

IBM Institute for Business Value

Connecting across the C-suite

*Combined Insights from the
IBM Global CEO, CFO and CIO Studies*



IBM Institute for Business Value

IBM Global Business Services, through the IBM Institute for Business Value, develops fact-based strategic insights for senior executives around critical public and private sector issues. This executive report is based on an in-depth study by the Institute's research team. It is part of an ongoing commitment by IBM Global Business Services to provide analysis and viewpoints that help companies realize business value. You may contact the authors or send an e-mail to iibv@us.ibm.com for more information. Additional studies from the IBM Institute for Business Value can be found at ibm.com/iibv

Over the past two decades, global integration and new technologies have fundamentally reshaped our economic environment. The rate of change has accelerated and the world has become both smaller and flatter. So how can business leaders ensure their organizations thrive?

To answer this question, IBM met with more than 6,000 top executives between mid-2009 and mid-2010. We discussed the challenges confronting them, their expectations and aspirations, and their perspectives on key business issues. Our three resulting C-suite studies feature 1,541 chief executive officers (CEOs), 1,917 chief financial officers (CFOs) and 2,598 chief information officers (CIOs). Individually, each is the largest face-to-face study of its kind. Collectively, they span 33 industries and 81 countries, providing an unparalleled insight into what the world's business leaders think.¹

In addition to the Global CEO, CFO and CIO studies, IBM has conducted other studies based on interviews with additional members of the C-suite, including Chief Supply Chain Officers (CSCOs) and Chief Human Resource Officers (CHROs). In study after study, across the C-suite, executives voiced many of the same basic objectives and concerns related to the future of their organizations.

In this report, we focus particularly on the combined insights from our three most recent C-suite studies. Our research shows that although CEOs, CFOs and CIOs all recognize they are operating in a new economic era, their opinions differ substantially about which external forces have the greatest impact. CEOs are both more concerned about technological factors and more convinced of the need for change than CFOs and CIOs, for example. There are also significant differences between the attitudes and actions of business leaders in the most successful organizations and those in less successful organizations.

While our research reveals many areas of alignment already, if CEOs, CFOs and CIOs are to help their organizations prosper in a volatile and complex economic environment, they must all pull together. The CEO will need to lead the way, while the CFO and CIO draw on their respective areas of expertise to provide support. It is only by acting in unison that they can fend off the threats and capitalize on the opportunities arising from greater social, economic and technological connectivity.

The new economic environment

The global economy was undergoing fundamental transformation long before the recent financial crisis started. The development of new business models, increasingly frenetic pace of change and trend toward greater organizational integration – all reflect the technological paradigm shift that is taking place with the advent of the Internet and new communication technologies.

So how do C-level executives work together to deal with these changes? We conducted face-to-face interviews with over 6,000 CEOs, CFOs and CIOs in the course of completing our latest series of C-suite studies. Here, we compare the findings from all three studies to identify where C-level executives agree – or, equally importantly, diverge – and how CFOs and CIOs help CEOs prepare for the future. We have also drawn on previous C-suite studies, where they provide additional insights.

Connectivity and complexity

Increasingly interconnected economies, enterprises, societies and governments have given rise to vast new opportunities. But greater connectivity has also created strong – and too often unknown – interdependencies. The new economic environment, CEOs say, is much more volatile, uncertain and complex.

Many CEOs feel ill-equipped to cope. A full 79 percent told us they expect the environment to grow significantly more complex over the next five years, but only 49 percent believe they know how to deal with this complexity successfully. In short, they face a “complexity gap” that poses a bigger challenge than any we’ve measured in the eight years we’ve been conducting such research.

In 2004, when we asked CEOs which external forces they thought would have the biggest impact on their organizations over the next three years, they ranked technological factors sixth in order of importance. In 2010, they put technological factors second only to market factors, thus underscoring the high importance of technology in their strategy decisions.

When we asked that same question of CFOs and CIOs, however, they see technology as a less critical external influence, which suggests that they have very different perceptions of its role (see Figure 1). For CFOs, technology appears to be perceived primarily as a tool to enable them to do their own jobs more effectively. And for CIOs, it seems that dealing with changing technology is “second nature” and thus not viewed as a top challenge.

