January 4, 2008

Creating A Culture Of Performance And Value

This is the first document of the "CIO Success Imperatives" series.

by Craig Symons and Alex Cullen
with Tim DeGennaro

EXECUTIVE SUMMARY

The role of IT in many organizations has evolved from supporting the business to enabling the business — a shift that requires IT to transition from being mostly tactical and cost focused to being an enabler of the overall strategy and value focused. IT organizations that have successfully made this change have done so by among other things transitioning their culture from a reactive operationally focused caretaker of assets to a proactive strategically focused enabler of business value. This culture of performance and value ensures that IT's human capital is aligned with the strategic goals and motivated to execute. Cultural change is typically a messy and lengthy process, but it must and can be done.

PROCESS AND TOOLS — WHAT ABOUT PEOPLE AND CULTURE?

When CIOs look at their IT organizations to improve performance and deliver more value, they may use the common framework of "people, process, and tools" to identify changes. In the area of processes, they may look to adopt or further the use of Six Sigma, ITIL, COBIT, and CMMI. For tools, they may look at IT operations monitoring software, automated quality assurance suites, or project portfolio management applications, depending on where they see the greatest need. The areas of improving processes or better leveraging tools, while complex, are clear in scope and in impact. However, it is ultimately people that are executing these processes and using these tools, and the people and culture part of the equation is often ignored. The culture of the IT organization is often viewed as an ambiguous cloud. But everyone knows of strong cultures — where individuals are motivated, collaborate well, go beyond the minimums of their jobs, and take ownership to produce results. At the same time we are all familiar with weak organization cultures that are the mirror opposite.

In Various Manifestations, Culture Is Becoming A Key CIO Issue

CIOs in recent Forrester surveys ranked "Creating a culture of performance and value" as a "top 5" success imperative. Fifty percent of senior IT executives in the July 2007 North American and European Enterprise IT Management And Governance Phone Survey say that addressing staffing and skill needs is critical or somewhat important. And the SIM 2007 membership survey shows that attracting, retaining, and developing IT professionals was their No. 1 concern, ahead of improving IT-business alignment, while this same survey found staff turnover increasing. Each of these data points viewed in isolation may appear as a recruiting and hiring or training issue; however, taken holistically they form the common thread of the organization's culture. Providing an attractive environment to improve recruiting and retention, creating a bias toward learning that adapts well to new business demands, aligning the organization to the strategic goals, and having a cadre of strong leaders are the elements of the desired culture.
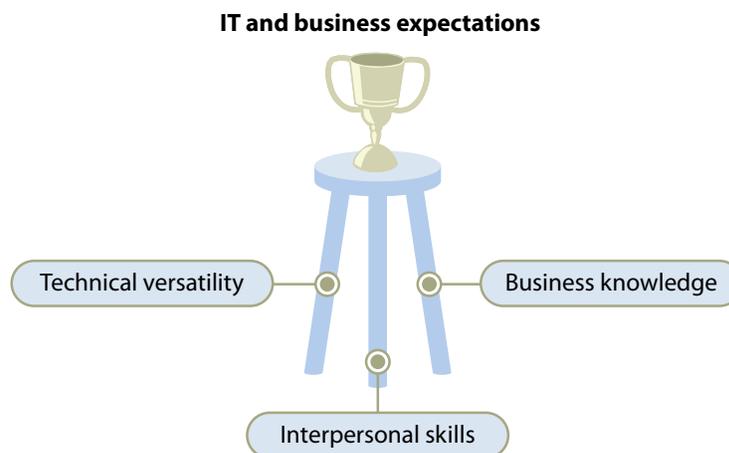
Why is this an issue now?

- **Expanding business demand meets a constrained workforce.** IT is seeing increasing demand from the businesses it supports. Overall budgets are expected to increase by 8% in 2008, and this translates into a much greater increase into project investments.[1] At the same time, demographics are resulting in a shrinking labor pool. This is creating a supply/demand imbalance that is making it harder to hire and meet this expanding business demand, especially in the more sought-after skill areas.

- **The rate of change is increasing and accelerating.** Both business and technology change continues to increase at accelerating rates. This requires an adaptable workforce and expectations that IT staff has business, technology, and communications skills to meet its strategic priorities (see Figure 1).

- **IT too frequently is not perceived as a viable career.** The dot-com bust coupled with a shift toward more outsourcing and off-shoring has led to a lower perception of IT as a viable career. The number of university students pursuing a computer science or related degree has dropped by a third since the beginning of the decade.[2] The reality is that for many skills there is significant demand. There is a need to change this image and reverse the trend. Creating a positive culture to get the most out of people, encouraging them to recruit others, retaining the best, and developing positive relationships are keys to this effort.

