

BI Radio

Episode 18 – Thriving in Turbulent Times

(00:00)

Station ID: This is BI Radio.

(00:03)

Montage:

- The CIO has arrived. IT is here to innovate the business and to create new revenue streams and so on.
- People were going into a state of aggressive indecision, continued to focus on the future rather than, you know, what's gone on in the last few months and move to the acceptance stage.
- Customers who, in this environment, can find a competitive advantage will stay competitively advantaged for years to come.

(00:36)

Ken Seeley: Hi there and welcome to BI Radio. I'm Ken Seeley. On the show today, we find some good news in turbulent times. Our team went beyond the headlines and came back with stories of opportunity, insights, and innovation. Silver linings for the CIO. Delaney Turner learns from CIO publisher Bob Melk why it's time for them to shine. John Blackmore talks to our own Leah MacMillan about business intelligence strategies that you can pursue right now to come out ahead. But first up, Kelsey Howarth learns from consultant Jim Carroll why now is the perfect time for disruptive innovation.

(01:20)

Kelsey Howarth: Hi, I'm Kelsey Howarth. When companies like Disney, Reader's Digest, Motorola and Toshiba go looking for cutting-edge insight, they call on Jim Carroll. As an author, columnist, media commentator and consultant, Carroll's completely focused on creativity and innovation. His insights have been captured in his books, Ready, Set, Done: How to Innovate when Faster is the New Fast, and What I Learned from Frogs in Texas: Saving your Skin with Forward-Thinking Innovation. Today, you're going to listen in as we discuss the stages of economic grief, the danger of being a deer in the headlights and how to get good ideas circulating in your organization despite the downturn. In a recent article he wrote entitled "Rethinking Innovation: Is Now the Time to Forge Ahead?" you mentioned the seven stages of economic grief. Can you tell us about the stages and how innovative companies are moving past the mourning and on to action?

Jim Carroll: Well, I think about the reaction to the changes in the economy in terms of, you know, what we go through with bereavement. We deal with anger, we deal with denial. You know, we eventually get to the acceptance stage. And I think the same type of thing is occurring with how we're reacting to the economy. I mean, obviously a lot of people in anger, a lot of people in denial, a lot of people in shock in terms of just how quickly, you know, so many business fundamentals have changed. What I'm talking to folks about is, you know, look, we know we're going to come out of this thing at some point in time. We know that, you know, there's opportunities for growth markets out there, we know that there's things we can do within our organization today, you know, to continue to focus on the future rather than, you know, what's gone on in the last few months. We've got to move to the acceptance stage faster. You know, it's a good way of thinking, you know, to remain forward oriented, focused on innovation, focused on the future, focused on opportunity.

Kelsey Howarth: You write that the danger is an idea recession, or innovation paralysis. Do you think companies are still in that shock phase?

Jim Carroll: They're like deer in the headlights. They're so focused on the headlines, they're so focused on, you know, every single twist and turn of what's going on with the economy and if you sit back and you think about the industry you're in, there's probably lots of potential for growth. What we've got to do is we've got to get people beyond this paralysis and get them focused on the future again. You know, I

coined the phrase a few years ago when we had the last downturn after, you know, the dotcom collapse. I said that people were going into a state of aggressive indecision. You know, they just decided to not to make decisions about anything. You know, they just, sort of everybody went on pause and I think we have to recognize we've got to get beyond the pause button. We've got to press the play button and start doing things. We have to keep moving forward.

Kelsey Howarth: You recommend that people looking for a good idea engage in a little Air Guitar. Now it sounds like fun, but there's a deeper purpose at play here, correct?

Jim Carroll: Well, I think what Nintendo did with the Wii, you know, for a long time video games were exclusive to people under the age of 25. I mean, you know, anybody under the age of 25, 30 didn't understand them, couldn't play them. And you think about the market transformation shift that they did. What Microsoft did was they brought out a faster Xbox, what Sony did was they brought out a faster PlayStation, what Nintendo did was they looked at the market and said, well, you know, we're just not going to do something faster, go along the traditional innovation cycle, but we're going to transform the product and enter an entirely new marketplace and try to reach out to all those people who had not previously used video games. So whether with the Wii Fit, whether with Guitar Hero, you know, whether with all the other spatial oriented games that they brought out, they focused on market transformation as an innovation strategy. And I think that's a really important concept. I mean, I think a lot of organizations, when they think about innovation, they think about, well, how can we improve what we do in order to achieve success in our marketplace? Maybe a better question is how can we transform our marketplace and reach customers that we've never reached before?

