

CIO

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AUGUST 15, 2004

THE 17TH ANNUAL
CIO 100
AWARDS



CLOCKWISE FROM TOP:
Anthony Hill, CTO, Golden Gate University;
Catherine Brune, CTO, Allstate Insurance; Judy Stahl, CIO, Harvard Business School;
Dan Langham, CIO, Toshiba America Business Solutions

This year's honorees teach us how to marry IT agility with enterprise agility in order to move quickly, adapt intelligently and create advantage in a rapidly changing world

The Agile 100

BY EDWARD PREWITT

SUDDENLY, AGILITY IS IN THE AIR.

In the cautious optimism of the postrecession, preboom economy, agility—the ability to adapt quickly to changing business conditions and take advantage of rapidly emerging opportunities—has become the *sine qua non* of organizational fitness. Conferences are devoted to it; technology advertising campaigns promise it; executives want it.

Why is agility so desirable at this particular moment in time? The future has always been, by definition, uncertain, but right now it seems even more so. The recession is officially over, yet the expected rebound is still in the offing. Corporate profits are up slightly, but overall demand for goods and services—including technology—remains relatively flat. And then there's the anxiety that another terrorist attack, timed to coincide with the November elections, will knock the economy back into recession. In this iffy environment, organizations must be ready to turn on a dime—either to scale back or aggressively seize the moment.

In IT circles, agility has become associated with a flexible, component-based approach to software—agile programming, agile databases and agile modeling. But CIOs and IT departments must go beyond software development principles and practices to call themselves agile. “IT agility has a lot to do with the culture, with making sure that everyone from my position down to the entry levels understands what we need to do as a company,” says Ken Sidon, president of honoree company Antares Management Solutions.

“It comes down to the people rather than the technology.”

What We Looked for in Our Honorees

For our 17th annual CIO 100 Awards, we selected 100 organizations wherein IT agility enables agility across the enterprise. Our Agile 100 honorees structure their IT costs so that spending can flex with fluctuating demand. They use elastic staffing and sourcing methods to align their people and resources with changing business needs. They employ

Highlights of the CIO 100 Honoree Survey

THE WHYS AND WHY NOTS OF AGILITY

Benefits to the Enterprise

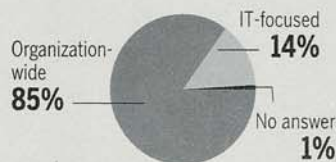
- In descending order
- Improved customer service levels
 - Enhanced ability to take advantage of new revenue opportunities
 - Lower costs
 - Heightened ability to fend off competitors
 - Faster time to market with new products

The Challenges of Achieving Agility

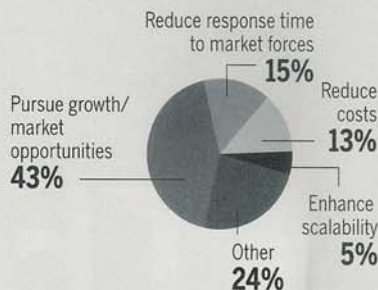
- In descending order
- High cost of new systems, processes
 - Lack of necessary staff skill sets
 - Disconnect between IT department and business units
 - Legacy systems
 - Poor project management
 - Poor IT investment governance
 - Lack of flexibility among IT vendors
 - Bureaucracy

AGILE PRACTICES

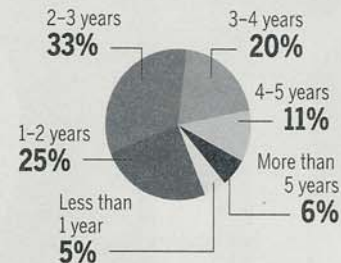
The focus of honorees' agility initiatives



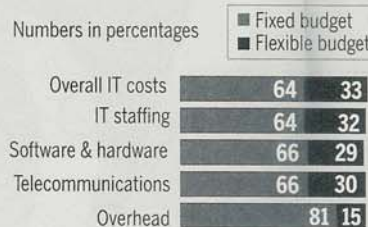
Drivers for pursuing agility as an enterprise



Time it took honorees to build an agile IT department



Fixed versus flexible costs in honorees' IT budgets



Note: Numbers do not add to 100% due to incomplete answers.

