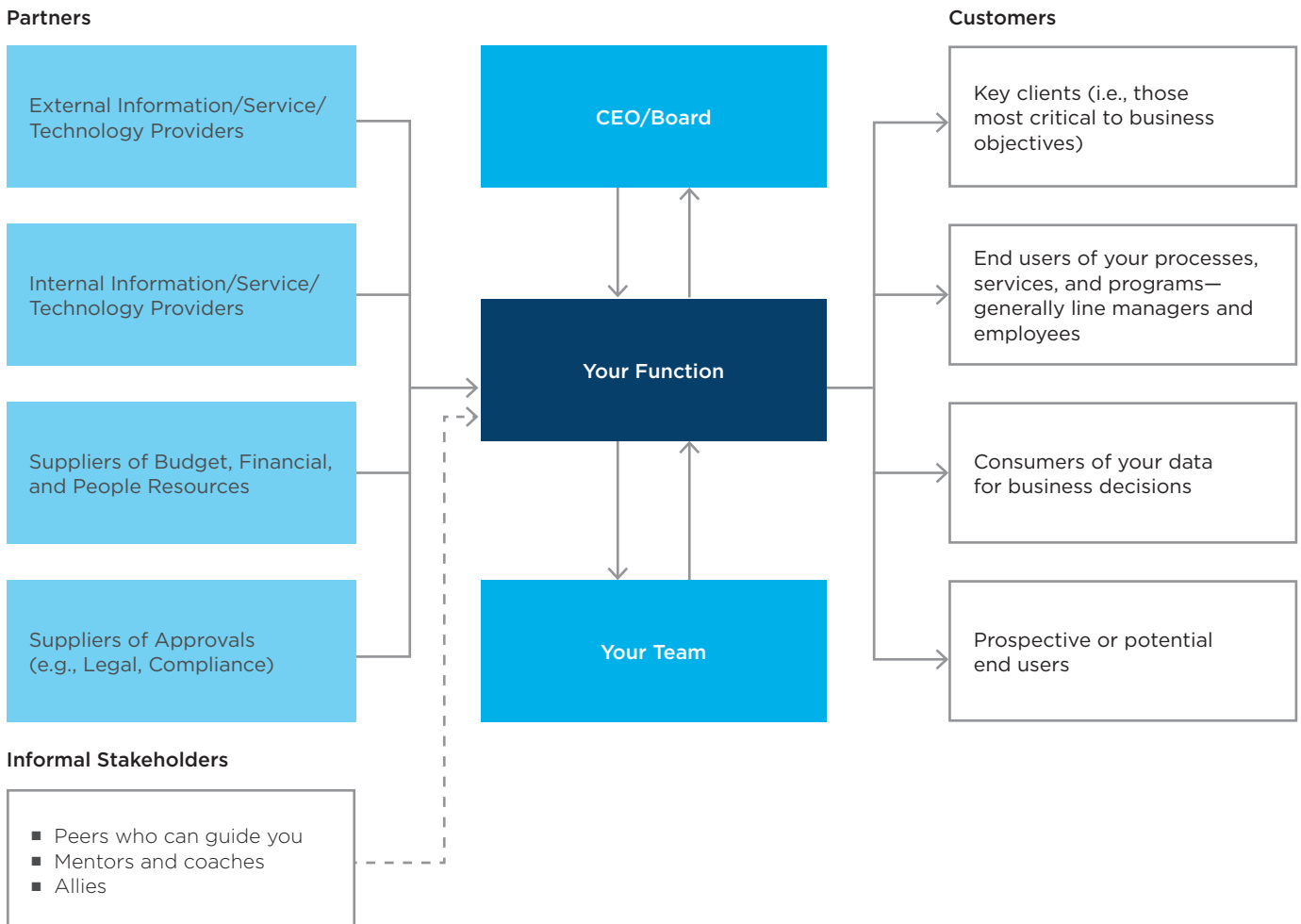
Employees are increasingly taking an active role in influencing and sourcing the technology solutions that matter to them. These project stakeholders are more numerous and more diverse than the project's sponsor and other senior leaders—the typical focus of IT's stakeholder partnership efforts—who make funding and prioritization decisions. In other words, all employees—including end users and even IT staff—can be key project stakeholders. This change requires IT organizations to broaden their definition of and methods for engaging with different stakeholder types (Figure 2).

Myth 2: Stakeholders have to be managed.

Given the diversity in project stakeholders, it stands to reason that multiple approaches to working with them have emerged. The most effective approach we've seen is to shift IT's role among coach, consultant, and service provider, depending on each project's stakeholder and technology

Figure 2: Stakeholder Mapping and Action Plan
Functional Stakeholder Map

Partners

| External Information/Service/Technology Providers |
| Internal Information/Service/Technology Providers |
| Suppliers of Budget, Financial, and People Resources |
| Suppliers of Approvals (e.g., Legal, Compliance) |

CEO/Board

Your Function

Your Team

Customers

| Key clients (i.e., those most critical to business objectives) |
| End users of your processes, services, and programs—generally line managers and employees |
| Consumers of your data for business decisions |
| Prospective or potential end users |

