Key Takeaways

- Tomorrow’s CIOs will find themselves coping with new duties, greater responsibilities and higher expectations.

- Many CEOs now view their CIOs as the organization’s primary change agent with their principal evaluation criterion being his or her ability to drive change – an ultimate sign of success.

- With competitive organizations expecting their CIOs to serve as strategists as well as enablers, CIOs will assume leadership roles in product innovation and the opening of new markets. They will be perceived less often as managers of technology and more often as agents of change and business transformation.

- At progressive companies, the CIO is one of the few senior executives with a genuinely holistic view of the enterprise, particularly those organizations that have undergone transformation in business processes and the underlying technology. As a result, today’s CIOs are increasingly assuming leadership roles in company operations and now in the creation of new products and services and the discovery of new markets.

- Only the most agile organizations can remain competitive in this kind of environment.

New Opportunities for Leadership Arise as Organizations Respond to Evolving Markets and Global Pressures

By Karen Rubenstrunk and Mark Polansky

Welcome to the Age of Agility, in which new business models evolve every six months and success hinges on swift reactions to shifting currents in the marketplace.

In an environment marked by continual transformation, competitive organizations increasingly rely on the Chief Information Officer (CIO) to serve as a prime architect of fundamental change.

The emergence of the CIO as a strategic player is not surprising. At progressive companies, the CIO is one of the few senior executives with a genuinely holistic view of the enterprise, particularly those organizations that have undergone transformation in business processes and the underlying technology. As a result, today’s CIOs are increasingly assuming leadership roles in company operations and now in the creation of new products and services and the discovery of new markets.

“CIOs are often uniquely placed within their organization to both understand the real-world transformation challenges as well as identify enterprise breakthrough opportunities,” writes Gartner Group Analyst Graham Waller. The CIOs interviewed for this executive report agree strongly with Waller’s assessment. The flow of information services into every nook and cranny of the modern corporation significantly expands the responsibilities of the CIO. The omnipresence of IT also requires the CIO to master a broad new set of cross-functional skills and capabilities.

Building consensus across the enterprise

In a very real sense, the CIO has become an indispensable executive. In many instances, the CIO is the only senior executive whose regular job involves contact with every component of the organization. While it is quite normal for business unit executives to view the world from a vertical perspective, the universal nature of IT forces the CIO to reach horizontally across multiple silos and to consider the impact of decisions on the enterprise in its entirety.

“IT can build consensus because we understand the roles of each business unit,” says David King, Senior Vice President and CIO of Regal Entertainment Group in Knoxville, Tennessee. “We have developed the skills to communicate horizontally across many business units within the organization.”
Those skills are put to the test every day at Regal. As the nation’s largest owner-operator of movie theaters, Regal competes in a market undergoing acute change. In its migration from film to digital media, the motion picture industry is reinventing a business model based on technologies developed largely at the beginning of the 20th century. Such a radical transformation poses an unending series of challenges and opportunities for King and his team.

“IT is now at the heart of the operation and my role as CIO has become vastly more strategic,” says King. “Until recently, our industry did not fully appreciate what IT could do.”

The transformation of the motion picture industry truly qualifies as an extreme makeover. For decades, feature movies were loaded into large metal cans and hand-delivered to theaters by couriers. When the movie finished its run at one theater, a courier would pick up the cans and bring them to another theater. In the very near future, feature movies will be distributed, stored and projected utilizing new technology. That’s a “monstrous” transformation that will save the industry billions of dollars in distribution costs, notes King.

“Digital cinema takes IT out of the back office and puts it right in front of the audience,” says King.

In many ways, King is emblematic of the new corporate CIO. He feels the weight of additional responsibility – but he also feels empowered by the potential for making a difference. “I believe that IT leaders should use their advantages to drive change that is meaningful and lasting deep into the organization,” he says. “I’m talking about change that becomes part of the corporate fabric, not just the flavor of the day.”

**A portfolio of critical skills**

Since IT is central to every corporate process improvement initiative, CIOs have already developed many of the critical leadership and executive skills necessary to serve as agents of change and business transformation.

“Project management, prioritization and sequencing are common skills in IT,” says King. “As we automate processes across the company, we become very familiar with the challenges and responsibilities of all the business units. We fundamentally understand how they relate to each other.”

The continuing importance of outsourcing as a lever of business transformation also plays to the CIO’s strengths. In the past, outsourcing programs were handled more like tactics than strategies. For example, the CFO would handle outsourced Finance operations, the VP of HR would handle outsourced HR functions, and the CMO would handle outsourced call center operations. Today, the CIO is much more likely to be directly involved whenever a business unit needs to outsource a function or process.
“The CIO’s cross-functional view of the enterprise creates unique advantages when negotiating and managing outsourcing initiatives,” says Jeffrey Neville, CIO at Eastern Mountain Sports (EMS) in Peterborough, New Hampshire. “Many CIOs already have years of experience with IT outsourcing, so it makes sense to apply their skills and knowledge across the organization.”