CIO.com How agile are you? Take the **AGILE 100 QUIZ** and find out. Go to www.cio.com/agilityquiz.

agile project processes. They create technological agility by regularly testing new tools and developing their employees' skills. The governance mechanisms of agile IT organizations are proactive. Most importantly, their IT agility supports and sustains organizational agility.

Michael G. Williams, CIO of The New York Times Co., one of this year's CIO 100 honorees, defines the link between the agility of the IT department and that of the enterprise as the implementation of "solutions that do not require a lot of time and really allow the business to take advantage of opportunity." In practice, Williams says, agility is the apogee of CIO-CXO relations. "When a business [unit] owner comes to me with a need, I would like to be able to say, This is merely a configuration change, rather than saying, It'll take nine months, and you'll have to go to the board because it's going to be a whopper. *That's* agility," he says.

Williams experienced this CIO nirvana during Super Bowl week last January, when The Times took advantage of the business opportunity created by the New England Patriots' participation. Two weeks before the NFL title game in Houston, Williams huddled with business executives and printing staffers responsible for *The Boston Globe*, which is owned by The Times. They determined that it was possible to print extra copies of *The Globe* in Austin, Texas, where the company already had a business relationship with the local paper. Historically, complex newspaper layouts are very difficult to adapt to other printing presses, but The Times's service-ori-

ented architecture made the process straightforward. The extra print jobs ran for six days before and after the Super Bowl. To distribute *The Globe* editions, The Times piggybacked on its preexisting delivery agreement with another newspaper in Houston and distributed them around the city, where Patriots fans in town for the game snapped them up. This display of IT and enterprise agility resulted in the sale of 180,000 extra copies of *The Globe*.

Agility in Action

Agility was a specific part of the core strategy of 85 percent of the Agile 100 organizations, which represent 18 major private-sector industries, nonprofits and government agencies. They range from small startups, such as Via Training and iJET Travel Risk Management, to established giants, such as General Motors and the U.S. Government Accountability Office (formerly the General Accounting Office).

CIO 100 honorees manifest agility in a variety of ways. "Agility is in our governance, our project management, our vendor management and in the ways we set up funding," says Marilyn Delmont, CIO of the city of Chandler, Ariz., which was one of three municipalities honored.

Delmont arrived in Chandler in early 2003 as the city's first CIO. Home to several growing high-tech companies, Chandler has experienced a population boom in recent years, and the municipal government has struggled to keep apace with the services it provided. City leaders weren't skimping on IT resources, but before Delmont was hired each city depart-

ment bought and ran its own systems independently. The result was siloed systems, frequent outages and, consequently, painfully slow processes. Delmont focused on creating a strategic plan that included establishing an enterprise architecture, setting up a governance structure that involved the business side without giving them IT decision-making responsibility, and rolling out a project management office. As a result, when the city council asked earlier this year that geographic information system data be posted on the city's website, Delmont's group was able to get it done quickly. In fact, the team got it up in one week.

To see how another honoree, the federal Defense Logistics Agency (DLA), used IT to vastly improve its operations, see "Inside an Agile Transformation," Page 48. The agency that supplies all branches of the U.S. military historically was known for being slow and inefficient. But the DLA committed \$1 billion to an agility makeover that transformed how it approaches its mission and will return \$1.8 billion in savings.

The Cost of Agility

One key to agility is having money to spend. With an average IT budget of \$269 million, the CIOs of the Agile 100 aren't hurting for cash. What's more, 56 percent of them were able to increase their IT budgets from the previous fiscal year. But 23 percent managed to create and maintain agility with decreased IT budgets, and another 17 percent with flat funding, thereby demonstrating that agility can't be bought; it has to be earned. On average, the Agile 100 manage to keep a third of

HOW WE CHOSE THE AGILE 100

THE THEME FOR THE CIO 100 AWARDS changes each year to reflect an emerging and urgent business need. In recent years we've selected resourcefulness, innovation and integration. Choosing this year's theme was easy; agility is the zeitgeist of 2004.

In the fall of 2003, we developed an online application asking organizations to identify several aspects of their IT agility and enterprise agility, and demonstrate a link between the two. We tapped a panel of IT management and agility experts (see "CIO 100 Panel of Experts," Page 47) for insights in constructing the application. We then solicited applications through advertising, newsletters and e-mail. As the applications rolled in during the first two months of 2004, a panel of experts and our in-house editorial staff nominated

additional organizations distinguished by their agility. We invited these nominees to apply as well. The completed applications, which required substantial detail, exceeded 300.

