The Customer-Centric CIO

Transforming your organization's business and culture through IT leadership

Miriam McLemore,
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Digital business is now business as usual

Recent data shows 82% of CEOs have a digital business transformation program in place—and that number is growing. Executives and the Board across industries are looking to digital business initiatives to help grow earnings, mitigate vulnerability to disruptive competitors, and deliver differentiated customer experiences. This focus on digital has raised the profile of the CIO. With larger scope and impact, today's CIO plays a critical role in accelerating business-led digital innovation across the organization. Working backwards from the needs of the business and the needs of the customer, the CIO can unify IT and the business using cloud as an adaptive, agile foundation for digital business.

About the author

As an enterprise strategist at Amazon Web Services, Miriam McLemore is committed to showing senior leaders, board members, and regulators how transitioning to AWS is a sound, secure fiduciary strategy that can positively transform their business. Before joining AWS, Miriam served as Chief Information Officer, Corporate at The Coca-Cola Company.

i Future Paths for Technology Leadership in the C-Suite: How CIOs Are Redefining Their Role for Digital Business, Gartner, July 2019

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Becoming a customer-centric IT leader

Companies are becoming increasingly global. Products and services are becoming completely digital. Through it all, customer expectations are getting higher as they gain the power of information and choice.

Having the ability to keep up with this pace of change while at the same time responding to market opportunities and disruptions requires business agility. IT leaders who take a customer centric approach can create the conditions in which that can happen.

Put the customer first

Amazon CEO Jeff Bezos has said that customers are "always beautifully, wonderfully dissatisfied," and that customer obsession is key for companies that want to stay vital and relevant in the marketplace.

For the CIO, this means that every decision must be made with the customer in mind—and the customer's mind is always changing. Merging a deep understanding of what's possible by leveraging technology with an equally deep understanding of the business, the CIO can help transform how their company defines and drives value.

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Even when they don't yet know it, customers want something better, and your desire to delight customers will drive you to invent on their behalf.

Jeff Bezos

> "
> CIOs who are close to the business are able to empower business outcomes through the effective use of technology.

Build alliances

Collaboration between the CIO and other business leaders is key to the development of a successful business strategy powered by technology. The CIO and their leadership team must have a deep understanding of business priorities in order to form a vision of what technology can do and the value it can drive. CIOs who are close to the business are able to empower business outcomes through the effective use of technology.

Being actively involved in business strategy translates to direct improvements in IT performance, because it enables technology effectiveness and business effectiveness to be measured against common objectives. Aligning on priorities with the business also allows the CIO to make better investment decisions, and provides insight on how their partners view the function and value of technology.

Any areas of misalignment represent customer dissatisfaction. Changing that perception may require that the CIO change their mindset, the mindset of their teams, and the mindset of their business partners.

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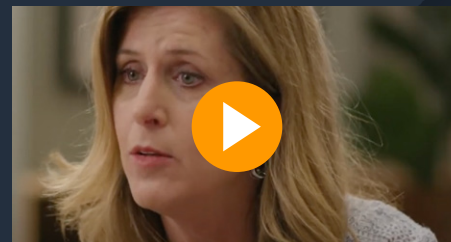
"Staying at the right altitude, and communicating a clear vision, is job one."

Change your mindset

As the CIO and their team engages more deeply with the business, they will identify opportunities to partner with senior leaders outside of IT that are becoming more involved in digital strategy, hiring their own technical talent, and managing their own digital P&Ls.

