The New Voice of the CIO

Insights from the Global Chief Information Officer Study

IBM

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 212 Insurance CIOs from around the world. As part of our research, we 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 CIOs spend an impressive 55 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 45 percent 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
An Electronics 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.
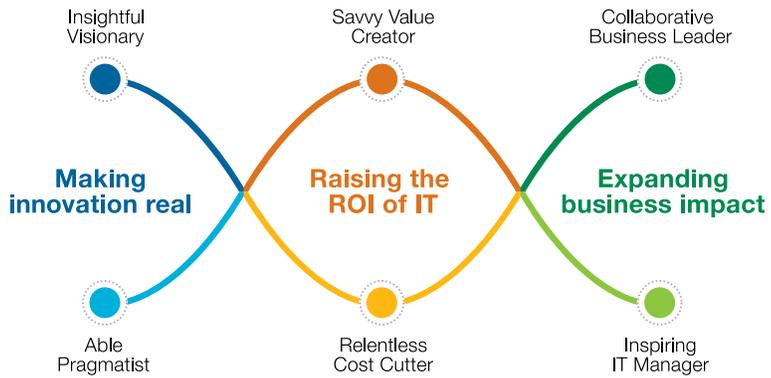
Adjusting the mix, one pair at a time

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.
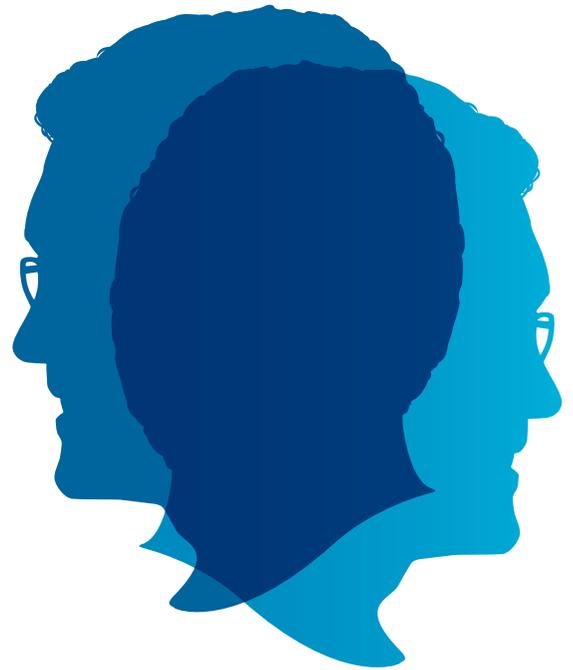
The realities facing each individual influence how that CIO can and should manage change at any given time. Many factors impact the decisions about how much emphasis to place on any single role, including macroeconomic and regional conditions, industry-specific forces and various organizational characteristics, 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.

Insightful
Visionary

Savvy Value
Creator

Collaborative
Business Leader

**Making
innovation real**

**Raising the
ROI of IT**

**Expanding
business impact**

Able
Pragmatist

Relentless
Cost Cutter

Inspiring
IT Manager

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.

CIOs in high-growth insurance companies are more frequently involved with the business than is the case of High-growth CIOs in the overall survey sample (80 percent compared to 64 percent, respectively). Looking only at the Insurance industry sample, High-growth Insurance CIOs are involved with the business almost three times more often than Low-growth Insurance CIOs (see Figure 1). High-growth Insurance CIOs are also more frequently members of the senior management team, and reach out much more to the business to co-create and champion innovation.

"Innovation should be based on practical technology that can deliver business objectives within reasonable time and cost, which can be absorbed by the business."

Life Insurance CIO, India

Figure 1   **Successful innovation requires deep involvement with the business**
High-growth Insurance CIOs actively integrate business and technology to innovate.

Full sample

High-growth   64%
Low-growth

94% more

33%

Insurance industry

High-growth   80%
Low-growth

264% more

22%
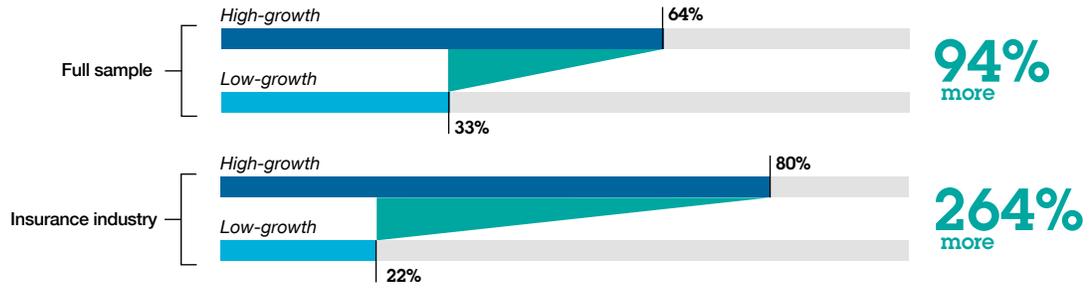
Are you well-versed in how emerging technologies can address business needs in the insurance industry, like channel strategies, fraud management or claimes processes?

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

What new collaboration tools and processes are you using – and how are you using them – to enhance the sharing of knowledge among employees, partners and customers, and thus stimulate innovation?