Kelsey Howarth: Often in recessions, companies move from a revenue generation focus into cost-cutting mode. A seemingly easy fix has been to lay off personnel, slash IT budgets, and shelve green initiatives. Are companies going that route again to the same degree?

Jim Carroll: I think that something a little bit different is happening this time. I'm seeing companies that are pursuing HR strategies which are sort of revolving around, okay, let's do something different in terms of, you know, not just letting go 10 per cent of our staff. Let's think about how we might reduce the number of hours that all staff are working during the week so that we're not doing a straight 10-per-cent staff cut but we're sharing the pain amongst everyone so that we all continue to play a role in the organization. I think there's a lot more of a cooperative attitude out there with some organizations, you know, that we need to have ideas, we need to think differently about how to deal with cost and manage cost. I mean, obviously people are cutting travel budgets, conference budgets, things like that. I think there's a lot more intelligence and collaboration given to strategies to try to cope with what is going on. I think the way we're seeing this one unfold is a little bit different from earlier ones.

Kelsey Howarth: You spend a fair amount of time with CIOs from major corporations. What are their big concerns and what is your advice to them?

Jim Carroll: I think the big issue continues to be how do we align IT strategies to business strategies? How do we make sure that what we're doing with IT achieves specific fundamental business needs? And everybody is wrestling with the same issues. You know, the phrase I coined for one of my books is "faster is the new fast". I think that's the reality of what we have to deal with. And so the infrastructure that we put in place has to provide us that capability. How do we put in place an infrastructure that helps us to become a very intelligent organization that can deal with very, very fast-paced business trends?

Kelsey Howarth: So I simply must know, what did you learn from frogs in Texas?

Jim Carroll: I was down in Texas, speaking at a conference and, you know, out on the road, they were watering the lawn. The water was running onto the road and these little frogs were out on the road, you know, playing in puddles. And there were gulls which were flying in. Every time the gulls flew in, the frogs would jump into a culvert to escape them. At four o'clock, the conference let out and, you know, all these little frogs were on the road. Four hundred cars came from the other direction. It was kind of ugly. It was kind of quick. It was pretty dramatic. And to me, that was a business story. To me, what was happening there was the frogs were on the road, they were looking at a certain threat and they didn't realize this other potential threat existed. They were completely oblivious, you know, to a trend which would have a pretty significant impact on them. And to me, that's a business allegory and, you know, for years on stage, I've been saying that, you know, what we do in business is we tend to focus on the wrong things. We don't see the real challenges. We don't see the real threats. We don't see the real issues which might impact us. We need to be cognizant of the long term. Do you want to be like a frog on the road in Texas,

you know, looking to the wrong threat, the wrong challenge, the wrong issue, or do you want to stay focused on the longer term and think about, you know, where the real challenges and opportunities might emerge?

(09:20)

Kelsey Howarth: For more information on how you can get Jim Carroll at your next event, please visit the Speakers' Spotlight website at www.speakers.ca. For more interviews with thought leaders, please visit our performance perspectives newsletter at cognos.com/newsletter.

(09:41)

Advertisement: Ignite knowledge, ideas and connections at IBM Cognos Forum, our annual customer conference, May 12th to the 15th at the luxurious Rosen Shingle Creek Resort in Orlando, Florida. This year's event features more than 140 break-out sessions and 50 exhibits. Book before March 20th and save \$500. Visit cognos.com/ibmcognosforum. That's cognos.com/ibmcognosforum.

(10:12)

Station ID: Interviews, insights and opinions on performance management. You're listening to BI Radio.

(10:23)

Delaney Turner: Hi, I'm Delaney Turner, with IBM. And today, I'm talking to Bob Melk. Bob is the publisher of CIO. Bob, welcome to BI Radio.

Bob Melk: Thank you, Delaney. Thank you.

Delaney Turner: How would you characterize the job of the CIO given today's IT and business climate?

Bob Melk: The good news for any CIO today is that the value that they offer within their organization and frankly their team has truly arrived today. IT is truly expected to be the driver of innovation over the next year, the driver of business innovation. That means that the CIO has arrived in terms of the value they offer. It also means that under today's economic pressures, which are extreme, the spotlight is really going to be shining on them to make sure that they do achieve what they have, you know, I think for years frankly claimed IT could do for the business. So, you know, getting away from the idea that IT is seen as a cost centre and moving toward the idea that IT is here to innovate the business and to create new revenue streams and so on. But the challenge they're going to face, of course, is while they have the sort of blessing from all hands in the enterprise that IT is there to innovate, they're only going to be able to do that within a restricted budget, right?

Delaney Turner: So with the pressure to innovate, what are they cutting?