A customer-centric CIOs embraces this transition. Looking for opportunities to support and accelerate digital literacy across the enterprise, and to work cross-functionally with their business partners to define what digital means for their organization.
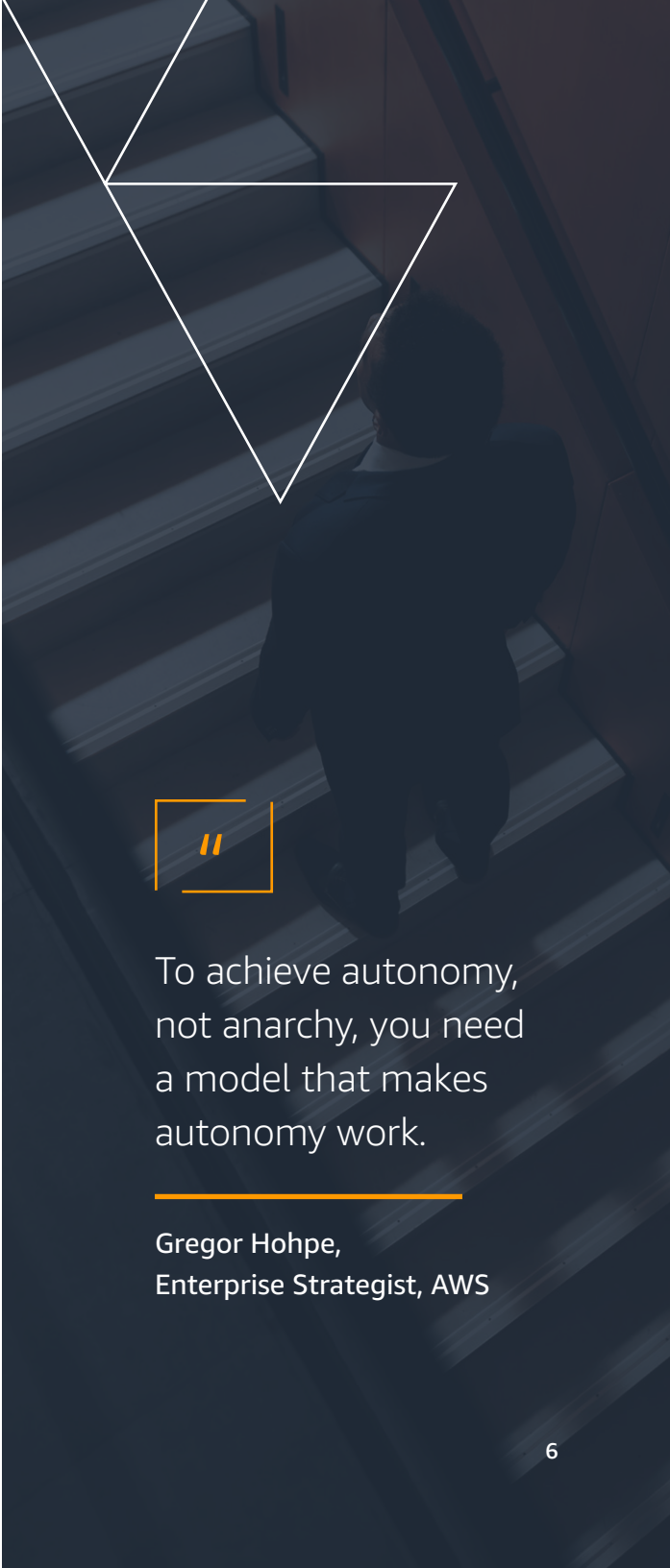
> **Find a champion within the business and work together to create a vision.**

To meet this larger demand for innovation, the CIO must empower their teams to find new ways of innovating for the business. This requires the CIO and IT leadership to be more comfortable with autonomy. Instead of defining and controlling IT delivery, the CIO must provide a sense of purpose to their team by making them accountable for the customer experience. "From the outside autonomy might look like everyone (or every team) does what they think is best," says Gregor Hohpe, Enterprise Strategist at AWS. "But that's not autonomy, that's anarchy. To achieve autonomy, not anarchy, you need a model that makes autonomy work."

Gregor describes this model as having two important elements. First, teams need to work off a well-defined strategy or mission that allows them to distinguish "good" from "bad" when making decisions. Defining and communicating such a strategy while leaving room for the team's decisions isn't trivial. Therefore, organizations that have autonomous teams need more and better leadership, not less.