EMS is one of the nation’s leading outdoor specialty retailers, with more than 75 stores and a growing online presence. In addition to maintaining a rapidly expanding IT infrastructure, Neville and his team serve as full-time change agents.

“I really wear three hats,” says Neville. “I’m the CIO of our traditional brick and mortar business. I also have P&L responsibilities for our alternative channels, which include our web site, our call center and a business-to-business operation. And I’m also responsible for driving business transformation throughout the company.”

This broader set of responsibilities clearly differentiates Neville from earlier generations of CIOs who served primarily as managers of technology. Today’s CIO must possess the ability to empathize with the problems facing other executives. Building bridges across the organization, finding the right partners to drive change and encouraging collaboration are critical tasks for the modern CIO.

It’s never too early to being the process of generating buy-in for business change projects. “Prior to starting a project we get agreement from all of the stakeholders in the business,” says Neville.

Collaboration is essential to business change

One of the CIO’s major challenges is finding the most appropriate internal partners for driving business change across the organization. Before launching enterprise-wide projects at EMS, Neville seeks advice and support from the head of Human Resources.

“We talk about the capabilities of the people involved in the project,” explains Neville. “These ‘talent and technology’ conversations can be extremely valuable because HR is more likely to see how a business change project will affect other parts of the organization. HR helps me anticipate how various departments within the organization will respond to changes in the IT architecture.”

Two members of Neville’s staff have been officially designated as process change agents. One had international experience as a sourcing manager, the other was experienced in retail operations. Together they help Neville pursue the company’s goal of achieving growth through continuous business transformation.

The results have been gratifying. “I’m very proud of the fact that we grew our online business by almost 60 percent last year,” says Neville. “If I were
a traditional CIO, I wouldn’t be able to say that. I could say that I ‘enabled’ something, but I couldn’t really say that I’d ‘accomplished’ something. Believe me, that’s a big difference.”

Like the other CIOs interviewed for this report, Neville agrees that his job has become more strategic. That doesn’t give him license to ignore the basics of IT, however. “It’s a balancing act, really. You’ll always need to spend a certain amount of time just keeping the lights on. Is the email up and running? Is the network down? Are the stores connected? But you also need to keep looking two years down the road.”

Cutting across company lines
Joseph (Jody) D. Giles, CIO of Under Armour, Inc., in Baltimore, Maryland, says his technology background boosts his credibility when he participates in strategy development. “The CIO knows what’s possible from a technology perspective and can explain it within a business context without sounding arrogant,” says Giles. “That’s an advantage you bring to the table during strategy planning conversations.”

As CIO, Giles can pose questions and raise issues that cut across traditional corporate boundaries. “Being the CIO allows you to ask questions without people assuming there’s a hidden agenda. It’s like, ‘Hey, I’m just the CIO here, maybe I don’t understand all of the business issues surrounding this …’”

Under Armour is a leading developer, marketer and distributor of branded performance apparel, footwear and accessories. Although much of his daily responsibilities involve supply chain and operations support, Giles and his team also take part in strategic planning for the firm’s line of products. “How cool is that? At sales meetings and conferences, I meet and shake hands with the buyers. When customers or talent (coaches, athletes) come through the building, I’m part of the ‘meet and greet.’ I also can’t walk past a retail store selling our product without talking to the store manager!”

Giles takes special pride in his role as driver of business transformation. “We are growing so rapidly that we’re a different company every six months,” he explains. “IT can’t – and won’t – hold us back. Therefore, we must be strategic. If we don’t have the systems and talent to anticipate where we are heading, we could seriously put our company in a bind.”

At Chico’s FAS, rapid growth and a large network of retail outlets forces Gary King to view all IT decisions from a strategic perspective. As EVP and CIO, King is responsible for ensuring that the company’s systems can handle the demands of a highly complex, multi-brand operation. The company operates 925 women’s specialty stores, including stores in 47 states, the District of Columbia, the U.S. Virgin Islands and Puerto Rico.
In addition to the discussions with the notable CIOs included in this paper, Korn/Ferry International developed a questionnaire to gain insight from the CIOs at the Fortune 500 companies. Their responses regarding transformation, innovation and the expectations placed upon them are enlightening, yet hardly surprising:

- When asked if transformation and innovation in business operations, products and services have become increasingly important to their enterprise, 93 percent of respondents said “yes”.

- Eighty-eight percent of those surveyed stated they are tasked with, and funded to transform operations, create change, and innovate more than ever before.

- The majority (79 percent) of respondents believe they are better qualified and positioned to manage business process improvement and innovation than other C-Suite executives.

- Every respondent (100 percent) stated they believe it has become critical for CIOs to become more effective communicators and consensus builders as a necessary element of serving as agents of transformation, change and innovation.

