

# The Empire Strikes Back

## Unleashing IT as an Innovation Center

**If you don't innovate**, what is the cost to the business? Not just the financial cost, but what is the opportunity cost?

Who can put a price tag on what it means to merely keep the servers running, or at best, replace one enterprise application with an application that is fundamentally no different than what you're replacing? If you don't have the time or resources to take the extra step required for innovation, how can you be expected to move the dial forward?

Yet companies and organizations today are under tremendous pressure to cut costs, increase revenue

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opportunities and be more in tune with their customers. The only way to accomplish all three of those goals is by undertaking initiatives that are so profound, so fundamentally different, that they literally turn the IT function inside out.

That's a scary transformation for the traditional CIO, especially for one who has decades of experience in the everything-we-need-is-in-house IT model. However, we're now at a point where that story of innovation can be told. New models and best practices are emerging, and the application of those models and best practices creates an innovation platform from which IT can regain mind share within the business.

### The Empire (As we know it)

**Traditionally**, the IT department has been an empire unto itself, with empire-scale assets, budgets without boundaries, and a decidedly internal focus. Saddled with supporting massive infrastructure, CIO's haven't had the time or resources to pursue impactful projects that could support the sales, service or mobile applications that increase productivity and profitability. Rarely has IT been viewed by the business as a source of lasting innovation. Until now.

Beyond the scalability and security issues of moving to the Cloud, innovation-driven CIO's are searching for a new management paradigm that reflects an era where IT assets are now commodities and the fundamental role for the empire is one of alignment with business process and business strategy.

- **Once I accept a Cloud solution as the primary architecture of my stack, how do I repurpose those under-utilized members of my team who know the business and are capable of innovation?**
- **How do I identify the skills and qualities of those who are best suited to help?**
- **What is possible now that I am no longer spending 80% of my budget and most of my time making sure the application servers, network load balancers and the databases are up and running?**
- **What are examples of this fundamental transformation from CIO's who have already blazed the trail, and lived to tell about it?**

Not every CIO is ready or willing to tackle this transformation issue head-on or all at once. For that more

traditional CIO considering slow adoption and an incremental strategy, the questions might be framed a bit differently:

- **How do I build the case for modernization and a more measured approach to cloud computing that doesn't threaten the existing infrastructure?**
- **If I adopt cloud solutions incrementally, how does this affect the management of existing IT projects?**
- **What are some best practices for structuring internal IT teams to ensure that our core infrastructure is maintained?**
- **What are ways to utilize and preserve our IT assets in the cloud, in the face of increasingly complex and numerous security threats?**

Regardless of your approach, IT has an even more important role with the business in a Cloud environment. CIO's now have at their disposal more power to increase productivity and profitability across the enterprise, more effectively integrated with the business than ever.

## Innovation as a distraction

**Most will admit** that technology innovation has been over-used as a way of selling projects. In the classic example, the CIO sells a project to senior management based on a promised ROI, budget and timeline, and invariably the project fails to clear those hurdles. You're lucky if you even get a 25% return on investment for an IT project. If you come in on-budget with a project, you're lucky. If you're on time, you're lucky, but you're rarely going to get where you promised you'd get to.

Management has had no other alternative other than to take the hit, or clean house and fire the CIO, which has a cost associated with it and provides no guarantee of future success. There's an overall structural problem that prohibits even the most innovation-minded CIO's from having a shot at a breakthrough.

As a CIO, you're so focused on managing all the other stuff, keeping the lights on, you don't have the time to think about innovation or how you can meaningfully support the business. Innovation is a distraction. You're not able to give your company or organization the ability to connect meaningfully with the people who buy your product or service.

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So, now, you have the Cloud. The Cloud gives you that ability to strip some of that distraction away. You can build a project successfully, from the ground up. You have the time and focus to build slowly, to create the momentum.

The Cloud lends itself to innovative thinking on the part of the CIO and the ability to incorporate best practice expertise, because of those things you don't have to do anymore.

