

THE CIO AGENDA

GUIDING THE BUSINESS INTO A NEW ERA OF TECHNOLOGY

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Summary Paper



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We all know that the role of the CIO is always evolving and throwing up fresh challenges; IT can no longer operate solely as a factory inside the enterprise, delivering all the necessary services for the business. IT must embrace new delivery models that potentially transcend the boundaries of the enterprise; IT must be managed like a supply chain. Only by evolving IT to a supply chain model can business needs be dynamically aligned with an ever-increasing set of IT sourcing and delivery options.

Two such potentially new delivery models were discussed at The CIO Agenda, namely Cloud Computing and Social Media where the discussion highlighted the complexity of integrating these disruptive technologies into the existing IT supply chain.

IT budgets are expected to remain relatively flat, yet business demand for technology continues to accelerate. After years of talking about IT-business alignment, it's now clearer than ever that IT's biggest alignment challenge is keeping up with the business. In an attempt to fill the growing IT-business gap themselves, business users will increasingly be tempted to go around their IT organisations to shop and consume directly from the growing virtual supermarket of public cloud offerings for infrastructure, platform and software as a service. Although, as highlighted by the discussion, there is currently limited choice and competition, the business trades expediencies for perils, exposing themselves to potential security and service disruption risks.

Fortunately, in these challenging times there is also a tremendous opportunity for IT to change the game to the benefit of both IT and the business. We believe successful IT organisations will transform into both a provider of agile, efficient, elastic cloud services, and a broker and orchestrator of public cloud services. This will transform IT into master of a dynamic service supply chain.

To get there, IT will need solutions that can both leverage existing investments as well as enable new green-field approaches. IT will need to overcome obstacles like virtualisation sprawl, siloed provisioning, gaps in security and assurance visibility, and controls that can impede progress. And without a factual basis for measuring and comparing both internal and external service options, IT will struggle to assert its leadership.

Overcoming these challenges requires IT management as highlighted by the three key words that came out from one speaker i.e. confidentiality, integrity and availability. The agility and efficiency benefits of a operating a cloud are realised by IT management capabilities like virtualisation management, dynamic provisioning, self-service and resource metering. Planning, security, assurance and support are needed for both effective delivery and responsible consumption of cloud services. To continuously optimise its business value, IT needs management to help drive fact-supported choices on which services to build or cloud-source, which public cloud services to use when, and to dynamically orchestrate how it all comes together; internal and external, virtual and physical.

Today's CIO also needs to take the lead in setting the tone for the usage of social media as, despite the risks, there is tremendous value that these collaborative communication channels can bring across all sectors.

As many of the attendees highlighted social networking can enhance customer relationships, increase customer service, reinforce marketing campaigns, enable employee collaboration and impact a company's brand or reputation. There is also the added benefit of making your organisation attractive to the new generation of workers who are entirely comfortable with this type of technology.

Now is a great time for the CIO to evaluate their social networking strategic plan but be sure to keep security in mind while creating the strategy as there are many different approaches to ensure the appropriate level of security is in place to let the business thrive.

As The CIO Agenda discussion highlighted, CIOs are being challenged like never before to demonstrate greater business value and alignment; Cloud Computing and Social Media aren't new technologies to be managed but new ways of delivering the dynamic IT service supply chain and CIOs should be looking for partners that can help integrate them into their strategic vision.

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INTRODUCTION

The role of the chief information officer continues to evolve. New technologies, combined with the ever-increasing challenge of managing information and systems across highly disparate organisations, creates additional layers of complexity. For today's CIO, these are challenging and exciting times.

Among the many issues with which CIOs must contend, cloud computing and social media currently stand out as among the most topical and contentious. Cloud computing, which has been discussed for several years, is now becoming a reality. Many CIOs are currently wrestling with how to take advantage of what is undoubtedly a major opportunity without introducing unforeseen risks.

Meanwhile, social media continues to grow in importance and popularity. Many CIOs have been watching the development of this phenomenon carefully, and assessing how best to harness the opportunities without exposing the organisation to reputational damage associated with the unauthorised sharing or loss of information.

Although highly different in terms of what they offer business, cloud computing and social media share many common characteristics. In essence, both take data and information outside the walls of the organisation, which means that the IT function may no longer be in control of this crucial asset. This creates a very different set of challenges and responsibilities for today's CIO.

It is against this backdrop that Economist Conferences hosted The CIO Agenda, a half-day event held on June 9th, 2010 at the Dorchester Hotel in London. Invited speakers and high-level attendees from across the profession took part in a lively discussion around the most pressing themes affecting IT leaders and their business.

