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A roadmap for CIO business leadership
*Analysis and recommendations from the 2011
Center for CIO Leadership Survey*

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FOUNDING PARTNER



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In recent years, with technology one of the greatest influences on the business agenda, CIOs began to evolve their role from tactical operations managers to strategic business leaders. Today the long-time head of the IT cost center is charged with driving that agenda forward, using all forms of technology but also a deft understanding of the business. While CIOs continue to manage the infrastructure and all things IT, their focus of responsibility has shifted well beyond the data center. Today they are looking to drive top-line revenue, profitability and the customer experience, supporting all of the objectives of their business-oriented executive-level peers.

The 2011 Center for CIO Leadership Survey examines the changing responsibilities of CIOs and the call to action from their business peers across the C-suite. In fact, a consistent theme emerged among the 338 CIOs who responded to the survey worldwide: the pressure on IT chiefs to expand their reach as business-savvy leaders has never been greater, internally or externally. This push for deeper business involvement speaks to the strides CIOs have already made in becoming a member of the executive inner circle. But it also speaks to the divide that still exists and the work left to do for CIOs who have not yet achieved a full voice at the table.

The Center for CIO Leadership believes that business-altering technologies like cloud computing, data analytics and social media are providing CIOs with unprecedented opportunities to close the divide. After all, CIOs are the critical enabler for these transformative technologies. However, only CIOs who can use these technologies to create sustainable business value for the enterprise will earn the credentials to become the business-savvy IT chiefs and enterprise leaders that their C-suite peers are counting on them to be.

THE CIO LEADERSHIP COMPETENCY MODEL

Stepping up to fully grasp the needs and priorities of the business is essential to making the leap from technology manager to enterprise leader. The Center's CIO Leadership Competency Model (shown below) provides a framework to assist CIOs in making the transition by helping them recognize and develop the right leadership skills. It identifies six core competencies deemed critical to CIOs' impact as a business-centered executive:

- Leadership
- Innovation and growth
- Business strategy and process
- Relationship management and communication
- Business management
- Risk management and compliance.

CIOs who can master these disciplines are in the best position to help the business leverage technology to meet its financial and operational objectives and to drive transformative change. This paper describes the current state of CIOs’ skills in each of these areas, based on data from the 2011 Center for CIO Leadership Survey.

	2011 competencies	High-level description
	Leadership	The CIO articulates the vision, develops the team and mobilizes the organization for change
	Innovation and growth	The CIO builds an innovation capability within which ties to business outcomes
	Business strategy and process	The CIO participates in the development of the enterprise strategy
	Relationship management and communication	The CIO builds trusted relationships and deep communication across the c-suite and with key stakeholders
	Business management	The CIO has business management abilities beyond IT functional knowledge, and leads through a structured governance model
	Risk management and compliance	The CIO understands the broader elements of risk management—technology, operations and enterprise risk—and has an opportunity to lead security and risk discussions in the boardroom

2011 CIO Leadership Competency Overview.

The survey asked participants to rate their own performance on the good practices underlying each of the six competencies deemed essential for business-savvy CIOs. This paper presents findings and recommended actions for CIOs who are looking to transform their roles—and their businesses.



The CIO articulates the vision, develops the team and mobilizes the organization for change

Many CIOs are still missing an opportunity to serve as a trusted advisor in the C-suite...

Today's CIOs have the skills they need to articulate a technology strategy and to lead and influence the IT organization, but they struggle to collaborate with their C-suite peers to promote and adopt the next wave of technologies as tools, deemed by many as critical, for leading business change.

96% of CIOs report that they have a clear vision of how IT will drive the business forward

54% report that their executive peers regularly come to them to seek counsel and advice on non-technology related business issues

51% are using advanced technologies (social media and collaboration tools) to encourage leadership to drive culture change within their enterprise

While the business rushes to deploy these technologies, CIOs want to first prove the effectiveness of these new tools. These delays, however justifiable, are impacting the perception of CIOs, undermining their hard-won role as innovators and leaders of change.

The Center for CIO Leadership recommends the following actions for CIOs to help overcome these issues and expand their perception as strategic business leaders:

- **Get out into the field.** CIOs must develop a plan for living in the business by attending and becoming active participants in sales, marketing, finance and other business-led meetings and by becoming part of the daily conversation. The foundation of trust developed through these interactions will encourage business leaders to look to CIOs for more than just technology-related answers.
- **Help the organization to listen.** IT can provide invaluable guidance to the business. CIOs can benefit from IT's cross-enterprise "neutrality" to launch an advisory group of internal and external stakeholders for the purpose of sharing ideas for growth and driving competitive advantage.

- **Develop an analytics roadmap in support of customer-focused initiatives.** The business is in constant search of better and more timely insight into customer behavior and techniques to enhance customer loyalty. CIOs can significantly advance this agenda by implementing the business intelligence tools to integrate disparate customer data and create a more uniform and comprehensive view of customer needs. The insights generated will provide the critical input for better decision making.
- **Embrace, advocate and lead the deployment of social and collaborative tools with business peers.** CIOs need to figure out how to work with their C-suite peers and stakeholders to capitalize on the benefits of these tools while appropriately managing the risks. By partnering with the business to sponsor controlled experiments and pilots, they demonstrate that they are onboard and in sync with business priorities.



