

THE CHIEF INFORMATION OFFICER* ACHIEVING CREDIBILITY, RELEVANCE AND BUSINESS IMPACT

What is unique about the CIO role? What business contributions can CIOs make to their company's success? Should the CIO be accepted as having a strategic leadership role or is the role purely technical and operational? What performance criteria should the CEO or senior managers use in assessing their CIO or in recruiting a new one?

In the past, it has often been unclear whether the CIO role was simply another label for the head of information technology in a company. The role was often seen as someone who kept the systems up and running and managed the IT organization, people and investments as efficiently as possible. Many managers who called themselves CIOs on their business cards were actually classified as heads of IT in their companies – so recruitment and compensation were tied to a middle management position rather than a senior executive position. While the title of CIO has been in use for over 25 years, there remains a great deal of ambivalence in the minds of senior managers about the competences and performance criteria associated both with the role and the managers who occupy this position in companies.

Interestingly, the earliest development of the CIO role in the late 1970s and early 1980s resulted from an increasing awareness that information in a company needed to be managed in much the same way as people, capital and materials. This perception called for a new breed of managers and a new function capable of understanding the management of information

and IT in the context of the business priorities and operations. However, since computing and communications technologies were new to many companies and difficult for general managers to understand and use, the CIO role focused primarily on deploying IT and managing IT investments as an evolving “function” in the business.

The journey from cost control to business value

In the late 1980s and early 1990s, the CIO role was clearly influenced by the trend towards re-engineering business processes, with an eye on downsizing and cost control. This was the first time the job of the CIO was associated with process management. One guru of the re-engineering movement argued that companies were automating existing processes rather than re-thinking, eliminating and simplifying their business processes *before* introducing new software applications and automated systems.

However, during this time re-engineering and cost control became closely associated, with many companies using re-engineering to pursue downsizing. Consequently, IT was directed at automating repetitive processes to improve productivity, with the focus on cost control and increased efficiency. The role of the CIO was to enable the process of re-engineering and restructuring



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while keeping the cost of IT under control. In many companies, the CIO became allied with and reported to the Chief Financial Officers who advocated 'rightsizing' and the use of IT for cost control and standardization of processes.

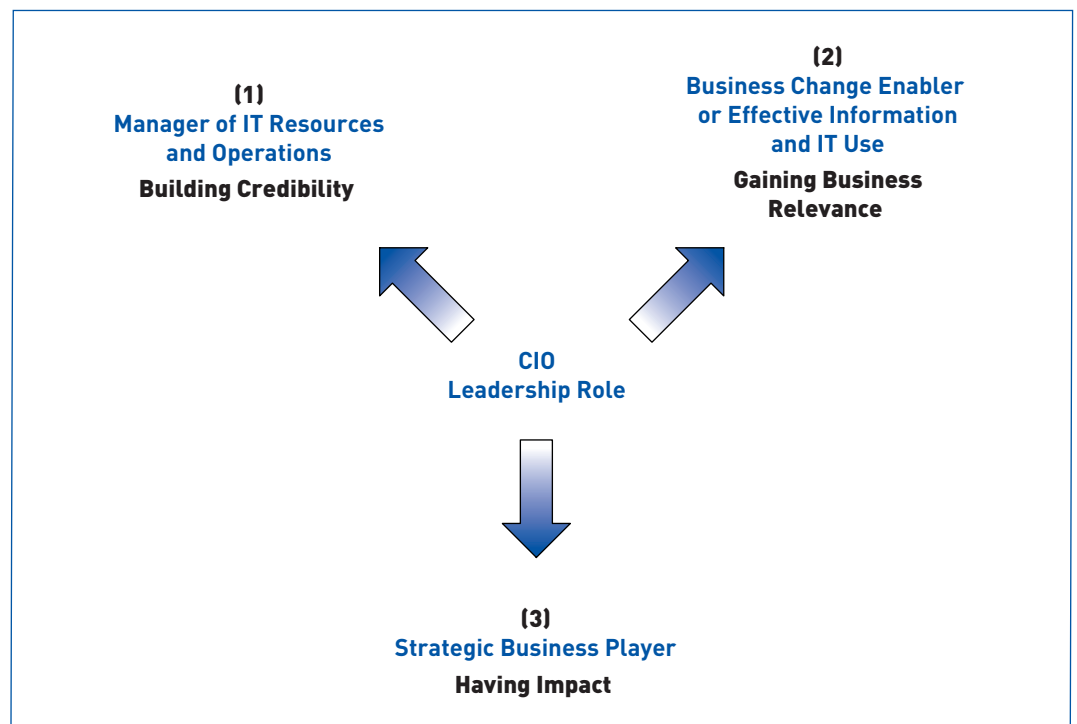
The dominant themes of controlling costs and rationalizing resources with IT continued in the 1990s and combined with a focus on standardizing IT systems on a local, regional or global basis. The CIO concentrated on helping to control the growing costs of IT, as companies placed personal computers, laptops and the supporting infrastructures in the hands of an increasing number of employees. Companies also adopted standard IT infrastructures for e-mail and data communications and used outsourcing and off shoring to consolidate IT services.