CLOUD COMPUTING

Cloud computing has the potential to bring many benefits to today's organisation. Used effectively, it can save on operating and capital costs, enable companies to take advantage of economies of scale, and allow them to reduce staff numbers. It also provides flexibility, because processing power or storage can be scaled up and down without the need for costly capital expenditure. This potentially gives companies the agility to take advantage of new opportunities more quickly than they could in the past.

But at this stage, cloud computing remains in its infancy. There continues to be debate and uncertainty over how to define it. Some commentators talk of a "cloud of clouds" to describe how cloud computing is a collection of different services rather than a single entity. Equally, there are ongoing concerns over security, although the extent to which companies worry about this varies among individuals and industries.

CIOs are taking a cautious approach

For many of the participants at the CIO Agenda, the question was not whether or not to use cloud computing, but to what extent. Should they dip their toes in the water, transferring non-core processes to the cloud, for example, or should they go further? Although a variety of views were expressed, there was a general consensus among participants that a cautious approach would be most appropriate. First, non-core processes could be transferred to the cloud. Then, if this is successful, a deeper integration could be attempted.

One participant saw a dual approach to adoption among the CIOs he visited. A common early step is to transfer internet-facing properties to the cloud. This includes marketing websites and web hosting. Next, many CIOs are encouraging engineers to use the cloud for small projects so that they can become accustomed to it. This allows them to "get their feet wet" and does not overly commit the organisation.

The key, suggested the participant, was to take small steps in the short term to increase familiarity. In the longer term, however, CIOs are already saying that every new IT application needs to be "cloud-ready". This does not necessarily mean that they are migrating to the cloud immediately, just that the ability to do so needs to be built in.



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Moving services to the cloud can be a major leap for some companies. As one participant noted, cloud services require companies to operate in a certain way. It can therefore be challenging to operate these services alongside the traditional, in-house ones.

The ease with which anyone can transfer services and applications to the cloud creates a huge potential problem for CIOs in terms of managing IT assets. It has now become so straightforward for employees to buy storage capacity that it can be difficult to keep track of IT inventory. Rather than accept this decentralised approach, CIOs must promote themselves as having the skills, knowledge and networks into suppliers to purchase services on the entire company's behalf. This helps the IT function to keep oversight into something that could easily become uncontrollable.

Dealing with providers

When choosing a provider or taking any steps towards transferring processes or data to the cloud, CIOs would do well to remember three key words: confidentiality; integrity and availability. First, how effective are the authentication and controls to limit access and disclosure – does this give CIOs the confidentiality they expect? Second, how reliable and trustworthy is the partner that has been selected – does that company have sufficient integrity? And third, does the partner give the company the speed and access they need – can it guarantee availability?

It is also important, according to one speaker, to consider an exit strategy. If the partnership goes wrong or does not deliver the expected benefits, how easy or difficult will it be to remove data or processes from the cloud and bring them back in-house?

Another unknown is the extent to which there will be a regulatory impact on cloud computing. As one speaker noted, regulators have not yet caught up with the cloud, and regulation has the potential to be the "ultimate denial of service attack". For example, what will happen if regulators start insisting that, because of data protection, certain files need to be kept onshore?

With cloud computing still a relatively new phenomenon, some participants felt that there was not yet sufficient competition among providers. Prices could still be high and there is a lack of European vendors – the market still seems to be dominated by US providers. But one consequence of this lack of competition is that there is greater standardisation.

One provider of cloud services pointed out that it can be difficult to build the necessary economies of scale and that this was preventing more competitors from entering the market. In addition, he added, this can be a very low-margin business. This means that, even if there is greater competition, prices are unlikely to fall a great deal.

SOCIAL MEDIA

The adoption of social media has taken place at an astonishingly rapid rate. For CIOs, a balance must be struck in the equation between risk and opportunity. Both customers and employees are increasingly using social media to discuss a company's products and services, and this gives companies powerful visibility into external perceptions of their business. Yet at the same time, there are the all-too-familiar problems of risk and security, and whether confidential or valuable information is being divulged to the outside world. However, the fact that the US Department of Defence now has a social media policy provides an illustration of how far this phenomenon has come in its short history.

Managing social media

Social media is open and decentralised, but some companies still deal with it through traditional channels. They give responsibility for social media interaction to PR or marketing and do not elevate discussion any further. A common problem is that people at board level are not familiar enough with social media, so prefer to delegate it.

But the old approach of controlling information about a company via the corporate PR function is becoming obsolete. This means that companies have to be active in their engagement with social media; if they do not, they are ignoring a valuable channel of communication that enables them to anticipate problems, assist with recruitment and market entry strategies, and build stronger relationships with key stakeholders. Proper use of social media can also help to create ambassadors who have real commercial and strategic benefits to bring to the organisation.