Second, teams need to operate off a common platform to avoid unnecessary diversity. Cloud platforms enable teams to build amazing customer experiences because they enable creativity and collaboration while reducing accidental complexity.

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> To achieve autonomy, not anarchy, you need a model that makes autonomy work.
>
> **Gregor Hohpe,**
> **Enterprise Strategist, AWS**

Reposition IT

Changing the mindset within IT is the first step to changing the mindset outside of IT. Leading with business needs first will earn trust with key business partners, enabling alignment on joint decision making, shared accountability, and how digital business initiatives will be measured.

Resetting how other leaders view the function of IT also requires the IT leadership team to shift their role from one of management to one of leadership. Budgeting, controlling, tracking, and monitoring IT projects that solve discrete problems must give way to leading IT teams in a way that inspires and creates space for innovation. By unlocking innovation, and enabling innovation at speed, the CIO repositions IT as a valued business partner, rather than a barrier.

Management mindset

VS

Plays defense
Focuses on status quo
Controls spend and resources
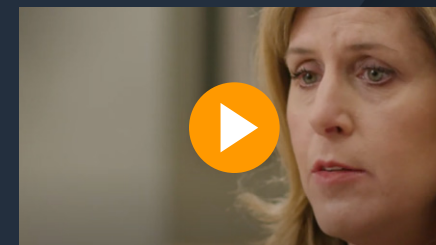Project focused

Leadership mindset

Plays offense
Focuses on growth
Encourages innovation
Customer focused

Watch video here

The IT leader as business leader first

"By unlocking innovation, and enabling innovation at speed, the CIO repositions IT as a valued business partner, rather than a barrier."

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Communicating your vision

Connect IT to business value

IT executives have a broad view across the business as well as the ability and resources to drive transformation projects across silos, functions, and divisions. This vantage point enables the CIO to form a vision for how IT can enable the business to engage, compete, and grow.

IT is complex, but the vision can't be – it must directly connect technology to strategic business change. The CIO needs to explain the use of technology in terms of the business capabilities to be delivered in order to retain the interest of, and credibility with, their stakeholders.

A clearly articulated cloud strategy should connect emerging technology such as AI, ML and IoT to the ability of the business to deliver new products, enter new markets, or improve the customer experience.

Business capabilities delivered by IT

Agility
Shorter time to market
New or enhanced revenue
Accelerated R&D

Innovation
Differentiated customer experiences
New products and services
Expansion into new markets

Cost
Greater operational efficiency
Improved cash flow
Cost transparency and control

Watch video here

Communicating business value of the cloud

"

Innovation is about using the right technology for right business opportunity.

Core values guide,
rather than prescribe.

Guide, rather than prescribe

The CIO's vision articulates the why. How to deliver that vision stems from the core values and guardrails by which IT operates. The CIO should work with their team to identify and document these values, and how they will deliver value to customers inside and outside of the organization. Codifying customer obsession in this way helps the team to concentrate effort on what matters and allows for autonomy within a clear framework. Guardrails are the framework and replace the concept of gates by focusing on enabling work versus stopping work.

Framed well, values and guardrails will describe how IT approaches problems, help make hard choices and trade-offs, and guide (rather than prescribe) how the team works. Establishing a common frame of reference will help the team cut through distractions and stay focused on the right priorities. Plans change; values should be durable enough to survive multiple rounds of goal-setting, achievement, and failure. With a clear vision and alignment around values in place, it is much easier to set goals for what the IT organization will deliver and how the organization will measure impact of IT to the business.

The importance of clarity

Clear vision outlines how IT will deliver value to the business and to its customers

Clear tenets to guide how the team will work and make decisions

Clear goals measure IT in terms of business impact

Start with a finished product…
and work backwards from there

At Amazon, our mission is to become the world's most customer centric company, so the vast majority of our product roadmaps begin with a customer value statement. We write a press release as if that new capability has just been delivered to market, describing the product and answering any anticipated questions.