CEOs are also more aware of the need for change, although the differences on this score are less pronounced. Sixty-eight percent of CEOs think substantial change will be required to deal with the external forces impinging on their organizations, compared with 64 percent of CIOs and 57 percent of CFOs.



Figure 1: CEOs accord technological factors much more importance than CFOs and CIOs do.

“There isn’t the luxury of time. We used to say, ‘Wait until the crisis is over and we get back to normal,’ but that never happens. We have to be ‘change animals,’” the CEO of one public sector organization in Canada explained. Clearly, CEOs will need to collaborate with C-suite colleagues to proactively plan for dealing with ever-mounting change.

Borrowing from the best

Of course, recognizing the need for change is one thing, knowing what changes to make is quite another. However, our 2010 Global CEO Study sheds some light in this respect. During our research, we identified a number of organizations that have delivered a solid business performance in both good times and bad. These “Standouts” – as we call them – were able to improve their operating margins in the four years preceding the recession, when the economy was relatively stable. But they were also able to do so during the financial breakdown that ensued in 2008 to 2009.

The Standouts came from every industry and every part of the world. What distinguished these organizations from their less successful peers was the way in which they approached complexity. Our extensive analysis of how they differ shows that the CEOs who head Standout organizations are focusing on three particular areas: embodying creative leadership; reinventing customer relationships; and building operating dexterity.²

How CFOs and CIOs help CEOs be creative leaders

Creative leaders embrace ambiguity; they cross boundaries, “think the unthinkable” and are comfortable making decisions before they have all the details. They take risks and pilot radical innovations, continually tweaking their business models and learning from best practice in other industries. They also leapfrog beyond “tried-and-true” management styles, preferring persuasion to old-fashioned command and control, and use a wide range of methods to get their message across, including viral communication.

CIOs likewise help CEOs lead creatively in their capacity by actively promoting innovation throughout the organization. Visionary CIOs aim to ensure the technologies they adopt fully support their organizations’ business strategies, vigorously co-create and champion innovation, and understand exactly which technological advances will enhance their organizations’ competitiveness. “Innovation should be based on practical technology that can deliver business objectives within reasonable time and cost, which can be absorbed by the business,” a CIO from India said.

However, there are some notable differences among the CIOs we surveyed. We analyzed the financial performance of the organizations they work for and classified these organizations in one of three ways: high-growth, medium-growth or low-growth.³ Our findings show that CIOs who work for high-growth organizations – or “High-growth CIOs,” as we call them for ease of reference – are much more deeply involved in fostering innovation and promoting new communication channels than other CIOs. They reach out to co-create and champion innovation, and orchestrate the innovation process, more often than their peers in low-growth organizations (see Figure 2). They also use collaboration and partnering technologies much more actively to spur innovation, and are more successful in stimulating change through the deployment of such technologies.

Traditionally, most leaders would perceive a “creative CFO” as negative, perhaps because creativity in financial matters hints of impropriety. But today’s CEOs do need creative CFOs – creativity that enables CFOs to look at situations in new ways, and assess quickly and accurately whether a new initiative is delivering good results. This allows CEOs themselves to be creative in making speedy decisions under conditions where risk is controlled.

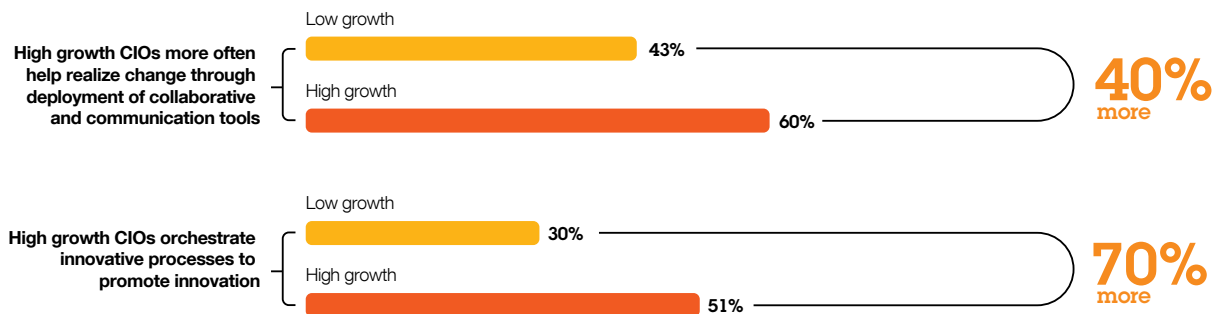


Figure 2: High-growth CIOs are particularly effective at helping CEOs break new ground.