Informal Stakeholders
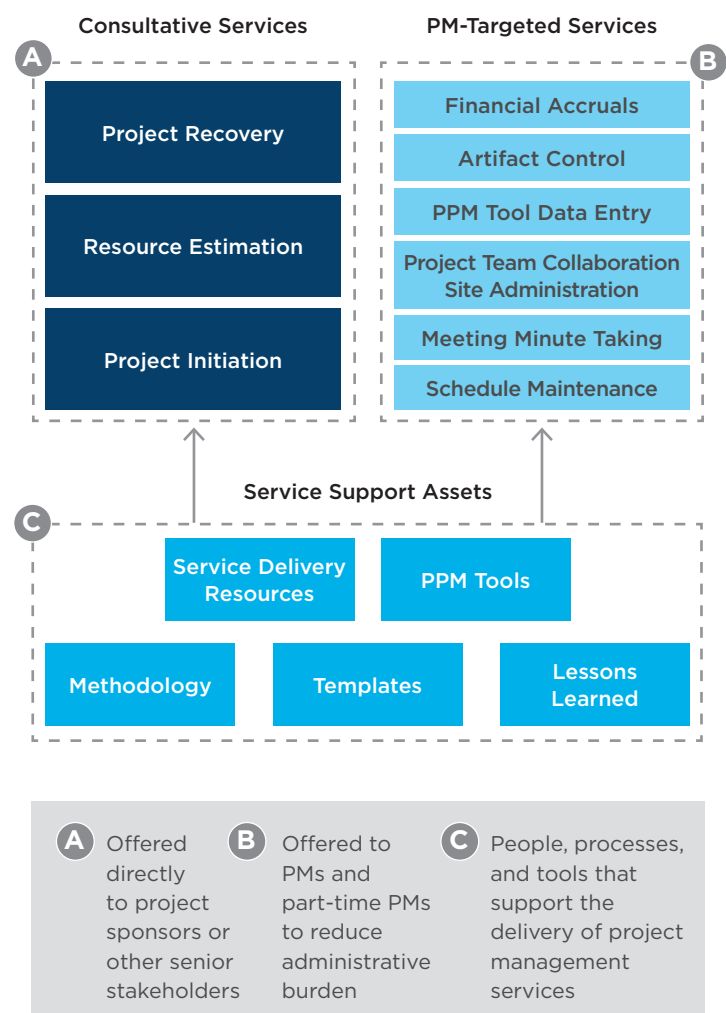
- Peers who can guide you
- Mentors and coaches
- Allies

Source: CEB analysis.

needs (see "Four Engagement Models Every IT Organization Must Adopt"). For example, our data show that part-time project managers (PMs)—staff temporarily assigned to oversee a project instead of, or in addition to, their usual role—now manage approximately 15% of all projects (at least, of the projects that IT knows about). But rather than managing these critical stakeholders, IT organizations should find ways to help them more effectively lead technology projects. Offering a set of targeted services to part-time PMs in areas where they traditionally struggle (e.g., project scheduling, budgeting, workflow planning) is one way the IT organization can move from managing stakeholders to supporting them (Figure 3). These services allow IT and part-time PMs to focus on the project activities they each do best.

Myth 3: The goal is to delight stakeholders.

Stakeholders often perceive PMs as order takers, and many PMs do little to dispel this perception by complying passively with every stakeholder request for new scope or additional reporting in an effort to please them. However, business partners value PMs who aren't afraid to push back. The best IT PMs act as *Challengers* in their stakeholder interactions when necessary (Figure 4 on next page). They teach stakeholders about the trade-offs required for each potential course of action, tailor their communications to reinforce the link between the project and the stakeholder's goals, and assert control when appropriate to push their business partners in a different direction for better project business outcomes.

Figure 3: Project Management Services Operating Model

Consultative Services — PM-Targeted Services

(A) Project Recovery / Resource Estimation / Project Initiation

(B) Financial Accruals / Artifact Control / PPM Tool Data Entry / Project Team Collaboration Site Administration / Meeting Minute Taking / Schedule Maintenance

Service Support Assets

(C) Service Delivery Resources / PPM Tools / Methodology / Templates / Lessons Learned

A Offered directly to project sponsors or other senior stakeholders

B Offered to PMs and part-time PMs to reduce administrative burden

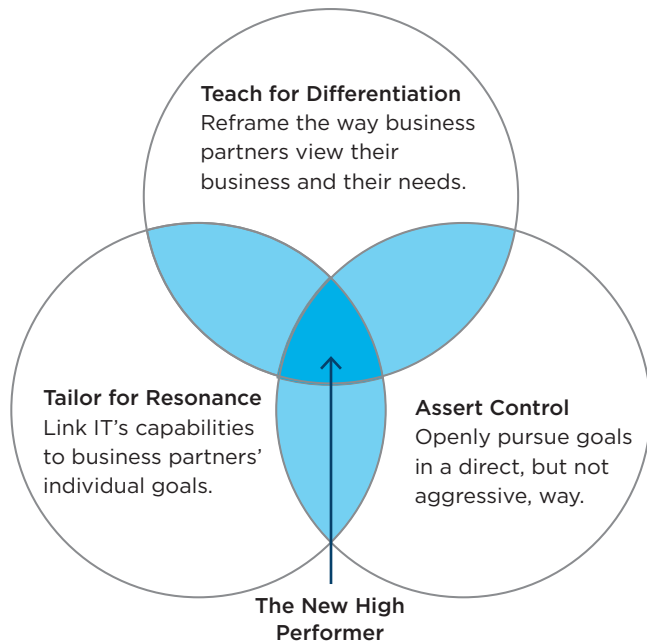C People, processes, and tools that support the delivery of project management services

Source: CEB analysis.

Myth 4: Stakeholders need (and want) to know everything.

There is such a thing as too much information. Stakeholders typically criticize PMs for not keeping them informed about project and program status, instead communicating only when the project or program needs more money or is on the verge of failure. IT organizations have taken that feedback to heart and, enabled by their use of commercial PPM tools, they have more data at their fingertips than ever before. But in their quest for transparency, PMs are now bombarding

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Figure 4: Critical Attributes of *Challengers*

Teach for Differentiation
Reframe the way business partners view their business and their needs.

