Enterprise Spotlight:
How AI is reshaping IT

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AI has emerged as the next big game changer for IT, adding an additional level of stress and urgency to organizations already challenged to find the resources and skills to support major shifts like cloud, automation, and a dramatically altered risk landscape. To capture the value and promise of AI, IT leaders are rethinking how their organizations are staffed and organized, how they're funded, and how the IT team works with the business.

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Rethinking and realigning IT for the AI era

CIOs discuss how AI is leading them to adapt and reimagine how IT operates to revolutionize their business. **BY ESTHER SHEIN, CIO**

As far as Jason Johnson is concerned, AI is as transformative as the invention of the tractor.

"Just as farmers expanded their operations from two acres to 200 acres upon the tractor's introduction, our role is to equip our staff to explore their '200 acres,'" says Johnson, senior vice president and CIO at Sweetwater, a $1.5 billion online retailer of musical instruments and audio equipment.

This involves restructuring IT through training, demonstrations, and advocacy, he reveals. It is "reminiscent of the period when computers first started gaining traction in enterprises during the 1960s and 1970s."

Just as IT found itself having to pivot through other significant changes, including cloud migration, SaaS adoption, DevOps, and digital transformation, organizations are scrambling to adjust to a world increasingly moving toward automation. AI has blown in like a freight train — barreling into organizations at a frenetic pace, adding more stress and urgency as they consider what applications to deploy.

This requires IT leaders to rethink how IT is staffed and organized, and how IT works with the business to capture the value and promise of AI in its many flavors — generative AI, agentic AI, and machine learning.

"Despite how fast any of those other shifts have been … the pace with AI is something we simply have not seen before," notes Mike DiBenedetto, CIO at Northland Investment, a multi-family investor, owner, and manager.

More than two-thirds (68%) of this year's State of the CIO IT leader respondents say that AI has already — or is starting to — reshape operations, and 80% say they are researching and evaluating adding AI to the tech stack.

As a result, there is little doubt IT leaders must realign their departments for the AI era. To harken back to the tractor analogy, many are plowing through with a clear sense of purpose.

ENHANCING EFFICIENCIES

It has long been a mandate that IT develop new services and evolve teams and processes to meet the need for transformation. But like DiBenedetto, Johnson says that "with the introduction of AI, this pace of change has increased significantly. AI provides tools and assistance that help IT teams keep up with changes, even when facing constraints and pressures to achieve more with fewer resources."

To meet these changes head on, Johnson has created cross-functional teams to enable and empower both IT employees and customers through AI. "We collaborate closely with our legal and compliance teams to ensure that we use our data, as well as the data we manage on behalf of our customers, in safe and compliant manners," he notes. "Internally, we have established working groups focused on enhancing efficiencies within IT, such as improving software development processes and reducing service desk resolution times."

Sweetwater has also established an AI center of excellence and has embedded data science professionals into the group. They are helping to design the experiments and pilots to ensure the results are statistically significant and then applying AI in areas that can accelerate the business.

Similarly, John Kreul, senior vice president and chief information and digital officer at Jewelers Mutual, is forming dedicated cross-disciplinary teams "focused on our customers to create seamless and personalized journeys." Those teams are concentrating on microservices, data, and AI platforms that will be leveraged across the organization, Kreul says.

SHIFTING IT TO MORE MEANINGFUL WORK

AI has significantly boosted self-service capabilities and case deflection within Workday's IT team, "so much so that it's allowed us to reallocate our talented case managers to more impactful, meaningful work," says CIO Rani Johnson.

The team is now building more sophisticated AI chatbots that can resolve a broader spectrum of issues and provide proactive assistance to employees facing IT challenges, she says. "This shift ensures our IT professionals are engaged in higher-value activities that truly leverage their expertise."

A prime example is the AI Insights Widget, which was jointly developed by Workday's IT and revenue operations teams. The custom generative AI tool tackles a significant pain point for the sales force, Johnson adds. "Previously, gathering comprehensive

account information was a manual, time-consuming process, often taking one to two hours per account due," she explains. "The AI Insights Widget automates this, freeing up valuable sales time and accelerating their efforts."

A FOCUS ON CONTINUAL IMPROVEMENT, CHANGE, AND COLLABORATION

Others say AI adoption hasn't significantly changed IT's focus. While Sweetwater's Johnson refers to AI as "a pretty big revolution," deployment of the technology is not really shifting IT's roles and responsibilities, he notes. But as IT builds tools embedded with AI to make the business faster and more efficient, "this is heavily impacting our own internal folks," whether through automating code reviews, or accelerating software development or business analytics, he reveals.