Most CFOs already play a significant part in helping CEOs act as creative leaders. They combine operational and financial data to provide the business insights that are needed to navigate uncertainty, establish early warning systems, monitor the performance of their organizations and manage enterprise risk. Moreover, they do these things much more actively than they did five years ago (see Figure 3). CFOs have nearly doubled the emphasis they place on enterprise risk management, for example – a clear sign that they recognize the increasing volatility of the conditions in which their organizations must operate.

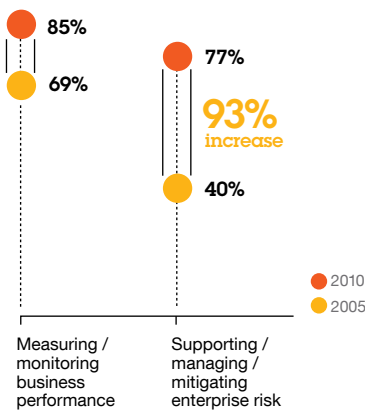


Figure 3: CFOs help CEOs manage risk, cope with uncertainty and monitor the impact of radical innovations.

Many CFOs go even further. Seventy-eight percent of the participants in our 2010 Global CFO Study are either advising on, or playing a critical decision-making role in, key areas such as strategic revenue planning and business model innovation. The most proactive CFOs also provide forward-looking information, although they admit this is more of a struggle. “We’ve done what we needed to do to stay half a step ahead of the business,” the CFO of one U.S. organization noted. “But with the current rate of change, half a step is not enough.”

How CFOs and CIOs help CEOs reinvent customer relationships

Creative leadership is not the only quality that separates the Standouts from the crowd. So does the ability to reinvent customer relationships. The vast majority of CEOs we interviewed want to get closer to customers to better understand, predict and provide what they desire. But for those who head the most successful organizations, it is the top priority. They honor their customers above all else, make customer value their number one goal and regularly measure every employee on a customer satisfaction or customer value metric.

The CEOs who concentrate hardest on forging more intimate customer relationships also make customers part of their team. They interact and co-innovate with customers in new ways and provide truly transparent processes. They profit from the “information explosion,” tapping the value of limitless data and analytics to generate actionable insights, and freely share information with their customers to build trust.

CFOs and CIOs both play a major role in facilitating these activities. CIOs provide the foundation, while CFOs provide the standards and guidelines to make best use of the captured data – ultimately enabling it to be proactively crafted into information.

CIOs also help CEOs reinvent customer relationships. They turn data into actionable insights, build new channels for customers and understand that customers expect no less than world-class integration and transparency. High-growth CIOs are particularly effective in this respect. They support CEOs in their efforts to segment customers more accurately by converting data into information, and suggesting better ways to use data, much more frequently than Low-growth CIOs (see Figure 4). They are also more aware of the extent to which customer expectations are changing and more actively preparing to provide much greater levels of integration and transparency over the next five years.

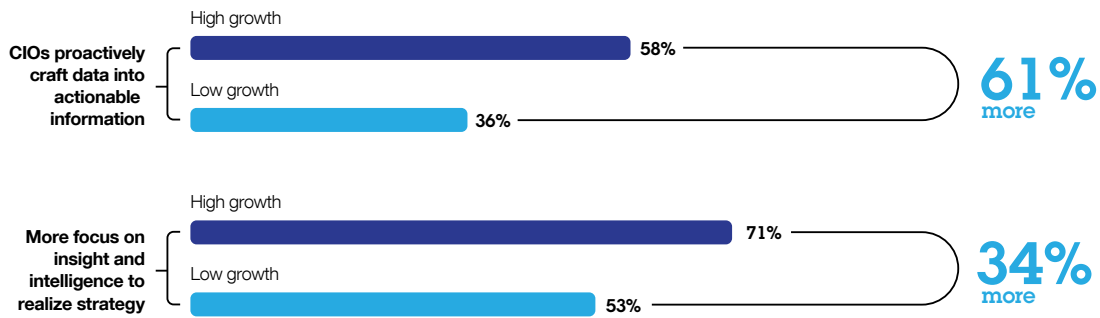


Figure 4: High-growth CIOs are especially proactive about crafting data into information and using data more imaginatively.

