

## **CIO BRIEF: Setting an Innovation Agenda**

From disruption workshops to robust action plans, LCBO, Deloitte Canada, and Canadian Tire show how to play the catalyst role

*By Heather A. Smith and James D. McKeen*

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CIO Brief meetings bring together Chief Information Officers from leading Canadian organizations to exchange best practices around information technology management strategy. Membership is by invitation only.

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THIS WHITE PAPER IS BASED ON THE PROCEEDINGS of a meeting of the CIO Brief focusing on how chief information officers can develop and set the pace for an innovation agenda.

Today, many CIOs are being challenged to bring more innovation into their organizations with IT but are unsure how to go about it. Frequently, the business may not see immediate value in emerging technologies and there may be inadequate processes for identifying, experimenting with, and implementing promising new technologies and their applications. Finally, business leaders, cultures, and business processes, such as budgeting, may be resistant to new ways of working and collaboration, and act as barriers to change.

Contributing to this white paper are John Henderson of LCBO, Terry Stuart of Deloitte Canada, and Eugene Roman of Canadian Tire.

## Developing an Innovation Agenda at LCBO

John Henderson is responsible for Application Development and Support for all divisions of the LCBO, as well as Networks and Infrastructure for more than 630 retail stores. He has 33 years of experience in retail IT, beginning at Sears Canada, where he progressed through the management ranks to AVP, Application Provisioning. John spent his last three years at Sears leading many corporate business transformation efforts and joined the LCBO five years ago.

In 2012, the LCBO began to develop a new three-year plan and budget. As part of this initiative, IT leaders were asked to explore the key technological trends that would affect the business and to develop an IT plan in keeping with the corporation's strategic goals. "We started by trying to understand the key business drivers facing the company and the business perception of the current state of IT," said John. "We wanted to understand what we would have to change or do differently to support our clients." The IT leadership team interviewed all senior business leaders and identified three primary business drivers: increase net income; seek operational efficiencies; and shift to a consumer-centric model. At the same time, they researched the IT industry to understand the significant changes that would provide the company with opportunities to improve in these areas. Five key technology trends and enablers were identified:

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### About the authors

**Heather A. Smith is a Senior Research Associate at Queen's School of Business. A former senior IT manager, Heather is author of five IT management books. She is also a Senior Research Associate with the American Society for Information Management's Advanced Practices Council. In addition, she consults, presents, and collaborates with organizations world-wide.**

**James D. Mckeen is Emeritus Professor at Queen's School of Business Jim has been working in the IT field for many years as a practitioner, researcher, consultant, and speaker. In 2011, he was named the "IT Educator of the Year" by ComputerWorld Canada. Jim has taught at universities in the U.K., France, Germany, and the U.S. His research is widely published and he is co-author (with Heather Smith) of four books on IT management.**

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mobility; social networks; big data; cloud computing; and the consumerization of IT.

Next, they developed an IT plan for the future. This included conducting interviews and information-gathering sessions across the business to better understand each division's current use of IT and its anticipated needs. "We found there was a common belief across all divisions that IT was focused on tactical execution rather than being strategically-driven," said John. "They told us that we could do more to guide the business through the ever-changing technology landscape or suggest how technology might be used to change their business." In short, IT needed to step up its innovation agenda and guide the business in technology innovation. The creation of an IT Innovation Agenda became a key imperative for the new IT plan.

Once this need was identified, however, IT leaders then had to learn how to do innovation effectively. "We needed first to discover what we really wanted to do," said John. He distinguished between invention, which is the creation of something, improvement, which is doing something better, and innovation, which is doing something different. "We know that we are always improving and we know we don't want to invent, so we believe we need a way to start incorporating innovation into what we are trying to do in IT. We want to know if we can 'bottle' innovation and produce it like an innovation factory."

John believes everyone starting down this road needs to address some basic questions as they are integrally linked to creating sustainable and effective innovation:

- Who "owns" innovation?
- Does everyone in the company know how to bring an idea to life?
- Do we have a corporate culture that supports innovation?
- Is innovation celebrated?
- Do we have the programs, processes, funding, and desire to create and sustain an innovation culture?
- Are current innovation programs working?
- Can innovation be operationalized into a process?
- Where does IT fit?
- How do we know that innovation has happened?