  > "There is a perception that jobs in IT are going offshore. Who wants to take on a job that will go away and get sent overseas? If that myth persists and organizations don't get the talent they need, it can become a self-fulfilling prophecy. The talent that companies really need isn't easily outsourced or off-shored." (Professor Kevin Gallagher, Northern Kentucky University)

Figure 1 Enterprise IT's Ideal Candidate

IT and business expectations

Technical versatility

Business knowledge

Interpersonal skills

Source: Forrester Research, Inc.

People And Culture Are Tightly Linked

It is almost impossible to be successful long term without a healthy culture, and healthy cultures do not happen by themselves. People are an organization's human capital, and the value of this intangible asset is determined not just by their skills and competencies but by how well they are aligned with the strategic objectives of the enterprise and how motivated they are to succeed. It is the organization's culture: the symbols, myths, and rituals that are embedded in the group consciousness of the firm that dictate employees' attitudes, behaviors, and values. Culture creates the environment in which people work. This has profound implications for existing employees in terms of their performance and ultimately their retention as well as attracting new employees. CIOs must make a healthy culture one of their top management priorities. This implies that initiatives focused on changing and improving culture must be part of IT managers' explicit goals, measuring their performance against these goals and linking this performance to their compensation.

THE RIGHT PEOPLE PLUS THE RIGHT MEASURES CREATES RIGHT CULTURE

Culture is reflected in the behaviors of the people: Are they proactive? Do they collaborate? Do they go "the extra mile" to get things done? Creating the right culture is a combination of two elements: 1) having the right people in place for the work who embrace the desired culture, and 2) using the right measures to consistently encourage and reinforce the behaviors that you want as hallmarks of your culture.

Recruiting, Retaining, Motivating, And Career Development Are Step One

Executives who have spent time in startup companies will tell you that a hallmark of a startup's performance is its culture of "get it done" — if something needs to be done, be it a marketing document or a piece of IT infrastructure, the startup's staff is expected to pitch in to do it. The company's success depends on this. And because of this culture, candidate employees "self-select" into these companies — the individuals who work there want to work in this type of environment at this pace for the potential rewards.

Very few IT organizations match this startup culture. But the culture they have is dependent on the people in the organization. To ensure that you can attract the right people, CIOs must:

- **Define your IT brand.** Your brand — the message you communicate about your organization — is a reflection of your culture. Branding is also a means to change your culture by creating an image of the culture as you want it to be. CIOs need to identify their organizations' differentiators, such as a connection to business impact or a leading technology focus, and distill them into a brand and associated messaging that can be used to shape internal self-images and reach potential hires. Similarly, college students and their influencers react to a strong enterprise IT brand that entices them to pursue education in IT and assures them of career prospects in an enterprise IT organization after graduation.

- **Align your "place to work" value proposition.** Staff within an organization must continue to see opportunities to contribute in ways that are important to them. Kevin Gallagher of Northern Kentucky University has learned from interviewing midlevel talent that companies need to think about how they can make the opportunities of midlevel positions more visible and attractive. They can do this by creating "swim lanes" that better define what the roles and responsibilities are and by being more specific when describing the position to someone. They need to identify the skills, knowledge, and capability required to move into various midlevel IT roles, then recruit and develop those skills.

- **Ensure that you staff for your desired culture.** Once a desired cultural direction is defined it's absolutely critical that new hires are selected that are consistent with the culture. CIOs pay a great deal of attention to professionals at other IT organizations, but IT has a broader pool of talent from which to draw that includes college students and current IT and business professionals. Few IT organizations, however, effectively cultivate these audiences because of structural and perceived barriers. CIOs should extend their talent search beyond the traditional candidate pools.

Right Measures: Make It Clear To Your Staff What's Important

People respond to how they are measured. If CIOs want to create a process-oriented organization, they can't measure and reward staff for how often they discard defined processes in the interest of quick outcomes. And if the goal is a culture that is business-success oriented, IT measurements have to reflect business impact, not just IT activities. How should CIOs get their organizations to approach this?

- **Use strategic plan development to identify the most important metrics.** Successful organizations are those that are vertically aligned. That is, the entire organization — from top management to individual contributors — understands the strategic objectives of the organization, understands its specific role in strategy execution, and has goals and compensation that reflect this. Metrics flow directly from these strategic objectives.