Tailor for Resonance
Link IT's capabilities to business partners' individual goals.

Assert Control
Openly pursue goals in a direct, but not aggressive, way.

The New High Performer

Source: CEB analysis.

stakeholders with information, diluting important messages that require business partners' attention. The best PMs consult with their stakeholders to agree on the frequency and the level of detail for project communication, ensuring that the call to action isn't drowned out by information overload.

Myth 5: Only numbers matter to stakeholders.

Even when project stakeholders have all the information they need, their relationships with PMs can be a frequent source of friction. That's because what you say and how you say it are just as important as project data. Conversations with senior business executives in Marketing, Finance, and HR reveal a short list of messages from IT that

typically annoy them and that almost never lead to better project outcomes:

- **"No, there's too much risk."** One IT PMO leader put it best when she said, "I want my PMs to stop saying 'No,' and start saying 'Yes, but…' so that we can stop debating if the idea should be developed and move right away to how it should be developed." To avoid these unproductive conversations, IT should help business partners understand and accept risk as part of project decision making. IT should also help them develop business cases that include a comprehensive accounting of risk, allowing business partners to make more informed portfolio funding and prioritization choices.

- **"We have a prioritization process."** IT only has so much capacity to work on all the ideas business partners bring forward. But if business partners need something that IT cannot currently deliver, IT should quickly move to a coaching, consulting, or service provider role, saying, "We can't do it all for you, but we can help you do some of it yourself."

- **"You should have come to us at the beginning."** Of course it would be ideal, but in the real world, business partners don't always come to IT at the beginning of a project. This is where IT needs to be able to say, "We're glad you brought this to us" (regardless of how far along you are) and "We can help you with the next step" (whatever that happens to be).

Debunking these five myths for your project teams is critical to building better relationships with the full range of IT project

stakeholders. By ensuring stakeholders have the information and support they need, IT organizations can dramatically increase project benefits capture.

Take Action[1]

- Identify the full universe of project stakeholders. | Stage-Gated Stakeholder Management
  (CEB PMO Leadership Council)

- Define a stakeholder partnership strategy. | Stakeholder Management Step-by-Step Guide
  (CEB PMO Leadership Council)

- Equips PMs with the tools for stakeholder partnership. | Entrepreneurial Skills Toolkit: Stakeholder Partnership
  (CEB PMO Leadership Council)

- Build PM stakeholder partnership skills. | Stakeholder Partnership E-Learning
  (CEB PMO Leadership Council)

- Educate project sponsors on their roles and responsibilities. | Building Better Project Sponsors Webinar
  (CEB PMO Leadership Council)

[1] Access to these resources is available only to members of each program. Please contact your CEB account manager or e-mail IT.Support@ executiveboard.com if you would like to learn more about this content.

Managing the SaaS Vendor Interface

How IT Can Help Business Partners Get It Right

By **Mark Tonsetic**

Software as a service (SaaS) is now nearly universal.

Our annual IT Budget Benchmark shows that 93% of IT organizations plan to deploy SaaS in some capacity in 2015 (Figure 1).

In part, this growth stems from SaaS's accessibility and appeal to business partners, who are increasingly engaged with technology and impatient with the pace of internal development. But many IT leaders believe business leaders "can't be trusted" with technology procurement and management, and conventional models for IT sourcing and vendor management are poorly equipped to help business partners do this on their own.

Figure 1: Prevalence of SaaS Use

Percentage of Companies by Share of Total IT Expenditure Allocated to SaaS

Legend: None | Up to 4% of Total IT Expenditure | More Than 4% of Total IT Expenditure

2013: 15% | 57% | 29%

2014: 9% | 55% | 35%

2015 (E): 7% | 49% | 44%
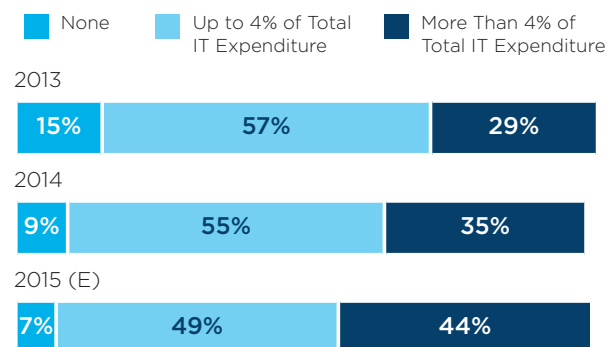
n = 166 IT organizations.
Source: CEB 2014 IT Budget Benchmark.
Note: Totals may not equal 100% due to rounding.

There may be some truth to this belief. Our data show that as the use of SaaS expands, more than half of organizations report that their enterprises underestimate total cost of ownership by 10% or more. However, it might be a fallacy to believe that IT will do a better job than business partners. Surprisingly, our recent data show that IT organizations struggle to measure the health of and extract full value from their vendor relationships, meaning that although IT might have some expertise with technology vendors, it can't necessarily define how and where vendor relationships are adding enterprise value (Figure 2).

As SaaS expands, corporate IT and its business partners must deeply involve themselves in IT vendor management. Each group has comparative strengths that can improve the management of vendor relationships.

Managing a more diverse, fast-changing, "whales to minnows" market requires a

Figure 2: Maturity of IT Vendor Management
Average IT Maturity of Activities
Five-Point Maturity Scale

Design and manage sourcing relationships to capture the benefits of sourcing contracts.

2.9

Assess and manage vendor performance, engagement, and relationship health.