"It's forcing us to work closer with the business," says Johnson. "It's changing the shape of work from one and done to one of continual improvement and continual change in a way that is ... different than what we've seen before."

Similarly, DiBenedetto says the advent of AI hasn't required major structural changes in his IT group, nor when it comes to hiring new staff.

"We're always looking for fit for culture [and] a willingness to learn," he

says. "The concept of being a lifelong learner is certainly a requirement, and we're always trying to make sure that we can find somebody that fits; somebody who sits in the IT department that can understand, 'How does my contribution contribute to the overall success of the organization?'"

If IT implements an AI engine into an employee work process, the team members need to familiarize themselves with the workflow to ensure it is effective for that employee and has a downstream effect, DiBenedetto says.

"We expect that people working on our technology team understand what occurs in a department, whether that's day to day, whether that's driving a quarterly result, whether that's driving toward a year-long goal or an initiative that somebody has on their roadmap," he says. "So we've always hired for that, and we continue to hire for that, and we think that is critical as we shift toward focusing on AI."

As use of AI increases, IT has "an interesting opportunity to be trusted partners; to be the reliable source and to put context around this new and exciting area," DiBenedetto adds. Beyond understanding the technology, this requires IT to "stay close to the progression of AI" as it moves from chatbots connected to LLMs, to the

creation of agents, to more custom applications and the custom responses coming from AI leveraging retrieval augmented generation (RAG) or small language models tailored to an individual need, DiBenedetto says.

Jewelers Mutual's Kreul says AI has prompted changes in staffing, as well as investing in data and AI resources, and that IT is experimenting with multiple tools and models.

"Our investments are not just technological; they are company-wide initiatives," Kreul adds. "I believe that to leverage AI to its fullest potential, it must be a company-wide commitment. Everyone must be curious, willing to learn, and eager to experiment with AI."

Yet, AI itself is not driving the reorganization of IT. "Rather, it is the need to work differently to create products and services that our customers value," Kreul says. "The future of work involves integrating business, data, technology, and functions to create differentiated customer experiences."

MORE TRAINING ON AUTOMATION

What is changing at Northland is that the technology team "is coming up to speed and being trained in all these areas at a detailed level," says DiBenedetto. For example, teams that were traditionally focused on infrastructure and cloud are becoming "much, much more versed on automation," and the necessary security components, given the changing expectations of the job.

"The part we're not changing is … they have to go back to the business and communicate the value of technology and connect the dots of where it can provide tangible, measurable value to the work that they do daily and over the long term," he says.

IT will continue to be tech evangelists, DiBenedetto says. While the real estate industry does not typically include early adopters of technology, "we want to make sure that our organization is viewed as [one] where people can … have the best possible tools available to them to perform their job on a day-to-day basis."

He adds, "We want to make sure that AI is a source of excitement, that there's not this barrier between our technology team and our business teams around how they're using technology."

Johnson of Sweetwater believes that "our department's most crucial task is fostering an organizational mindset that incorporates AI enablement into every process."

The integration of AI begins with training because there is a definite adoption curve. "You have to teach people how to think about and use AI

while also surrounding them with a lot of love," Johnson says, adding that "the goal at Sweetwater is not to replace them," but get them to be more productive.

"Farmers didn't just plow their two acres of land and then go take a nap the rest of the day and do nothing else," he notes. "They went and found 200 acres."

AI AS A NEW OPERATING PRINCIPLE

Justice Erolin, chief technology officer at BairesDev, a nearshore software development company, has made significant structural shifts in his 4,000-plus distributed IT workforce, thanks to AI.

AI isn't just a tool but also a new operating principle that is being embedded into delivery pipelines, infrastructure management, and client work, he says.

Erolin is restructuring BairesDev's internal engineering orgs to be AI-native, integrating cross-functional "AI Guilds" that serve as internal accelerators for adoption across cloud, DevOps, data science, and delivery teams.

To address the shortage of generative AI-skilled engineers, Erolin is launching in-house upskilling programs and advocating for hybrid talent models that blend automation with human expertise.

As for Northland, the company is in the beginning stages of creating an AI

leadership group focused on governance. "That group is tasked with understanding how to provide some structure [and] some strategic thinking as to where we believe the areas of opportunity are, and then asking individual contributors to adopt pilot tests," DiBenedetto says. As they broaden those pilots, the group will provide feedback, "and then we can factor that into some additional components of the program."

RECOGNIZING AI IS A CONSTANTLY CHANGING PUZZLE

Sweetwater's Johnson says AI is "causing us to question everything, like getting a new puzzle piece, and it's changing more rapidly than any recent technology has to any company."

