Partnering for Business Growth: Lessons from Leading CIOs

February 2011
# Table of Contents

Partnering for Business Growth: Lessons from Leading CIOs ........................................... 3

**Building a Better Case for Business Value** ................................................................. 5
  Partnering for Buy-In ........................................... 5
  Top-line and Bottom-line Growth .................................................. 6
  Connect to External Partners ........................................... 6
  Eight Tips for Building the Business Value Case ......................... 7-8

**Driving Customer Centricity** .......................................................... 9
  The Opportunity to Step In ............................................... 9
  It’s About Change Management ........................................ 10
  Leverage the End-to-End View for Impact ........................ 10
  Customer Centricity Begins at Home ................................ 11

**Leveraging Business Analytics to Foster Innovation** .......................... 12
  Analytics and Business Impact ........................................ 12
  Partnering for Growth ................................................ 13
  Data Ownership: the Keys to the Analytics Kingdom ....... 15

**Key Takeaways for CIOs** .................................................. 16-17

**Conclusion** .......................................................... 18

**Endnotes** .......................................................... 19
CIOs continue to adjust to what has become the “new normal”—an environment in which all business executives must balance the often conflicting mandates of innovation-led business growth with aggressive cost management. These tensions, difficult to manage through in any environment, are further heightened as companies begin to emerge from the global downturn and senior leadership teams become increasingly aware of the fact that cost-cutting is not a sustainable strategy.

As CIOs partner with their executive teams and business heads to forge new business models that embrace a renewed customer focus and adapt quickly to change, they have a unique opportunity to enable transformation that drives business value in the form of growth as well as increased efficiency and productivity. Unfortunately, many CIOs have yet to seize this opportunity. In a Corporate Executive Board survey of business and IT executives, only 24 percent of business leaders said their IT organization was effective at delivering business capabilities.¹

CIOs can’t lead business transformation by themselves. Driving business value and growth is a collaborative effort requiring strategic partnerships with internal and external stakeholders. This year, the Center for CIO Leadership continued its work to assess and examine the key competencies required for CIOs to survive—and thrive—as business-savvy leaders in this new environment. The Center conducted research with CIO members to understand the evolving challenges of leading in today’s environment and to uncover peer advice, insight and best practices to address the critical skills needed. Through interviews with CIOs and other IT leaders worldwide, the Center examined three main themes along the continuum of business growth that help CIOs deepen their skills and capabilities as business-savvy leaders:
Building a Better Case for Business Value: The need to demonstrate value and build a compelling case for IT investments—has become increasingly important as CEOs and CFOs seek measurable top-line growth from their strategic initiatives. This section discusses the key competencies necessary for CIOs to take technical concepts and put them in everyday business terms, thereby building credibility and trust within the C-suite and across business units.

Driving Customer Centricity: The second theme is one that has received renewed attention and focus as CEOs prioritize customer centricity as a way of differentiating their organizations’ products and services. CIOs have an opportunity to play a key role in helping establish and develop partnerships, provide the end-to-end process views and deliver the platforms that are core to customer centricity. This section explores ways for CIOs to become more organizationally focused around customers and have their voice heard clearly in the C-suite.

Leveraging Business Analytics to Foster Innovation: There is a growing opportunity to harness the exploding amounts of data that organizations are generating and collecting and, more importantly, to turn this data into insights that drive action. Leading innovative enterprises are not just focused on strategically predicting the future, but implementing predictive strategies that enable adjustments in real time. This section provides insights on how CIOs can leverage business analytics to drive value for the enterprise.

This paper will look at the opportunities these three competency areas present to CIOs; the challenges CIOs face in developing these key competencies; the approaches and lessons learned from CIOs; and the steps that CIOs can take to position information technology as a driver of sustainable business growth—and position themselves as partners in leading this growth.
In the course of our ongoing research with CIOs and their CxO colleagues, we hear repeatedly that CIOs need to speak the language of the business in defining and communicating the role of technology as a driver of business value. This requires CIOs to engage with the business and collaborate with their peers to understand their needs and the challenges they are trying to overcome to grow the business. This will enable CIOs to more effectively communicate how IT investments will drive the business in terms that the C-suite understands. While few CIOs today would disagree with the need to do this, the question that many CIOs ask is how to effectively put this into practice.