Bob Melk: By and large, what they are going to do is they are going to postpone some "discretionary" – I put that in quotations – IT projects. What they're doing in concert with it is considering alternative IT models. So what they're not doing is they're not, at this point by and large, most are not reducing headcount. Now, some people are a little surprised by that, but what I will add is that while they're not reducing headcount, they are looking to cut the spending on contractors and consultants. They are looking to, certainly to restrict travel of their teams. I mean, we're all facing that restriction, right? And then they're also looking at hiring, I'm sorry, freezing the hiring of IT. But the reason I don't think we're seeing a lot of reduction of the headcount in IT is because frankly, we never got too fat in the first place, right? And so there's not really that ability to cut unless you're going to hit bone, right? So considering alternative models that will help them to offset sort of the ongoing services and support that they need and allow them to innovate so that they can grow the business.

Delaney Turner: Let's look at the other side of the coin now. Half of the CIOs' remaining investments, the money that they do have to spend, your research says that they're dedicated to enabling business process innovation, as you've said, and top-line growth. So with the money that they have left, what kind of technologies are they still investing in?

Bob Melk: There's a lot of items that bubble up to the top, such as the Cloud, Virtualization. Unified Communications has also gotten big because of the travel restrictions out there. Software as a service,

web services, green IT, but green as it relates to cost savings. So how are they going to deal with that? And that's obviously something that the Cloud has the potential to help us to resolve in some measure. So those are just a few of the technologies that I think are high on their list.

Delaney Turner: Your research shows that the percentage of CIOs with a contingency plan this year increased nearly 10 percentage points. They're obviously reacting to what's... how their business has been affected and how the economy is going. How long do you think they intend to follow with the plans that they've put in place and do they have a next move, or what are they looking for? What does a recovery look like?

Bob Melk: When you're talking about risk mitigation, that really is the game that CIOs are having to balance against the need, the desire and the drive from all areas of the business to innovate. Really, it is a balancing game between risk mitigation and business innovation. So I think that, you know, depending upon the company, depending upon the industry that they're focused in, we're going to see those plans go into play. If conditions continue to deteriorate, I really do think they're going to go back to the drawing board again and again to look at ways to optimize. But what is reassuring in my mind is that the research does support the idea that CIOs are still focused on ROI. To your point, they're still focused on top-line revenue growth. And I really don't think that's going to change. I think the role of the CIO has definitively moved in that direction, moved away from the idea of IT as a cost centre. IT has become so ubiquitously intertwined in everything we sell and every way we communicate with our customers that the idea that IT would, you know, would be an innovative department for the business as a whole is not going to end.

Delaney Turner: Would it be fair to say then that they do have that seat at the executive table now?

Bob Melk: Absolutely. In fact, according to the state of the CIO report, 74 per cent of CIOs this year in that survey base said that they did have a seat at the table. And I think that, you know, what we've seen is that that number continues to grow each year. But more important than having that seat at the table which, you know, last year it was 70, the year before it was 65, so the numbers have always been strong, or at least for the last few years, the question is what are they going to do with it? As I said at the beginning of this conversation, this is their chance to prove or to really blow the value that IT brings to the table by not being reactive. You know, if they get caught up in a, well, we just have to keep cutting our staff, we just have to keep cutting, cutting, cutting, instead of trying to sort of step back and be strategic and thoughtful and find ways to, yes, offset some costs but in the balance still innovate. If they're not able to do that, then I don't think they're going to be long for that job. I do think we're going to see those CIOs that sort of maintain a reactive and sort of operational focus are not going to belong to the job.

Delaney Turner: So you mentioned skills and you've seen that some CIOs will succeed. What skills do you think a CIO needs to survive?

Bob Melk: The skills that are most critical right now, and this is probably obvious because of what we've said so far today, but the skills that are most critical are the business skills. They are the soft skills. They are the ability to be strategic and not just strategic in terms of what they're thinking about within the construct of IT; strategic in terms of the business value. What is it that my company needs to achieve? You know, I'm fascinated by the conversations that I have today versus the conversations we had with CIOs, you know, three, four, five years ago. There's so much more focus on what the true challenges are for their business, not the business of IT, but the business that they're in, whether it be retailer, manufacturing or energy and so forth. That's where they need to be focused and the soft skills that will help them to communicate effectively and sell the other CXOs on what opportunities, you know, would be best to pursue. Their ability to, you know, inspire their team to march in the same direction, to have the same agenda as the business itself and to not, you know, to shy away from being siloed or being reactive are critical skills. These are all the sort of soft skills that frankly any business leader in this environment is going to need to survive and thrive.