1.8

n = 80 IT organizations.
Source: CEB 2015 IT Functional Maturity Diagnostic.
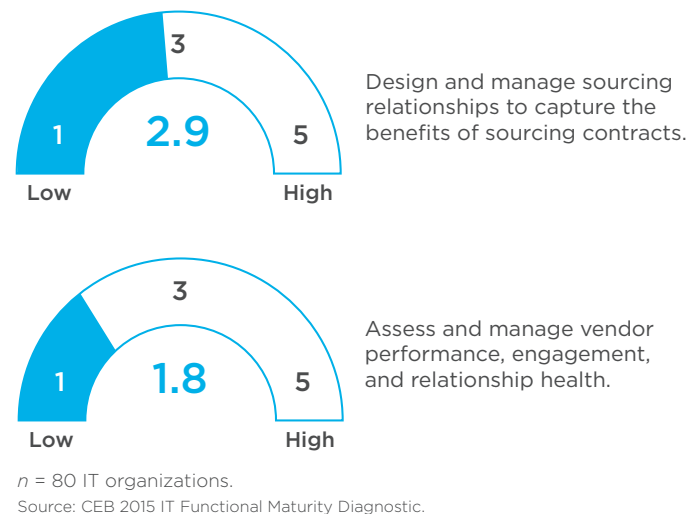
Questions That IT Leaders Can Use to Coach Business Partners' SaaS Procurement

Leading organizations prepare business leaders with a short list of questions they can use with SaaS providers to identify unanticipated challenges. Framed correctly, these questions can also play a role in a pre-procurement "coaching session" to help business partners understand how to navigate the SaaS conversation.

Question	Coaching Point to Raise with Business Partners
What preparation (e.g., special technology configurations) have other clients required to achieve outcomes similar to those that we want with this product?	Most challenges become visible during implementation, rather than in the procurement phase. Ask the vendor to run through implementation challenges common not just across clients, but across clients with similar outcomes in mind for the product.
What support do you provide for customization? If we do need to customize, how will you license for the development environment(s) needed to support this?	Most cost overruns in SaaS implementations are due to unanticipated integration and customization costs. Many vendors have strict licensing terms or business models that are geared toward monetizing any customization need.
What are your standard levels for support, including response times? Have you measured your ability to meet standards for customer notification during extraordinary events (e.g., wide-scale outages)?	Although most vendors provide support, asking about standards and compliance with those standards can help you understand potential areas of concern if business-impacting events materialize.

For more questions, see our SaaS Management Toolkit.

more collaborative vendor management model, one that combines IT's technical insights with business partners' sense of enterprise value. IT organizations that recognize this shift have renegotiated their vendor responsibilities, relative to those of business partners, from procurement to ongoing management. Rather than compete for ownership, they work with business partners to adapt IT's role to the context of the business need and solution, shifting among playing the roles of owner, coach, and broker. To build this flexibility and collaboration, start with three actions:

1. Use simple techniques to uncover potential business partner blind spots when procuring solutions.

A lot can get lost in translation between IT and its business partners during technology solution evaluations. IT often asks lengthy, complex, and sometimes jargon-loaded questions that—although presumably about risk—can imply IT is questioning a new solution's value. In leading companies, IT's risk concerns can be summarized in a few simple questions that 1) business partners can use to lead an evaluation session with a new vendor, and 2) can prompt a more collaborative, educational conversation with corporate IT (see below for sample questions).

2. Use straightforward litmus tests to determine where business partners can aid in overseeing vendor relationships.

More complex vendor portfolios need to match means to outcomes. In leading organizations, the balance between the degree of specialized business knowledge and the degree of specialized technical knowledge required to manage a new solution is a clear litmus test to identify which function should own solution deployment and ongoing management.

3. Use business partners' knowledge to develop clear vendor review criteria.

One simple reason for many IT organizations' inability to manage vendor relationship health is that they may understand their vendors in terms of technical performance but not business performance. Leading IT organizations use business partner input to define requirements for a vendor's account management capabilities; the value offered by its products, service delivery, and support; and its ability to help manage total cost of ownership.

Take Action[1]

- Improve IT–business partnerships for SaaS. | SaaS Management Toolkit
  (CEB Applications Leadership Council)

- Measure and improve vendor relationship help. | Vendor Scorecard and Vendor Service Improvement Plan
  (CEB CIO Leadership Council)

- Benchmark your enterprise's adoption of SaaS relative to peers. | The State of Enterprise SaaS Adoption
  (CEB Applications Leadership Council)

[1] Access to these resources is available only to members of each program. Please contact your CEB account manager or e-mail IT.Support@executiveboard.com if you would like to learn more about this content.

How to Build an Adaptive Infrastructure Strategy

By **Mark Tonsetic**

Infrastructure leaders today can feel as if they are caught between two worlds.

On one side, there's more opportunity to create value-add through technology-enabled products and services, whether for end customers or the enterprise workforce. In addition, new automation opportunities promise to improve speed of provisioning and establish a responsive, end-to-end services model for customers. On the other side, though, are the demands of the legacy portfolio and process models, which can be stubbornly resistant to change.

The central challenge for Infrastructure strategy is navigating between these worlds as digital employees, business leaders, suppliers, and customers change and mature. To address this challenge, Infrastructure strategy must become more adaptive. Four imperatives emerge for Infrastructure organizations seeking to optimize value delivery to IT and the enterprise:

Imperative 1—Recognize that continuous, iterative planning is essential.