**ON-PREMISE VS. THE CLOUD**

**ON-PREMISE**

INFRASTRUCTURE-FOCUS

LARGE PROJECTS

BLIND SHOTS

LOW SUCCESS EXPECTATION

INTERNAL-FOCUS

**CLOUD**

INNOVATION-FOCUS

RAPID PROTOTYPING

BEST PRACTICE ADOPTION

INCREMENTAL SUCCESS

CUSTOMER-FOCUS

What we're talking about isn't 180 degrees different, but it might be 30 degrees or 45 degrees different. And that shift is enough to lead to successful innovation.

Some companies can't unburden themselves from what they've always done. They're so focused on building and maintaining on-premise infrastructure and the staff to support it, that projects become three times as expensive as projected, are horribly delayed, and don't even accomplish what they set out to do.

I know of instances where a company will take 18 months to complete a project, and in that time they could have easily had that project delivered two or three times, and at half the cost, but they can't see it because they are so mired in the depths of how they've always operated.

This has huge implications for the CIO because there are new technology initiatives that should be assessed around governance and compliance, green technology, social media tools and mobile productivity applications, but the mindset has always been around those large monolithic, multi-year infrastructure projects that CIO's like to tackle to further entrench their value to the organization. The business benefit is that the distraction of innovation is removed and IT leaders can contribute time spent on keeping the lights on toward new technologies which further innovation within the business model.

Younger CIO's may not have the gray hair and the credibility yet, but they understand transparency and the culture of risk-taking, and with these new affordable tools at hand, they have a much better shot at leading the charge for innovation.

When a company moves that infrastructure to the Cloud, it gets to deploy capital in new ways and at a speed never before experienced.

### Opportunity for disruption — A new generation of CEO

**The competitive advantage** of the Cloud is not just for the large corporation. It's incredibly enabling for those emerging companies to now afford the broad scope of computing applications and scalability heretofore reserved for the giants.

That's going to be very disruptive, because the CIO's of those emerging, more nimble companies have more than likely worked on the web their entire career, and for them operating in the Cloud is natural. These younger CIO's may not have the gray hair and the credibility yet, but they understand transparency and the culture of risk-taking, and with these new affordable tools at hand, they have a much better shot at leading the charge for innovation.

They understand what it's like to accomplish something amazing in 30 days, not 30 months. They're less concerned with formality and covering their mistakes, as they are about figuring out quickly if what they

think might work actually works. It either works or it doesn't, and they can move on very quickly to revise or scrap the project, without really spending a whole lot of capital.

And most importantly, everything they're doing is in alignment with the business units, not separate and sequestered from the business.

The challenge for some of these younger and more innovative CIO's is they may be managing teams of individuals who are used to a culture of creating and defending large budgets and projects.

They're leading people whose entire career has revolved around having everything you need in-house, the traditional brick-and-mortar enterprise. They're going to be threatened by any hint of migrating to the cloud, because they don't know where they'll fit in.

### The Cloud story is a human story

**Cloud transformation** is ultimately a resourcing story with a decidedly human element. I may not need three email administrators anymore. I may only need one. How do I repurpose those individuals I no longer need to maintain the infrastructure? Is it possible to

turn traditional introverts who like to work with new gear and gadgets, into outwardly-focused weapons of innovation?