**PARTNERING FOR BUY-IN**

The CIOs we interviewed said it is far easier to get buy-in on new investments if they partner with the business units. Collaborating on building a case for technology-enabled business initiatives helps CIOs to more effectively identify and communicate ways in which technology can drive new opportunities for developing and deploying processes, products and services that transform the business. It also allows the business units themselves to understand the role and the priorities for the investments they want to make as they participate in socializing their plans with the executive team.

A true partnership involves clearly defined roles for business and IT. “Projects are business led, but IT managed,” said one CIO. “The business leads and commits to business value and the right mobilization on the job. We manage using our expertise. It is a joint effort.”

One CEO we interviewed reinforced the power of partnering to get investment buy-in. “When my CIO and my head of sales walk in to my office together to tell me they want to make an investment, I say no problem,” she told us. “It is a slam dunk.”
TOP-LINE AND BOTTOM-LINE GROWTH

Most importantly, in speaking the language of the business, CIOs emphasize the need to articulate a well-thought-out and compelling business case built around quantitative measures such as revenue gains and cost savings. Some CIOs also include qualitative elements such as improvements in the customer experience, which are important but admittedly are more difficult to measure. As one CIO in the banking industry reported, “The executive team likes to see hard numbers—particularly in an industry that is focused on revenue improvements. The executive team is really looking at the quantitative aspects.”

CONNECT TO EXTERNAL PARTNERS

Tapping into consultants and vendors to help demonstrate a business case can be a highly effective way for CIOs to introduce innovations to the executive team and help showcase the potential benefits. It can also drive a risk-sharing and value orientation to external partnerships. One CIO we spoke with is actively working with external partners to bring innovation to the organization, specifically around technologies that may not be in the sights of the executive team. “To convince management, we will do a proof of concept on technology that they are not familiar with. By doing a proof of concept with the partner, we not only build credibility for the business case, but we are able to provide a sample of the cost savings.”
Eight Tips for Building the Business Value Case

Regardless of the metric, the goal is to demonstrate the impact on business value. In this context, our CIOs defined eight key elements:

1. **Revenue and earnings growth.** The majority of CIOs interviewed indicated that positive financial impact—both top-line revenue and bottom-line profitability—is one of the measures they include most frequently—and the one that most interests the executive team. CIOs and their executive peers look for net new sales and increased margins on existing sales that will occur beyond the total cost of the investment.

2. **Cost savings.** While reducing technology costs is desirable, CIOs emphasize the role of technology investments in reducing overall business costs through increased productivity and efficiency. Many executive teams clearly understand the need to invest more in the technology to provide a broader impact on business costs.

   “The executive team wants total cost savings,” said one CIO. “IT costs may increase for certain investments, but they drive a decrease in other costs; it is the net cost savings that matter.”

   More CIOs are also promoting the notion of self-funding technology initiatives, in which a portion of the cost savings gained by consolidation or other efficiency efforts is reinvested in value-creating programs.

3. **Closed value loop.** Tracking the actual results after an implementation to the original forecast is an important part of the process. Most CIOs we interviewed acknowledged that developing rigor and consistency in this area is difficult.

   A CIO from a large global wholesale and retail chain said the key is nailing the original forecasts in order to properly set expectations. “You need to get the right measurements at the beginning in order to measure a difference in the end,” he noted.

4. **Payback timeframe.** Not surprisingly, several CIOs noted that investments with shorter payback are more likely to be approved—especially in the current constrained environment. “If a project takes 10 years, there is a small chance we will do it,” one IT leader said. “Quick wins are the way right now.”

   Another CIO at a retailer noted that longer term projects will gain more traction if the IT team can demonstrate the importance of the project to the business. “When we open a new store, the overall exercise is payback within five years—not just IT, but the entire store,” the CIO said. “If it is a regular technology project, then two to three years is the timeframe.”
5. **Channel support and access.** In looking to connect technology investment to business opportunity, a number of the CIOs said they look past direct product sales to the larger market environment. One CIO reported that he weighs the extent to which a new technology investment opens up other sales channels to reach customers.

