The Mindset of the Chief Information Officer

The leadership challenge of using technology to obtain commercial advantage

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Theron LLP

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1. OBJECTIVES

The purpose of this research is to explain the leadership role that Chief Information Officers perform in helping their organisations achieve their commercial goals. It will examine the skills and behaviours that have contributed to their success and it will consider the relationships the CIO has with the CEO, the executive team and other influential stakeholders.

This study will provide senior IT executives with insights to help them reflect on their leadership roles and to consider areas for their own professional development.

2. TEN ISSUES TO CONSIDER

Whilst reading this paper, the reader is invited to reflect on the following questions that are of great relevance to the role of CIO:

- Does your CEO view the IT function as a strategic partner?
- Do you have the right level of sponsorship at executive team level to ensure strategic investments are made in technology?
- Do you have the right level of talent in your IT leadership team?
- How effectively does your senior IT management operate as a team?
- Do you invest sufficient time with your stakeholders to ensure the IT strategy reflects their needs?
- How involved is your IT function in improving the quality of the customer experience?
- How responsive is your IT organisation to serving its customers?
- Is your IT operating model appropriate for the needs of your organisation?
- Are you providing services that could be better outsourced?
- Do you have the right skills in the IT function?

3. METHODS

This research is based on 12 in-depth interviews with CIOs from a variety of industry sectors: banking, insurance, telecoms, infrastructure and not-for-profit. In most cases respondents reported to a CEO, at either group or divisional level, and played full roles as members of the executive team.

4. BACKGROUND

Today, most forward-thinking businesses recognise that their IT function performs an essential strategic role in helping create an efficient organisation that provides a high level of customer service. The IT function also plays a crucial role in helping their organisations innovate, allowing them to develop competitive products and distribute them through digital channels.

In this regard, CIOs and their leadership teams are playing an increasingly important role in creating sources of competitive advantage, relating to product innovation, enhanced customer experience and improved operational efficiency.

In organisations where the strategic value of IT is recognised, CEOs increasingly expect their CIOs to work effectively with other members of the executive team to improving business performance.

PwC’s 14th Annual Global CEO Survey

In the last quarter of 2010, PwC surveyed more than 1,200 business leaders in 69 countries and found that 78% of CEOs believed innovation (in products, business operations and customer management etc.) provided the best opportunity for revenue growth in their organisations. Consequently, 70% of CEOs were making investments to take advantage of new technologies relating to cloud computing, smart phone applications, data analytics and social media.
These observations are consistent with the findings of this study: respondents felt that the potential to transform the health of their organisations through technology was significant and they saw the main purpose of their leadership role was to engage with the wider business and to ensure that commercially viable technology solutions were at the heart of business discussions.

5. RESULTS

The CIOs who responded to this study were mindful of the dual roles they performed, each requiring different approaches to have impact. Firstly, they needed to operate in a strategic and advisory role when working with the CEO and executive team, and secondly, they needed to perform a leadership role when managing the IT function and overseeing its operations.

5.1. What motivates the CIO

Respondents were motivated by the opportunity to help their organisations achieve commercial success through technology-based solutions, rather than by technology itself.

They derived great satisfaction from the process of understanding their business’s issues and then working with their colleagues to deliver the most commercially appropriate solutions. This process was felt to be more interesting if linked to a change agenda, as it allowed the CIO to perform a strategically more significant role with added influence.

Some felt that the scope for CIOs to contribute strategically had been enhanced by recent developments in technology: the consumerisation of IT, the impact of smartphone technologies, advances in data analytics and customer-relationship management.

“The thing I enjoy most about this job is making a positive difference to the business; it allows you huge scope to do this.”

They were also motivated by the operational challenges they faced when leading their IT functions. In particular, the people aspect of leadership was cited as an important motivator, as the creation of high-performing teams in which individuals were able to realise their potential was seen as a hugely satisfying achievement.

5.2. The four must-have leadership skills

Not surprisingly, it was felt that the skills and behaviours required to be an effective CIO were similar to other leadership roles: vision, strategic insight, drive, emotional intelligence and financial literacy. However, four leadership behaviours were regarded as especially important and respondents felt they had contributed to their success:

Understanding the business was felt to be critically important. CIOs needed to have a firm grasp of business operations and processes. This allowed them to apply objective and commercially-grounded thinking when determining how technology should be used to support the business, as it allowed them to understand the implications of their decisions. Such insights allowed them to block unnecessary activity and to focus resources where they could yield most value.

“Much of my time is spent challenging ideas that are not well thought through. Otherwise, it is easy to say ‘yes’ and regret it later.”

Great stakeholder management was important because CIOs needed to establish productive relationships and build trust with senior executives in other functions. It was important to create appropriate forums to focus on business as usual and strategic programmes. Respondents observed that it was only possible to develop a meaningful IT strategy and technology road map once a close dialogue had been established with their stakeholders. This allowed the CIO to prioritise technology needs and to ensure appropriate focus was given to the right initiatives. Great stakeholder management also allowed the CIO to gain the
necessary CEO and executive level sponsorship to drive projects.