The rise of the Internet and "e-business" during the late 1990's coupled with the bursting bubbles in 2000, the Y2K scare in approaching the millennium, and the development and popularity of

The difference today is that many senior executives are beginning to seriously question the business benefits of their IT investments. CIOs are being challenged to deliver business value and control costs *at the same time*. Many business leaders realize that IT is available to every firm in their industry and the result is often that IT investments and deployments are viewed as "competitive necessities" rather than competitive advantages. So, in recent years, the new question posed by senior managers is: does IT matter?

For CIOs, the answers to this question are vital: If IT does not matter, should the role and function be relegated to an operational and support activity? If IT does matter, are the role and function sources of business value and can they influence how a company's business strategy and operating model delivers value?

The CIO's quest for a business leadership role encompasses three major dimensions as shown in figure below.



The quest for business credibility, relevance and impact

Enterprise Resource Planning (ERP) and customer relationship management (CRM) systems in many large companies from 2000 on, have continued to drive IT investments and the role of the CIO and IT organization towards managing costs and standardizing IT platforms across companies.

- How can the CIO effectively and efficiently manage the IT organization and resources to deliver value?
- How can the CIO enable managers to deploy and use IT in their business units most effectively?

- How can the CIO become accepted as a member of the senior management team, shaping the business strategy and capabilities needed for enhanced performance?

(1) Manager of IT resources and operations

The CIO's most basic responsibility is to be an effective leader of the business's IT resources. Given the continuous changes in technology, aligning the IT function with the structure and processes of the business can be very challenging. It requires attention to seven key activities:

1. *Governance of the IT function.* This requires action in two areas: first, organizing the internal functions to serve the business; second, involving managers and functions in decisions related to IT priorities, projects and investments.
2. *Operating the core infrastructure and related services.* These activities are the commodity service end of the IT organization, simply "keeping the lights on" or "fixing the plumbing." Network availability and the responsiveness of services are key criteria when measuring performance.
3. *Managing the applications portfolio supporting business processes.* Companies have a combination of applications embedded in various versions of software, and these require regular changes and updates. This may be because of obsolescence, new user requirements or, more likely, software developments that make previous versions expensive to support.
4. *Recruiting and managing IT skills, expertise and people.* For the CIO, the people side of IT is a major issue. This is because skills vary with changing technologies and with decisions to insource or outsource specific processes and services.
5. *Developing and retaining IT project management skills.* This is a major source of concern for CIOs. In most companies the number of IT projects that fail, run over budget, run over schedule or simply under deliver, has far exceeded those that are delivered on time and on budget and meet the needs of users.
6. *Managing the suppliers of IT services and products.* As the IT industry has grown in size and scale, the influence of vendors on

decisions about services, products, projects and investments has grown as well. For many CIOs, decisions about what vendor(s) to select can be career enhancing or career ending.