As the entire delivery chain is critical to business growth and revenue, it is important for all CIOs to consider how well technology investments support the partners and channels that help a company reach end customers. “The distributors connect me to their customers,” noted one CIO. “Their satisfaction helps increase our customer base. We actually look to see if we can add at least 10 percent more customers by keeping our distributors happy. This affects the bottom line.”

6. **Customer experience.** While only a few CIOs indicated that they include impact on customer experience in the business cases they develop, all agree that customer experience is an increasingly important way to help companies achieve competitive advantage.

For one CIO, customer satisfaction is a key element of the business case. Interestingly, he measures satisfaction rates of other players in his distribution chain as well—because they have a direct impact on customer satisfaction. “Customer and distributor satisfaction are my number-one direct benefits,” the CIO said. “The distributor is at the core to understanding customer satisfaction.”

7. **Innovation.** Few CIOs report using innovation measures in building their business case, but few deny the significance of innovation in helping their company to leapfrog competitors in today's economic landscape.

Given the importance of innovating in the marketplace, one CIO emphasized the need to communicate the extent to which a certain technology drives new opportunities in making the case. “We are a lean company looking at new things to bring to market that are attractive to clients, and innovation is a very important part of this,” the CIO said. “We measure this as part of our overall technology portfolio.” The CIO added that at least 20 percent of the organization's IT projects must have a driver for innovation—a target the company hopes to increase.

8. **Operational integrity.** A number of CIOs highlighted the need to look beyond the business benefits to ensure that investments address important issues of security, quality and risk. Risk management is taking on added weight for CIOs who are responsible for technologies that ensure legal and regulatory compliance, as well as those that reduce potential risks in the marketplace.

In addition, the economic downturn has placed a premium on investments that enhance security for the company's data, systems and operations. As one CIO noted, “We look at how well our investments will increase the security and reduce the risk.”
Driving Customer Centricity

Customer centricity enables business growth and competitive advantage by getting closer to customer needs, issues and ideas to uncover new opportunities for revenue, for improving operations, and for innovating products and processes through technology. Leading the organization to a more customer-centric focus is an increasingly important—and potentially very impactful—way for CIOs to make their mark as business-savvy leaders.

Research conducted by the Center for CIO Leadership with business and IT leaders concluded that connecting with end customers may be the most important thing CIOs can do to earn and keep their “voice at the table.” The imperative for this is heightened in the “new normal.” In a recent IBM survey, 88 percent of all CEOs said that getting closer to the customer is their most important strategy in the next five years. Indeed, given the nature of the function and its integration across the operations of the enterprise, the IT organization is in a unique position to enable a business transformation toward customer centricity. “There are few organizations in a large company such as ours that have the opportunity to see everything,” explained one CIO.

THE OPPORTUNITY TO STEP IN

Based on the CEO’s strategic agenda, connecting with end customers may be the most important thing CIOs can do to position IT as a growth driver. But enabling a customer-centric transformation can represent a challenge because IT is often several steps removed from the end customer. And interestingly, a number of CIOs we interviewed indicated that in their view, many of their peers in the C-suite similarly do not have a clear view of the end customer. While customer clarity and connection among senior leadership teams varies widely across companies, roles and industries, any gap creates a potential opportunity for CIOs to step in and help create a more customer-centric view for the business.

“There are often cases where the business has taken the wrong course in trying to be more customer-centric,” said one financial services CIO who sees the gap as an opportunity for IT to help define customer centricity for the business. “Our IT leaders participate in forums outside the business, learn what other banks are doing, read case studies, and keep up with awards for innovation. In conjunction with the business, based on that outside input, we have put together high-level guiding principles of what we mean by customer centricity.”
IT’S ABOUT CHANGE MANAGEMENT

Becoming more organizationally focused around customers can be a daunting challenge for any business. Cultural and operational barriers can make it difficult to execute on customer-centric objectives, and making the shift represents a significant change-management effort across processes, people and products. This change-management challenge affects the IT function, as well as the broader business. “You can talk about customer centricity, but what are the measures for IT and how do you link that up with the end-customer experience?” one CIO asked. “Things cascade down, and at every step the linkage gets weaker.”