This requires IT to work with business leaders to constantly evaluate what is working or not working and readjust, retrain, and move resources around to support business outcomes, he says. Like any other technological change, "you can resist it, and we've had some of those conversations with developers ... but that's probably not a great idea."

Jewelers Mutual's Kreul is philosophical about how AI is changing both IT and the rest of the organization, saying that "in today's rapidly changing world, everyone must embrace

discomfort. The pace of change is outstripping any single organization."

The biggest challenge Kreul sees for his team "is maintaining current operations while transitioning to the future — this is no easy task."

DiBenedetto says he hasn't found a concerning level of pushback from his IT team about AI deployments at the company. "But there is a mix of emotions, and that comes from questions around what the future holds," he says. Of course, no one knows the answer to that, but DiBenedetto says he's struck by how much the technology is becoming part of the conversation.

In the past month, he says he's repeatedly heard the statement, "AI may not replace your job, but the person who uses AI may replace the person who doesn't." ∎

Digital transformation in the AI era

Three areas where CIOs should take AI's lead in reorganizing how digital transformation work gets done. **BY ISAAC SACOLICK, CIO**

Technological paradigm shifts and disruptive global forces require CIOs to rethink their digital strategies every two years. In 2020, it was the pandemic, 2022 brought recession fears, and 2024 ushered in the generative AI era.

Two years ago, I wrote about how generative AI impacts digital transformation priorities, focusing on data strategies, customer support initiatives, and AI governance. Last year, I wrote about generating business value from generative AI by targeting benefits other than just productivity improvements. Other articles have focused on generative AI's impact on the future of work, identifying foundational AI investments, and targeting business-impacting generative AI opportunities.

The advice offered in these articles has zeroed in on how generative AI changes digital strategy and priorities. Here, I turn attention to how it impacts the organizational model for delivering those digital strategies and priorities.

Siva Ganesan, head of the AI and data business unit at TCS, believes the next transformational era will be defined by businesses that augment humans with agentic, generative, and predictive AI capabilities. "In this model, organizations are investing in creating architectures for intelligent choices and using technology to augment people, not automate tasks, transforming the entire value chain," he says.

CIOs should consider how agentic AI and other emerging AI capabilities enable the creation of intelligent organizations. Three areas CIOs should focus on include renewing customer centricity's importance, evolving business engagement practices, and refining their organization's digital operating model.

REIMAGINING PRODUCT DESIGN AND CX PROCESSES

Every customer experience (CX) strategy will require overhauling as customers expect agentic AI to be at the forefront of their interactions. B2C industries such

as retail, media, healthcare, and personal banking — where personalization is a service differentiator — will undergo this paradigm shift first.

But John Mazur, CEO of Chatmeter, points out a huge opportunity to use AI on customer interactions to realize deeper organizational benefits. For example, by analyzing customer feedback, including unstructured data such as reviews and social media comments, "AI helps organizations operationalize that feedback to improve training, policies, and hiring," Mazur says.

Moreover, organizations can leverage generative AI to help evolve their design thinking, prototyping, piloting, and testing practices. AI agents can accelerate the design process, facilitate more testing scenarios, and integrate customer interactions to ensure the process is more agile and iterative. AI can also help with customer pilots by, for example in the pharmaceuticals industry, improving patient recruitment and communications during clinical trials.

"AI is uniquely positioned to help us reshape how we design products, streamline operations, and enhance experiences," says Satyajith Mundakkal, CTO of Hexaware. "By rapidly generating multiple design prototypes and automating extensive testing processes, we drastically reduce time

to market, fast-tracking the journey from concept to reality."

CIOs should organize a cross-functional leadership team to revolutionize their organization's approaches to R&D, market research, design thinking, and customer piloting. AI agents will have roles in improving productivity in each of these disciplines, but advantages will emerge for organizations that rethink the entire design process.

ACCELERATING AGILE CHANGE MANAGEMENT

Agile methodologies, product-based IT, low-code development platforms, and citizen data science have driven several paradigm shifts in how business, data, and IT teams collaborate on innovations. Employees are already experimenting with LLMs and uncovering ways to adapt their work with agentic AI. CIOs can leverage these experiments to accelerate change management in their more strategic digital transformation initiatives, as connecting generative AI experimentation with small, substantive changes will help shift people's thinking toward more iterative, feedback-driven practices.