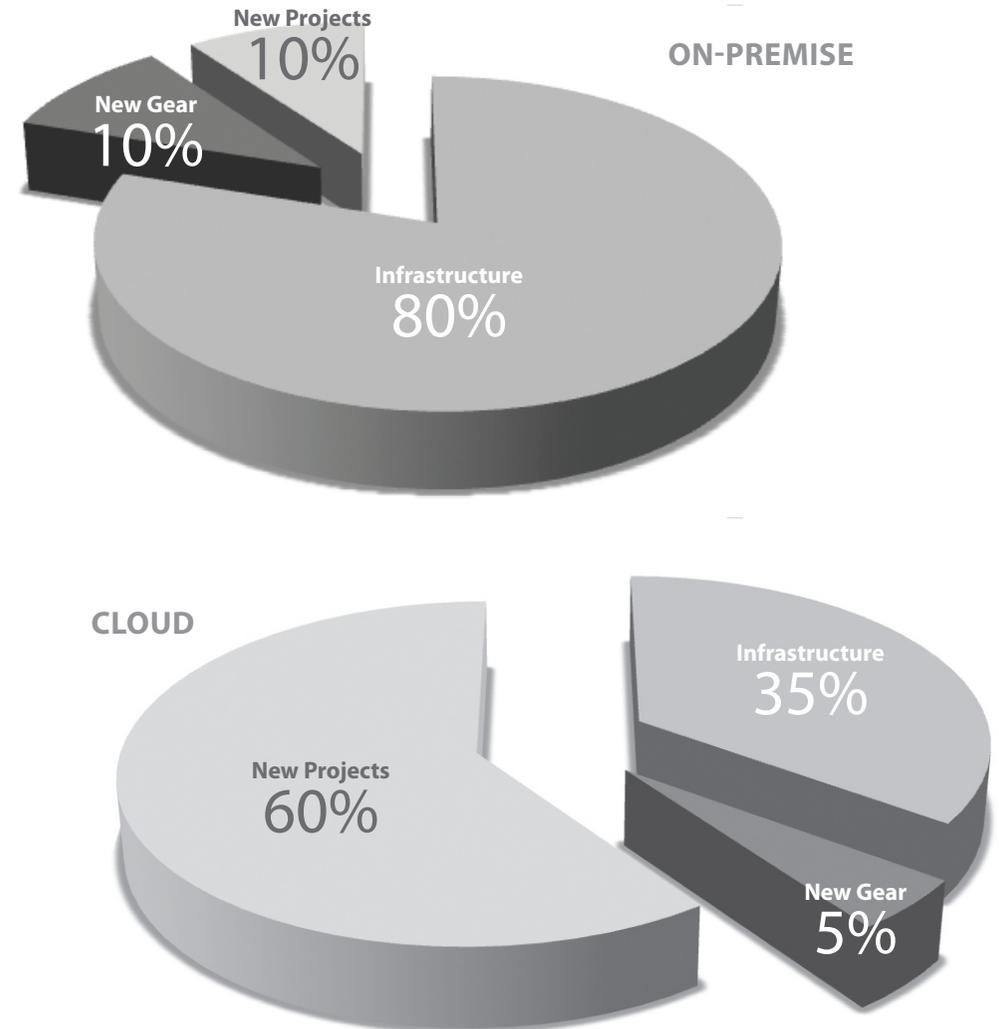
Churn and waste have been hallmarks of IT. To check the status and to monitor what is going to be a prized team member for the CIO is that individual who understands business process mapping and business process templates, who knows the business better than the business people. This might be someone who used to “gate” innovation, but with the potential of the Cloud, all that falls away.

### Shifting the Spend

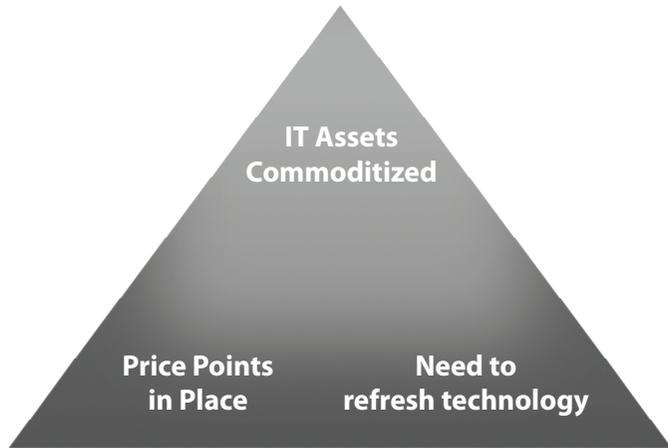
**To generalize,** at least half of your IT budget (and as much as 80%) is spent on support and infrastructure, keeping the lights on. The rest was spent on new gear and new projects. The expectation historically from everyone involved was not really high for any return on investment, because any innovation was a distraction to keeping the lights on. It just wasn't a priority.

Adopting a Cloud solution gives the CIO the opportunity to invert completely that traditional budget formula, so that the IT spend is now on rapid

### IT BUDGET COMPARISON



THE CLOUD TRIANGLE



project development instead of maintenance. This fundamentally shifts the balance of where you put your attention.

Once you accept the Cloud as the fundamental architecture of your stack, the wind is truly at your back. Innovation is now a different story. You can make very good decisions because it's a perfect triangle.