The challenge goes beyond IT: for example, moving from a product or service perspective to a customer perspective requires changes across every aspect of the business—from organizational structures to measurement and compensation systems to the collective mindset of employees, from the CEO down to the frontline. One CIO shared an example from his past experience in making this shift. “At my bank, each product had its own P&L, and the performance metrics were tied to that. It was a huge challenge to shift the reward system to look at customer profitability across the product portfolio—from the customer’s perspective—rather than by product silo.”

LEVERAGE THE END-TO-END VIEW FOR IMPACT

Can CIOs really play a role in such a far-reaching transformation? The CIOs we interviewed agreed—absolutely—if they can move beyond the formal relationships that normally exist between IT, the business, and the end customer. “I always tried to get close to the customer and the customer process by working with account teams,” said a former telecom IT executive. “It’s about trying to establish that connection with a customer, but also taking the messages from the customer back into the corporation.”

Because they possess an end-to-end view of the enterprise, CIOs are in a unique position to enable more customer-centric business decision making. IT has the skills to analyze, share and integrate customer information and insights across the organization. CIOs must harness this power—and the insights that go with it—to become a trusted advisor for customer centricity.
CUSTOMER CENTRICITY BEGINS AT HOME

Achieving this goal requires a concerted effort by CIOs to expose their IT leadership team and frontline staff to their enterprise’s customers. Whether it is requiring IT professionals to spend a week in a customer—supporting role or mandating interaction with their customer-facing counterparts, CIOs report that such efforts benefit not only IT’s understanding of the customer, but the larger enterprise’s as well.

As one CIO from a petrochemical company described, “If they’re joining the retail IT team, they’ll work behind the till at a filling station for a week. To understand how the refinery runs, I make that IT person join the night shift. We try to start from the customer and work our way back into the business.”

IT organizations may also find they can leverage the skills they have developed serving their internal customers—the business itself—to drive external customer centricity. Over the past decade, CIOs have developed new organizational models, processes, tools and training to help IT better serve internal business customers. Those efforts can translate to driving increased end customer-centricity as well. Said one CIO, “I am very passionate about ensuring that when you talk about customer centricity and customer delight, it has to start in your own organization.”
Leveraging Business Analytics to Foster Innovation

The C-suite’s desire to better understand the past and the present, while more accurately predicting the future has led to a greater emphasis on business analytics as a strategic driver of innovation and growth. At the same time, the sheer vastness of the data available, and the disaggregation of the data across the enterprise, presents challenges to the C-suite.

The Center’s view is that CIOs sit at the core of the analytics opportunity, as they oversee the front line of data collection and management and have an end-to-end view of its potential impact upon the organization. An IBM study found that 83 percent of CIOs listed business intelligence and analytics as the most important element of their visionary plan to enhance competitiveness. The insights derived from analytics “make it more comfortable for managers to make business decisions,” said the CIO for an energy products provider. “They can make decisions based on sound data instead of gut feeling.”

ANALYTICS AND BUSINESS IMPACT

Business analytics provide both challenges and opportunities for CIOs and their IT organizations. The challenges stem from the need to effectively harness increasing inflows of information to enable more informed business decisions, while moving beyond the role of “Data Center Manager.” The opportunities lie in sharing the value and potential associated with analytics and the CIO’s ability to take the lead in leveraging information to improve operations, drive growth and competitive advantage, and enable and drive the customer-centric organization.

Several CIOs said their senior leadership fully understood the value of analytics in driving the business—and provide the funding to back up their commitment. Other CIOs, however, continue to face hurdles in convincing senior leadership of the value of business analytics and IT’s role in exploiting that value. “The biggest challenge in our and probably many other organizations is the senior leadership’s understanding of the value that you can get from business intelligence,” said the CIO for a global shipping company.
Another described the challenge as the problem arises when IT is viewed as a tool provider, not a strategic partner with the business. “My group suffers from a perception of being too IT-oriented,” said the CIO for a company that provides global servicing of power-generation equipment. “We don’t sit in marketing, and we don’t sit in finance, so we don’t have the daily contacts with those groups. We come in too late, and then we are very often regarded as barriers because we start asking about requirements and timeframes.”

Others have been more successful in convincing senior leadership of the business value of analytics—not just strategically, but for daily operations as well. “Business analytics are critical because it helps us make decisions based on fact, not just on instinct,” said one CIO.