Anatomy of a press release

Headline	describes and names products
Subheadline	describes customer benefit in one sentence
Intro	introduces new product and describes what it does
Value Prop	describes how the product benefits customers
Features	describes 3-5 key features

Writing this statement is a valuable exercise because it frames technology in terms of value to the customer, and focuses us on what we want to deliver rather than what's possible with our current capabilities. Instead of crafting a technical document full of jargon, this high-level value proposition, written in plain language, is easy to understand by a wide audience. We align on the outcome, putting the details of how we get there aside.

The next step is to write and answer what we believe would be the frequently asked questions (FAQs) that key stakeholders will have. The third step is to write a detailed user manual to explain how a solution works, this gives the reader a better picture of the ultimate solution or product. The entire process starts with the customer challenge or opportunity and works backwards from there.

- How do we ensure we are delivering on customer benefit?
- How do we ensure the product will do what the customer needs?
- How do we measure the value of each release from a customer standpoint?
- How will we gather and respond to customer feedback?

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Checklist:
Partnering for success

Have you communicated a customer-centric vision to the rest of the organization, and are you working constructively with your business partners to constantly deliver solutions that drive value? It might be useful to consider how many of the statements below describe the way your team interacts with the larger enterprise.

☐ Our governance system is designed to foster the rapid enablement of partnerships with diverse business units.

☐ We have developed a joint operating model with business teams.

☐ We have strong peer alliances at every level in the team.

☐ Our team has a clear and concise elevator statement and has shared it with the rest of the organization.

☐ We proactively communicate our vision to the whole organization.

☐ We conduct joint debrief sessions at the end of each product launch.

☐ Our teams have autonomy and authority over their work.

☐ We believe good ideas come from anywhere. Innovation isn't limited to certain job functions; it's the responsibility of all, across departments and divisions.

☐ We adapt early and often, launching minimal viable products to test our assumptions.

☐ We have C-level leaders who understand and support our goals.

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Creating a shared operating model

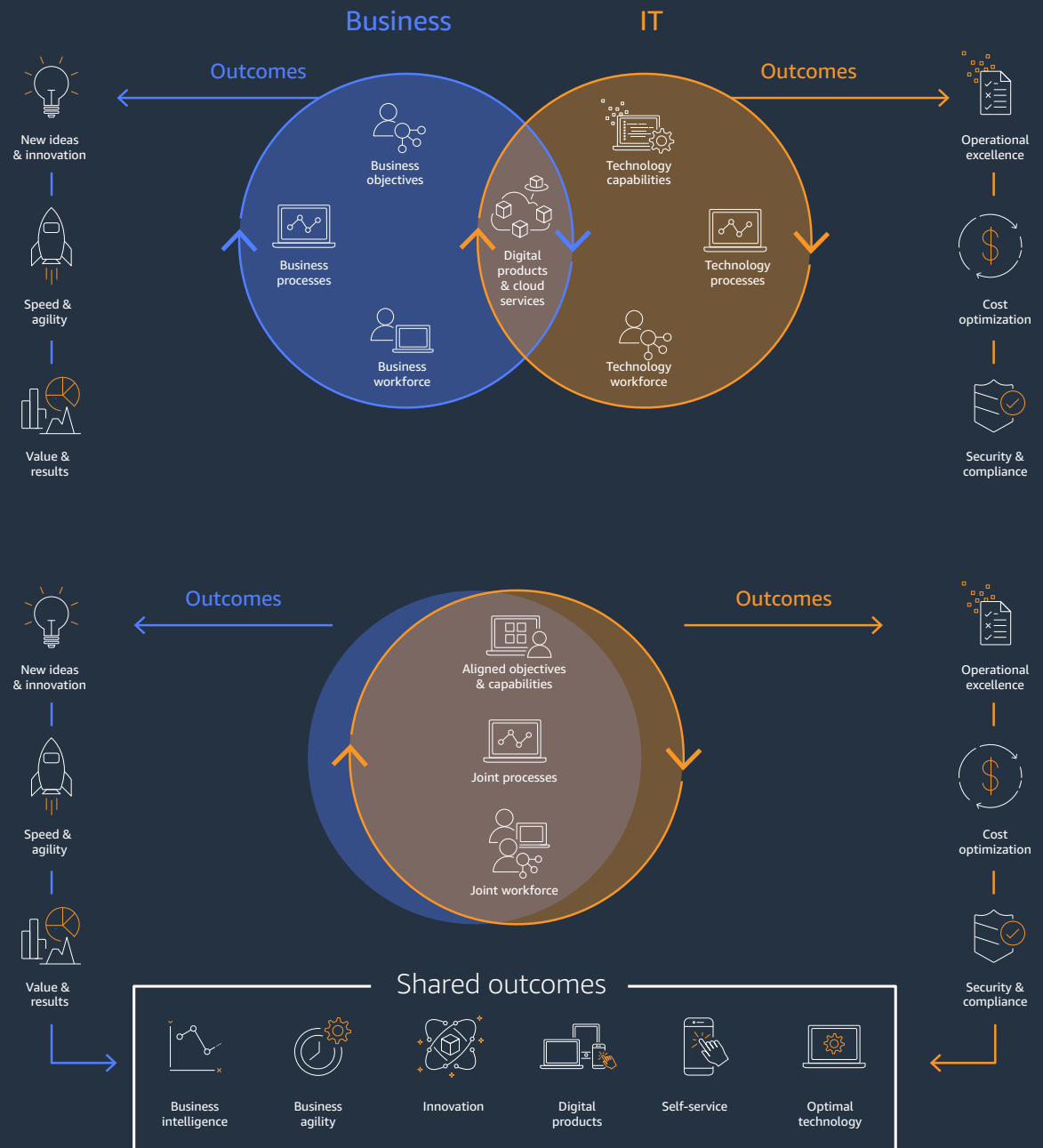### Build a foundation for digital maturity