Distinct disconnects are emerging among the rate of technology change, the pace of demand growth, and the timelines associated with conventional budgeting and investment planning processes. In 70% of organizations, actual spending diverges from planned spending within four months (Figure 1)—a variance typically characterized by mistimed investments, unanticipated spending needs, and financial commitments misaligned with CFO expectations. Adaptive Infrastructure strategy recognizes that a more iterative approach to investment planning is essential to accommodate changing decision

Figure 1: Budgets Quickly Deviate from Reality Number of Months After Completing the Budget When It Begins to Significantly Deviate from Reality
Percentage of Companies

Less Than Two Months

17%

Three to Four Months

53%

Five Months

13%

Six or More Months

17%

n = 60 financial planning and analysis directors.
Source: CEB 2013 Budget and Forecast Productivity Diagnostic.

inputs. This approach entails the ability to sense and respond through trigger- and calendar-based approaches to resource planning as well as planning mechanisms that frame trade-offs for business and IT stakeholders to facilitate faster reallocation decisions.

Imperative 2—Target service delivery excellence.

Despite improvements in service delivery models and technologies, the average Infrastructure organization cannot expect to meet all customer demands with the same service quality standards—at least not without significant (and unlikely) budget increases. Adaptive Infrastructure strategies recognize that resourcing (and resource reallocation) must be guided by a sense of where service quality must be focused and where "good enough is good enough." The key to understanding this is to understand customer use cases for Infrastructure services:

- What to deliver and support, instead of how
- Patterns of how services are consumed, rather than workflows for how services are provisioned
- Customer outcomes, rather than process outcomes

Imperative 3—Match (or broker) the right means to service outcomes.

In 2013, we defined "technology brokering" as the ability to build extensible and repeatable frameworks that enable consistent sourcing decision making regardless
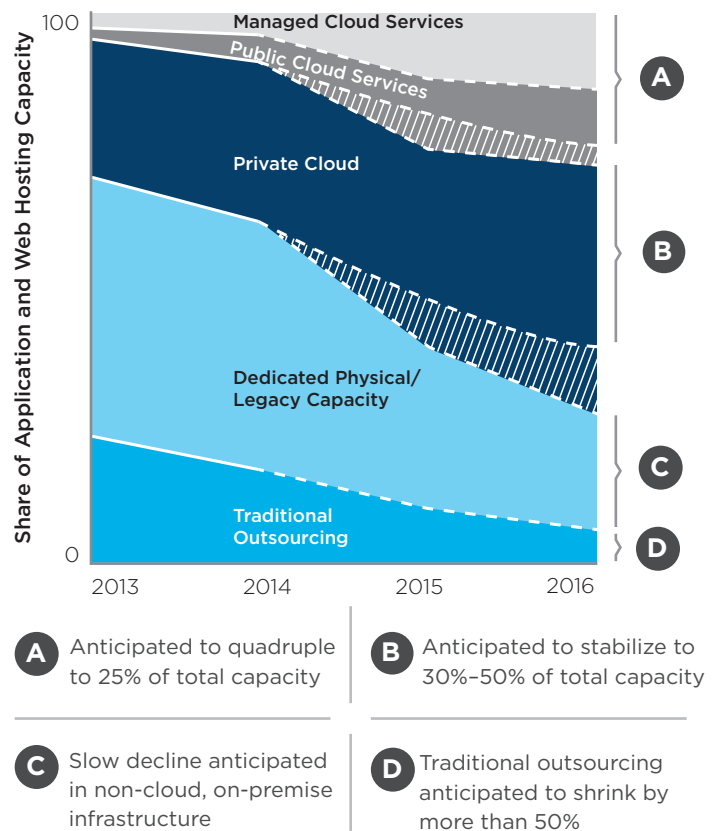
of who makes those decisions or where those decisions are made. But this concept involves more than just a framework to help business partners select the right hosting or solution alternative. Technology brokering involves making smart capital spending decisions in a multimodal environment for capacity planning (e.g., public cloud, managed cloud services, traditional outsourcing, on-premises private cloud, non-cloud infrastructure)—or, more simply, aligning technology capital to enterprise growth opportunities. This is a question of strategy (where to broker vs. deliver) as well as governance and delivery, and it is critical for Infrastructure to achieve right now, given the expectations for growth in cloud-based solutions (Figure 2).

Imperative 4—Evolve the workforce to adapt to changing demands.

Infrastructure organizations at all points of the maturity curve point to talent and workforce strategy as a major challenge for this year. But the challenge isn't always as reductive as business-facing versus technical skills or hiring next generation technical talent. The most immediate wins in the next 12–18 months may come in the following ways:

- **Merging competencies from different sides of the technical workforce—** In many non-technology industries, Infrastructure's technical edge (e.g., with coding and automation skills) needs to be replenished. But at the same time, many companies have found that new hires or teams with advanced, start-up–

Figure 2: Distribution of Corporate Application and Web-Hosting Capacity 2013–2016(E)

A — Anticipated to quadruple to 25% of total capacity

B — Anticipated to stabilize to 30%–50% of total capacity

C — Slow decline anticipated in non-cloud, on-premise infrastructure

D — Traditional outsourcing anticipated to shrink by more than 50%

n = 57 IT organizations.
Source: CEB 2013–2014 Emerging Technology Roadmap Surveys.

like skills in these areas may lack the process knowledge and management skills needed to deliver quality at scale in production. The trick, as one executive put it, is to combine the best start-up skills with the best "at scale" skills, rather than assume legacy skills should simply be replaced.

- **Improving judgment and collaboration skills—**As ITSM automation efforts progress, the scope for human error is expected to decrease, but this also means the potential impact of any single error may have much

larger ramifications. Our research shows that improving judgment skills in Infrastructure operations has a 40% greater impact on process effectiveness than process knowledge alone. Second, business-facing skills alone won't be sufficient in an environment where substantially more stakeholders are involved in technology decision making. Effective collaboration, whether across organizational barriers inside Infrastructure or with partners outside Infrastructure, can provide more short-term wins by ensuring that demands for "at-scale" quality are matched to start-up demands for responsiveness.

