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How Can HR Help Companies Address the Need for New 21st Century IT Management Competencies



Joe Santana

In its recent history, priceline.com has emerged as a strong and vital competitor in the web travel industry. It's newly refocused Air product, and it's growing Hotel, Vacation Package, and Rental Car businesses have benefited from a steady procession of product re-launches and enhancements. As each of these IT developed products have been delivered to its marketplace, they have reinforced the perception that priceline.com is a savvy marketing-driven company that intends to retain its position as one of the leading ecommerce brands. Priceline.com also continues to demonstrate that IT and business alignment, when done properly, can reenergize a business. So what is the secret behind this achievement? According to priceline.com's CIO Ron Rose it's a result of the company's versatile competencies in technology and business skills. This applied technology revenue-driving machine that commits to business results and then attains them is exactly what all companies want and expect from IT teams today.

As, the CIO and an associate dean at Wharton (<http://www.wharton.edu>), Gerry McCartney recently stated to me, "Today's Chief Executive Officer looks at the CIO and asks, well Mr. CIO how are you going to make money for me?" McCartney's sense of the CEO viewpoint is clearly backed by survey data. In a survey of 456 CEO's recently conducted by IBM, participants from around the globe cited revenue growth as their number one priority. While cost savings are still among the top ten priorities, in an expanding post massive cost-cutting global economy, the biggest opportunity 83% of the CEO's in this study see is in growing revenue. These CEOs expect all components of their organization, including IT, to focus on that revenue growth.

Today's CIO tasked with producing revenue and maintaining a competitive advantage in turn need new skills and competencies in the management teams reporting directly or indirectly to them. This means that the core competencies that made for a great "cost-cutting" "finely-tuned" operations manager and/or executive once highly valued by the CIO are no longer enough.

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Here's what a few of the CIO's and experts I spoke to had to say in direct response to my question, how has the IT Manager role changed in the 21st Century? "The bottom-line today is that the 21st Century technology managers job is more challenging. It calls for dealing more with business challenges," noted John Loewen of Solberg/Adams (<http://www.solbergadams.com>). According to Scott Testa COO of Mindbridge (<http://www.mindbridge.com>), It also calls for more financial acumen. "A few years ago, IT departments were asked by companies to build solutions regardless of the cost. Today, IT is asked to provide an ROI projection before getting any money and be prepared to prove they attained or exceeded that projection after they complete the project," states Testa. To this list Norbert Kubilus, CIO and a partner with Tatum Partners (www.tatumpartners.com) adds, the need for creating a knowledge-based organization and leading outsourcing and business alignment efforts.

Mark Lutchen, a former PWC Global CIO who led the successful integration of the Firm's IT across 150 countries during its merger and the current leader of the IT Business Risk Management Practice for PWC (<http://www.pwc.com/itbrm>) as well as the author of "Managing IT as a Business," sums up the situation as follows: "The former role of the CIO and his or her management team was to head up a team of techies. Today the CIO and his or her management team are expected to be the CEO and senior management team of a professional services organization (PSO) that services the core business as a client in a completely accountable business-like manner. The managers reporting to this new CIO, who is head of a PSO, need to be as business-savvy and diverse in their scope of knowledge as the team reporting to the corporate CEO."

In summary, the environment in which IT managers live today has clearly been through some huge changes. Gone are the days according to McCartney, where simply saving a quarter for every disk drive spin won favor and praise from the head of IT. CIOs under pressure to deliver revenue need and expect their management teams to be fully engaged in helping them make that money for the enterprise. As a result, in the short span of a few years, IT managers have gone from being valued for:

- Being their company's technology gurus
- Managing a large in-house staff of technical specialists
- Buying a few services from time to time, and
- Mostly running an efficient IT operation

To being asked to . . .

- Manage a lean team of versatilists (people who have expertise in a combination of multiple business and IT skills)
- Do more with less budget dollars
- Forecast and deliver ROI (Mostly translated as forecasting how a project will make money and then delivering on that promise)
- Manage relationships with local and/or offshore outsourcing

companies

- Run an innovative business technology operation that drives competitive advantage and measurable revenue results
- Solution packaging
- Solution marketing,
- Business communication
- Solution selling, and so forth.

So, how is the IT manager transformation going?