By focusing the application of technology around customer needs, the CIO helps to drive ongoing changes in culture as the business recognizes the impact IT has on creating a more agile organization. This is an ongoing journey towards what the MIT Sloan Management Review describes as "digital maturity."[ii]

A shared operating model built in the cloud is a critical component of digital maturity because it reduces or eliminates low value work, creates flexibility in operating expenses, and frees IT to pursue new, deeper levels of collaboration with their business partners.

[ii] Achieving Digital Maturity, MIT Sloan Management Review, https://sloanreview.mit.edu/projects/achieving-digital-maturity/

Align capabilities, processes, and workforce

CIOs are familiar with the problems that arise when the business operating model and the IT operating model are not in strong alignment. In the past, the business would focus on delivering products to customers while IT focused on delivering technology capabilities and operational excellence. The problem with this approach is that each group worked towards different outcomes, and business and IT each owned a different piece of the end-to-end value chain that turned ideas into products.

Business | **IT**

Outcomes

New ideas & innovation

Speed & agility

Value & results

Business objectives

Business processes

Digital products & cloud services

Business workforce

Technology capabilities

Technology processes

Technology workforce

Operational excellence

Cost optimization

Security & compliance

Outcomes

Aligned objectives & capabilities

Joint processes

Joint workforce

Shared outcomes

Business intelligence

Business agility

Innovation

Digital products

Self-service

Optimal technology

4

Shift to product thinking

Many IT leaders spend a large portion of their careers planning, executing, and managing projects. Product thinking is a shift in approach, partnership and team structure that enables the IT organization to focus on customer outcomes.

Traditional project thinking works like this:

- Someone in the business has an idea.

- A business case is created to get the idea funded.

- It's then funded and prioritized, and a team gets pulled together to deliver the project.

- The IT leader assembles a team, defines the scope, agrees to a timeline, builds a plan, and delivers the project.

- They measure how accurate the timeline was, whether the project stayed on schedule, and was the budget met.

- The work is turned over to support and then the project team is dissolved.