Teams of CIO editors and writers made initial recommendations about each entrant. We debated the depth and breadth of their agility, the results achieved, and how the enterprise stacked up against the other applicants. Thus, the final 100 honorees for the 17th annual CIO 100 Awards embody the state of the art in anticipating change and implementing processes—in technology, in governance and in spirit—that enable a fast response to evolving conditions and allow these organizations to seize the day.

—E.P.

their IT budgets flexible, according to "The CIO 100 Honoree Survey." (Full results are online at www2.cio.com/research.) That's a big percentage of annual IT spending devoted to new needs or opportunities. Honoree Merrill Lynch launched its "Cost Transparency Now!" initiative in 2002 to free up money that had been locked in to network, mainframe and security costs. The scheme, which was combined with a chargeback mechanism, delineated fixed and variable costs to show business units what they were spending and where they could save.

An obvious way to keep costs flexible is through outsourcing. And indeed, 91 percent of this year's honorees make use of outsourcing—both the domestic and offshore varieties. But that doesn't mean surrendering responsibility for IT to a third party. The Guardian Life Insurance Co. of America, for example, uses offshoring to address peaks and valleys in development needs, but its IT group maintains a minimum presence of 50 percent on each project. This approach is meant to ensure in-house control of projects and to avoid the loss of knowledge capital.

At the same time, Guardian emphasizes training for its in-house IT staff by setting up a project management training program, working with an e-learning vendor to create a customized course on the operating models and strategies of the business units, and sending staffers to boot camps for targeted technical skills. This continuous training approach aims to embed agility within all levels of the IT group, rather than leaving it to the managers.

Technology for Agility's Sake

The agile use of technology is another characteristic of this year's CIO 100 honorees. Via Training, an online training company launched in 1999, uses open-source products to build its IT infrastructure and engineering hosting delivery applications. The savings Via Training reaped by using open source rather than commercial equivalents in its initial investment approached \$1 million—the difference between success and failure in the startup period, says Vice President of Engineering Paul Irvine. Via Training continues to display technological agility by using XML and reusable code to lower development costs (and speed delivery) of its online training

course modules. This approach allows courses to be translated into other languages easily, rather than necessitating an intense customization for each language.

For details on building technological agility into your organization, read "How to Build an Agile IT Department," Page 58.

CIO 100 Panel of Experts

Advisers who helped develop the CIO 100 Awards application and nominated organizations

Rick Dove

Founder and Chairman
Paradigm Shift International

Jim Highsmith

Director, Agile Project
Management Practice
Cutter Consortium

Nick Horney

President
Agility Consulting & Training

Howard Rubin

Executive Vice President
Meta Group

Rick Swanborg

President
ICEX

Peter Weill

Director, Center for Information
Systems Management
MIT Sloan School of Management

Thanks also to members of the CIO Editorial Advisory Board for their input into the development of the awards application. To find out who's on CIO's Board of Advisers, see Page 19.

Agility Constrained

Becoming agile isn't easy. The obstacles, according to our honorees, include: the eternal challenge of aligning business unit goals with IT department capabilities, the lack of necessary

staff skills and (of course) inadequate, untouchable legacy systems. The biggest barrier, however, is simply the cost of installing new systems and processes. At least initially, the search for agility can require tradeoffs. "There's a balance between short-term contracts for flexibility and the cost savings from long-term contracts," says Chandler's Delmont.

Once past these humps, however, the Agile 100 reaped benefits. IT departments attained a strategic partnership status with the business side by better aligning with business needs. For the organization as a whole, the advantages include: improved customer service levels, faster time to market with new products and a greater ability to take advantage of new revenue opportunities. Con-Way Transportation Services, for example, reused software components to launch a new business unit with an on-time rate of better than 98 percent—an industry high. UNICEF developed an emergency communications kit to link disaster areas around the world into its worldwide private IP network in less than three hours, thereby saving children's lives. Industrial distribution company W.W. Grainger's test of a custom inventory availability tool was so successful that sales staff used it close to 20,000 times during a one-month trial, netting \$182,000 in add-on sales.

Agility, then, boils down to being quick off the mark. And our 2004 CIO 100 honorees, having taken the lead, are already miles ahead. **CIO**

Senior Editor Edward Prewitt (eprewitt@cio.com) coordinated this year's CIO 100 Awards and this issue.


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