Innovation and growth

The CIO builds an innovation capability within which ties to business outcomes

Nearly a third of CIOs have yet to implement a process to identify, encourage, nurture and evaluate innovative technologies that can directly enable business development opportunities...

CIOs have stepped up and are increasingly ready to deliver competitive advantage through IT. However, some enterprises lack a structured process for innovation, which may explain why CIOs struggle to secure funding for their innovative ideas and fail to involve customers and partners to uncover additional significant opportunities.

85%

of CIOs report that they are actively looking for ways to use technology to increase customer value and economic growth

75%

agree that they work with external partners and vendors to collaborate on new opportunities and/or innovations and are able to secure resources for innovation by identifying technology-enabled business opportunities

71%

report that they have processes in place for encouraging, identifying and evaluating these opportunities

67%

regularly join with customers to collaborate on new opportunities and/or innovations

Listening to the voice of the customer is one of the most critical aspects of the innovation process. Interestingly, 18 percent of CIOs are actively looking for ways to use technology to increase customer value but do not join with customers to collaborate on new opportunities and/or innovations.

CIOs have an opportunity to dramatically increase their visibility and enhance their perception as innovators by taking the following actions:

- **Leverage customer and partner insights.** CIOs should work with their C-suite peers to create a process for giving customers and external partners input into the innovation process. They should set up an online community to showcase new technologies that can facilitate the dialogue and pilot joint projects where shared learnings can drive interest in further dialogue and collaboration.
- **Develop IT ambassadors.** Train the IT team to talk to business leaders about their needs for business growth. Have IT staff participate more actively in business meetings and shadow their line-of-business peers to improve communication and facilitate the exchange of ideas.
- **Set up short-term rotational assignments.** Work with business leaders to set up rotational programs or short-term assignments that afford both IT and line-of-business staff opportunities to take temporary roles in different departments to gain new insight and to strengthen shared perspectives.



Business strategy and process

The CIO participates in the development of the enterprise strategy

One quarter of CIOs do not actively participate in developing the company's business strategy...

CIOs have a real opportunity to further develop their skills in this area.

85%

of CIOs report that they fully understand their business environment, can articulate how the business delivers value to customers and can link IT investments to business goals and key business drivers

75%

report that they are active participants in developing the business strategy for their company

This 10 percent gap could be attributed to lack of personal trust due to limited working relationships. It points to the need for CIOs to work more closely with other members of the C-suite.

CIOs who want to become more integral to the development of their companies' business strategy should:

- **Partner with the business on projects.** Joint accountability builds trust in IT. CIOs can move the needle in this area by working alongside business counterparts and building the credibility needed to secure their seat and establish their voice at the business strategy table.
- **Have the business own the business case for all aspects of the program, including the IT component.** CIOs should ensure that business stakeholders are actively involved in driving the business case for major initiatives that leverage technology. They should also verify the direct linkage between IT investments and outcomes identified in the business case.



Relationship management and communication

The CIO builds trusted relationships and deep communication across the C-suite with key stakeholders

One in five CIOs can articulate the value of IT in business terms but do not have the metrics in place to effectively communicate the extent of that value to business leaders...

CIOs have demonstrated clear progress in their ability to speak about IT in business terms, and they have strengthened relationships with their C-suite peers. However, they still have more work to do in the area of true collaboration.

90% of CIOs report that they can communicate complex IT strategies and execute programs in terms that are understandable to their executive peers, clearly linked to business priorities and convey the business value of technology investment

75% can articulate the business value of IT investments utilizing their executive peers' own success metrics

54% have metrics in place to assess the business outcomes of initiatives requiring significant IT investments

While CIOs appear to be making good progress within the culture of IT management, their role as business leaders remains less certain.

CIOs can take the following actions to deepen their relationships with the C-suite and further their role as business leaders:

- **Collaborate on success metrics.** Work together with C-suite peers to learn how enterprise stakeholders measure success, and then create a business-oriented dashboard based upon clearly articulated and agreed upon metrics for assessing how well IT supports business goals.
- **Refocus the discussion.** When communicating with executive peers, use the new success metrics in meetings and communications to focus on business outcomes rather than simply on technology investments.
- **Track the progress of the relationship.** Use the new success metrics to monitor how stakeholder needs and priorities are being met. Create a systematic review of progress with key stakeholders and communicate regularly to ensure that the measurement approach and the critical success factors being monitored continue to evolve and add value to the process.



Business management

The CIO has business management abilities beyond IT functional knowledge, and leads through a structured governance model

Most CIOs have a strong understanding of their business and their customers' needs; however, an opportunity exists for many (39 percent) to develop good practices and processes for collaborating with their customers and external partners...

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CIOs are actively engaged in the business and they have a deep understanding of how it serves customers, but they are still working to refine their internal and external governance processes.

