

The New Voice *of the* CIO

*Insights from the
Global Chief Information
Officer Study*

Introduction

In a fast-moving business environment, how can today's Chief Information Officer (CIO) make the biggest impact on behalf of the entire organization? To answer that question, we listened to over 2,500 CIOs worldwide, including 175 Consumer Products (CP) CIOs from 36 countries. As part of our research, we also sought to understand the differences between the responses of CIOs from organizations with high PBT growth (referred to in this report as "High-growth CIOs") and those of CIOs from organizations with low PBT growth ("Low-growth CIOs"). For details about our research methodology, please see "How our research was conducted."

These one-hour, face-to-face conversations, along with our statistical and financial analyses, made clearer the changing demands on CIOs. Not content to be known only as consummate IT experts or perpetual seekers of savings, CIOs are redefining their role.

The voice of the CIO is being heard in new ways – as CIOs are increasingly recognized as full-fledged members of the senior executive team. Successful CIOs are much more actively engaged in setting strategy, enabling flexibility and change, and solving business problems, not just IT problems.

Today's CP CIOs spend an impressive 59 percent of their time on activities that spur innovation. These activities include *generating buy-in for innovative plans, implementing new technologies and managing non-technology business issues*. The remaining 41 percent of their time is spent on essential, more traditional CIO tasks related to *managing the ongoing technology environment*. This includes reducing IT costs, mitigating enterprise risks and leveraging automation to reduce costs elsewhere in the business.

CIOs universally acknowledge that some of their most important objectives too often seem to clash: *How can I support the introduction of new services while avoiding the disruption of existing services? How can I reduce costs while improving services? How can I balance the need to influence business strategy with the need to provide top-notch IT support?*

Complementary, yet sometimes conflicting roles

One CIO summed it up well: “In IT, we are not magicians, but we are certainly jugglers.” On any given day, CIOs are poised for the unexpected, leading an organization that solves a myriad of problems for customers, both internal and external. Without question, IT functions represent the lifeblood of most businesses. But CIOs told us that they can only turn more attention to new technology ideas after addressing current IT needs.

After thousands of interviews, we found that successful CIOs actually blend three pairs of roles. These dual roles seem contradictory, but they are actually complementary. To characterize each role, we have coined a term that describes its dominant quality. At any given time, a CIO is:

- An Insightful Visionary *and* an Able Pragmatist
- A Savvy Value Creator *and* a Relentless Cost Cutter
- A Collaborative Business Leader *and* an Inspiring IT Manager.

By integrating these three pairs of roles, the CIO:



Makes innovation real

It's not enough to just plan for innovation – it needs a robust foundation. When acting as an Insightful Visionary, a CIO is perceptive, promoting a broad technology agenda to help the business profit from leading-edge initiatives. The flip side of the Visionary is the Able Pragmatist role. As a Pragmatist, a CIO deals with the realities of the business. The Pragmatist also facilitates the productivity of current IT solutions to allow more time and budget for innovation.



Raises the ROI of IT

Using IT to produce greater business value is vital, accompanied by an ongoing focus on lower costs and higher efficiency. A Savvy Value Creator finds new ways to help customers and the organization profit from how data is used. The Relentless Cost Cutter, its counterpart, is focused on managing budgets and processes to eliminate or reduce costs.