7. *Measuring and managing the company's IT investments.* How well does the company manage IT expenditures – is it getting value for money?

(2) The CIO as an enabler of business change

In addition to managing IT resources and operations, the CIO must also influence IT-enabled processes and projects. This involves close collaboration with managers inside the company and with customers, partners and suppliers outside. The CIO also needs to contribute to the effective use of information and knowledge in business units by developing appropriate information, people and IT capabilities.

This requires an understanding of how IT and process changes affect people's behaviors and information practices in the company. It also requires the CIO to guide changes in business processes, information, people and IT.

Managers are confronted with frequent changes in their business and market conditions and these require shifts in three areas:

- The design, re-design and continuous improvement of business processes;
- The use of management information, especially external market and competitor intelligence, for decision making;
- The way people are expected to use information about customers, products and services across the company for growth and innovation.

If employees' use of information and IT is a key concern of CIOs and business managers jointly, how should this issue be addressed?

Although CIOs control how IT is deployed, they do not control how it is *used*.¹ CIOs must work closely with business managers to exploit the business value of information and IT usage over time. Consequently, they should target the business value that resides primarily in how people in the company use information and IT in business processes and decision making. To have the

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greatest impact on a business, the CIO and the IT organization must demonstrate the relevance of their expertise and knowledge by enhancing the use of information and IT resources by the employees of the company first and then with customers, partners and suppliers.

(3) Strategic business player and part of the senior management team

The third dimension of the CIO leadership role is the least tangible but the most important. The CIO has to be a genuine player on the senior management team rather than a functional bystander. To gain the acceptance of other senior managers, the CIO usually needs to fulfill three high-level requirements.

1. The CIO must earn credibility by managing IT resources and operations effectively. If CIOs cannot efficiently deliver IT services and systems then their claim to membership is severely limited.
2. The CIO's contribution must extend beyond the IT function to demonstrate relevance to the company's business activities. The value of information, people and IT as essential elements of the company's operating model must be emphasized.
3. The CIO must be able to have an impact on the company's mindset, actions and business. This can be done by positioning information and IT so that other team members view these resources as contributing to their business success.

The future of the CIO leadership role

In many companies, CIOs have opted for the first dimension of the CIO role (managing IT resources), thinking that it was the most achievable and

politically safest. However, their contribution to the other two dimensions (enabling effective usage of information and IT and being a strategic business player) has been marginal at best. So what needs to be done?

- *Develop (or rebuild) the credibility of the IT organization quickly.* Credibility in executing the role buys time but is not sufficient on its own.
- *Move beyond the positioning of IT as a "competitive necessity" and connect information and IT capabilities with the company's strategies and business operating model.* CIOs must overcome the attitudes of many business managers who answer the question, "Does IT matter?" with a resounding "NO!" CIOs must promote the managerial mindset that the business value of information and IT are driven by usage not just by deployment or availability.
- *Influence the perceptions of other members of the senior management team.* As individuals, CIOs must build credibility and relevance so that other senior managers accept and welcome their contributions. Can the CIO speak and act as a senior executive player or is he or she viewed as reporting to, but not "part" of the team?

It is clear that in many companies today, the future of the CIO role is not only dependent on the qualities of the incumbent. It also relies on the belief of senior managers that having a CIO as a business colleague is valuable and contributes to their business unit or company. Whether the future role of the CIO rises above the tide will depend on how business managers and CIOs work together to realize the benefits of deploying and using information, IT and people effectively in their businesses – a shared business responsibility if there ever was one.²

1 Donald A. Marchand, "Reaping the Business Value of IT: Focus on Usage, Not Just Deployment, to Optimize Payback", IMD Perspectives for Managers, No. 114 (November 2004).

2 Donald A. Marchand, "Realizing IT Value: A Shared Responsibility between Senior Managers and the CIO", IMD Perspectives for Managers, No. 147 (May 2007).

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