BREAKTHROUGH IT
To my wife
Acknowledgments

This book would not have been possible without the clients of Prevoyance Group, Inc., who are far more than mere business partners, but teachers as well. Their struggles and successes were the inspiration for Breakthrough IT, and the proving ground for its concepts. I wish to thank Kathy Allen, Greg Buoncontri, Bridget Reiss, and Phil Stunt for their time and insights. Their guidance shaped and challenged my assumptions, as well as providing additional depth to this text.

My family has provided constant support, without which these pages would never have been possible. My parents instilled an accountant’s business aptitude and an artist’s creativity in their son, and provided wisdom that I appreciate more each day.

My wife, Meghan, has been a friend, critic, sounding board, and most important, a constant loving companion. She provided a much-needed “kick in the pants” to start Prevoyance Group, and her unending patience with long days on the road and long nights of writing helped make this book possible.
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Preface

Breakthrough IT is the next step in the evolution of the corporate IT function. Since its inception, IT has focused on the technical aspect of its role, providing expertise and services with an increasingly mindful eye on doing so at a competitive price. While competing on cost has its merits, with the prevalence of outsourcing and market pressures, the time has come for a new way to manage IT, and that is Breakthrough IT.

While much of what Breakthrough IT entails is not necessarily new, and many leading CIOs, including those featured in this book, espouse several of its precepts, *Breakthrough IT* is the first book to look beyond the technologies that have been the focus of the IT industry. Instead of technology as the only tool of the IT organization, Breakthrough IT considers technology as only one method for instituting business change, and the CIO to be the primary person responsible for instituting process change, rather than a mere keeper of technology. Breakthrough IT combines several disciplines with the goal of making IT serve business objectives rather than provide and service tools. The idea is that IT should deliver and execute business strategy, not just provide a portfolio of commodity services.
While Breakthrough IT is a methodology of sorts, I am hesitant to present it as such. It is not something you can buy and install, or hire somebody to “do.” It requires a fundamental change in the relationship between the CEO and CIO, and the relationship of the CIO and the IT organization to the rest of the corporation. Like anything beneficial, be it a trip to the gym or foundational changes in the way your company looks at its IT organization, it is difficult to implement and maintain, but offers astounding rewards. Those companies that are able to implement Breakthrough IT will have an unprecedented competitive advantage, as their IT department will be perceived as a value engine, whether it is successfully delivering strategic projects or designing and creating products for the end customer.

Similar to supply chain management, a formerly mundane aspect of business that suddenly became a source of competitive advantage for companies with the will and discipline to exploit it, Breakthrough IT will provide large dividends to companies willing to put in the effort required.

Perhaps the biggest competitive advantage of the Breakthrough IT organization is its focus on executing strategy. Today’s business climate is one of unprecedented global change, be it in response to the new international playing field, the advent of disruptive technologies, or a changing labor market. The Breakthrough IT organization is inherently nimble, since it gets its direction from the senior executives of the corporation. Therefore, companies with Breakthrough IT will be able to change course quickly when required and maximize the potential of emerging business opportunities.

I have had the great privilege of working with many of the world’s great companies, and those that aspire to greatness. The experiences I
have acquired are the foundation for this book. I hope that you will find *Breakthrough IT* pragmatic, insightful, and actionable. I truly believe there is no better tool for creating a revolutionary IT function in your company.

**Breakthrough IT Sections and Features**

*Breakthrough IT* is designed to guide business leaders in transitioning their IT organization from an engineering or “utility-based” internal provider to a Breakthrough IT organization, capable of delivering predictable and measurable returns on IT investment. The first part of this book provides a methodology for transitioning IT from the old way of doing business into a Breakthrough IT organization. This part of the book will show CIOs how to develop process expertise within their organization, and provide guidelines for CEOs and CIOs to move their relationship from one of customer and vendor, to one of partners in fueling business growth.

The second part of the book covers the heart and soul of a Breakthrough IT organization: strategic projects. The Breakthrough IT organization has unburdened itself of its ongoing operations, transitioning the utility functions of IT to a vendor, be that an internal vendor or outsourcing to an external provider. The organization is then free to tie the strategic objectives of the business to a series of projects, each with a well-defined investment analysis providing a solid prediction of costs, and likely returns on the investment tied to each major project objective. As the Breakthrough CEO and CIO develop a track record of successes, returns can be predicted with increasing accuracy, and IT can become a powerful enabler of strategy. Tying all
the major components of these projects to a defined target for business returns also adds an element of financial validity to the process. No longer are projects tracked based on percentages or “traffic light” charts that are easy to read but lack real substance behind the data. Rather, projects can be measured by what monetary value has been derived from the current level of investment. Like any other investment program, these projects will clearly indicate when they are delivering the required return, and a decision can be made to continue or terminate projects on a monetary basis with all the facts in the open, rather than relying on feeling and intuition.

The rest of the book describes where the proverbial rubber meets the road in a Breakthrough IT organization: successful execution of the strategic projects and influencing and leveraging the business changes they engender. The critical roles of the CEO and CIO in driving change management are spelled out, as well as detailed steps that must be taken to complete a postmortem on the project and determine where it was successful and where it failed once the implementation has been stabilized and organizational value is beginning to be derived. The Breakthrough IT shop is a learning organization, and even when investment objectives are not met, the results are critically examined to increase the likelihood of success of the next endeavor. In this manner, the corporation at large develops increasing process knowledge with each implementation, and increasing ability to accurately predict the returns on its strategic IT investment.