- When asked if they believe they are viewed by senior management as effective communicators and consensus builders, and as effective agents of change and innovation, 79 percent of those surveyed said “yes”, while 12 percent said they were not and nine percent were unsure.

- In terms of funding, the response was mixed. When asked if they foresee a resurgence of funding for IT research and development for new IT initiatives in support of transformation, change and innovation, only 42 percent said “yes”, while 39 percent of respondents were less optimistic, stating “no” and 19 percent remained unsure.
“Growing up as a single brand with systems that were built for one business model has meant that we need to selectively replace our Tier 2 and Tier 3 software with state-of-the-art Tier 1 systems,” he explains. Any transformation at that level is inherently strategic.

With annual revenues approaching $2 billion, Chico’s FAS requires systems capable of addressing a different scale of operations and an even faster pace of change. “As an executive team, we have also tightened up our management protocols to ensure fast decision making among all departments in the company,” he notes.

As a CIO’s status rises, expectations also rise. One sure sign that King is expected to make a strategic contribution can be seen at company board meetings. “There’s time allotted at each board meeting for discussion and update on our goals and project deliveries,” says King.

Tony Costa, VP and CIO at Bumble Bee Foods in San Diego, California, says that he constantly challenges himself to act as a business partner. He takes a leadership role in promoting business alignment and process definition whenever possible.

“As a CIO, you will always have the responsibility to provide the core stability, reliability, and security of the infrastructure and technical solutions but the real value in today’s IT organizations is bridging the gap between strategic direction and solutions,” says Costa. “The more you separate yourself from technology and acronyms, the more you will be viewed by the business as a strategic partner.”

Given the maturity of internal IT processes and models, the tactical capabilities of IT organizations were often taken for granted. Under the rules of Sarbanes-Oxley, however, the performance of IT organizations are measured. As a result, IT has become more visible. For the CIO, this increased visibility has been a mixed blessing.

“Many business leaders look to you to solve their departmental inefficiencies with tools and solutions. I believe it is equally important to collaborate and challenge each functional leader to define business processes to support their functional and strategic needs,” says Costa. “Systems enable business processes; they cannot compensate for the lack of defined, repeatable processes.”

Costa strives for balance when staffing his IT organization. He looks for analytical and business talent, as well as strong technology skills. “An IT organization needs to collaborate and communicate at a level that the business partners understand and appreciate. We strive to be viewed as value-adding partners, and not as a support organization,” he says.
He also considers himself fortunate to have participated in several significant business change initiatives over the course of his career. “I’ve become comfortable with change. I truly feel that change is good and I promote it regularly – both within IT and the larger business,” he says. “I believe that if you want to remain competitive in a corporate environment, you need to challenge the status quo.”

All of the CIOs interviewed derive a high level of satisfaction from being perceived as a business partner instead of a technology consultant. The perception not only benefits the CIO – it also helps the organization.

“My business peers say they genuinely appreciate a CIO with a business focus – someone not consumed by the technology but who understands the value of providing leadership to a solution,” says Costa. “I still enjoy technology, but I challenge myself to put it in the background of the discussion.”

Pushing technology into the background of strategic conversations makes sense for a variety of reasons. “Although technology is very important, and in many cases can be a differentiator, I don’t believe the emphasis on technology is as strong as it was five to eight years ago,” says Costa. “Today, the value of an IT group is its ability to understand business requirements and provide highly efficient solutions, regardless of the technology.”

Summary
In today’s economy, new business models appear, rise, decline and vanish with unnerving rapidity. Only the most agile organizations can remain competitive in this kind of environment.

The emergence of IT as an irreplaceable feature of today’s competitive landscape has propelled the CIO from a supporting role into a leading role. As the speed of business change accelerates, the role of the CIO will continue evolving. Tomorrow’s CIOs will find themselves coping with new duties, greater responsibilities and higher expectations.

One trend appears clear: Competitive organizations will expect their CIOs to serve as strategists as well as enablers. CIOs will assume leadership roles in product innovation and the opening of new markets. They will be perceived less often as managers of technology and more often as agents of change and business transformation.

“Best-practice CIOs are increasingly being viewed by their CEOs as the organization’s primary change agent. Indeed, an ultimate sign of success is when the CIO’s principal evaluation criterion is his or her ability to drive change,” writes Meta Group’s Graham Waller.

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– Tony Costa
VP and CIO
Bumble Bee Foods
CIOs are heading into new and exciting territory. Fortunately, the skills and knowledge they have acquired will serve them well. Their unique understanding of enterprise-wide business challenges has prepared them to meet the demands of an ever-changing business environment in which technology is a means to an end, not the end itself.

Karen Rubenstrunk is a Senior Client Partner in the Northern Virginia office and Member of the Information Technology Officers Center of Expertise in North America.

Mark Polansky is a Senior Client Partner in the New York office and Managing Director of the firm’s Information Technology Officers Center of Expertise in North America.

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