## The CIO as Innovation Catalyst at Deloitte

As Chief Innovation Officer for Deloitte Canada, Terry Stuart leads its innovation strategy and is a member of Deloitte's Global Innovation Network, as well as leading its Financial Services Consulting Practice in Canada. In his Chief Innovation Officer role, Terry is responsible for helping Deloitte create new solutions and offerings across its core services such as Audit, Enterprise Risk, Consulting, Tax, and Financial Advisory. In addition, he and his team assist clients to create, assess, and optimize their own innovation programs. Prior to joining Deloitte, Terry was an Associate Partner for FSI Technology at Accenture.

Terry defines innovation as "fresh ideas that create value." It can include new products, services, or technologies; improved business processes; or new ways to manage or interact with people. "It's all about value," he stressed. "I, like many other executives, am guilty of sometimes getting distracted by shiny, new gadgets rather than focusing on the value that innovation brings." With innovation, there is a lot of talk about new products, services, and technologies, but the other aspects of innovation are even more critical to delivering consistent value, he believes.

There are four emerging archetypes of the CIO:

1. **Operator.** This CIO efficiently operates and delivers IT services, information, and analyses to support the business, while managing risk and protecting core assets. Their focus is on execution.
2. **Technologist.** This CIO focuses on leveraging technologies and enterprise architecture to reduce complexity and improve business agility, employing disruptive new technologies wherever appropriate. Their focus is on strategic agility.
3. **Strategist.** This CIO partners with the business to shape and align business and technology investments to maximize results, working to create an integrated business architecture. Their focus is on alignment.
4. **Catalyst.** This CIO instigates new business strategies and large-scale transformations that leverage technology. Their focus is on transformation.

"In the past, CIOs have emphasized their roles as operators and technologists," said Terry. "Today, there's much more emphasis on also being a strategist and a catalyst."

He identified several new fields that CIOs must master in order to become an innovation catalyst:

- Design thinking
- Intellectual property management
- Gamification of work
- Security
- Running IT as a business
- Social re-engineering
- Data management and analytics
- Mobile computing and beyond
- Cloud computing

Canada and Canadian companies currently lag significantly behind their peers in productivity. “We are leaders at developing high productivity start-ups but, after a point, these businesses just stop growing,” Terry said. “As a country, we are risk avoiders and are complacent about competition. We need to innovate more, change, invest in our companies, and expose ourselves to international competition. This is not just a government policy issue but something that individual corporations need to do. We need to aspire to have our companies be the best in the world, not just the best in Canada or in our geography.”

He suggested that an effective innovation program starts with asking three questions in the following order:

1. Why innovate? This should always be the starting point for an organization. What is the real value we are looking for from innovation (increased revenues, reduced costs, enhanced resiliency, or business risk protection)? Terry recommended the book *Start with Why* by Simon Sinek.
2. How are we going to do this? Develop a game plan of the key components that span: creating the strategy and game plan, establishing appropriate funding and resourcing, building an innovation culture, establishing processes and enablers such as ideation and innovation management tools.
3. What are we going to do? Begin with a practical action plan for execution and manage the delivery for results. Set measurable targets for innovation programs and track against them.

Innovation is hard. It’s a contact sport and a social process, Terry has learned. And it must be aligned with core business strategies or it won’t get traction in the organization. As well, it must be given funding, resources, and support within a strong, active ecosystem. “Innovation is everywhere, so we must distinguish which ideas we want to go after,” he said. Terry also counseled patience

because some ideas have a longer germination cycle than others. Finally, he stressed communication using real-world stories that would help people understand and care about innovation. “We can never communicate enough,” he has learned.

Terry concluded with a CIO action plan for innovation:

- Create an innovation/R&D budget and manage it.
- Create physical and virtual space for innovation.
- Aspire to be the best in the world.
- Innovate in your talent pool.
- Adopt design thinking – build solutions for people.
- Establish partnerships with academic institutions, accelerators, and incubators.
- Deliver real value for your business partners.