Each chapter provides a list of action points at its end. The action points provide a short list of items to consider, and concrete steps you can begin taking in your organization to transform its IT function into a true Breakthrough IT shop. The action points are followed by an
executive summary. Use it to review the content from each chapter or to get an overview of the content in future chapters. The executive summary can also be used to quickly recall key points from each chapter and provide talking points to share with your colleagues.

Included in the book are several interviews with leading C-suite executives in various stages of implementing Breakthrough IT in their own companies. You will learn how IT is being used in their organizations, and gain insight from the front line across multiple industries, company sizes, and continents.

In addition, the author provides free articles and resources on his company’s web site: www.prevoyancegroup.com. Prevoyance Group publishes a monthly newsletter, free to those who purchased *Breakthrough IT*. You can subscribe by visiting www.prevoyancegroup.com/subscribe-book/.
Marissa nearly chokes on her champagne when she feels a hearty slap on her back. Pausing a moment to compose herself and prevent any bubbly from escaping, she swallows and turns to see a beaming smile from her colleague Jim, the Chief Executive Officer (CEO) of Breakthrough Corp.

“I can’t believe we’ve had such a successful product launch,” his deep voice boomed, the excitement radiating through his usually stoic countenance.

“Two years ago when you approached me and said that IT could be the ‘strategic weapon’ that gets us to market more quickly and lowers our product development and support costs, I almost fell out of my chair. Who would have ever thought my CIO would be the ‘ace in the hole’ when it came to executing our strategic objectives?”

We live in one of the most interesting times in the history of the corporate Information Technology (IT) organization. Markets are
continuing to expand globally, generating unprecedented opportunities for growth while at the same time imposing the threat of new and hungry competition, willing to deliver products and services better, cheaper, and faster. Labor pools have rapidly shifted, creating commodities out of what were once hot skill sets in a matter of months, and engendering positions and functions that were never dreamed of a few short years before.

At the same time, technology has “grown up” in the corporate world. As computers became affordable and reliable at the close of the 20th century, corporations rapidly adopted their use, seeing the promise in a tool that allowed for automation of routine tasks, and the ability to speed information gathering, processing, and analysis. The growing complexity of technology created the need for engineers, programmers, analysts, and eventually a cadre of managers to oversee this group of specialists. As technology further engraigned itself within the corporation, this ragtag group crystallized into a specialized function, charged with maintaining the technology assets of the entire organization: IT as a corporate function was born.

More recently, IT has permeated nearly every corporation, large and small, even invading the C-suite, with the role of Chief Information Officer (CIO) becoming increasingly prominent. While the CIO title has been around for the better part of 30 years, it carries a fair amount of baggage, lacking the clout with the CEO that is generally held by the Chief Financial Officer (CFO) and Chief Operating Officer (COO). Many even joke that CIO really stands for “Career Is Over,” indicating that the CIO position is as far as one can expect to advance when he or she has been “tainted” by a technology background.
Too often, even the best CIO is seen as a technologist, rather than a businessperson by his or her peers. The CIO is generally the last to be consulted on strategic initiatives, and is seen as providing a utility-like service to the corporation: a service that should be delivered at an increasingly high quality with an ever-decreasing budget.

The CEO is facing a similar dilemma. Productivity gains and competitive pressures have placed amazing demands on his or her leadership skills. Costs must be tightly managed and every modicum of market share increase must be battled for, against an increasingly hungry group of competitors in a global marketplace. Cost-cutting efforts, and the addition of new “business systems,” either technology-based or process improvements such as Six Sigma or Lean, can help, but these can be easily applied by the competition. Cost cutting can go only so far until service levels and quality decrease, and organizations become pennypinchers to the point of becoming miserly in their dealings with customers.

**Why Do You Need Breakthrough IT?**

In this business environment, the IT organization has reached a crossroads. Commodity hardware and increasing availability of pre-packaged software functionality further the case for designing and managing IT as a low-cost utility. Should the CEO and CIO, with the help of other executives, strive for “best-in-class” utility status in their IT organization, or is there a way to transition IT from a utility that delivers cost savings, to a competitive weapon that delivers organizational value?

After the heady days of the technology boom, technology spending has been largely rationalized, and cost-cutting efforts have created
effective utility-like shops. Companies strove to gain competitive advantage by further managing their costs; if you were similar in size and market to your competitor, but could get your product to the customer in a slightly less expensive manner, you could gain a competitive advantage. While this logic holds sound, most surviving companies have cut their costs to the point that further cost cutting no longer generates large competitive advantage, but rather diminishes service levels; the economic Law of Diminishing Returns comes into play as pictured in Exhibit 1.1.

Competitive advantage is no longer a simple matter of who can cut costs the most. As corporations at large, and in IT departments in particular, butt against the Law of Diminishing Returns, a better solution must be found. That solution is focusing on IT as a means to produce measurable business value, just as with any investment considered by the executives in a corporation. Banal statements from vendors about increasing return on investment (ROI) and the like must be replaced by a rigorous focus on measuring, tracking, and reacting to what value IT is producing. The companies focused on turning their IT
department into a means to produce value will be leaps ahead of those continuing to focus on reducing costs. While your competitors spend time pondering the expenditure of each penny, your organization can be measuring the dollars produced by using IT as a strategic lever.

The need for the Breakthrough IT organization stems from the current corporate environment, and the “triple threat” of costs, commoditization, and the CEO/CIO relationship. A “utility” IT organization can never adapt to this new environment, and the Breakthrough IT organization provides an evolutionary response that both minimizes the operating costs of IT, and focuses on generating returns—a “one-two punch” to provide real competitive advantage.

The Triple Threat

The “triple threat” facing the corporate IT function is depicted in Exhibit 1.2. As each element increases its pressure on the IT organization, the impetus for action becomes increasingly critical. As this

![EXHIBIT 1.2](image-url)