CFOs have a strong focus on data:

- Identifying what is required and how frequently
- Establishing accountability for its delivery and accuracy
- Synthesizing it to produce the “big picture”.

Integrating information is now much higher on their agenda than it was five years ago (see Figure 5).

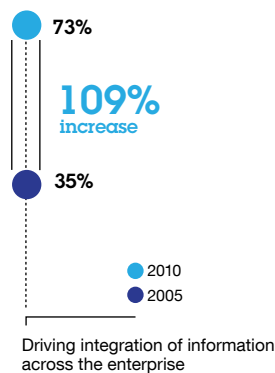


Figure 5: CFOs put the jigsaw puzzle together.

However, the CFOs who do best at generating business insights are those who realize the importance of using the same language across the entire enterprise, automating key financial and operational metrics, and using sophisticated analytical techniques. Without a shared terminology, as a CFO from Canada explained, “We just don’t do very well managing our customer opportunity pipeline. We don’t have standard processes, and sales people have different interpretations of data.”

How CFOs and CIOs help CEOs build operating dexterity

A third feature that distinguishes the Standouts from other organizations is the emphasis they place on operating dexterity. They simplify their interactions with customers and partners, they simplify their products and services, and they simplify their business processes to manage complexity more effectively. The most dexterous CEOs also embrace speed and flexibility, correct course as necessary, turn fixed costs into variable costs wherever possible and constantly look for opportunities to take advantage of global efficiencies while addressing local needs.

Again, CFOs and CIOs play an important part in helping CEOs effect these changes. CFOs do so by standardizing processes and driving down enterprise costs, although this is something of a balancing act, as the CFO of a consumer products company pointed out. “We don’t want to destroy what makes us successful...How do we get value from standards without giving up entrepreneurial agility?” he asked. Many CFOs also focus on making their departments scalable, agile and fast, and implementing continuous improvements.

But some CFOs are especially adept at building operating dexterity. In our 2010 Global CFO Study, we identified a group of finance functions that are particularly efficient.⁴ These functions not only use common platforms to a greater extent than those that are less well-organized, they also have company-wide responsibility for specific processes more than twice as frequently as the rest (see Figure 6).

CIOs, too, help build dexterity by cutting costs. They strive to create a centralized IT infrastructure and completely standardized, low-cost business processes, as well as seizing every opportunity to reduce technology costs. More than three-quarters of the CIOs participating in our 2009 Global CIO Study expect their organizations to have strongly centralized infrastructures within the next five years, for example.

Again, however, High-growth CIOs lead the way. They place more weight on using standardized business processes than their peers in low-growth organizations, recognizing that standardization and automation are a key means both of increasing speed and flexibility, and of cutting costs (see Figure 7). As a CIO in the United Kingdom remarked, “Expectations have changed. It is about delivering a service through a simple process that can be repeated.”

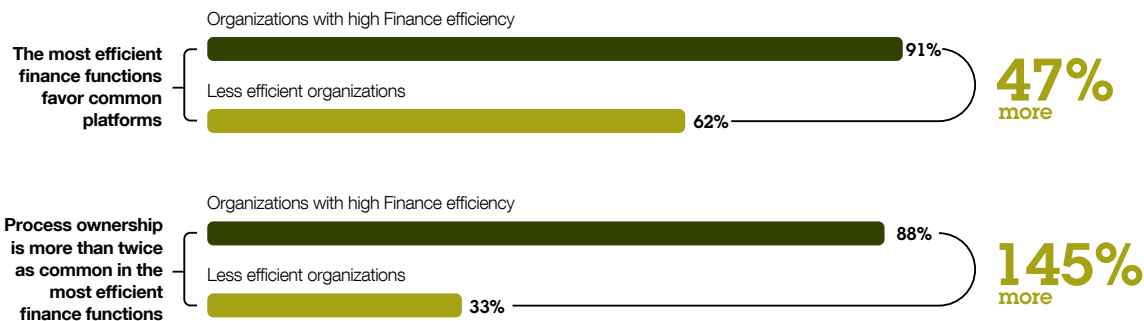


Figure 6: CFOs standardize for speed and savings.

