



CIO Master Series Roundtable
“Winning Tactics for Hard Times”
Vancouver, March 27, 2012



Thanks again for attending our *CIO Master Series Roundtable, "Winning Tactics for Hard Times"*, on March 27 in Vancouver.

This document summarizes some of the key points of discussion from that event. Respecting the privacy of the attendees, we have not identified the speakers.

In the interest of clarity and brevity, the comments below have been edited. On occasion, the editing process can introduce slight changes of meaning from what was intended. Please let us know of any inaccuracies that you would like corrected for the version that will soon be posted on our Web site (www.theITmediagroup.com).

If you are concerned about any of your comments appearing in the Web version (even though your name and company will not be associated with them), let us know and we will omit that comment from the summary.

It was a pleasure meeting you in Vancouver and we look forward to seeing you again at a future IT Media Group roundtable.

KEY DISCUSSION POINTS/FINDINGS

Building vendor partnerships

We've tried to consolidate our technology partners into few and deep because dealing with 25 vendors to get the job done is exhausting. We share a lot of information with them and expect them to bring value; and we give them the comfort of having first right of refusal. We're going to go to them until they fail, and they know that. So they have this understanding that they're in it for the long haul, and that's been really beneficial because they solve a lot of problems for us.

We're following the same path. We looked at all of the vendor relationships we had, and then we did a five-year analysis. So many resellers are competing in a very similar space that we needed to narrow that noise. So we said: we have to put an investment in; we have to return your calls; we have to sit with you on a regular basis; we have to share some information with you about where we are going if we really want to get the value of the relationship. And the vendors say: we'll give you one throat to choke, which is fantastic. And in return we say: we'll be there with you at that table; we'll share information.

From the vendor side, that's key for us as well. When we are part of the partnership, then we have skin in the game. When we're treated like a supplier, we're not pro-active because we could be swapped out at any time. We just don't have a tight enough relationship.

The partnership isn't a partnership until you've gone through a dark period together. Relationships built in good times must stand the test of dark.

Partnership is a tough word. I'm an advocate of building strong, deep relationships with vendors but you have to remember that they sell and you buy. If you form a partnership, there's a risk that you abdicate thinking to your vendor. And you look around five years later, and you've stopped thinking; that's where the relationship goes sour. In order to keep that relationship it's important that your organization still takes accountability and responsibility for the ultimate delivery of the solution.

Vendor management

We engaged a large vendor who could probably eat us for breakfast. We made sure the person we put in place to manage that contract had excellent vendor management skills. That helped a lot. But one thing we insisted on was quarterly 360 reviews on vendor progress – not on an anonymous piece of paper but actual interviews – and that was key. It keeps people honest, it keeps them fresh, and it keeps you in charge of your project.

As a vendor, I push pretty hard with my people to try to build what we call a customer interaction plan; it's an interactive document that holds each other accountable. And in the relationships we have that are *very* good, it's a regular occurrence. There's an executive that sits with the CIO and they review it at minimum every six weeks. It forces the accountability up and down the chain. When it's a two-way communication with 360 on both the customer and the vendor side it becomes a very positive, interactive exchange. It tends to eliminate a lot of finger-pointing or having unaddressed problems at the lower level eventually blow up at the top. Candor is king. Dancing around the real issues doesn't help anybody get to the end result. As a vendor we want to solve the problem but we can't do it if we don't know there's a problem there in the first place.

We went to a standard way to do vendor reviews, consisting of five slides. There is a slide on financials that shows history versus where we are today – we don't want to take our eyes off of that. We also have a standard way to survey our interactions with that vendor, and we tell the

vendor how our people perceive them. It's broken out into dimensions: the accounting, the value, the place that vendor plays in the market. If our people perceive that there's something missing, we highlight that. We tried to get some subjective measures in there too. And the big one is: if it's really a partnership, what are the joint goals we have? What are the joint things we're trying to deliver, other than you want to sell us something and we want to buy something? If that's all there is, fine, that's a tactical relationship, and those happen. This is still very much a work in progress but at least it's given us some perspective that's consistent across different vendors.

One of the things I've seen organizations do is have a dual vendor strategy, wherever possible. It may be easier on the hardware side. You buy a terabyte from this vendor and a terabyte from that vendor. It keeps both of them honest from a price and a service perspective. I work with a large healthcare provider in the US. One of the things they do is constantly let one vendor know when their competitor has done an excellent job. That then spurs the vendor's team to say, "Boy, we've got to get the accolades next month; they should be talking about us." It keeps both vendors honest in many ways.

Bringing in new vendors

When a new vendor comes to me, I typically say two things to them. One is, "What one or two things are you best in the world at?" And if they can't tell me I don't want to talk to them, because even small companies can be best in the world at something in a global economy. And if there is a cultural fit, I ask, "Are you willing to work to a proof of concept with us – a small, very thin slice of something that you can be good at – and show us that you're committed to that and that you can make it happen? And typically that means skin in the game, because we don't want to pay for that. Maybe if it goes further we'll pay for what we used and blend it into the contract. Those two things have taken my calls down by about 85 percent.