Delaney Turner: Innovation, tough economic times and big challenges for the CIO. Bob Melk, publisher of CIO, thanks for talking with us today.

Bob Melk: You're so welcome.

(18:49)

Advertisement: Feeling the heat? Go from the hot seat to the driver's seat with IBM Cognos 8v4, the latest release of the IBM Cognos performance management platform. Inform, engage and align your business users with new dynamic dashboards, dimension management and many other innovations. Get into the driver's seat today. Visit cognos.com/driversseat. That's cognos.com/driversseat.

(19:15)

Station ID: Insights on performance management from the people who shape the industry.

(19:28)

John Blackmore: Hello. I'm John Blackmore, producer of BI Radio. I'm joined here today by Leah MacMillan, who's the Director of Business Intelligence Product Marketing with the Cognos segment of Information Management Software, which is part of IBM. Leah, your job as Director of BI Product Marketing means meeting with and listening to customers. We all read the headlines, but what insights are people giving you about the challenges in this economy that we might not find on the front page?

Leah MacMillan: What we're hearing from people is some of the obvious stuff. You know, this is the time where we really have to cut costs, we have to manage risk, we have to focus on profitability. But I think one of the more interesting things that we're hearing is this is probably the most critical time for people to find new business models, new, you know, almost uncharted territory for how to find new business opportunities; and that's really allowing people not just to survive these tough economic times, but really to thrive in them as well. And I think that's a critical thing to look at. And you know, we believe certainly that BI and performance management software is ideal for helping people really understand what's happening in their business and to find these new opportunities.

John Blackmore: So really, moving out of the reacting to the situation and trying to get ahead of that game, is that what you're talking about?

Leah MacMillan: Yes, I mean certainly you have to manage the fundamentals. You know, one thing I'm reminded of, let me just read from something here from Peter Drucker, who's obviously the father of modern management who wrote *Managing in Turbulent Times*. And he said: "In turbulent times, an enterprise has to be managed both to withstand sudden blows and to avail itself of sudden unexpected opportunities. This means that in turbulent times, the fundamentals have to be managed and managed well." So I don't think anyone's questioning, you know, you have to manage your business well. You've got to look for process inefficiencies, you've got to look for ways to cut costs and really keep the business humming. But we also know that customers who, in this environment, can find a competitive advantage will stay competitively advantaged for years to come. So people need to find, you know, go beyond again like I said, go beyond surviving to thriving in this environment.

John Blackmore: Can you give me an example of that idea of modelling?

Leah MacMillan: Sure. Well, let's take an example of a customer. One customer that pops to mind is someone named Eneco Energy. They're a company out of The Netherlands and they were faced with a tough time a few years ago where they faced deregulation in their energy industry. And they were really sort of, you know, potentially faced a catastrophic situation where they might have lost all their customers in this tough environment. And so what they really did is they prepared themselves. They invested in BI and performance management; they got hold of data of all of their customers and across the industry and competition and really figured out the key customers that they needed to focus on, the ones that would bring them the highest profitability. So they kind of did some modelling and their environment and said, you know, which are the customers that if I focused on, I could maximize my return? And pretty soon they ran dedicated marketing campaigns to these particular customers and were able to maintain them and keep them on board. And that really helped them, you know. They increased their market share by one per cent, they saved 13.5 million Euros through these kinds of efforts. So they kind of braced themselves for tough times by, you know, looking at the information and figuring out what to do.

John Blackmore: Now if I'm an organization or a company today, can I get that up and running, you know, within a reasonable period of time?

Leah MacMillan: Absolutely, I mean, we always recommend that people start incrementally. You know, they start looking at sort of a key area of the business that, you know, needs help in terms of understanding information and making better decisions. And typically people start with one or two

departments and then expand from there. Probably the most popular departments, if I can put it that way, would be sales, marketing and operations. And these are exactly the departments where people are focused on customer profitability or product profitability, you know, where they're trying to identify the most profitable customers, the most profitable products to invest further in. And studies have shown that investing in areas that, you know, are going to maximize your profitability just end up being better for you than, you know, simply looking at cutting costs, for example, across the board.

John Blackmore: One of the groups of audiences that you tend to meet a lot with are the IT professionals. What are they telling you about this particular instance of challenging economic times?