"While many companies are working on massive deployments that are costly, lengthy, and highly disruptive, some

of the most impactful outcomes and ROI stories are occurring with small deployments at task levels," says Rob Scudiere, CTO at Verint. "In customer contact centers for example, companies are realizing millions of dollars in savings or incremental revenue generation, along with measurably enhanced employee and customer experiences, just by automating a single micro-workflow with AI-driven specialized bots."

But mobilizing business units on generative AI-enabled workflow changes risks being hampered by a lack of organization-level communication about initiatives, changes, collaborations, and best practices. While CIOs should want departments and teams to work independently, they must centralize information and create top-down collaboration to ensure the changes align with and accelerate digital transformation objectives.

"Identifying transformational use cases depends on your ability to get a full view of teams, projects, and the overall organization," says Jon Kennedy, CTO at Quickbase. "Business leaders need a consistent and accurate view of information across the organization, regardless of where the data resides. Without that clear view of each team, project, and stakeholder, you can't see the redundancies, overlaps, and

productivity gaps that slow down projects and make decision-making difficult."

Teams working independently and without collaboration can inadvertently create gray work, the time and resources lost hunting for information needed to keep projects moving and make decisions that drive impact and outcomes. CIOs recognizing the excitement and strategic importance of developing value from generative AI will promote agile and change management with teams, then expand the agile PMO's mission to address communication and collaboration gaps.

REINVENTING THE DIGITAL OPERATING MODEL

Most CIOs recognize that generative AI presents a significant evolution in how IT departments can deliver innovations and manage IT services.

"[Generative] AI isn't just another technology; it's an organizational nervous system that exponentially amplifies human intelligence," says Josh Ray, CEO of Blackwire Labs. "Where we once focused on digitizing processes, we're now creating systems that think alongside us, turning data into strategic foresight. The CIOs who thrive tomorrow aren't just managing technology stacks; they're architecting cognitive ecosystems where humans and AI collaborate to solve previously impossible challenges."

IT service management (ITSM) is a good starting point for considering generative AI's potential. Network operation centers (NOCs) and site reliability engineers (SREs) have been using AIOps platforms to correlate alerts into time-correlated incidents, improve the mean time to resolution (MTTR), and perform root cause analysis (RCA). As generative and agentic AI assists more aspects of running IT operations, CIOs gain a new opportunity to realign IT ops with more proactive and transformative initiatives.

"We focus on use cases that result in better customer outcomes and free up bandwidth for our engineers," says Michael Trkay, CIO at FICO. "Opportunities such as generative AI for hotfix development and predictive AI to identify, correlate, and route incidents for improved incident response are transforming our business, resulting in improved customer satisfaction, revenue retention, and engineering efficiency."

On the dev side, copilots writing code have received the most attention, with DevOps teams accepting between 20% and 35% of the code recommendations. Coding benefits are just the beginning, as AI agents have capabilities across the software development life cycle, including developing requirements, writing test cases, and maintaining documentation.

"Organizations should seriously evaluate [generative] AI's potential, not only in coding and testing but also in the often-overlooked requirements phase," argues Andrea Malagodi, CIO at SonarSource. "By using AI with well-crafted prompts that leverage historical data, teams can accelerate the creation of robust requirements, ultimately reducing delivery cycle times."

A third area where GenAI provides capabilities is in organizational design, team formation, and communications.

"AI acts as a career coach and mentor, helping employees grow by analyzing job architecture, corporate goals, and individual strengths to help guide employees on their desired career path," says Ed Frederici, CTO at Appfire. "It improves productivity by forming optimal teams, matching the right skill sets to solve complex problems, and streamlining communication by summarizing messages, drafting emails, scheduling meetings, and booking travel."

CIOs focusing only on productivity gains from generative AI may miss larger opportunities to transform their organizations. As technology changes rapidly, CIOs must invest time in learning vendors' agentic AI capabilities, reviewing how employees use today's AI tools, and refining the organization's digital operating model. ■

Planning for a new technology operating model

As organizations reinvent for the AI era, business leaders are moving to a new operating model. **BY JENICA MCHUGH & FRÉDÉRIC BRUNIER, CIO**

You don't need an LLM to tell you what the biggest change to IT departments is this year. The evidence is everywhere.

Take for example Accenture's latest Pulse C-suite survey, published in January, where 86% of surveyed executives plan to up their investment in generative AI in 2025, and 60% are expecting their generative AI solutions to be scaled across the business — a major jump from 36% in 2024.

The second-order impacts of this spending are being strategized, architected, and designed in real time, and we're seeing the early signs of emerging technologies like agentic AI being used to reinvent core capabilities in businesses. The impact of agentic AI on enterprise architecture, interoperability, platforms, and SaaS has yet to be fully scoped, but the changes will be fundamental.