The distinction between analytics used for operational management versus those used for strategic planning and forecasting is worth noting. Managing operational data—the information used to support financial reporting, risk management, compliance, capacity planning, and even compensation—requires a vastly different set of policies, procedures and methodologies than the information that is collected, analyzed and used to inform strategic business decisions. CIOs need to understand—and build supporting mechanisms for—both instances, taking into account the different stakeholders and priorities within the enterprise.

**PARTNERING FOR GROWTH**

The ability for CIOs to demonstrate the business value of analytics often comes down to organizational structure and, at a more intangible level, the relationship between IT and other business units or functions.

Improving the perception of analytics as a business value driver is the goal of many CIOs who strive for a shared ownership model between IT and the business stakeholders with IT working closely with the business users to define the business objectives, KPIs and mechanisms for defining and sharing insights from analytics. IT also educates the business on the value of business analytics and provides formal training on the use of analytics tools.

“It's inefficient to have a technical person writing reports and a business person trying to communicate their needs,” said the CIO for the energy products provider. “But if the business analysts have a good understanding of the business questions and the skill set of how to use the tools, they will get a lot more value out of it.”
IT can help the business leverage analytics to improve performance in two key areas:

**Customer Focus.** Analytics are being used to improve services that directly impact external customers. Understanding true customer needs can help companies further develop relationships that create more value. This connection to external customers represents a particular advantage for CIOs to help the organization become more customer-centric. For example, collecting on-site data from security checkpoints, reservation desks and even airplane cleaning crews has helped an international airport improve wait times for travelers. “At any given time, you know where the bottlenecks are,” said the airport’s CIO.

Analytics on customer behaviors and activity can help companies refine their products and services, cross-sell and up-sell existing customers, and integrate market and competitive information into their product development and sales processes.

Business analytics can even help companies win new business on the fly. In the case of the power station service provider, for example, an outage at a customer facility requires rapid response from a service technician to minimize downtime. “If you can demonstrate to a customer that you can get the right people and the right equipment on site very quickly, then you will get the job,” said the CIO.

**Operations.** Using business intelligence and other data to improve operational efficiency can have a direct impact on the P&L. Analytics can be used, for example, to drive market understanding, competitive positioning and product roadmaps. The CIOs we interviewed offered several examples of how business analytics have streamlined internal operations to improve product or service delivery—and revenue growth.

One global shipping company created a data model and dashboard for optimizing the use of more than 1 million containers that it ships worldwide. An Internet service provider in the Middle East analyzed subscriber usage patterns to identify the most profitable customers; the marketing team used this information to create new promotions targeting those customers.
DATA OWNERSHIP: THE KEYS TO THE ANALYTICS KINGDOM

As business analytics evolve, governance has emerged as a critical issue. The question is not so much who owns the data (IT or the business), but how information is collected, managed and ultimately used to make business decisions. Not surprisingly, in most cases there is some shared responsibility of both the data and the analysis. In most enterprises, that oversight is split along two lines: the back end, involving the storage and access functions and governed by IT (the operational data), and the front end, comprising analysis and reporting and owned by the business units or functional groups such as marketing, finance or operations (the business data). The opportunity for CIOs is to connect these two components seamlessly in an end-to-end strategy that delivers actionable insights.

This integration can be a significant challenge in highly decentralized organizations where information is guarded closely by business units and often used as political capital to secure funding for projects or programs. CIOs often find themselves wading into turbulent waters when proposing ways to make sensitive business or customer data more accessible across the business.

At a tactical level, data quality also remains a significant challenge. Ensuring data quality is a critical role for many IT organizations, because inaccurate, inconsistent, contradictory, outdated or incomplete information can negatively skew insights and lead to poor decision making. Some CIOs embrace this stewardship. “We are the guardians of the single source of the truth and the validity and quality of our data,” said the CIO for a global shipping company.

As many enterprises pursue initiatives to consolidate their information infrastructures in order to improve efficiencies and manage costs, CIOs have an opportunity to better educate business users about the importance of data quality while developing more effective policies, processes and other mechanisms for managing information. Improvements in information management practices often require cultural and organizational change but are critical to developing the insights needed to create business value. Said the CIO for a U.S. state agency: “Data is of no use if it can’t be converted into knowledge that is actionable.”
Key Takeaways for CIOs

In examining these three themes, clearly there are opportunities to leverage IT’s reach across an organization more effectively, both operationally and strategically. The CIOs we interviewed are focusing on one or more of five key areas to improve how IT is perceived by the business—and position themselves as true C-suite peers.

