Eliminating the IT Blind Spot
The Chief Integration Officer

by Ron Nicol, Thomas Reichert, and Charlie Feld

The current global financial turmoil is more than just a cyclical downturn—it is a fundamental economic shift that coincides with the ebbing of the current industrial era. As the tide recedes, the underlying weaknesses of many enterprises are in full view. One of their gaping deficiencies is the failure to take a strategic view of the impact of technology on their customers and business models.

Companies need more than just a chief technology officer or chief information officer who tends to their IT needs—they need a *chief integration officer.* That person must be a "systems thinker" who can operate at the seams of the market strategy and business model and weave an integrated process and technology fabric for the twenty-first century.

Why Change? Because the Market Demands It

During the past 150 years, waves of innovation have transformed how work is done, how business is conducted, where people live, and how society has evolved—to say nothing of our standard of living, life span, wealth, and environment. These innovation waves have accelerated in both frequency and velocity—especially over the past 50 years—as information, networks, and access have shrunk the world and created a truly new global and consumer economic system.

As the waves have rolled in, new enterprises have emerged and old enterprises have either changed or vanished. In the future, companies and even nations will succeed on the basis of their ability to adapt and prosper in this "new normal"— or they will calcify and wither. A key responsibility of any leadership team is to ensure that the enterprise survives and thrives. So what are the characteristics of a twenty-first-century model that can harness the power of technology to advance business goals?

What Will Change? The Business Model

During most of the industrial era, two dominant organization models prevailed: decentralization and centralization. Decentralization tends to foster innovation and customer intimacy but sacrifices scale and leverage. Centralization, by contrast, leverages scale and efficiencies but sacrifices local insights and relationships. Early on, the decentralized model worked well because customers, suppliers, and employees were limited by the constraints of travel and communication and were thus more local than national. With the development of inexpensive and rapid forms of travel and electronic communication in the last half of the twentieth century, the more centralized business model found favor.

Wal-Mart exemplified this approach. Its powerful national supply chain grew out of the expansion of interstate highways, the migration to the suburbs, and the development of large-scale computers, databases, and networks. And what Wal-Mart did on a national scale in the 1980s is now being done globally, enabling a boundary-free world of commerce and competition. The ability to shop and order on the Web has also flipped the relationship between the enterprise and its customers to one in which the power is with the buyer rather than the seller, putting pressure on pricing, innovation, and the customer experience.

After swinging between extremes, a twenty-first-century hybrid model has broken the compromise between centralization and decentralization. For example, Apple has a leveraged global supply chain *and* an intimate

customer relationship *and* innovative products.

Companies that want to be competitive in this new economy must abandon the perceived tradeoff between centralization and decentralization and focus instead on which capabilities should be *common* and which should remain *unique.* Doing better at what worked in the past is no longer enough. Companies may need to change the way they think *and* operate. This is the century of *and* rather than *either/or.* (See also "The Art of *And:* Growing While Cutting Costs," BCG article, April 2010.)

How Will We Do That? The Systems Model

At the core of the way organizations operate are their information systems and processes. In order to move to a new way of operating, executive leadership teams must imagine a "systems model" that can enable a modern business model to incorporate this philosophy of *and.*

This is where most organizations fall victim to the "IT blind spot." It is easier to envision a new business model than to implement a new systems model—one that embraces the art and science of the possible. It is not easy to repair, retire, and replace systems and processes that have been in place for decades and were designed to support a functional or decentralized model. At most large enterprises, the "digital nervous system" consists of decades of everything from mainframes, minicomputers, PCs, and LANs to the Internet, the cloud, and mobile services, all tied together in a poorly knit quilt that limits their speed, flexibility, and innovation. If companies haven't yet begun a modernization effort, now is the time

to act. But few enterprises have the time, money, talent, and risk tolerance to undertake wide-scale systems replacement.

A more reasonable approach is to envision an unconstrained systems model that focuses on how customers, suppliers, and employees might interact in a twenty-first-century model. Having envisioned and described the model, a company can start to build a "core integration platform" that will enable customers, suppliers, and employees to leverage many of its existing legacy systems while operating more seamlessly across functions, regions, and divisions. This type of "in motion–in the moment" platform will accelerate progress and demonstrate business value within a one-to-three-year window, while the long-term, more expensive replacement continues over five to ten years.

Who Can Lead This? A New Organization Model

The success of complex and difficult tasks always comes down to talent and leadership. Do you have the skill and the will to undertake this kind of sustained modernization effort? Talent matters, of course, but leadership talent *really* matters. Technical capability is abundant around the globe. But there is a shortage of people who understand business, can get the C-suite to think strategically about systems, and have the passion to formulate, sell, and implement change—people who can be chief integration officers.

Most companies require about a dozen senior leaders who understand *why* change is necessary, *what* needs to change, and *how* to go about it. Within this group, the chief integration officer needs to be a leader among leaders, charting a course over rugged terrain.

Increasingly, as the pace of change accelerates, the chief integration officer needs to build the kind of digital nervous system that can adapt quickly to rapid-fire changes in the environment—detecting, filtering, and reacting to new signals. At the same time, he or she needs to be managing within the organization, using persuasion and collaboration rather than command and control. The ability to orchestrate leaders from the different functions, regions, and product groups on behalf of the customer, supplier, and employee is critical to execution.

Therefore, the role has changed from simply that of chief information officer—someone who manages systems and processes—to that of chief integration officer, a visionary who understands the business and how it is evolving and who can design and implement technology that will allow the business model to flourish. If the person atop the IT organization does not have that skill set, the company will drown in technology rather than being buoyed by it.

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