According to statistics collected over the past few years, many IT organizations have been struggling with this transformation. Some of the most recent IT performance report cards, tell us the following:

- According to Morgan Stanley from 2000 to 2002, US companies spent \$130 billion on solutions they ultimately did not need
- Gartner raises this figure for the same period to \$540 billion worldwide
- According to META during the same period of time, two out of every three business opportunities had to be passed over by companies due to a lack of IT readiness
- According to Gartner 50% of outsourcing deals end up in corporate relationship divorce (Due primarily to a lack of good structuring up front and/or effective governance). Many of these are IT deals and the cause of the problem can be traced back to the lack of relationship management skills in IT
- Finally, we have the horrible well-known project management statistics that tell us that most IT projects are likely to fail

The bottom-line: IT managers and their organizations are struggling to cross the chasm in skills and competencies.

What comprises some of the recent failed attempts at transformation?

In an effort to inject the needed business savvy and drive the “transformation” of their IT organizations into the new 21st century PSOs, companies in the recent past have favored one of two approaches.

The first has been to replace middle-level IT managers with non-technical business managers. While this may seem a good way to introduce business-savvy into the mix, it often fails. Most IT teams led by a non-technically savvy manager, see them as the type of empty suit that Dilbert cartoons often characterize as the boss. Lutchen points to the failure of these non-technical managers, as resulting from their “lack of clarity with regard to the potential of technology as well as their own technical knowledge limitations.” In other words, they lack the perspective needed to lead a technology

organization and they fail to gain this perspective because they simply don't know what they don't know. Many of these, to their credit, are very bright general managers with excellent business backgrounds. The point here, however, is that while we want to introduce business-savvy into IT, we clearly cannot do it by trading it off for the equally required technical savvy that is acquired only through years of experience in the IT trenches.

A second approach I've seen used to bring business savvy into the IT middle manager ranks is for organizations to look for "Super-IT-managers" who possess both business and technical expertise. While this hunt for what the company may call a "super-A player," may also on the surface appear a wise choice, the fact is that it too is fraught with misconceptions. For one, when a company has an extremely detailed list of job requirements, the pool of candidates can rapidly shrink close to zero. There are clearly few people out there that have these combinations of technical and business skills. A company looking for this perfect candidate that meets the requirements listed on a laundry list covering two to three pages of skills may be funding a very long and very expensive search that frequently will end in disappointment.

The bottom-line breaks down to three facts:

1. It is nearly impossible to cram the technical acumen needed into a middle-level business manager without the benefit of years of direct technology experience.
2. It is equally as difficult to find the new 21st Century IT Manager with all the trimmings waiting for your help wanted ad to appear in the paper (This may seem a surprising comment in view of the number of unemployed IT professionals. The point, however, is that there may be plenty of job seekers, but few will possess the rich mix of technical and business skills needed today).
3. It is a mistake to think that we can turn a legacy IT team into a 21st Century PSO, simply by introducing a little more business savvy in the frontline managers. As Lutchen will often point out, you need technology and business savvy integrated from the top to the bottom of the management chain.

So, what then is the best way to transform an IT organization into one that can meet the demands of the 21st century? How have the companies represented by our experts been able to go about filling these new "company-customized," "cross-functional," hybrid IT/business roles? How have they succeeded in transforming "legacy IT departments" into a business aligned internal IT PSO? Most important of all, what can human resource professionals do to support their companies in achieving this objective?

How can HR help develop an in-house IT management PSO

Based on advice from experts here are just a few of things that you can do help your organization to start on the road to producing a 21st century IT PSO with top to bottom managers that can attain results:

- 1. Work with IT to determine all of the top-level competencies**

needed in order for the head of your IT PSO to meet your organization needs. These top-level skills and competencies are the ones needed by the people that will report directly to the CIO (Who in turn is now in the role of IT PSO Chief Executive Officer). For this level, Lutchen advised that you make an assessment of all the skills your IT PSO senior management team will need in order to succeed in supporting the CIO in building a competitive advantage and revenue driving technology professional organization. You want to make sure you secure strong non-IT dimensions such as financial, marketing, selling, people-management and other key skills with a clear IT environment track record. So, for example for you CIO's marketing person, look for someone with experience running marketing for an IT supplier. Lutchen recommends that you view yourself as putting together a C-level team for a company within the company. McCartney also advises that you also look for people at this level that represent all of the key value areas that require what he calls "a voice." "If customer service, quality and speed of delivery are important, then make sure that your senior IT team has a balance share of champions for each of these key areas," states McCartney. "This according to McCartney prevents the organization from making lop-sided choices that ignore an un-championed, but important dimension.