Do you measure – and explain – the results of all IT initiatives in such a way that your colleagues not only understand the results, but are also convinced and inspired?

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.

High-growth Insurance CIOs proactively craft data into actionable information 59 percent more often than Low-growth Insurance CIOs (see Figure 2). They are also more acutely aware of the need to accommodate new customer channels and to provide customers with world-class integration and transparency. However, most Insurance CIOs, whether they work for high- or low-growth organizations, spend a significant amount of their time taking costs out of the technology environment, and 82 percent anticipate that they will be using a strongly centralized infrastructure within the next five years.
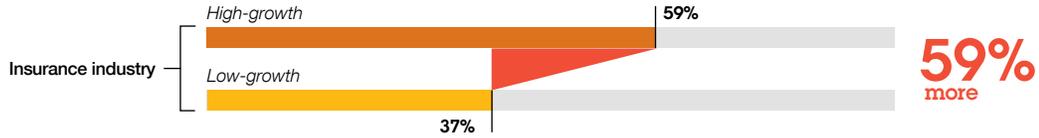
"My ambition is to make business processes faster and cheaper."

Insurance CIO, Netherlands

Figure 2   **Value creators fully leverage data**
High-growth Insurance CIOs proactively craft data into actionable information much
more frequently than Low-growth Insurance CIOs.

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 in which it can provide value; for example, by
analyzing customer data to understand how best to drive value to and from
customers?

How are you integrating process automation and intelligent workflows to best
utilize both people and technology, and thus implement insurance operations
of the future?

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 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.

The critical importance of IT in the insurance industry is shown by the fact that 74 percent of High-growth Insurance CIOs are members of the most senior management team. They use the insights gained from these associations to help their companies manage change by providing flexible applications and having a strong data governance model in place.

High-growth Insurance CIOs also lead the way as Inspiring IT Managers eager to foster greater IT expertise. They create IT centers of excellence to help realize business and technology one and a half times more often than their peers in low-growth insurance companies (see Figure 3).

"Skills are a key issue in the insurance industry because we sell through our leadership and technical skills to obtain trust from our (internal) customers."

Insurance CIO

Figure 3   **Inspiring it managers create it centers of excellence**
High-growth Insurance CIOs create and concentrate IT expertise to help solve business problems.

Insurance industry

High-growth   56%

Low-growth

22%

155%
more

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 4 – which provide a more structured way of enabling you to identify the areas where you want to concentrate. The diagram shows that CIOs in high-growth insurance companies focus primarily on being Insightful Visionaries, Able Pragmatists and Collaborative Business Leaders. Conversely, CIOs in low-growth insurance companies emphasize their role as Savvy Value Creators and Inspiring IT Managers. However, the latter role comes surprisingly low on the task list of all Insurance CIOs.

Figure 4 **Profiles show striking differences**
High-growth Insurance CIOs focus on almost every role to a greater extent than Low-growth CIOs..

**Making
innovation real**   **Raising the
ROI of IT**   **Expanding
business impact**
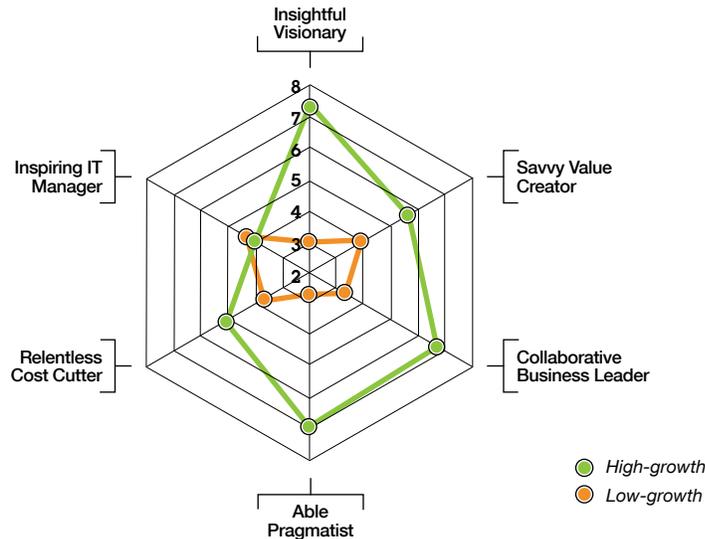
Over time, we expect CIOs to regularly assess how much emphasis is appropriate on each of the three pairs of roles. Our profiles offer CIOs a more structured approach to identify where they want to increase their focus and how to do it. Whichever role you choose to emphasize, we look forward to working 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 is 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[3]

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 the insurance industry, we used statistical correlation to assign levels, based on closest overall similarity of answers.

To simplify the terminology in this report, we will primarily refer to CIOs who work in organizations with high PBT growth as "High-growth CIOs" and to those working in organizations with low PBT growth as "Low-growth CIOs." Presenting our findings in terms of these categories offers CIOs a more structured approach to identify where they want to increase their focus and how to do it.

About the IBM Institute for Business Value

The IBM Institute for Business Value, part of IBM Global Business Services, develops fact-based strategic insights for senior business executives around critical industry-specific and cross-industry issues. Browse through our research library at **ibm.com**/iibv.

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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.