Leah MacMillan: We're learning a lot from our IT partners and our customers. You know, we certainly deal a lot with the business as well. But one thing we're finding is that IT, more than ever, is needing to connect with the business. The business side is really starting to drive more and more interest in BI and performance management. They're driving a lot of the purchases of BI and performance management. And some of the things that BI is driving is, you know, now that they're more interested here, they're starting to, you know, question the information and they're going back to IT and saying where did this number come from? You know, where did you get this data? I want more of this kind of thing. I need another report. And so there's a few things happening in IT right now which are kind of interesting. IT is, certainly they're getting more requests to provide this kind of capability, but they're also getting asked to do things like go back and look at the quality of the data, you know, make sure that it's coming from the right sources, that it's been scrubbed and cleansed and ready for use by the business. So it's actually reinvigorating some of the data initiatives that we were familiar with years ago within IT. The other thing, we're really seeing as a trend, as I mentioned, is IT connecting with the business, IT sitting down at the same table with business and understanding what it is they're trying to accomplish and IT is the enabler of, you know, higher and optimized business performance.

John Blackmore: So do you see that really IT is being more invited to the table as a stronger partner in this current time? As opposed to being, you know, some people would say that we're going to cut all our IT projects at this current time.

Leah MacMillan: Yeah. No, it's interesting. Certainly IT, just like any department, is being forced to look at how to cut costs and everything else. But BI and performance management, you know, we're in a bit of a lucky industry in that, you know, now more than ever in these tough economic times, no one needs BI and performance management more than they do right now. And so the business is certainly inviting IT to the table. You know, it's been a bit of a shift in buying behaviour. IT used to drive a lot of the BI sales, used to do that centrally and trying to push it out to the business. Now what we're seeing is the business is demanding it. The business is driving a lot of the demand for BI and they're pulling IT in to say, you know, make this work for me.

John Blackmore: Now Cognos software is a segment inside of IBM and IBM is talking a lot about the drive to a smart planet. Does your message, you know, around business intelligence, managing performance in a better way, connect with this smart planet?

Leah MacMillan: Absolutely, I mean, very simply put, to get to this concept of a smarter planet, people and businesses and organizations need to make smarter decisions. Smarter decisions are really fuelled by, you know, getting the right information to the right people at the right time, which is what BI and performance management is all about.

John Blackmore: We've been talking a lot about, you know, challenging economy around private sector, but how does performance management or business intelligence work in the public sector?

Leah MacMillan: You know, certainly as critical in the public sector as it is in the private sector, obviously their drivers are a little bit different. You know, in the public sector, we don't have them looking for new ways to make revenue, but we certainly look and see them finding new ways to drive greater efficiencies in the way that they do the business of government. And so, you know, they are under a lot of scrutiny. You know, government needs to show where they're spending their money, how they're spending their money, and they need to spend it very effectively. They're really using it not only to understand the business and what's happening and where money's been spent but also to plan and budget and forecast for activities in those regions as well.

John Blackmore: That's great. Leah, I really appreciate you taking the time.

Leah MacMillan: Thanks very much, John.

John Blackmore: Okay, thank you very much. That's Leah MacMillan, who's the Director of Business Intelligence Product Marketing with the Cognos segment of information management. And I'm John Blackmore, Producer of BI Radio.

(27:50)

Advertisement: Got perspective? Cognos Performance Perspectives is the Cognos e-newsletter, for business intelligence, enterprise planning and performance management. It's your source for exclusive interviews, insights and opinion on industry trends. It's a perspective unique to Cognos, one we think you'll enjoy. Get the newsletter and get a new perspective. Subscribe now at cognos.com/newsletter.

(28:24)

Ken Seeley: Well, that's a wrap. I'd like to thank our guests today: author and innovation consultant, Jim Carroll; from CIO, publisher Bob Melk; and from IBM, Leah MacMillan. Thanks as well to our segment producers Kelsey Howarth, Delaney Turner and John Blackmore; and finally, to our head producer and audio engineer, Derek Schraner. A reminder to check us out online at radiocognos.com where you can listen to previous shows, download individual segments and view the transcript of each broadcast. You can also follow us on twitter at IBM Cognos. Or, if you care to comment about anything you hear on the show, email us at biradio@ca.ibm.com. I thank you for listening. I'm Ken Seeley and we'll see you in about six weeks.

(29:20)

Advertisement: Are you a performance manager? Learn how to be one with The Performance Manager, the latest business book from Cognos, PMSI and BI International. The Performance Manager explores the key challenges in core business functions – sales, marketing, finance, product development and HR – and describes proven ways you can improve performance in each using sweet spots of information. Become a performance manager today. Order your free copy of the book online at www.cognos.com/pmbook. That's cognos.com/pmbook.

(29:50)

Station ID: Performance management you can listen to. This is BI Radio.

(29:58)

END OF RECORDING