With such dramatic transformations, it won't be enough for tech leaders to adjust individual processes and approaches and put them under the control of one department. Instead, business leaders need to reconsider how technology and its practitioners need to be guided, managed, controlled, and measured when they deliver value and work directly in every part of the enterprise.

WORD ON THE STREET

Another Accenture report examines the changing role of technology in today's enterprise, and how CEOs and their leadership teams reinvent their organizations for the era of AI and beyond. This report draws from the company's first-hand experience delivering AI-powered reinvention across its internal corporate functions, and for clients deploying generative AI to unlock new sources of value, innovation, and growth.

When viewed in aggregate, these insights point toward a new operating model for technology, one that's mapped across the entire enterprise. This model is moving from a relatively vertical

column of technology and technologists reporting to an IT department, to a new enterprise technology blueprint, with teams and individuals infused with and financed by the business.

But this doesn't mean tech spending will decrease. The top reason cited by nearly one in three executives to increase generative AI investments is to capitalize on tech advances. According to the leaders we spoke to, the scope and scale of what a traditional IT department does will change significantly, and the ROI on rising IT investments will need to be earned by a new embedded model for enterprise technology.

PART OF THE SOLUTION

The CIO role remains essential as they'll continue to be the center point for IT governance and decisions. And their role will be elevated to that of a trusted advisor to the CEO and the rest of the C-suite, rather than reporting to other executive positions. The business will be more involved in shaping an intersectional business and technology strategy, and more technology work will take place in the business, with practitioners operating under corporate guidelines created by the CIO.

"IT is critical to every aspect of a business unit's performance," says Alan Thorogood from MIT's Center for Information Systems Research. "Business units now incorporate technologies like AI throughout their operations. They take ownership of data and its acceptable uses and are moving into low- and no-code software development, systems engineering, and integration, so enterprises must examine their IT organization to ensure they have the right skills both in IT and business units."

Business leaders need to think deeply about this profound shift to a technology operating model, and any strategy should include those working in traditional IT departments, and those working with and deploying existing and new technologies directly in business teams. Here's what we've learned:

1. Out of IT and into the business

The pressure's on for technologists to move closer to where technology creates business value. The rise of self-service capabilities, such as low code/no code platforms, and autonomous systems means that business units can now handle many technical tasks that previously required IT intervention. This democratization of data and technology is creating a new situation where technology expertise exists throughout the organization rather than being concentrated in a single department. And this in turn

suggests the future will be a flatter, de-siloed organization.

Today, for example, it may be clear if a person works in HR or in the business. Our interviewees pointed toward a trend where new, cross-functional roles are emerging as companies combine responsibilities to take account of the rising use of technology.

2. A new era of human-AI collaboration

AI is fundamentally changing how technology work gets done. Intelligent AI coaches now automate complex workflows and augment decision-making processes, enabling organizations to do more with less in AI-augmented ways. This shift reduces experience gaps, accelerates onboarding times, and creates new challenges in governance and oversight.

The relationship between human workers and AI systems is evolving into a collaborative partnership. Organizations must cultivate environments that help people learn and change, where both human employees and AI systems can grow and improve together. This includes developing new governance frameworks and policies that support a culture of AI responsibility throughout an organization while ensuring employees feel involved in driving this change.

3. Fluid boundaries and new leadership challenges

The boundaries between business and IT are blurring, requiring boards and C-suite executives to develop deeper technical competencies, particularly in AI.

Many C-suite leaders are now expected to know as much about the technology driving their function as the strategy. And the demands will change as agentic AI systems continue to reshape the future business and enterprise architectures, as well as their interoperability.

"In a lot of ways, the IT department of every company is going to be the HR department of AI agents in the future," said Nvidia CEO Jensen Huang during this year's CES. "Today, they manage and maintain a bunch of software from the IT industry. In the future, they'll maintain, nurture, onboard, and improve digital agents and provision them to the companies to use."

While much attention has been paid to increasing technological literacy among business leaders, an equal emphasis needs to be put on developing business acumen among technology professionals. If you consider many of today's leading technology companies, they're led by tech people who've learned the business rather than the other way around.

A NEW WAY FORWARD NO MATTER WHAT COMES NEXT

Much of the current change is being driven by AI, with agentic AI following closely on its heels. But the next big technology change will probably happen in months, not years, whether that's a major step closer to mainstream quantum computing or the emergence of a cognitive digital brain. A new, flexible business technology operating model will position leaders to take advantage of whatever is latest and greatest, in the parts of their business where it matters most. ■