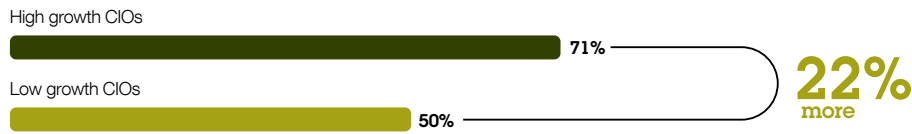


Figure 7: CIOs focus on enabling dexterity by taking out IT costs and increasing flexibility.

Pulling together

The new information technologies are transforming the economic environment, accelerating the pace of change and creating ever greater complexity. Faced with these challenges, CEOs, CFOs and CIOs cannot operate in isolation; they need, rather, to act as an integrated team unified by a shared vision.

It is the CEO’s job to articulate that vision and set the pace by exemplifying and encouraging creativity, breaking with the status quo, experimenting with new business models, forging closer links with customers and building a flexible organization that can rapidly respond to new threats and opportunities. But the CFO and CIO can play a major role in helping the CEO accomplish these goals – and many do.

Collectively, our C-suite studies show that today’s CFOs and CIOs are intimately involved in developing and implementing business strategy, and generating the insights needed to create new products, services and processes. CFOs also help manage risk, and synthesize and analyze information to produce new business insights, while CIOs help make innovation real and expand the impact of IT on the business by developing better ways of collecting, accessing and analyzing data, and proactively crafting that data into information. Both CFOs and CIOs simultaneously keep a close eye on costs and standardize wherever they can (see Figure 8).

Embody creative leadership	
CFOs: <ul style="list-style-type: none"> • Provide the business insights necessary to navigate uncertainty • Establish robust controls and early warning systems • Monitor business performance and manage enterprise risk • Get involved in strategic revenue planning and business model innovation 	CIOs: <ul style="list-style-type: none"> • Integrate IT strategy with business strategy • Proactively reach out to the business to co-create and champion innovation • Understand the top technical priorities that will enhance competitiveness • Help enable the business and corporate vision
Reinvent customer relationships	
CFOs: <ul style="list-style-type: none"> • Define the right indicators and metrics • Establish accountability for data integrity • Drive integration of data enterprise-wide to generate insights and aid management decisions 	CIOs: <ul style="list-style-type: none"> • Proactively craft data into information • Develop better ways to use data • Improve data access and data quality
Build operating dexterity	
CFOs: <ul style="list-style-type: none"> • Standardize processes • Use common platforms • Continuously improve the Finance function • Improve asset utilization and drive down costs 	CIOs: <ul style="list-style-type: none"> • Aim for completely standardized, low-cost business processes • Plan for a centralized infrastructure • Focus relentlessly on reducing technology costs

Figure 8: An integrated view.

Although they are aligned in some areas, there is scope for even more integration across the entire C-suite, including the CSCOs and CHROs. CFOs and CIOs differ from CEOs in their reading of external conditions and the degree to which they think change is necessary. There are marked differences, too, between what CFOs and CIOs in the most successful organizations do and what those in less successful organizations do. Only by closing these gaps and learning from the best can all the C-suite executives act in complete concert and steer past the rocks to realize the full potential the future offers.

If you would like more in-depth information on the points we have discussed above, please see our full reports.