Expands business impact

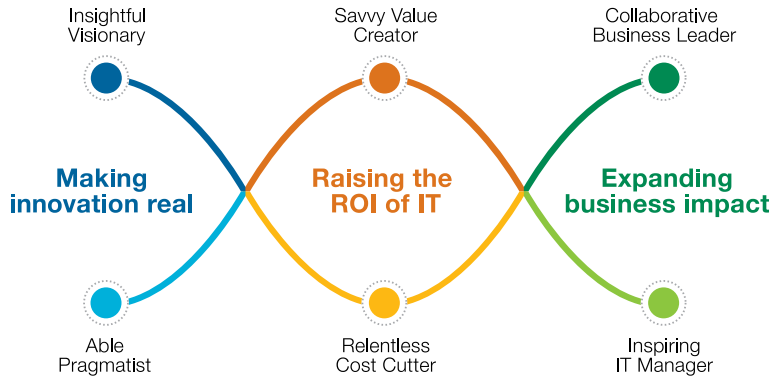
To contribute the most to the organization, proven expertise in both business and technical matters is vital. Part of the time, CIOs will engage with the enterprise as Collaborative Business Leaders, to drive new business initiatives and cultural shifts jointly with fellow CxOs. At other times, the Inspiring IT Manager role occupies center stage to motivate the IT organization and deliver superior IT performance.

Adjusting the mix, one pair at a time

It's no surprise that CIOs must reconcile seemingly opposing mindsets. But our findings revealed ways they can be more effective in this everyday balancing act. Even some experienced CIOs acknowledged that they are sufficiently strong in just one or two of the six CIO roles. Yet every role requires at least some attention.

The realities facing each individual influence how that CIO can and should manage change at any given time. Many factors impact the decisions about how much emphasis to place on any single role. Among the other factors are macroeconomic and regional conditions, industry-specific forces and various organizational characteristics, as well as the CIO's own skills and aspirations.

But despite the multiple forces in play, our findings show that successful CIOs discover ways to focus on high-value projects in support of their organizations. **We share with you the voices of many CIOs and what they are doing to achieve three primary goals: to make innovation real, raise the ROI of IT and expand business impact.**



Making innovation real



Insightful Visionary and Able Pragmatist

The Insightful Visionary is active in setting strategy and helps the business explore how technology can drive innovation. The Able Pragmatist sets the stage for enacting innovation. Key Visionary actions are to: push business/technology integration, champion innovation and expand CIO influence. Key Pragmatist actions are to: enable the corporate vision, make working together easy and concentrate on core competencies.

High-growth CP CIOs embrace their organizational role as innovation champions and understand the criticality of aligning IT with the business in order to drive that innovation (see Figure 1). Increasingly, they also understand that collaboration – both internal and external – plays a crucial role in facilitating the development of the truly innovative products and services that consumers demand. These High-growth CIOs are much more likely to leverage collaboration and partnering technologies across the organization as they look for differentiating ideas, processes, ingredients and capabilities (see Figure 2).

“For our business vision, which is geographic expansion and product innovation, IT plays key roles.”

Regional CIO of Global Confectionary company, Asia

Figure 1 Successful CP CIOs actively integrate IT and the business to innovate

The active integration of business and IT – a long sought after objective – provides a clear point of differentiation between High-growth CP companies, and their Low-growth counterparts.

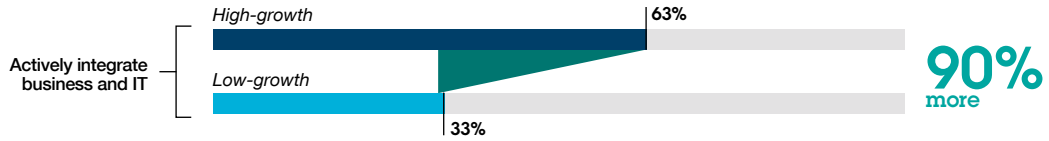
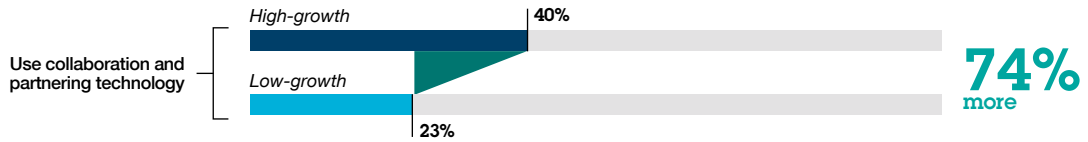


Figure 2 Partnering and collaboration are differentiators for innovation

High-growth CP CIOs are leveraging partnering and collaboration technologies across the entire organization to drive innovation significantly more than Low-growth CP CIOs.