Take Action[1]

- Improve infrastructure investment planning. | 2015 Infrastructure Annual Executive Retreat
  (CEB Infrastructure Leadership Council)

- Define service outcomes in the customer's terms. | Defining Infrastructure Service Quality
  (CEB Infrastructure Leadership Council)

- Broker external cloud services. | Cloud Computing Handbook
  (CEB Infrastructure Leadership Council)

- Adapt the infrastructure workforce to changing demands. | Building Adaptive and Intelligent Operations
  (CEB Infrastructure Leadership Council)

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WHAT THE BEST COMPANIES DO

Five Ways Information Security Can Help IT Improve Stakeholder Engagement

By **Shilpa Pental**

Conventional wisdom says building systems securely slows down IT.

This can lead to business partner avoidance and, as a result, Information Security is often blamed for further straining already-tense IT–business relations. However, now that the business line is finally getting the message that security matters, Information Security can actually work to IT's advantage.

From Back Office to Boardroom: An Opportune Time for Information Security to Improve Stakeholder Engagement

Information security (or "cybersecurity" as it's called when hyping something) is currently front and center for all business partners. High-profile data breaches keep occurring, leading to constant media coverage and heightened public and regulatory scrutiny of corporate information security issues. Over the past few years, Information Security's stakeholders have dramatically expanded (Figure 1), and their interest in the function has risen. For example, nearly 60% of directors believe their board is more

Figure 1: Information Security's Expanding Stakeholder Ecosystem

Information Security

IT | Line-Level Employees | Business Partners | Board of Directors | Other Risk Functions
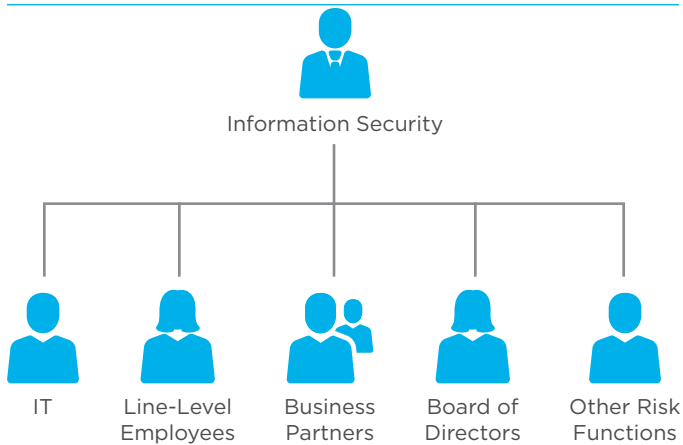
Source: CEB analysis.

involved in information security today than it was 12 months ago, and 70% of chief auditing executives plan to allocate more time in their audit plan to information security compared to the previous year.

Increased business partner awareness and sensitivity to information risks present a real opportunity for IT to engage the enterprise from a new security angle. The business line knows—or is at least open to hearing about—how IT's process rigor helps them avoid risk and regulatory issues. However, this approach requires changes in the sometimes-painful way the information security team operates and interacts with its stakeholders.

By synthesizing our 11 years of information security research and thousands of conversations with CIOs, CISOs, and other risk executives, we've identified five guiding principles that can bolster Information Security's contribution to improving IT's business partner engagement.

1. Make Risk Management Processes More Customer-Friendly for Business Partners

Traditional risk management processes are designed to uncover technical vulnerabilities and focus on comprehensiveness. The process steps are complex and largely irrelevant to non-security practitioners. As business partners more actively manage technology projects, IT and Information Security must stop owning risk decisions and instead define their role as facilitating decisions made by the true risk owners in the business line. To support business partners in making these risk decisions, Information Security must design simple and business-relevant risk management processes. One approach we've seen from a global energy company is to offer self-service project risk assessments that enable project managers to own assessment and remediation for low-risk projects.

2. Ground Risk Assessments in Business Risks

Although many CIOs and CISOs want to increase business partner participation in the risk management process, they often struggle to make risk assessments relevant and actionable to business partners. Instead of scrambling to translate the output of risk assessments into business language as a last step, IT should ground information security and risk assessment frameworks in business risks as a first step. At one large North American financial services company, the CISO and his team mapped risk questionnaires, control design, and implementation guidance to a handful of

important, high-level business risk areas that business partners understand and care about. Not only was the information security team able to significantly reduce business partner time spent on providing risk assessment input, but business partners also found the new risk assessment process more relatable and easier to follow.

3. Actively Evaluate and Reduce the Controls Burden: Make the Secure Way the Easy Way

Security controls tend to be overly restrictive or cumbersome to use. Although restrictive information security controls seem best to reduce risk, they counterintuitively increase risk when they are overly burdensome, because business partners and line-level employees circumvent controls to accomplish tasks (Figure 2). For example, our data show that 93% of employees acknowledge occasionally violating security policies, and 52% do so routinely. Information Security can better support business goals by reducing the burden of security controls.

Information Security must balance the risk of information loss with employees' need to access information necessary for their jobs by doing the following:

- Understand how employees use technology to get work done.
- Directly analyze employee behavior to understand how controls affect productivity.