It's all about engagement

**When I think about** the traditional power base of IT, it has historically been a vertical model. The intractable IT organization has thrived as an entrenched and

deeply-rooted entity within the business, but not really connected in any meaningful way to the business, or the customers that give the business its reason for existence.

The majority of the IT power structure is in the support and infrastructure people, the network, database and help desk people. And then laying over these functions, you have a thin IT strategy layer trying to shield you from the business.

What is there to protect this investment and claims to be in alignment with the business, is never in real alignment. The team members that come in at this support level in an organization were never top-tier consultants. They aren't process people who understand how the business works.

THE ON-PREMISE BUSINESS (SALES, SERVICE,

Strategy Layer

Support Layer

- Networks
- Databases
- Help Desk

With a Cloud solution, this thin strategy layer in IT gets really transformed into something very different, and business process becomes even more important. For every component of the business, there's a horizontal alignment where IT becomes the business process partner and a driver of innovation:

**THE CLOUD BUSINESS**

The Business	IT	Delivery
Business Strategy	Strategy Support	Innovation
Sales	Business Process Support – Sales	Innovation
Service	Business Process Support – Service	Innovation
R&D	Business Process Support- R&D	Innovation

This is now a horizontal story instead of a vertical story, because the focus of IT is on business process support and implementation, not infrastructure support. It's shoulder-to-shoulder.

There's an element of delivery and innovation that didn't exist before, and there's more connectivity than you have in the older, vertical model. The power base in this aligned, horizontal model is fundamentally different. In the vertical IT model, even if you could afford a process and strategy

emphasis, I will contend it didn't really ever get you what you thought.

Yet, when you remove infrastructure building and support as the primary area of focus, those people you have who are more process-oriented and strategy-oriented become the most important people in your IT shop for you as CIO.

Process people prevail

**Who are these new weapons** you have at your disposal? How do you tell them apart from each other, the ones that have the potential to align with the business?

It probably has less to do with skill sets, specific work experience and any type of technical certification, and much more to do with personal qualities. These process people are going to be logical thinkers, good communicators, with a passion and energy for problem solving. They know the business well, and exude initiative. They are less interested in tape back-up, and more focused on taking apart a process and examining the gaps in the delivery and value chain.

Projects are going to land on the CIO's desk that have more to do with brand and culture, and will require greater transparency to the organization.

## The CIO that the business loves

**What you're really trying** to do here as a business-savvy CIO is blur the line between IT and the business. True breakthroughs in technology involve an iterative delivery process, which depends more on conversation and communication ideas, and less on conservation and the protection of physical and personnel assets. Innovation occurs within a culture of risk, and the embracing of small failures in pursuit of larger successes.

A CIO must also become a good caretaker of the brand. Given the inside-out transformation of the IT role, there's going to be a level of quality and branding that you've never had to worry about before. Projects are going to land on the CIO's desk that have more to do with brand and culture, and will require greater transparency to the organization.

There will always be a technology underpinning, but for the most part it's about primary business drivers: revenue growth, brand value and profitability. The era of the Propeller Head is over. Data centers and network architecture have moved to a realm of commodities, where the prices continue to drop and someone else is responsible for R&D. In the Cloud, most of these things are no longer your decisions.

This is going to ask a lot of the CIO who has grown up in a brick-and-mortar IT environment, where the internet arrived at mid-life or mid-career, and to some extent this involves a wholesale conversion. The seasoned CIO may be asked to move beyond almost everything they've learned their entire career, and embrace a new way of working with the business.

And beyond your own conversion, you'll have to go transform your team and optimize them for speed-to-market delivery. Instead of protecting your powerbase of people, you'll need to open up and share them. When the "empire strikes back," you will unleash both innovation and value in those critical areas such as service, sales and R&D, ultimately reinforcing the core importance of IT to the business.

You've often known the answer, but rarely do you get credit for knowing it. You're no longer the guardian of the key card, behind a locked door with all this equipment. Now, you're part of the business.

**At Mike's day job** as CTO at Astadia, he helps companies use the cloud to transform their businesses. Scenario planning for cloud transformation is easy (and free) online with the IT Transformation ROI calculator at [astadia.com/roi](http://astadia.com/roi)