Are you well-versed in how emerging technologies and innovative processes can address uncovered business needs in your industry?

In what ways will you partner with third parties to increase the time you devote to driving innovation with the business?

How can you expand the use of collaborative and communication tools to widen the knowledge networks of employees and partners?

Do you measure implementation results so that business colleagues not only understand the results, but are convinced and inspired as well?

Raising the ROI of IT

Savvy Value Creator *and* Relentless Cost Cutter

The Savvy Value Creator devises better solutions by understanding customers' needs, while the Relentless Cost Cutter is vigilant about trimming expenses wherever possible. Key Value Creator actions are to: make the data "sing," reach customers in new ways, and enhance integration and transparency. Key Cost Cutter actions are to: standardize to economize, centralize the infrastructure and keep cost reduction a top priority.

With IT budgets that average less than 2 percent of revenues, CP CIOs are very familiar with the challenges of doing a lot with a little. In their quest to create competitive advantage in this tightly managed environment, the overwhelming majority of CP CIOs is looking to business intelligence and analytics. Delivering this advantage will therefore become the differentiator, which will require that data is secure and reliable, available to users, and proactively crafted into actionable information. While progress has been made in each of these activities, much work remains (see Figure 3).



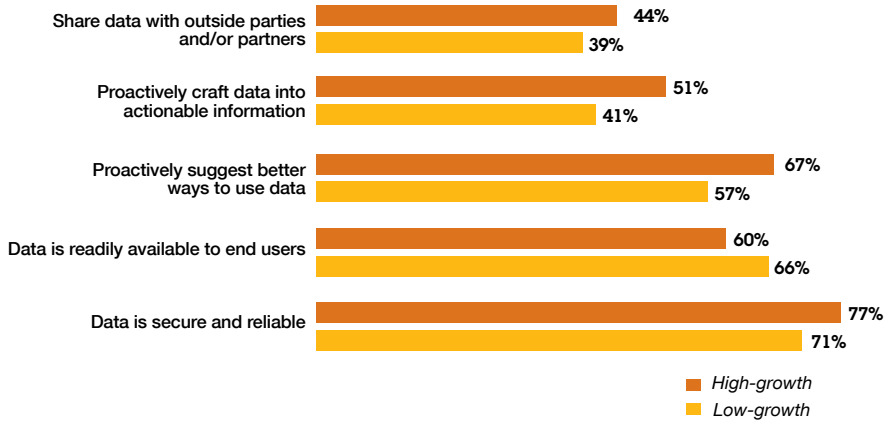
“Cost reduction is an essential part of every activity.”

CP CIO, Europe

“We do recognize the strategic advantage of using data to support improved decision making. We are not as strong as we would like to be, but this is a key plank of our strategy moving forward.”

CP CIO, Ireland

Figure 3 Most CP CIOs are delivering secure and reliable to end-users
Opportunities exist for CIOs to empower end-users to leverage the data they receive, by turning it into actionable insights and sharing it with third parties.



In what ways can you work with the business to extract the maximum financial return from the current IT portfolio?

Do you actively reach out to the business to jointly capture relevant information and do you suggest new ways it can provide value?

How can you leverage competitors' experiences to further optimize business and IT processes?

If you were your own successor, what are the top three things you would do to generate a 20 percent increase in performance from your IT investments?