4. Build Credibility for Information Security by Delivering Business Value

Working with data and systems across enterprise silos gives Information Security unique insight on many parts of the enterprise. Leading information security teams proactively look for opportunities to work outside their core information protection mandate on initiatives that signal a shared commitment to business outcomes, such as strengthening the corporate brand, reducing business costs, and increasing revenue. Think of this as a public relations campaign

Figure 2: Impact of Security Control Usability on Risk
Illustrative
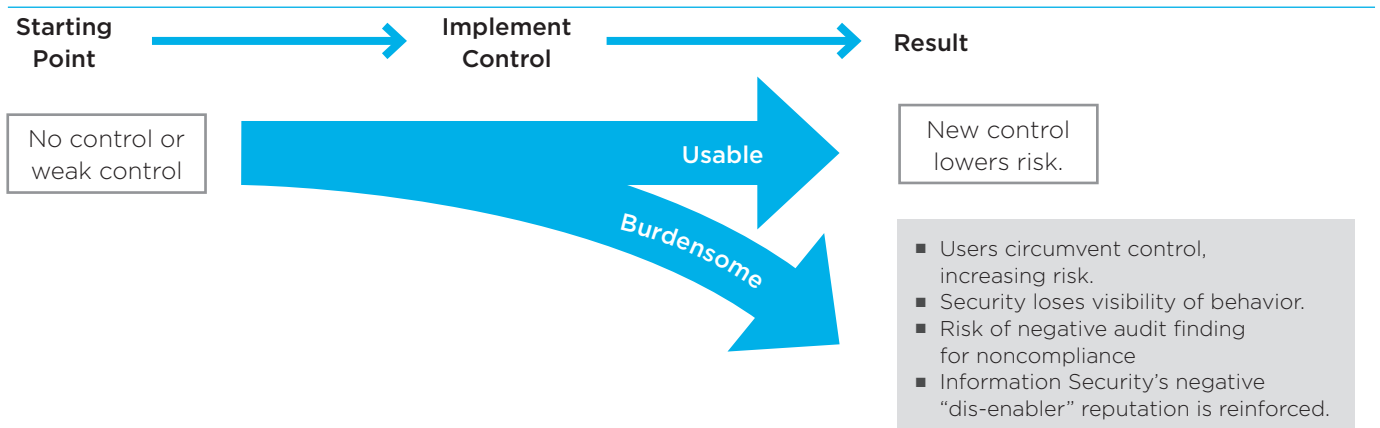
Source: CEB analysis.

for your information security team to change long-held negative perceptions and ultimately make business leaders more receptive to working with IT and Information Security.

5. Build Information Security Staff Competencies to Facilitate Risk Decisions

Information security staff often are unfamiliar with business activities and priorities, and they struggle to navigate complex discussions with risk owners in the business line. To effectively transition risk decision making to the business line, information security staff who are deeply embedded in the organization must be equipped to serve as facilitators and advisors to business partners.

Our analysis of more than 350 security professionals shows that four competencies in particular drive high performance in information security staff:

- **Business results orientation**—Seeks to understand business needs and deliver prompt, efficient, and high-quality service to the business

- **Decision making**—Considers the relative costs and benefits of potential actions to choose the most appropriate one

- **Influence**—Applies different strategies to convince others to change their opinions or plans

- **Organizational awareness**— Understands the organization's mission, values, operations, and goals

Use these competencies when evaluating

hiring decisions, training investments, and other key talent activities to build resilient, highly effective information security teams.

Take Action[1]

- Rethink your information security design model to meet today's business needs. | A Blueprint for a New Information Security Function
  (CEB Information Risk Leadership Council)

- Make it easier for stakeholders to engage with the information security team. | Improved Risk Management Through Reduced "Customer Effort"
  (CEB Information Risk Leadership Council)

- Design an alternative, faster risk management process for nontraditional business initiatives. | Prioritizing Enablement in Project Decisions
  (CEB Information Risk Leadership Council)

- Identify, execute, and get paid for projects outside the security mandate. | Enhance Credibility and Influence by Signaling Commitment to Business Outcomes
  (CEB Information Risk Leadership Council)

- Plan, recruit, and develop an effective information security team. | Building the High-Performance Information Security Team
  (CEB Information Risk Leadership Council)

[1] Access to these resources is available only to members of each program. Please contact your CEB account manager or e-mail IT.Support@executiveboard.com if you would like to learn more about this content.
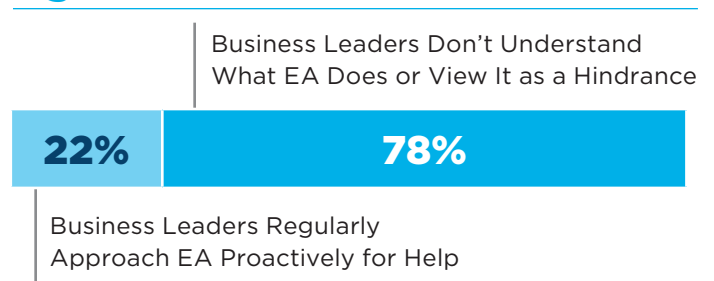
How EA Groups Can Effectively Engage Stakeholders

By **John S. Hillery**

Almost 80% of business leaders don't understand EA's purpose or view EA as an obstacle to achieving their objectives (Figure 1).

This alarming finding shows that EA must significantly change how it engages business stakeholders. Of course, engagement particularly challenges architecture groups because EA's objectives (protection in long-term cost efficiency and quality) often conflict with short-term business needs.

Figure 1: Business Leaders' View of EA

Business Leaders Don't Understand What EA Does or View It as a Hindrance

22%	78%

Business Leaders Regularly Approach EA Proactively for Help

n = 57 organizations.
Source: CEB 2014 State of EA Survey.

With more IT decision making being distributed and involving a matrix of IT and business partners, most EA groups must stop thinking they can compel stakeholders—both peer IT functions and business leaders—to follow their recommendations through a "command and control" mandate. EA groups understand that success now depends more heavily on their engagement effectiveness, but that is easier said than done. We've identified three common challenges that EA groups face:

1. Understanding who EA's IT and business stakeholders really are and which relationships EA should prioritize

2. Improving the broader architecture team's business engagement skills

3. Communicating EA's recommendation to business partners in a compelling way

Below, we've provided recommendations for addressing each of these challenges. When taking action, EA groups will need to play different roles as they engage with IT and business stakeholders who have varying needs and project ownership models.