90% of CIOs report that they understand and can communicate how different departments and functional groups interact to support customer needs

87% of CIOs actively seek to develop and enhance the business-oriented skill sets throughout the IT organization to more effectively enable technology-based business initiatives

61% of CIOs have a clear and effective governance process for engaging high-performing external partners (for outsourcing, co-development and other collaborative activities, for example)

Clearly CIOs need to ensure that IT initiatives are directly aligned with business outcomes. In particular, service level agreements, scorecards and dashboards should be developed where appropriate, which articulate, in business terminology, progress made towards evolving external service provider and other third-party relationships.

CIOs who want to advance in this area should focus on integrating the needs of the business into IT planning and operations, and:

- **Expand their involvement with customers and external business partners.** Meet with external ecosystem partners regularly and work towards enhancing trusted relationships that lead to the collaborative development of new products, services and business/operating models.
- **Speak in business outcomes.** Understand the business results that matter to the C-suite and ensure that IT initiatives are directly aligned with those outcomes.
- **Partner with enterprise leaders.** Enlist C-suite peers to help create and further evolve a management system and to educate the IT team on the link between IT initiatives and the creation of business value. Use these interactions and joint metrics to demonstrate that IT is aligned with drivers of enterprise performance.



Risk management and compliance

The CIO understands the broader elements of risk management — technology, operations and enterprise risk — and has an opportunity to lead security and risk discussions in the boardroom

One quarter of CIOs understand and can communicate risk management and compliance needs with business peers but do not have an effective risk management plan in place...

As the pace, scope and challenges of risk continue to accelerate and deepen, many CIOs are finding themselves without strategies and processes for effectively managing these risks. With the lines between IT risk and enterprise risk continuing to blur, the CIO's role in the understanding and execution of both IT and enterprise risk management strategies is more critical than ever before.

78%

of CIOs report that they are able to communicate clearly with executives about real and perceived risk and about the organization's tolerance for operating with an acceptable level of risk

72%

have an IT risk management strategy in place, and build a culture that is risk aware as opposed to risk averse

62%

have an IT risk management plan/process in place that is regularly updated and monitored

CIOs can clearly be doing more to protect the business. They can begin by getting IT's own risk management policies, procedures and practices in order. They can enhance the IT risk management agenda while ensuring the appropriate level of integration with the enterprise risk management framework. In addition, CIOs have the opportunity to more clearly translate IT risks into business risks so that the threat to the enterprise can be more clearly quantified and more objectively managed.

CIOs who want to improve their company's risk management posture should:

- **Create a culture of risk awareness.** By building an enterprise-wide campaign for increasing risk awareness and developing best practices and education around these risks, CIOs can help lower business risk throughout the enterprise.
- **Include risk as a significant component in the IT planning process.** Risk management should be included when scoping the business impact of new business/IT projects. The business risks of any technology investment should be assessed, including the risks of not proceeding.
- **Ensure that appropriate metrics and scorecards are implemented to assist in the measurement and tracking of risk-related situations and incidents.** Support the enterprise in more clearly understanding the full business impact of risks both encountered, managed and avoided.

Conclusion

For today's CIOs, the challenge is not just in leading IT; the challenge now includes leveraging IT to transform the business. Technology offers tremendous opportunities to reinvent and take businesses to new levels. Consider how business analytics, cloud and social media are changing the fundamental way that enterprises go to market. Maximizing the business value of these opportunities depends on the seamless integration of business and IT. CIOs have the opportunity to step into an enterprise leadership role to drive the cultural, organizational and

technical changes needed to sustain, grow and thrive within the rapidly changing global business landscape.

The Center for CIO Leadership Competency Model described above provides CIOs with a tool to do just that. CIOs who can master the six competencies included in the model will gain the necessary business perspective to significantly advance their relationships with their C-suite peers, fellow business leaders, customers, business partners and other stakeholders.

What a wonderful time to be a CIO.

ABOUT THE SURVEY

Launched online in July 2011, 2,421 CIOs worldwide were invited to participate anonymously in the 2011 Center for CIO Leadership Survey.

The survey was developed based on the Center's 2011 Competency Model and supporting research, in collaboration with Dr. Marianne Broadbent (EWK International), Dr. Joe Peppard (Cranfield's Information Systems Research Centre (ISRC)), and George Westermann (MIT Sloan's Center for Digital Business), with an additional review from Dr. Haim Mendelson (Stanford University).

The survey was promoted via Twitter, the Center website, the Center's LinkedIn Group, and Center ecosystem partners, yielding 338 responses (approximately a 15 percent response rate from Center members and its' extended ecosystem).

- CIO respondents were from 42 countries across the globe. Just over 50 percent were from Europe and North America.
- Half of the respondents were from companies with 5,000 or more employees with 56 percent earning revenue of \$1 billion or more annually.
- Overall, 30 business sectors were represented. Financial services and manufacturing were the top two industries represented, comprising 37 percent of the respondents.
- About 43 percent of respondents report to the CEO. About 15 percent report to the COO and another 15 percent report to the CFO.
- About 26 percent of the respondents supervise between 101 and 500 employees, and another 45 percent supervise fewer than 100.

FOR MORE INFORMATION



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