- **Adopt a Balanced Scorecard approach.** Many IT organizations have adopted the Balanced Scorecard framework for strategic measurement.[3] The Balanced Scorecard takes strategic objectives and determines the measurements that show progress on them. These measurements must be compatible with the desired culture norms and work practices. By ensuring this alignment and cascading through the organization, consistent measurements will result.

- **Verify that personal performance management processes are in sync.** It's important in any change management exercise to regularly stop and validate that you are obtaining the expected results. This step requires a check to ensure that all managers are following a consistent process for goal setting, performance measurement, and rewarding employees in ways that reinforce the desired culture.

Shaping And Sustaining Your Organization's Culture — Steps You Can Take

CIOs are aware of the need for organizational change management techniques when they are in the midst of major transformations such as mergers, down-sizing, or structure changes. Organization change management techniques in these contexts are often approached reactively: "We're going to make huge changes in our organization! Quick — let's bring in some change management expertise!" Many of these same techniques, combined with the right people and right measures, can be used proactively to shape your organization's culture. Three key success factors for leading change efforts:

- **Ensure ownership for change.** To be successful in leading change as the change advocate, the CIO must identify the change sponsor — the person who is powerful enough within the organization to be a driving force for the change process in support of the CIO — and the change agents — generally a team of internal and external people who have expertise in the change process and can help drive the change.

- **Create the need for change.** This means creating and sharing a precise vision for the future that remains unchanged throughout the process. This vision should also address the "why" of change — why the previous organization or way of working is no longer viable. The CIO and the IT management team must develop and embrace a true vision for the future of the IT organization and its role in the enterprise. They must keep the realism in the change message and make sure that it is imaginable, desirable, feasible, and focused.

- **Ensure that organization, process, and culture all fit with each other.** A goal of an entrepreneurial and innovative workforce will be harder to realize if the organization structure tends toward separate, functionally specialized teams — the cross-team coordination necessary will kill entrepreneurial impulses. Similarly, if process orientation is desired, then both organization and culture tendencies must support this orientation. Check that they are all in line before you roll out change.

- **Communicate constantly with the same message.** CIOs that embark on the change process must be prepared for constant communication. If the message is communicated differently, employees can lose confidence in the leadership, which can compromise the team and its optimism. It needs to be consistent by giving the same message every time, and remember that it will take multiple repetitions for the message to get through. Resistance is normal and must be accounted for in the communications process.

- **Ask for commitment.** At the end of the change effort, it is the people in the organization who must adopt the change. Change agents, to be sure they've accomplished what they've set out to change, must take the possibly awkward step of asking the people in the organization to support the new working model. Take a tip from sales — ask for what you are looking for, and use any objections you hear as the opportunity to complete the change.

RECOMMENDATIONS

YOU OWE IT TO YOUR BUSINESS, YOUR ORGANIZATION, AND YOURSELF

As IT organizations transform their mission from a tactical to a more strategic role, the culture will most likely require transformation as well. This cultural transformation requires the same or even higher level of effort to be successful. CIOs must be sure they have the right people — through hiring, retention, or change management for existing staff. Then they should make sure that the way that performance is measured and rewarded fits with the desired cultural norms. Deliberately managing the organization's culture, and shaping it toward one of performance and value, is better for the firm, better for the people in the IT organization, and better for the CIO's role.

- **Be serious — assign ownership.** Every manager within the IT organization must be committed to the process and have explicit goals and rewards tied to transforming the culture as part of their personal performance measurement. Make it an MBO, and regularly take time to assess where the organization is versus where it wishes to be.

- **Establish metrics that measure transformation.** The entire IT management team must develop a set of metrics that measure progress toward the new culture. This should include measures for employee satisfaction, employee retention, new sources of recruiting, and other relevant metrics. To ensure these metrics receive proper attention, incorporate them within the organization's Balanced Scorecard.

ENDNOTES

[1] For more detailed breakdowns of projected IT investments, see the September 27, 2007, "US IT Spending Summary: Q3, 2007" report.

[2] According to the Computing Research Association (CRA), the 170 institutions in North America that grant computer science degrees up to the Ph.D. level reported a total of 10,206 bachelor's-degree graduates for the academic year that ended in the spring of 2006 — the most recent one for which data is available. That was down by nearly one-third from the level at the start of this decade, when there were more than 14,000 graduates annually. Source: Patrick Thibodeau, "Tech grads get higher salary offers, but existing workers may face job perils," Computerworld, October 3, 2007 (http://www.computerworld.com/action/article.do?command=printArticleBasic&articleId=9040761).

[3] The Balanced Scorecard in conjunction with other tools can be used as an effective vehicle to drive organization change. See the April 30, 2007, "Transforming IT With Strategic Measurement" report.