

MGI

Research

## 20 Questions by MGI Research An Industry Thought Leader Interview

### Delivery Matters – A Straight Talk on CIO Success with StrataFusion Partner Mark Egan.

**Summary:** Managing business projects and delivering IT services in a fast-growing business is challenging. CIO and IT leader Mark Egan has led IT for two tech companies at the peak of their growth – VMware and Symantec. We have invited Mark Egan to join us for some frank conversation about building and leading a successful IT organization. As part of the 20 Questions interview series, Mark shares his thoughts on IT priorities, creating respect for the IT organization, and where topics like security and cloud computing fit in the CIO's agenda.

#### Key Issues

- What are the key challenges facing CIOs today?
- What new business models are enabled by the Cloud?
- What are the trade-offs of various Cloud computing architectures?
- What are the economics of Cloud computing?
- What are the limitations of Cloud computing?
- Is Cloud

**Andrew Dailey:** *What are the top three challenges facing CIOs today?*

**Mark Egan:** The past few years were about saving money. Going forward, it's about growing the business. The first challenge is using IT to transform the business and grow the top line. A second, related challenge is pushing speed and agility – we have to move faster. Third, security is a rising challenge. There are an awful lot of high profile security issues. So – grow the business, do it fast, and do it in a secure manner.

**Andrew Dailey:** *What advice would you give to a CEO looking to gain a deeper understanding of what is required to "digitize" a business?*

**Mark Egan:** There are plenty of examples to consider. A material amount of Amazon's market capitalization today is derived from services (cloud computing on demand) that are seemingly far from where they started in

- computing a zero-sum game for the IT industry?
- What are the winning IT strategies for supporting business innovation?
- What are the best CIO strategies for embracing social, mobile, and cloud compu-

the 1990s (selling books on-line). It's a huge transformation. Schwab has been very disruptive in the financial services/brokerage industry. And Kaiser Permanente is transforming healthcare today. The issue is not finding examples. The hard part is carefully considering your own business and creatively analyzing what can be done. The potential rewards are considerable and can also protect your company from being disrupted by a new competitor.

**Andrew Dailey:** *You've led several IT organizations at two companies that went from \$1 billion to several billion dollars in revenue very quickly. What is the most crucial aspect of managing IT through those stages of growth and organizational maturity?*

### **Mark Egan – Bio Facts**

- Partner, StrataFusion
- CIO, VMware
- CIO, Symantec
- Author, *Executive Guide to Information Security: Threats, Challenges, and Solutions*. Contributing Author, *CIO Wisdom, CIO Perspectives*, and *CIO's Body of Knowledge*
- Master's degree in finance and international business, Univ. of San Diego
- Bachelor's degree computer science, Univ. of Clarion

**Mark Egan:** It's about two things. First, it's all about having a great team. If you have a great team, they can do anything. Hire a good team, put a career development program in place, and make sure to offer advancement for your staff. At VMware, we had two tracks – a management and a technical track. The management track was very straightforward. The technical track was for folks who wanted to advance but not necessarily manage a lot of people. Another key ingredient is making innovation a part of the program. I think it's important to provide opportunities to speak, publish, and do different things. Outside recruiters are attracted to the talent at high-growth successful companies. By providing advancement to your team, it gives talented staff a reason to pause before considering outside offers. The second key ingredient is having lightweight processes. Processes are like brakes on a car – you use brakes to go faster, not slower. A little bit of process is important, but it has to be geared towards speed and agility.

**Andrew Dailey:** *How do you set IT priorities in a business moving very quickly?*

**Mark Egan:** As a CIO you should have two priorities. One priority is helping the company develop high quality products and services much faster. The second priority is helping your sales organization provide a better customer experience and sell more products and services. Those are the two objectives, and your goals within IT should align with those. At VMware, it was a very fast-growing business and unless a project affected the top line, it didn't get approved. It's easy to get caught up in things like upgrades and so forth – they add little value to the business. I would challenge my peers to have clear goals, objectives, and projects that tie into better products and services, and a much greater experience for your customers.

## About MGI Research

MGI Research is an independent industry research and advisory firm focused on disruptive trends in the technology industry.

Through subscription research, advisory engagements, industry studies and benchmarks, MGI Research helps clients identify opportunities for reducing IT costs and minimize technology risks. MGI Research analysts work closely with user organizations to model ROI and TCO tradeoffs, benchmark operational metrics and to create practical strategies for new initiatives such as mobile, virtualization, SaaS and cloud computing. MGI Quant models and indices use

**Andrew Dailey:** *Therefore do you recommend that the metrics tie directly into things like increasing sales productivity and top line revenue growth?*

**Mark Egan:** Absolutely. It should be all about delivering growth, EPS and so forth. It's not about upgrades or providing somebody a computer or tablet. If you can't map what you are doing to the top and bottom lines, then maybe you're not doing the right things.