Expanding business impact



Collaborative Business Leader *and* **Inspiring IT Manager**

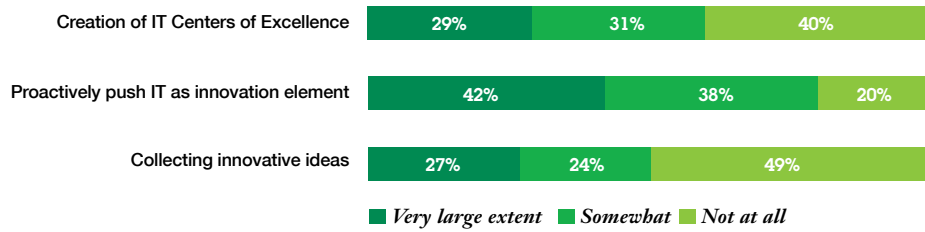
The Business Leader thoroughly understands the organization's core business and builds strong partnerships, internally and externally. The Inspiring IT Manager demonstrates personal IT expertise and advocates for stronger skills across the IT organization. Key Business Leader actions are to: know the business, get involved with business peers in non-IT projects, and present and measure IT in business terms. Key IT Manager actions are to: cultivate truly extraordinary IT talent, lead the IT forces and enhance the data.

It is common for CP CIOs to be members of the team that creates business strategy. However, High-growth CP CIOs are more likely to extend that involvement to include joint presentation and decision making regarding that strategy. Some may have earned this positioning by focusing incremental time on implementing new technology and business initiatives. However, CP CIOs need to get better at promoting business and technology innovation, especially in key areas such as collecting innovative ideas, pushing IT as an element of innovation and creating IT Centers of Excellence (see Figure 4).

“The real added value of IT (is when it) becomes an integral part of the business.”

CIO, Global CP company, North America

Figure 4 Capabilities are needed to support IT’s positioning as an innovation element
Significant opportunities exist for more proactively positioning IT within their company’s innovation activities, and converting that positioning into a differentiating capability.



Do you leverage business relationships throughout the enterprise to expand your scope of responsibilities beyond the IT organization?

How can you start the ongoing dialogue between the business and IT that also drives shared objectives and measurements?

Are you a role model with state-of-the-art expertise in at least one IT domain?

Do you have a flexible, comprehensive plan to enhance business and technology skills throughout the IT organization?

Is your IT organization passionate about protecting and improving the quality of enterprise data?

Managing dual roles in the future

But despite the multiple forces in play, our findings show that CIOs have discovered ways to focus on what matters most to them and their organizations. The collective voice of more than 2,500 CIOs worldwide points to key actions to help CIOs attain the primary goals of making innovation real, raising the ROI of IT and expanding business impact.

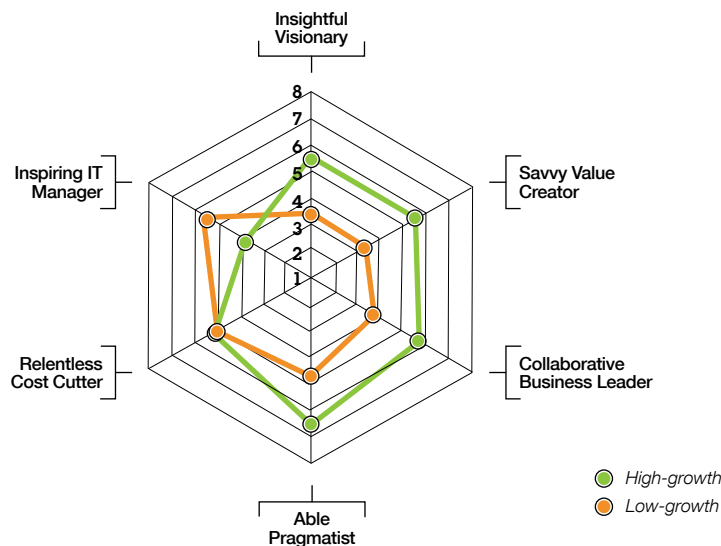
We have used these insights to complete profile analyses – visually represented by the “spider diagram” in Figure 5 – which provide a more structured way of enabling you to identify the areas where you want to concentrate. The diagram shows that CIOs in Low-growth CP companies focus primarily on being Inspiring IT Managers and probably not surprisingly, Relentless Cost Cutters. CIOs in High-growth CP companies place more weight on their role as Able Pragmatists. The closeness of scores in the Relentless Cost Cutter role is reflective of the continued budget pressure faced by CP CIOs, a dynamic heightened by severe competitive and macroeconomic realities.