A project approach of bringing teams to the work increases technical debt as the expertise and knowledge the team has gathered must be relearned by whoever makes the next update or enhancement. This shift in teams can also damage the partnership with the customer.

Shifting from project thinking to product thinking is a critical step in becoming more customer-centric.

Product-focused teams

"Product thinking, in contrast, is fundamentally different, because it's focused on *outcome*, whereas project thinking is focused on *output*."

When the CIO is focused on outcomes, they are inherently focused on the customer. They free the organization from the constraints of a plan and instead allow the team to hypothesize, experiment, learn, and adapt as needed. The team can rely on their core values and guardrails to guide decisions and keep them focused on the customer challenge they are trying to solve.

When teams are product-focused, we bring work to the teams. Instead of bringing teams to the work, bring work to the team.

Teams are given a mission, and the CIO empowers them to decide how to execute that mission themselves, owning and running projects like a small business. Product-focused development teams are free to focus on delivering outcomes instead of platform and governance. They test and iterate, measuring their success based on outcomes and the business value their product creates. The work is iterative because there are always improvements to make and new concepts to explore.
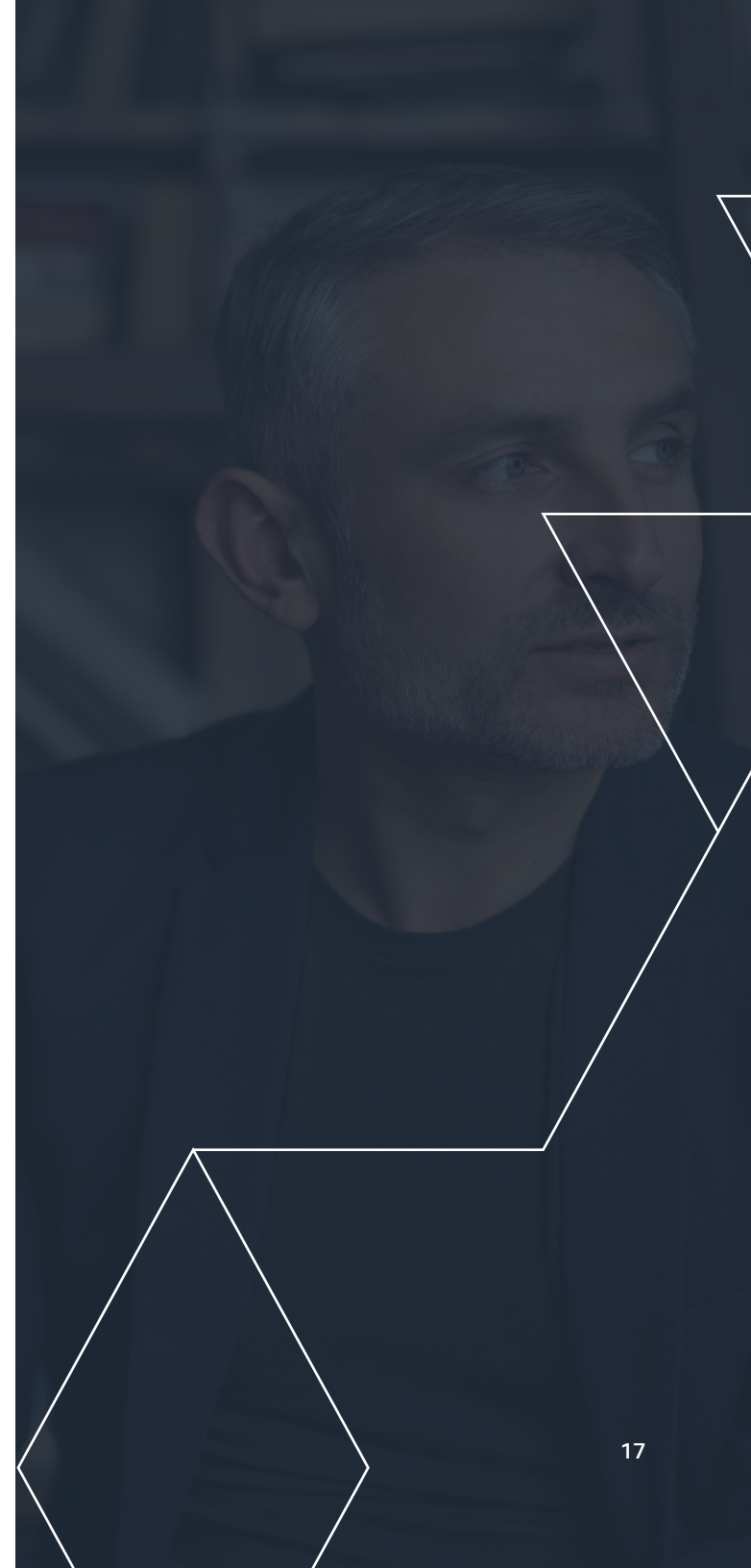
Projects create problems