Inviting vendors to the table

We invite key partners to the IT management table on a fairly regular basis; and we're open to doing it in different types of formats for different vendors. I think it's crucial because the relationship can't be effective without them understanding what your problems are. And I have my whole management team there. Occasionally I even draw myself out of the meetings for a period of time so that my management team can speak to the vendor without me there,

because sometimes the vendor primps a bit for me, or my management team isn't as honest as they could be. When you leave the room, it gives them a little more air.

There is also the challenge of getting a large number of vendors up to speed so that they have enough understanding of the business to talk to you intelligently. I and my team were having the same conversation a hundred times with potential vendors, so we held a breakfast and invited a bunch of vendors to come in. We told them, here's what we do; we took 20 minutes on the business landscape and where we are and where we're going; and we took 20 minutes on the IT architecture and what we had in place and the things we were thinking about; and we took some questions and answers. I think it was good. It gave them a common understanding of what we do and what our needs are.

A key thing one of my major vendors did one time was invite me to join their account review team for a quarterly review. First of all, I was shocked at the number of people there were around the table. But they gave me an opportunity to speak and I ran through our IT strategic plan. It opened up a valuable discussion. They really started to understand what we were about and where we were going, where they could help us and where they should stop phoning me up for new business. It was a very interesting thing to go through.

Cultural fit

One of the key things that people don't do is understand the cultural mesh. You're doing an RFP and you talk about services, technology and price, but you never figure out: do we have a cultural fit here? Do they value a dollar like we value of a dollar? How do they operate? Do our staff have good relationships with their staff?

I find that many of the large vendors don't understand the midsize market. They suggest solutions that are unaffordable. If I'm looking for a solution, whether it's licensing or hardware or whatever, don't price it for a large organization, price it for a midsize organization.

We're a fairly small account and we find that when we deal with a large vendor and something goes wrong, we're the small fish; we don't get the level of service that we need. The cultural fit has to be there. For us it was important to pick somebody who was growing at a similar level.

Dealing with staffing issues

I've been fortunate to have some significant capital projects in the last few years, but I've had to do it with the same staff. And with all these new services that we're supporting, I haven't had any increase in my training budget. I'm already short-staffed so the opportunity to send people to training is limited. The CFO expects me to stay within my budgets for IT operations but the rest of the senior leadership team have new technology ideas all the time. We keep getting owner approval for things but I still have the same core IT supporting staff, and that's where I'm starting to struggle. I'm not getting the headcount to go along with new project support. I'm falling behind with the skill set in my group and it's starting to put a heavy stress on my team.

When I was in a situation like that, I looked at trying to reposition my headcount. I spun some of the more commodity parts of IT off to vendors and repositioned the headcount into what I considered more strategic areas. Sometimes you've got to do it slowly, and you do it through attrition. If you need to do it more forcefully, you've got to get the executive on board.

We are caught in that same trap regarding projects, and we're stealing from Peter to pay Paul, which weakens both sides. For us to be successful, it's important that we build a project delivery group. We've started to build that capability over the last year, but in order to accomplish that we had to implement portfolio management with some fairly strong resource plans to support it. We know what our IT portfolio is going to be over the next five to ten years out. We don't know what technologies we'll be using but we certainly know what application portfolio we have, and we know which ones are going to come up for replacement. Having done that, you have to make sure you're able to support project delivery out of capital funding, and that you are not over-hiring or even under-hiring, and that you are hitting that sweet spot where you are amending your project delivery staff with consultants when you are in that peak project delivery period .

Using lean methodology

I have the budget to bring consultant help in but my concern is the intellectual capital that just keeps going out the revolving door. So what I want to look at is what's core and what's non-

core and see what I can do with non-core, whether that be with a vendor or with using a lean methodology and getting rid of some of the waste.

If people haven't looked at lean for their organization methodology, it's a fantastic approach. You can remove a lot of waste in the system before you implement an IT solution. And I can't speak highly enough of the benefits of having the IT group involved in that process, and having the visibility into the impact on the business.

Employee retention

We're in a depressed market at the moment, and recruiting people hasn't been that difficult. But in a couple of years when the market comes back and everybody gets back into projects, employee retention is going to be one of the biggest issues for IT. I'd like to know what strategies people are using in terms of employee retention.

I find that money is absolutely not a motivator for people, but it can be a demotivator. You have to ensure that they're making a fair salary, but it doesn't have to be the top salary. What we find motivates our staff is their ability to have an impact on the business. So on all the projects that we do, not only at the close of the project but also as we monitor its progress, we give feedback to everyone on the development team as to how that project is performing and what impact it has had on the business. If we can tie it into revenue or into efficiencies, that's great.

What makes sense to retain a 29-year-old may not be the same for a 49-year-old. What's important is understanding what their currency is. For some it's training, for others it's not. For some it's, "I just had a baby and I need financial support right now, but I may not need it down the road." For others it's, "I need a challenge and I need to be seen as a leader from a technology standpoint." It's a tough one because it differs from person to person. I agree with you though, there will be more competition for talent. The prices are going to go up, and the scarcity will be of the best people – those are the people that are going to get pulled away for big bucks

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