1. **Get Involved in the Business.** A better understanding of how the business is run will help CIOs frame the potential value of technology through the lens of how it might improve the business, rather than how it might advance technology. This more enlightened perspective will enable CIOs to more effectively partner with the business instead of simply delivering products and services.

   “The understanding between business and IT is very critical,” said one CIO. “It is not the business that needs to understand IT; it is the other way around. With this understanding the CIO will be able to talk about the business needs, and not just an IT project.”

2. **Develop Financial Acumen.** Several CIOs underscored the critical need for IT leaders to expand their financial skills in order to create sound business cases for investment and to truly assess how IT is delivering value to the business. Understanding accounting standards, balance sheets and the difference between operating and capital expenses can go a long way toward helping the CIO build a bridge between IT and the business. This knowledge is especially important when the time comes to demonstrate the return on customer centricity and other difficult-to-quantify investments. As one CIO described it, “I can show you all those figures, down to the penny. That’s our way of expressing to the sales community that we’re doing our part to contribute to the bank’s bottom line. Now they seek us out when they are looking at ways to enhance the value proposition of their products.”

   For one outsourcing CIO, customer centricity means providing new technology and processes for the end customer. But he also identifies a challenge: None of those innovation-demanding clients want to pay more for it. “Unless you know their business very well, it’s difficult to justify spending more,” he said. “A lot of these technologies tend to be fairly capital intensive. The real challenge is picking the right horse technology-wise.”
3. **Demonstrate Value.** CIOs must be able to demonstrate the value of their investments in clear terms, specific to driving business performance. To deliver on that promise, IT must be clearly aligned with the organization’s business goals. Small yet demonstrable gains—enabled by analytics-driven insights—can lead to bigger wins and more buy-in across the organization. “Don’t try to solve everything at once,” counseled the CIO of an energy products company. As a value proposition begins to take hold through a series of “baby steps,” IT can extend its efforts by offering deeper levels of analysis for different constituents. With education and training from IT, operations personnel, for example, can slice and dice a shared source of data specific to their needs, while sales or marketing staff can run different reports on the same data to deliver insights on their departmental KPIs. “You can’t improve process without data,” said one CIO. “Let the data lead you to the problem, and let the problem lead you to the solution.”

4. **Become a Trusted Advisor.** Because the role of IT touches every corner of the enterprise, the CIO has a unique and valuable opportunity to play the role of a “silo-buster” to help drive innovative business growth. “We tend to be able to straddle the business boundaries a little bit more easily,” said one CIO. “Generally they’re focused on their own initiatives and tied to their own scorecard. IT can help break them out of those silos.”

5. **Shift the Mindset.** Far-reaching strategic objectives such as customer centricity or linking IT to business value have major implications on the culture of the IT organization. And IT staff that is used to being inward focused and project driven will not magically embrace a significant disruption to their comfort zones, nor will the business users that view IT as a bit of a cranky service provider. “Technology and processes are the easiest part to change,” said one banking CIO. “The hardest part is changing the people.”

One CIO requires all of his reports to spend 20 hours with internal customers—with no fixed agenda—and encourages all senior IT leaders to interact directly with end customers. “As a result, the customers have really opened up,” said the CIO. “Tools, policies and formal reviews are fine, but you need to go out and really understand the customer’s problems. They are not going to come to us.”
Conclusion

Developing advanced competencies around building the business case for value, enabling a shift to customer centricity and leveraging the opportunities for business analytics will enable CIOs to be more strategic about IT’s role in business growth. But the question remains: Can the CIO really position IT strategically to lead business transformation? Cultural and operational barriers can make any broad-based change initiative a huge challenge. CIOs who can successfully—and tirelessly—build awareness and support for IT’s capabilities, however, can help to establish IT as an important driver of business value.

In the “new normal,” companies must do the exceptional to attract and retain customers—while maintaining a laser focus on operational excellence and cost management. CIOs who speak the language of business and give priority to projects that contribute measurable value will find themselves not only with a seat at the table, but will quite possibly be leading the discussion.
Endnotes