VS

Products create value

1. Handoffs
2. Extra features
3. Task switching
4. Relearning
5. Defects
6. Delays
7. Partially done work

- Deeper subject matter expertise
- Improved productivity and throughput
- Improved quality
- Stronger connection to work and business impact
- Reduced risk through iteration
- Greater innovation

Create minimum lovable products

Product teams focus on the development of small batches not huge updates. Large enterprises often have long delivery cycles that take place over the course of a year, with long phases of analysis, design, development, and testing before a product is released and turned over to support. These long cycles tend to be funded in large batches as well, with funds burned down throughout the project.

Only at the end of this cycle, when the application is finally in production, does the business find out whether the product fits the needs of the market, and whether its investment has paid off. This approach comes with significant risks related to product and market fit, as well as opportunity costs.

A more customer-centric approach is to deliver smaller releases much more frequently, with just enough features to launch. These "minimum lovable products," as they are often called, are what we build at Amazon, in keeping with our commitment to customer obsession.

"Minimum *lovable* product" — MLP is the new MVP

- Frequent small updates
- Fueled by small batch "startup" funding cycles
- Each release delivers new value
- Business value is measured after every release

Making smaller, more frequent releases allows IT to deliver products that are aligned to their customer's needs as they evolve. Rapid iteration helps the team to confirm that the product is on the right track, and that it will deliver the desired outcome. It also helps them to prioritize: anything beyond building the product that the customer cares about is overhead. This is the art of maximizing the amount of work that is not done.

Anything beyond building the product the customer cares about is overhead.

5 Creating a customer-centric culture

Guide the team through change

Change is a process—a journey, not a destination, as the old adage goes. Change is also hard. The forces of inertia—established processes, cultural resistance, and existing infrastructure—all drag organizations back to the status quo.

The CIO can guide the organization through this change by leading by example, rather than just directing. Modeling customer centricity with business partners encourages the IT team to do the same, and taking an empathetic approach to understanding the challenges other areas of the business gives the team permission to do the same. Leaders who are consistent and focused can inspire change at scale across the entire enterprise.

Two keys to driving sustainable change are focusing on diversity and embracing failure. Diversity of thought creates and environment that will challenge the status quo and embracing failure lowers the risk of trying new things.

Watch video here

Leading the team through change
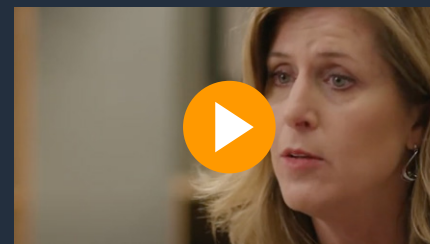
"Being a leader means removing barriers and obstacles for your team. Instead of governing and gating, you create guardrails within which your team operates."