**Powers of persuasion** were felt essential as CIOs were required to communicate a compelling vision and a clear sense of how the IT function should support the business. Respondents observed the importance of using simple language to explain the benefits of technology, without reference to its technical complexity. The need to communicate persuasively was important because it allowed complex issues to be resolved which might otherwise not be possible.

“The final technology solution is often very clear to me, but the process of getting buy-in and approval is necessarily very protracted.”

**Acting as a change agent** was felt important as technology was at the heart of their business operations. Most change programmes required a significant input from the IT function for them to succeed, which necessitated leadership from the CIO to support such initiatives. Furthermore, it was important that the CIO should not allow the existence of inflexible technology platforms to stifle innovation, so they needed to encourage creative solutions that allowed for change, rather than being hamstrung by legacy systems.

### 5.3. The CEO relationship

Respondents observed that the CEO’s appreciation of technology, and their commitment to it, determined the extent to which the IT function could operate as a strategic partner, as opposed to that of a support function. In businesses that were heavily technology-dependent, CEOs were more involved in IT related matters. Obtaining their support was thus felt to be important.

CEOs were aware of the symbiotic relationship between IT and the business strategy, insofar as the CIO is routinely at the heart of important strategic initiatives: product innovation, enhanced customer experience, cost reduction, channel development etc. It was felt that this elevated role had afforded the CIO greater influence to have impact than before.

That said, a number of respondents had worked with CEOs who were more cautious because they viewed technology as a Pandora’s box that required careful management, as its capacity to yield benefits could be negated by failures in implementation. The need for the CIO to gain the CEO’s trust was therefore especially important.

“My CEO recognises that our business plan is heavily dependent on technology, so he is more involved in our programme delivery than I am used to.”

### 5.4. Working with the executive team

When working with their executive team colleagues, respondents recognised that their success was heavily dependent upon how well they were seen to lead transformational change, as their colleagues relied on technology to achieve their own business objectives. The CIO’s ability to establish their credibility and build effective relationships was perceived to be essential.

Respondents felt that the CIO needed to drive much of the business change agenda, so time spent working with executive colleagues was important. It allowed them to engage in constructive dialogues that facilitated positive change so that business strategy and technology were closely aligned.

It was important for the CIO to promote a common purpose in the executive team as it minimised the scope for competing self-interests to undermine the potential for technology to succeed.

### 5.5. Leading the IT function

Respondents recognised that the task of managing their IT function was essentially a leadership challenge concerned with the management of people rather than technology. They were aware that that their personal credibility could easily be undermined if the operational aspects of their IT function were not delivered efficiently.
‘IT leadership is not about technology, it is about people management. The same old people issues keep presenting themselves, whilst the technology changes at a pace.’

In leading the IT function, respondents pointed to three imperatives:

- **Assembling the right leadership** by appointing the best people in the right leadership roles. It was felt important to achieve a balance between strong technical IT management and commercially-oriented business-partnering skills. For CIOs who had recently moved into a new role, this was their most important priority.

- **Adopting the right operating model** reflecting the business’ needs as defined by its size, geographical spread, stage of growth, competitive environment and profitability. Important factors included the need to promote agility and the importance of either outsourcing or insourcing activities that allowed the business to be more efficient.

- **Promoting the right behaviours and values** was important because IT must be an enabling function which exists to serve the needs of its internal and external customers. So promoting the necessary softer skills required CIOs to get involved in important recruitment, training and performance-management issues.

6. **CONCLUSIONS**

The CIOs who contributed to this study worked in complex businesses that operated in mature and competitive markets, and were subject to much regulation. These organisations were highly dependent on technology and they relied upon it to reduce costs, improve customer service and create opportunities for competitive advantage.

To this extent, their experiences and insights are likely to be different to CIOs that operate in the public sector, where the decision making process can be very different, and in businesses where IT performs a support role rather than acting as a strategic function.

The CIOs who contributed to this study recognised that they added most value to their organisations during periods of change, rather than through the on-going operational delivery of IT services, no matter how varied and complex.

The CIO’s effectiveness is heavily influenced by the quality of their leadership and their ability to oversee the delivery of effective solutions that meet the needs of their businesses. Our research identifies some of the critical skills required for success, as identified in section 5.2 above.

The CIO’s role is above all else a leadership challenge. The CIO needs to demonstrate to the CEO and the executive team how technology can be used to achieve their short-term goals, as well as its capacity to offer longer term-benefits in ways that may not be recognised. In this regard, the mindset of the CIO is guided by a belief that technology makes a significant contribution and that the CIO performs a crucial leadership role in articulating a vision which can be implemented successfully.