Recommendation 1: Prioritize Stakeholders by Relevance and Resistance to EA's Goals

Most EA groups interact with their business and IT stakeholders on an informal basis. Some EA groups spend a disproportionate amount of time engaging with senior IT leaders. However, leading EA groups prioritize engagement efforts by segmenting business and IT stakeholders according to their relevance to EA's objectives and their resistance to EA's agenda (Figure 2). When thinking about EA's business and IT stakeholders, use these three principles to shape your

Figure 2: Opportunities for Stakeholder Engagement to Improve EA's Influence
Illustrative

1. Director of Applications' low resistance—despite high relevance—means there is no need to engage.

2. Critical resister is influenced by Stakeholder 1. Recruit his support and redouble engagement effort.

3A 3B Stakeholder analysis highlights dissatisfaction among parallel delivery organizations, showing EA where it can improve standards.

4. Low-relevance resisters may not need engagement today, but they should be closely monitored for changes in relevance.

Source: Dayson[1]; CEB analysis.
[1] Pseudonym.

EA group's approach to engagement:

- **Stakeholders' potential to affect EA, not just their seniority, matters**— Identify business and IT stakeholders who have the greatest potential to block EA or help it realize its objectives.

- **A receptive stakeholder requires no convincing**—Determine stakeholder resistance to EA's agenda by tracking perception of EA and pushback to specific objectives. If a business partner or IT peer is a clear supporter, EA can shift its engagement effort elsewhere.

- **Effective engagement requires more than a good conversation**—Analyze and engage relevant business and IT stakeholders to improve EA's enterprise influence. Business stakeholders may want EA to help deliver a solution or play the role of consultant or broker, depending on their need and the project's ownership model.

Recommendation 2: Build Business Engagement Skills in EA Staff

Our Enterprise Architect Effectiveness Diagnostic, a benchmark of over 900 architects, confirms what we often hear from architecture leaders—that effective business engagement skills and strategic thinking are the hallmark of high-performing architects. However, chief architects tell us that many of their staff members don't engage effectively with business partners (Figure 3).

Simply having an EA leader with strong interpersonal, influencing, and communication skills is not sufficient.

Figure 3: Prevalence of Effective Engagement Skills Among Architects
Percentage of Architects Demonstrating Skill Strength

35%
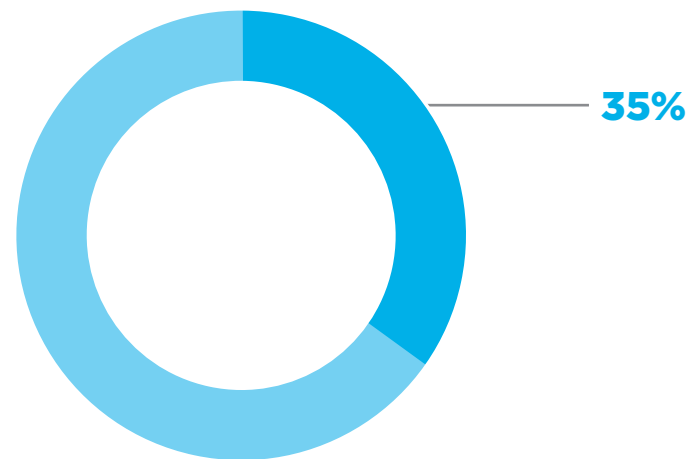
n = 931 architects.
Source: CEB 2015 Enterprise Architect Effectiveness Diagnostic.

Building an EA group that has strong business engagement requires a new mind-set throughout the team. Use the following methods to coach architects to improve their business engagement and influencing skills to prevent friction between architects and business leaders:

- Expose architects to lines of business (e.g., through a rotation) to support a balanced view of EA and business priorities.

- Align architect performance objectives and incentives with business outcomes.

Recommendation 3: With Business Stakeholders, Consult in Business Outcome Terms, Not EA Jargon

EA groups often communicate their guidance by referring to desired EA outcomes (e.g., "future state architecture,"

"standards") in ways that can be hard for business partners to understand and appreciate. In addition, EA struggles to guide initiatives that will not follow standards. Leading EA groups take an alternative approach—conscious that they are engaging as a consultant—by presenting recommendations as choices, not imperatives.

This approach reflects key principles EA groups should adopt when consulting business stakeholders:

- **Frame recommendations in the language of business outcomes**— Present alternatives, cast in business terms, to facilitate better discussions about technology decisions with business decision makers.

- **Visualize the business outcome trade-offs of EA recommendations**—A clear visual presentation of alternative recommendations facilitates business partners' understanding of complex trade-offs.

- **Nudge business stakeholder decisions toward the "right" decision**—EA should nudge business leaders toward architecturally conscious decisions while preserving their choice.

It's no longer feasible for EA to enforce its decisions through governance or expect its recommendations to immediately gain traction. Instead, EA must actively demonstrate what it can do for IT peers and business leaders by using the right engagement tools to fit the context and need.

Take Action [1]

- Gain support from EA's critical business and IT stakeholders. | Gaining Support from EA's Critical Stakeholders
  (CEB Enterprise Architecture Leadership Council)

- Help your EA team build business engagement skills. | Proactive Architect Influence Assessment and Development
  (CEB Enterprise Architecture Leadership Council)

- Assess and benchmark your organization's architects on their business engagement abilities. | Enterprise Architect Effectiveness Diagnostic
  (CEB Enterprise Architecture Leadership Council)

- Adapt EA's communication approach to present options in business outcome terms. | Business-Aligned Architecture Option Analysis
  (CEB Enterprise Architecture Leadership Council)

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