Reflect the diversity of your customers in your workforce

Diversity and inclusion principles and actions are critical to building high performing, customer centric teams. Cultivating diversity is a powerful strategy for the digital age. Building a team that accurately reflects the breadth of a company's customer base leads to better product insights and solutions as inclusive and diverse work cultures sustain a higher level of innovation. According to a Bersin/Deloitte talent management study, companies highest on their diversity and inclusion maturity scale—"companies that look at leadership and inclusion as a hallmark of their talent strategy"—are 1.8 times more likely to be change-ready and 1.7 times more likely to be innovation leaders in their markets.[iii]

Often, the best talent comes from unlikely places. Particularly in today's climate, where technology talent is difficult to attract and retain, the CIO should look for qualities, not just competencies. There is no substitute for curiosity, a desire to build (and break) things, and true customer centricity.

Embrace the lessons that come with failure

Failure is rarely seen as positive, or acceptable. But failure provides the greatest lessons. It teaches more than success does, and is more memorable.

When teams fear making mistakes, they avoid taking risks, and in doing so, sustain the status quo. Failure spurs innovation; curiosity fuels discovery. Creating a culture of innovation comes with failure. Managing failure is a balancing act: the CIO needs to create an environment where it is safe to fail, while at the same time knowing when to intervene.

The right technology foundation enables digital business initiatives precisely because it lowers the cost of failure. An effective cloud operating model enables safe, low cost experimentation. Ideas can be explored, shut down if they fail, and scaled up if they are successful.

Failure is not easy to talk about, but teams need the reassurance that it's okay to fail, and help finding the lessons when things go wrong. Of course, no one *wants* to fail. But if you are going to truly invent, you must be willing to take measured risks, and embrace failure along the way. One of my favorite things about working at Amazon is that it is a culture that truly embraces failure and the value of learning.

Of course, no one wants to fail. But if you are going to truly invent, you must be willing to take measured risks, and embrace failure along the way.

Checklist:
Your IT team's culture

Do your teams have the technology, processes, and support they need to deliver customer value, using all the possibilities of digital transformation? How many of these statements describe your team?

☐ We have a customer value statement, and always start by working backward from the customer.

☐ Our development roadmap is defined by customer needs, both internal and external.

☐ We see failure as a necessary part of innovation; we start small, experiment, and continually iterate.

☐ We practice continuous development instead of adhering to predefined scope and schedule.

☐ We provide regular feedback at the end of each sprint.

☐ Instead of manual processes we automate as much as possible.

☐ We look at external trends and exploit data for deeper business intelligence; we keep up with constant change.

☐ Each team has access to on-demand, self-service cloud infrastructure.

☐ Our developers understand and are responsible for the day-to-day operation of the services they create.

Final thoughts

CIOs are making significant adjustments to the IT organization to respond to digital business demands and opportunities.

To engage with their business partners more effectively, CIOs must put technology aside and focus on their internal and external customers. Getting consensus on priorities and precisely defining the desired business outcomes with their business partners will help the CIO to identify gaps and overlaps in the IT portfolio, and define clear options for achieving the desired capabilities for the business.

As customer expectations for value and experience rises, companies need to ensure they are agile enough to stay ahead of the forces of disruption. The CIO has an integral part to play in helping the organization evolve their culture, operating model, and digital business foundation as a means to enable sustained innovation.

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Have questions about your cloud strategy? You can find her on LinkedIn and Twitter @MiriamMcLemore or the web.

aws executive insights

Executive perspectives on enabling innovation and transformation through culture, talent, and leadership

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Books

- A Seat at the Table: IT Leadership in the Age of Agility
- War and Peace and IT: Business Leadership, Technology, and Success in the Digital Age
- Reaching Cloud Velocity: A Leader's Guide to Success in the AWS Cloud

[i] Future Paths for Technology Leadership in the C-Suite: How CIOs Are Redefining Their Role for Digital Business, Gartner, July 2019

[ii] Achieving Digital Maturity, MIT Sloan Management Review, https://sloanreview.mit.edu/projects/achieving-digital-maturity/

[iii] Source: Josh Bersin, "Why Diversity and Inclusion Has Become a Business Priority," 12/7/2015, https://joshbersin.com/2015/12/why-diversity-and-inclusion-will-be-a-top-priority-for-2016/

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