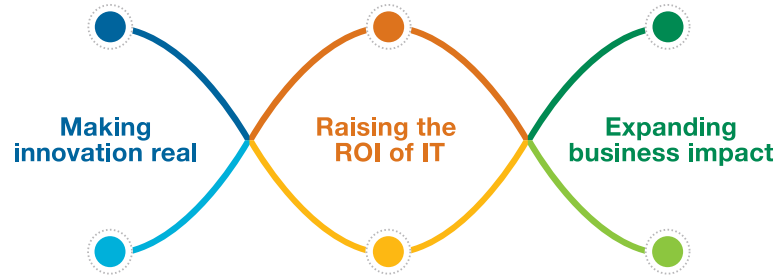
“Finally now, executive leadership understands that it can’t fulfill its objectives unless IT has a seat at the table.”

CIO, CP company, North America

Figure 5 Profiles illustrate the differences between High-growth and Low-growth Consumer Products CIOs

High-growth CP CIOs exhibit proficiency across a number of the identified roles, excelling at being Able Pragmatists, while their Low-growth counterparts appear to be more narrowly focused on being Inspiring IT Managers.





Over time, we expect CIOs to regularly assess how much emphasis is appropriate on each of the three pairs of roles. Our profiles offer CIOs a more structured approach to identify where they want to increase their focus and how to do it. Whichever role you choose to emphasize, we look forward to working with you.

For further information, please send an e-mail to the IBM Institute for Business Value at iibv@us.ibm.com, or to download the complete IBM Global Chief Information Officer Study, visit our Web site:

ibm.com/voiceofthecio

How our research was conducted

This report summarizes CP industry specific findings from the inaugural edition of our IBM Chief Information Officer (CIO) study – the latest in the ongoing C-Suite Study Series developed by the IBM Institute for Business Value. To better understand the challenges and goals of today’s CIOs, we met face-to-face with 2,598 of them, in what is the largest known sample of these executives. Between January and April 2009, we interviewed these CIOs, who represent different sizes of organizations in 78 countries and 19 industries.¹

Our analysis used 2004-2007 profit before tax (PBT) growth, relative to peers in their industries, to associate organizations with one of three growth levels: High, Medium or Low. For organizations where this information was not available, we used statistical correlation to assign levels, based on closest overall similarity of answers.

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Notes and sources

1 CIOs we interviewed in the following countries were counted in the Growth Markets category: Argentina, Australia, Bahrain, Brazil, Cameroon, Chile, China, Colombia, Croatia, Czech Republic, Ecuador, Egypt, Gabon, Georgia, Ghana, Guinea, Hong Kong, Hungary, India, Indonesia, Malaysia, Mexico, Morocco, New Zealand, Nigeria, Pakistan, Peru, Philippines, Poland, Qatar, Romania, Russia, Saudi Arabia, Singapore, Slovenia, Slovakia, South Africa, Taiwan, Thailand, Tunisia, Turkey, Uruguay, Venezuela and Vietnam. The Western Europe category includes CIOs from: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Israel, Italy, Luxembourg, Monaco, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and United Kingdom. The North America category consists of CIOs from: Bahamas, Canada, Cayman Islands, Jamaica, Trinidad/Tobago and the United States.

Our CIO respondents represented 19 industries. The Communications sector includes: media and entertainment; telecommunications; and energy and utilities. The Distribution sector includes: agriculture; airlines; consumer products and wholesale; food, beverages and tobacco; life sciences; mail, package and freight delivery; professional services; railroads; real estate; retail; transportation and logistics; and travel and tourism. The Industrial sector includes: aerospace and defense; automotive; chemicals and petroleum; computers and office equipment; electronics; energy (production and refining); engineering and machinery; forest and paper products; industrial products; and network and other communications equipment. The Financial Services sector includes: banking; financial markets; and insurance. The Public sector includes: education; government and public service; and healthcare payers and providers.