2. **At the next level down, help identify the key core competencies you need for specific management roles.** At this level, you will generally find that you are looking for managers that possess a number of technical and non-technical skills and competencies. The advice here is if your analysis shows that you need five to ten key core competencies to succeed, focus your recruiting efforts on hiring people who possess the one or two most important to your success and who demonstrate the ability to learn the other three or eight. Next, tool up your organization to teach the other three or eight competencies. In the case of priceline.com, the key competencies for success at this level according to Rose are primarily technical combined with financial ROI forecast and project management skills that can attain targeted results. Rose tells me that priceline.com meets this need by hiring people that have the core technical skills and that demonstrated the ability to learn the financial and project management skills during the interview process. Priceline.com then trains the new recruits on their financial and project management methodology. This provides them with a wider set of prospects that generally fit the requirements and the means to fulfill the demanding long- term needs that they place upon their managers.
3. **Seek out people that are passionate, continuous learners for all levels of your IT PSO.** I recently ran across a quote by Eric Hoffer, an American social philosopher that lived from 1902 to 1983, which drives the importance of being a lifelong-learner in today's IT world home. Hoffer stated "In times of drastic change, it is the learners who inherit the future. The learned usually find themselves equipped to live in a world that no longer exists." In IT change is constant and a sure thing. Like the skills of the individual contributors that report to them, the frontline IT manager's world is in constant flux. To this point Lutchen makes the following comment: "If an Accounts Payable Manager went to sleep and woke up six months later, he or she would probably find his or her job relatively unchanged. If, on the

other hand, an IT Manager fell asleep and woke up six months later, a large part of his or her job will have certainly changed." Having people who can continue to evolve and grow is a must at all levels of IT.

4. **Provide for an Organizational Development (OD) role built directly into your IT PSO.** With the effort required to bring current IT teams up to 21st Century standards coupled with the need to provide ongoing development and support in an evolving environment, the need for an IT dedicated OD role should not come as a surprise. Like the top-level roles in the IT PSO, the person filling this OD role should report to the CIO and should have organizational development experience that comes from the IT industry or working within IT organizations. According to Daniel White a highly experience practitioner of individual and organizational development within fast-paced IT environments as well as a Partner with leading OD firm EmployeeROI (www.employeeroi.com), "having experience working within the IT environment is a key component for success." I couldn't agree more. For smaller organizations that cannot afford a full-time, dedicated OD resource, I recommend having a vendor-supplier with IT credentials fill this role over having a general OD professional without requisite IT industry experience covering the role part-time.
5. **Work with IT and their dedicated OD function to build a pool of succession candidates with the competencies needed to be tomorrows IT managers and CIOs.** Make sure you provide your IT individual contributors on a management track with experience and exposure outside IT as well as across a number of IT disciplines to prepare them for the new more demanding IT management roles. Lutchen advises that you encourage them to participate in cross-functional projects. At the IT management level, Lutchen advises that you continue this process of providing broad IT management exposure and considerable opportunity to interact with the businesses. By doing this, you will be creating a pool of CIO succession candidates that have the experience to manage the new IT PSO.

Companies like priceline.com are certainly among the pioneers that have paved the way through trial and painstaking error in order to develop their present maturity in this space. Readers that are familiar with the process of gaining capability maturity will of course note that moving through the initial stages of a transitional evolution can be very time-consuming. Of course, today's fasted pace competition and complexity does not allow much for ramp-up time. According to White, the challenges of this transformation on IT and HR management are aggravated by the onslaught of M&As, IPOs, business relocations, rapid business expansion and changes in business strategy. "All of this is occurring at the same time that these organizations are being pressured to effectively respond to the increased competition," states White. Unfortunately there will never come a better time to start if we just wait. Everyday that passes without beginning this transformation only leaves the enterprise further behind. The time to start as the old cliché goes is now.

The Summary and Close

IT is so interwoven into the success of businesses today, that it is literally

impossible to even imagine a company able to compete without a strong IT business partnership. As the pace picks up and globalization continues to march on with increasing competition, companies that develop a well rounded and well managed internal IT professional services organization will without a doubt pull ahead of the pack. Take steps now and position your company for success in the 21st Century.

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Over the course of his career, he has taught and coached hundreds of managers and professionals. Joe is often quoted in well-known industry and business publications including *Fortune*, *ComputerWorld* and the *Outsourcing Journal* regarding key business and technology topics and has also been a popular guest on business radio and network television. For more information about Joe, please visit him on the web at www.joesantana.com.

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