## **Transforming the IT Function at Canadian Tire**

Eugene Roman is Chief Technology Officer for Canadian Tire, charged with bringing innovation to the company as quickly as possible. In his previous role as CTO at Open Text, he was responsible for global research and development, product development and IT, spearheading the delivery of mobile content management systems and working closely with customers to identify opportunities to streamline operations through technology solutions. He was recently appointed as Industry Professor at McMaster University in Design Engineering, where he will continue his work in advancing innovation in Canada.

“Traditional IT is becoming obsolete,” stated Eugene. “Instead, we should be speaking about IT, that is, innovation or innovation technology.” The world of smart, interactive things is growing, he explained. With miniaturization, wireless networking, and cost reductions, soon everything will be “smart.” “Already, 52 percent of the people in Canadian Tire stores walk in with a smartphone, so we’re moving into a world of any device, anywhere, anytime commerce.”

Although innovation and transformation are essential, however, it is important to focus the IT delivery team in order to deliver value to the organization. “When I joined Canadian Tire, we had a long list of user experience projects and the team struggled with which were the top priorities. Setting priorities is one of the key changes I’ve helped the team with.”

In addition, traditional IT must be transformed to enable it to bring in new ideas. "IT has nothing to be afraid of but itself," he said. "We've allowed bad ideas to proliferate." Eugene's goal is to help Canadian Tire make the journey from bricks to clicks and become Canada's most digital store. "It's our job to facilitate smart commerce and social commerce. To explore this, we're opening a lab to explore the gamification of retail," he said. The IT function needs to be characterized by disciplined thinking and action. "The most important thing we need are new practical ideas," he stated. "This will be used in our newly-opened SMART labs." The company has also recently built an entire store to serve as a lab. "We're looking for new 'idea-AHS'," he said, explaining the kind of innovation he's seeking from his staff. His approach is to set up SMART delivery labs and apply agile development, with each iteration being less than 100 days. "We need high intensity collaboration throughout the SMART delivery process to create breakthroughs." IT's innovative capabilities must be supported by next generation networks and computing. Cloud computing is a huge enabler because this gives the team the as-needed capability to open doors to innovation.

## Discussion

Does Canadian culture affect our ability to innovate? Many Canadians don't know their own strengths, said Eugene. "We have many centres of excellence — in Waterloo, Montreal, and Winnipeg for example — but they are working in silos and not sharing information. We are not thinking about the innovation ecosystem."

Terry agreed. "We have the capabilities here in Canada but we don't brag, honour, or work with our own smaller, innovative companies. The root cause appears to be risk aversion." He suggested that our education system must teach children more about creativity, entrepreneurship, and intelligent risk taking.

What is the role of strategy vis à vis innovation? Some organizations mix up strategy and innovation. Business strategy can be a good starting point for innovation but companies should also consider how they may need to challenge their current business models. This is especially important when competition becomes more intense.

Another problem is that strategy often falls apart when it moves to execution. "You may have great ideas," said Terry, "but that doesn't deliver any value unless they get implemented

successfully.” John added that there is no good methodology available to make innovation sustainable. Eugene agreed.

“Innovation is nine-tenths perspiration. Communicating and sustaining innovation is hard work.”

Why is Design Thinking so important to innovation? This approach helps fundamentally change how we develop products and services because it looks at how a design interacts with customers, said Terry. Design Thinking incorporates behaviours and insights of users at the extreme ends of the spectrum to develop more creative and usable products. John added that it’s important to incorporate the same type of thinking internally as you do for your customers, so internal delivery mechanisms don’t suffer as a result.

What can a CIO do to initiate innovation? The panelists had the following advice:

- Hold “disruption workshops” to wake people up about the power of technology to solve business problems.
- Expect everyone to innovate (bottom-up) *and* support innovative strategies from the top.
- Use positive language about change – tell stories about your heroes and make innovation real.
- Provide “oxygen” for innovation: tools, methods, resources.
- Understand where resistance to innovation lies and address it.
- Embed innovative thinking into HR and Finance.
- Consider the “4 Rs”: Rethink what you do; Reuse and re-engineer; Redesign; and Reinvent. Have a process that addresses these steps.
- Get out to speak with people face-to-face.
- Show people the vision and communicate with them.
- Be early adopters and try things.
- Protect people when they make mistakes.

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