“Capitalizing on Complexity: Insights from the Global Chief Executive Officer Study.” IBM Institute for Business Value. May 2010. ibm.com/ceostudy

“The New Value Integrator: Insights from the Global Chief Financial Officer Study.” IBM Institute for Business Value. March 2010. ibm.com/cfostudy

“The New Voice of the CIO: Insights from the Global Chief Information Officer Study.” IBM Institute for Business Value. September 2009. ibm.com/ciostudy

Related publications

“The Smarter Supply Chain of the Future: The IBM Chief Supply Chain Officer Study.” IBM Institute for Business Value. February 2009. www-935.ibm.com/services/us/gbs/bus/html/gbs-csco-study.html?cntxt=a1005268

“The IBM Chief Human Resource Officer Study.” IBM Institute for Business Value. October 2010. ibm.com/chrostudy

Be among the first to receive the latest insights from the IBM Institute for Business Value. Subscribe to IdeaWatch, our monthly e-newsletter featuring executive reports that offer strategic insights and recommendations based on IBV research:

ibm.com/gbs/ideawatch/subscribe

For further information

Global Leader, IBM Institute for Business Value
Peter Korsten, peter.korsten@nl.ibm.com

Global Leader, Customer Relationship Management
Gautam Parasnis, gautam.parasnis@us.ibm.com

Global Leader, Financial Management
William Fuessler, william.fuessler@us.ibm.com

Global Leader, Human Capital Management
Denis Brousseau, dbrousse@cn.ibm.com

Global Leader, Supply Chain Management
David Lubowe, dave.lubowe@us.ibm.com

Global Leader, Strategy and Change
Saul Berman, saul.berman@us.ibm.com

The right partner for a changing world

At IBM, we collaborate with our clients, bringing together business insight, advanced research and technology to give them a distinct advantage in today's rapidly changing environment. Through our integrated approach to business design and execution, we help turn strategies into action. And with expertise in 17 industries and global capabilities that span 170 countries, we can help clients anticipate change and profit from new opportunities.

Notes and sources

- 1 Our 2010 Global CEO Study was based on face-to-face interviews with 1,541 CEOs, general managers and senior public sector leaders representing organizations of all sizes in 33 industries and 60 countries. Our response sample in each region was weighted according to actual regional Gross Domestic Product (GDP) for 2008, as published in the International Monetary Fund's World Economic Outlook Database, "2008 Actual Regional GDP." October 2009. Our 2010 Global CFO Study was based on face-to-face interviews with 1,917 CFOs and senior-level finance professionals from organizations in 32 industries and 81 countries, while our 2009 Global CIO Study was based on face-to-face interviews with 2,598 CIOs from organizations in 19 industries and 78 countries. For ease of reading, we refer to these three groups as CEOs, CFOs and CIOs, regardless of the precise titles they have.
- 2 We analyzed the differences between Standouts and other organizations, based on their long- and short-term financial performance relative to their peers, where this information was available. We used four-year operating margin compound annual growth rates from 2003 to 2008 to measure long-term performance; and one-year operating margin growth rates from 2008 to 2009 to measure short-term performance. This enabled us to identify the "Standout" organizations that were able to improve their operating margins in both the long and short term.
- 3 We classified the organizations for which the CIOs participating in our study work according to the growth in their profits before taxes between 2004 and 2007, relative to that of other organizations in the same industry. For organizations where this information was not available, we used statistical correlation to assign levels, based on closest overall similarity of answers.
- 4 We assessed the efficiency of the finance functions of the CFOs participating in our study by using statistical techniques to correlate the financial performance of the organizations they serve with the responses of the CFOs who head them. The measures on which we evaluated them included use of a standard financial chart of accounts, common finance processes, common finance data definitions and governance, and the existence of a corporate philosophy on company-wide information standards. We defined "high finance efficiency" as the adoption of enterprise-wide standards (for a financial chart of accounts, processes and data) across more than 50 percent of the organization, together with the use of recommended or mandated company-wide information standards.



© Copyright IBM Corporation 2010

IBM Global Business Services
Route 100
Somers, NY 10589
U.S.A.

Produced in the United States of America
September 2010
All Rights Reserved

IBM, the IBM logo and ibm.com are trademarks or registered trademarks of International Business Machines Corporation in the United States, other countries, or both. If these and other IBM trademarked terms are marked on their first occurrence in this information with a trademark symbol (® or ™), these symbols indicate U.S. registered or common law trademarks owned by IBM at the time this information was published. Such trademarks may also be registered or common law trademarks in other countries. A current list of IBM trademarks is available on the Web at "Copyright and trademark information" at ibm.com/legal/copytrade.shtml

Other company, product and service names may be trademarks or service marks of others.

References in this publication to IBM products and services do not imply that IBM intends to make them available in all countries in which IBM operates.