**Andrew Dailey:** *If you're a progressive CIO who is trying to bring that innovation into the business, how do you transform the relationship between IT and the business in terms of creating more alignment? How do you shift the conversation from IT as a cost center to IT as an enabler?*

**Mark Egan:** First, the suggestion I would make is to understand your business and what the possibilities are. What could you do with your business to maybe offer new products and services, deliver them in a much better fashion that you had in the past, do it in a much faster

quantitative methods to help technology investors and industry executives make more informed and timely go/no-go investment decisions, optimize valuations and generate new ideas.

MGI analysts have at least twenty five years of experience. MGI Research founders and senior team members have backgrounds from companies such as Gartner, Soundview and Morgan Stanley.

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way, develop a more intimate relationship with your customers, provide a service that maybe your competitors don't do. The challenge that I would have for my peers and IT is, if you look at the industry, what are your peers doing? What are other industries doing and how can you bring that into your business. I am just convinced that there are many ways that we can use technology and innovation to transform business today.

Second, you have to deliver. Identify those areas where you can impact the business, make commitments, and deliver. There is nothing like delivery to create better alignment with the business. As an example, at VMware, we had a \$100 million dollar project portfolio. We delivered 86 releases over 36 programs and we did 89% of those on schedule. We had a great numbers as far as our delivery and that's really what it's all about. Nothing brings business alignment better than delivering on your commitments.

**Andrew Dailey:** *Let's talk about some of the hot topics of the industry at the moment - social, mobile, cloud, and big data. From your point of view, which one of those will deliver the greatest benefit to the business, and which one is the most over-hyped?*

**Mark Egan:** You really want to look at those and say, "Given my primary objectives of enabling revenue and EPS and the availability of these technologies, how can I use one or more of them to meet my objectives"? Any of those could be very effective or frankly a waste of time and money, depending on the organization and how you might deploy them. It is important to remember that technology is an enabler and the CIO's role is to identify potential areas to grow the business using technology.

**Andrew Dailey:** *What should CIOs be doing today in terms of their overall data center operations and IT strategy to start planning for the Software Defined Data Center?*

**Mark Egan:** Let's consider what virtualization has done, and then look at the Software Defined Datacenter. Virtualization enabled organizations to take an underutilized resource servers, and manage them as a shared resource. Instead of ten servers, suddenly you could use three servers – this produced incredible ROI from using less hardware, fewer people, and less power. The concept of the software-defined datacenter is to extend the concept of virtualization and compute into the rest of the data center. If you look at storage and networking, for example, they are very expensive today. What if we replace the expensive hardware with commodity hardware driven by software? In a nutshell, that's the concept behind the software defined data center. The benefits are two-fold. First, there are tremendous cost savings by driving out the high margins of the networking and storage vendors. Second, it's about moving much, much faster. This is not science fiction. If you look at the advanced data centers at places like Amazon, this is happening today. This is great news for the IT community.

**Andrew Dailey:** *What's your view of cloud computing and where do you see it adding the value or introducing new challenges into the IT environment?*

**Mark Egan:** Cloud computing is about putting resources on demand. The benefits are speed, agility, and potential cost-savings. The challenges are related to people and change management. There is a tendency to resist change. Security is often raised as an issue, and I agree that security is a critical issue. However, in many cases security is an excuse. The biggest barrier to adoption is human resistance to change. The reality is that the

benefits far outweigh the negatives, and cloud computing is the way we do business going forward.

**Andrew Dailey:** *Does cloud computing become a zero sum game for the IT industry?*

**Mark Egan:** There are going to be some winners and there are going to be some losers there. So, if you go back to my earlier comments on hardware, I think the hardware vendors are going to have a tougher time, because we're going to move more towards the model where you have commodity hardware and your data center driven by software. Hardware-related products are definitely a place to avoid investing. The big winners will be IT organizations because we can focus on providing solutions to our business partners vs. low value added activities such as setting up infrastructure.