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One key challenge with developing a social media policy, particularly at senior levels of the organisation, is the age difference between executives and the users of the technology. There is a real “generation gap” between the two that impedes a more coherent approach.

The younger generation no longer make a distinction between the online and offline worlds. They move seamlessly between the two. Senior executives may not understand this and try to impose a blanket ban on usage of social media in the workplace on the basis that it harms productivity. But this approach is likely to be highly counterproductive. The younger generation have an entirely different view of social media. In some cases, they will not accept working for an organisation that has a “walled garden” approach. Different rules now apply and companies need to move with the times.

Rather than ban its usage, companies would be better off helping their employees to understand the tools they are using. As one speaker noted, it is essential to find a way to allow employees to use these tools. They should be measured according to their overall productivity – not to the extent that they use social media in the workplace.

Training can be provided, for example, around the risks of divulging sensitive information. When employees do comment on the organisation, this not only serves as a valuable release of tension, it also provides a forum for discussion that can be useful information for management.

One participant noted that there can be differing views about social media within the organisation and that this can prevent a more coherent approach. Marketing, for example, may want to use social media as an additional channel, but other parts of the company may see it as a waste of time. These tensions prevent agreement over how to proceed with the adoption of social media.

Another CIO described how he goes “from pillar to post” between those in the company that want to embrace social media and those that prefer to reject it. But even if the organisation as a whole rejects social media, it will find a way to become part of the workplace through some other means. One CIO described how he sees himself as a “catalyst” to enabling the usage of social media via a framework of clear, but not too rigid, policies and guidelines. This can be as simple as a two-paragraph statement that sets out how employees should and should not talk about the company, its products and competitors when using social media.

While social media is undoubtedly becoming part of the fabric of everyday life, does it really change the role of the CIO? Certainly, it is the role of the CIO and board to set the tone over usage – there must be a mechanism through which employees know how and how not to use social media. Some companies are setting up distinct departments that focus exclusively on new media. By hiving off the department in this way, those responsible for new media have some degree of freedom and the possibility of innovative thinking.

By and large, social media needs to be thought about in terms of overall business needs. As one speaker described it, companies need to formulate a business strategy, not a Twitter strategy. The key is to think about business objectives and then see how the company can use social media to achieve these goals.

Building advocates

By engaging with strong advocates on social media channels, companies can gain valuable insight for sales and marketing purposes. One company represented at the event finds that these advocates are a more effective sounding board than traditional focus groups.

Social media can be an effective way of engaging with customers. Some companies provide customers with a forum in which to discuss products openly. This can yield valuable information about how the company and its products are perceived.

Another CIO described how, at his organisation, there were 300 full-time employees who are ambassadors or advocates of the company. It was their role to put forward the company’s viewpoint using social media, and engage with customers and detractors across online channels. Rather than being controlled by the PR department, this is managed by IT and operations, which are responsible for monitoring comments about the company on the web. This approach has helped to generate sales and control negative and incorrect statements about the company.



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If they manage social media with care, companies can turn a negative situation into a positive one. Consider Dell, for example, which has been very effective at creating ambassadors out of those who were previously critical of their products. They achieve this by listening to what customers are saying and making sure that they act upon their criticisms.

The importance of monitoring content about the company on social networks was discussed. One CIO described how social networks can often exhibit “mob” characteristics – bad news or rumour is seized upon and amplified, even if it is not true. This can be very difficult to control, other than to counter falsehoods with facts. At the same time, however, the content of social media is often not trusted for the same reasons. People know that lies and false rumours spread quickly on the internet.

CONCLUSION

The role of the CIO is changing rapidly and the parallel developments of cloud computing and social media are an important factor behind this shift. Rather than being the guardians of information who focus primarily on compliance and security, CIOs will increasingly find themselves interacting with a broad range of different stakeholders – both internally and externally. In essence, their role is moving from one of “collections to connections”.

Cloud computing is a very exciting development that offers CIOs an entirely new way of thinking about their information assets, and how storage and processing power are purchased. This new model provides unprecedented flexibility and agility – indeed, these two benefits may come to be seen as more important than the cost savings that can be made. Yet despite the huge potential, most CIOs remain cautious and prefer to dip their toes in the water rather than carry out a wholesale shift to the cloud.

Social media is also changing the role of the CIO. The reach and popularity of online collaborative tools means that it is impossible to control their usage entirely. A new generation of employees will see social media as part and parcel of their lives and will not want to work for an organisation that bans them from engaging with these tools. This highlights the importance of clear policies and guidelines, and a more active engagement with social media from the top of the organisation.

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