**Andrew Dailey:** *You've mentioned Amazon several times as a leader. How about the incumbent outsourcers, the hardware vendors, the IBMs, and HPs of the world? Do they have a shot at getting back into the cloud infrastructure game?*

**Mark Egan:** Amazon has been really good – they've actually changed all of us. Amazon has challenged CIOs to do things faster and more economically – which I think is a real plus for the IT community. But Amazon isn't the only vendor here – this is a huge market opportunity. There will be others in addition to Amazon. I think the software vendors will fare better than the hardware vendors. The real losers will be firms that stay with the old ways. It's about being nimble and responsive to customers.

**Andrew Dailey:** *Let's talk about software applications for a moment. For organizations that are in \$1-\$5 billion in revenue, how much of their software portfolio can be SaaS vs. on-premise today, and how do you see that mix changing over the next couple years?*

**Mark Egan:** We've evolved from a buy vs. build decision to a rent, buy, or build decision. Renting and buying are the preferred choices, since building can be risky and expensive. In my prior role, we had 20-30 SaaS applications, some of them were quite large, like salesforce.com, and some were small, niche applications. What's happening in the industry is a shift from big ERP systems that try to do everything to a blended model. The reality is that there are two primary ERP choices, both are monolithic and there's not a lot of innovation and creativity from them in the areas that matter – like CRM. As a result, companies will continue to use these monolithic systems in areas where you have less value add, like financials, and in areas that require value added differentiation, you'll either use a SaaS application or build it yourself. We'll evolve to a blend of the three options (rent, buy, and build).

**Andrew Dailey:** *Does architecture matter? The promise and attraction of ERP was a tightly integrated architecture. You're suggesting a broader portfolio of applications from a mix of different providers. Do you think it's possible to have a broad set of ERP, SaaS, and custom-developed applications and still have control of your IT architecture?*

**Mark Egan:** Architecture does matter. But you have to place in the context of the business. As CIOs, we don't have much time. The average CIO tenure is very short. If you look at pressure we're under from the business to offer new products and services, there's not enough time. In order to be successful, you have to do things faster, and you simply won't get speed from your ERP vendors today. It's just not going to happen. We have to be open to new architectures and accept the fact that you're going to have a mix. We'll have a mix of applications, and there will be a mix of IT infrastructures. Some will be onpremise, some

might be co-location, and some might be public cloud infrastructures. This places even more focus on your IT architecture and architect, and requires discipline and rigor as you introduce solutions to your business partners.

**Andrew Dailey:** *When you look at applications and different SaaS providers, whom do you look to today as the real innovators?*

**Mark Egan:** Clearly salesforce.com has done a good job. Workday is doing impressive things. It's a great team, a solid HR system, and they have a change of building out a more complete set of applications. Those are the two leaders I see among SaaS providers.

**Andrew Dailey:** *Is the era of Microsoft and Windows everywhere over? Do you see Apple, Google having a role in large enterprises?*

**Mark Egan:** Everything is going mobile. The idea of everything being on a desktop or a laptop is not the case anymore. Android and iOS are the two dominant operating systems of the post-PC era. Windows is not going to go away, it's just not the dominant player it once was. The real challenge going forward is the consumer experience – how can we bring a great consumer experience into the enterprise. Users don't want to fight with technology; they want to get their jobs done. Apple has opened our eyes to new possibilities regarding ease of use. Everything is going mobile, and mobile operating systems like Android and Apple are driving mobile today.

**Andrew Dailey:** *Let's talk about mobility. What do you see as the biggest challenges with mobility and what have you seen as the biggest positive surprises so far?*

**Mark Egan:** In terms of challenges, it's a very different approach to developing applications. Developing incredibly simple, intuitive

applications is hard. Using the same approaches that worked for desktop or web applications don't apply. Security is an area that requires more attention – it has to be built into the application as well as at the device level. In terms of benefits and surprises, it's amazing how much can be done on a phone or tablet. Personally, I've stopped traveling with a laptop and I'm able to do pretty much everything I need to on my phone or tablet. We're quickly reaching the point where your customers expect mobile apps from you, and if you aren't offering that, you're probably falling behind the competition.

**Andrew Dailey:** *With the rising fear of IP protection and the rise of advanced persistent threats coming at a time when basically everybody is doing business all over the world in place, everywhere, including China, where do you see security among CIO priorities? Where do you see security in two-three years?*

**Mark Egan:** Security is a very high priority today. All the board meetings I've attended, I've had to provide an update on security. That's not going to change. Broadly speaking, there are two types of theft taking place in corporations today. There is financial theft, and organizations that handle credit cards, investment accounts, savings accounts, etc. all need to be aware of the bad actors perpetrating this type of theft. The second type is IP theft, and there are plenty of public examples of IP theft. The economic incentives for the bad actors are enormous, and much of the activity is taking place outside of the US, which makes it difficult to catch these people. Creating and delivering new products and services is a CIO priority. Doing it in a secure manner is an equal priority.

**Andrew Dailey:** *As a published author on the topic of IT security, what advice would you give to companies regarding the threat landscape today, and how should investment and resources should be allocated across people, processes, technology?*

**Mark Egan:** A holistic approach is required for security. There are three key areas – people, processes, and technology, and I would argue that the hardest part is people. It's the hardest because you have to change people's behaviors. It might include requiring an additional password, or creating greater awareness of threats. The people component is not necessarily a huge financial investment. The second recommendation is have all the basics in place – ensuring a high degree of overall employee security awareness, account administration, staying current with patches, restricting software that runs in your environment, and security monitoring – all of these things add up.

**Andrew Dailey:** *Many large organizations envy the speed and agility of start-ups. What's the secret to cultivating innovation and creating the velocity of a start-up inside of a large organization?*

**Mark Egan:** I was recently asked to do this inside of a large organization. The company wanted to use 100% of its products from beginning to end, and to use them all on a mission critical application in a very short period of time. We took a handful of our very best staff from across the IT organization, and assigned them to this project. We gave them support, and most importantly, we stayed out of their way. What I learned from that is if you get a small, very focused team, and you remove as many obstacles as possible, the team moves very, very fast.

**Andrew Dailey:** *You talk about “removing obstacles” and “lightweight” processes, but what about the reality for large public companies that operate globally. They have to deal with support requirements, security, regulatory compliance, etc. How do you create agile teams and get fast business results, while also balancing the need for compliance, multi-national requirements, etc.?*

**Mark Egan:** Having an architecture process in place to quickly review projects and ensure that you are heading in the right direction is important. This includes having an exception process. You need to have an idea of what the future state looks like, and try to keep projects focused on going in that direction. In addition, it helps to include topics like security and local requirements into the beginning of projects so that security, scalability, and global needs are addressed from the start.

**Andrew Dailey:** *Where do you see the opportunities for CIOs to find further savings and drive more cost out?*

**Mark Egan:** If you look at IT, there are four main buckets of spend: people, telecommunications, maintenance, and depreciation. On the people side, you have to optimize what is being done in-house, via third-parties, onshore and offshore. I'm seeing a trend towards doing more onshore because the cost gap between offshore and onshore has closed, and there are real benefits to doing things locally rather than offshore. The second area is telco. I'm convinced that you can always save money here, so if you haven't been scrutinizing your bills, do so immediately. In addition, having a BYOM (bring your own mobile) program, there is an opportunity for savings by allowing employees to bring their own devices and then setting guidelines for managers to determine what a legitimate business expense is. We saved seven figures at my last company with this approach. The third area for cost savings is maintenance. Looking at maintenance closely can yield significant savings. Is everything at a certain level; is it platinum, gold, or so forth? Are you paying maintenance on products that are no longer in use? Is there room to renegotiate maintenance rates? Finally, with depreciation I would argue that you probably have things that aren't being used but you are paying depreciation (and maybe even taxes) on. Having a good

inventory is a first step for many areas of cost savings. By looking at those four areas, there are definitely places to save money, and then re-invest into projects that will bring the most value.

**Andrew Dailey:** *What advice would you give to vendors who are trying to sell in- to the C-suite and the CIOs office in particular?*

**Mark Egan:** First and foremost, do you have a solution to a business problem? If you are calling on a CIO, I would encourage you to know his/her business, the competition, and the business challenges they are facing. Third, make sure you have a strong track record, because most CIOs are going to speak with their peers. CIOs want to know who this particular vendor is, how easy is it to work with the vendor, what the vendor's track record in delivering customer success is.

**Andrew Dailey:** *Looking back over your career, what's your most notable success? What project or accomplishment are you the most proud of?*

**Mark Egan:** My time at VMware was a lot of fun. I came into an environment where we had six CIOs in the prior five years, and the IT group was not performing that well. We were able to build a really good team, and turn the IT organization around. As I mentioned earlier, we established a great track record in delivering projects. We had an 89% on-schedule delivery rate. Our customer satisfaction was in the high 80s and low 90s, and we did a great job showcasing what could be done in virtualization and cloud computing. It was something I really enjoyed doing, and was very proud of.

**Andrew Dailey:** *Mark, - thank you very much! It's been pleasure to have you as a guest on 20 Questions.*

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