



CIO 2.0

Defining and Developing Tomorrow's IT Leaders

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As their roles have increased in complexity and visibility, chief information officers have evolved from pure technologists to key business strategists whose influence extends throughout the business. Consider that information technology assets can account for more than half of capital spending at some companies, and many CIOs now manage offshoring contracts valued in the hundreds of millions of dollars — exceeding the size of many business units. Increasingly, global transformation initiatives and corporate-wide risk management efforts are driven by the IT function.

In light of the increased visibility of the role and its growing responsibilities at many companies, Spencer Stuart's Information Officer Practice set out to explore the "route to the top" for the global CIO. In addition to developing a "snapshot" of the professional and educational backgrounds of global Fortune 100 CIOs, we conducted in-depth interviews with leading CIOs about their careers, the evolution of the CIO role, the key competencies CIOs of the future will need and what today's CIOs should be doing to ensure that their organizations will have the talent they need for the future.

A strategic adviser to the business

The CIOs we interviewed universally agreed that the CIO today can and must play a more strategic role than in the past. Traditionally viewed as a back-room function that supported the business, IT was rarely seen as an enabler of the strategy. That's changed, of course. Technology is integral to the strategy of most businesses today and touches every part of the organization. It provides tools and data to support decision making, and supports increasingly global organizations, a complex supply chain and a dispersed and mobile executive team. The CIO's role has grown over time, as business leaders have embraced the value

of IT and IT leaders have increasingly adopted the language of business.

"Within most industries, business models of today and tomorrow are driven and enabled by IT, especially as companies become more global in their markets, R&D, operations, etc.," said H. James Dallas, senior vice president of quality, operations and IT for Medtronic. With technology now so pervasive and core to the business, CIOs have a unique view of the organization and therefore must become a prominent voice in strategic planning, he argued. "The CIO is one of three positions along with the CEO and CFO that look up,

down and across the company. The CIO knows how processes really work, the different cultures within a company, and most importantly, the opportunities. As a result, IT has to be at the strategic planning table actively participating.”

IT also is playing a key role in revenue-generating activities at many companies, developing customer-facing tools to enable marketing, communications and transactions — in some cases, serving as the face of the company to consumers. In companies such as Verizon Communications, IT also is integral to driving new product innovation. “It is not the norm in telecom to have IT involved in technology. At Verizon, we’ve had our people focus not only on the process of running the company, but also get in-depth in the production of the product to drive growth and innovation,” said Verizon’s CIO Shaygan Kheradpir.

CIOs and the IT function will become even more involved in value-creating activities in the future, predicted retired Kellogg Company CIO Ruth Bruch. “CIOs are going to be much more focused on how to use IT to enable significant changes in the products and services that their companies deliver. Everything has to be tied to delivering shareholder value. That means focusing on how to use IT to significantly differentiate the delivery of your product or service to the marketplace,” she said.

In general, CIOs should strive to be a proactive adviser on a range of business decisions, argues Vittorio Severino, chief technology and services officer for global banking and markets at HBSC. “The next evolution for CIOs is really to help the business heads understand the full ramifications of their decisions, for example, when entering into

a new business line or altering existing product offerings. CIOs will be there to say ‘Hey, have you thought about A, B, C and D?’ Instead of being reactive, CIOs should be very proactive about whether the company should even be in those businesses and, if we are, the best way to engineer it,” he said.

“More and more, companies want a CIO who can really take that seat at the table and help with business leadership in a strategic discussion,” said Todd Thompson, CIO for Starwood Hotels & Resorts Worldwide. “To do that, CIOs need to think less about bits and bytes and servers and data centers, and more about the business: What does this do to revenue? What does this do to the cost of the firm? What does this do to our ability to satisfy guests, owners and customers? If we can wrap our heads around revenue, costs, and guest, owner and customer satisfaction as a CIO and solve business problems and technical problems, that’s where we’re valuable. I see more companies using their CIOs that way. I see more CIOs capable of playing that role.”

Looking ahead, senior management will expect top IT executives to take a leading role in transforming business processes and capabilities, making the organization more efficient and taking out costs, as much as possible.

“In many cases, IT is one of the first functions that is truly global and centralized. As a result, it becomes a sort of forcing mechanism for process standardization and change for the rest of the organization,” said Roland Paanakker, vice president and CIO for Nike. “There’s a natural evolution from providing technology and support for global processes to becoming the process owner for the

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organization, building and driving capabilities and capacity in the organization.”

While they are serving in the role of strategic adviser to the organization, CIOs also must manage increasingly complex IT systems while continually lowering technology costs. Controlling costs is especially relevant in the short term, as companies are responding to a difficult economic environment, but it will remain an ongoing priority for most organizations — even as it becomes more challenging.

“CIOs have to take costs out of IT and the business. You cannot move away from that, so you have to figure out ways to apply innovation and technology to do more for less,” said Bask Iyer, senior vice president of Honeywell International. “At the same time, most companies have been reducing costs over the past few years, so just coming in and saying I’m going to cut costs by bleeding the suppliers more is not going to cut it. You have to have some creativity and be able to achieve hard productivity operational savings.”

Hand-in-hand with reducing IT costs is improving productivity, according to John Doucette, vice president and CIO of United Technologies Corporation. “The number-one priority is to give the business technology that will drive productivity: a handheld device that allows the service or sales force to go out on more calls or automating the controls process in finance so we can have fewer resources doing the mundane controls.”

In challenging economic periods, companies are tempted to make big cuts in IT, but cuts that go too far can affect productivity, CIOs cautioned. “Smart CIOs ask, ‘how do I make investments to get sustainable, long-term cost reductions, and also greater efficiency and capability in my core infrastructure? This is the core engine that drives the company’s future and if you don’t have that sorted out, it’s very hard to do the kinds of applications that you might want to do or the kinds of customer-facing work that you want to do,’” said Microsoft CIO Tony Scott.

The CIO route to the top

To serve as a proactive force driving transformation, CIOs and their teams need a deep understanding of the business and its drivers and a good working knowledge of key functions, including marketing, sales, supply chain and finance. They need to be output-driven and metrics-driven and also be able to talk about technology in business terms. CIOs must be consultative and able to solve very complex problems. Finally, to succeed today, CIOs need strong leadership, management and communication skills.

“You’ve got to be a great leader, who is respected and part of the business relationships at the middle and top of the organization, including being able to interact with the board of directors,” said Bruch.

Paanakker also emphasized the people leadership element of the role. “The most important competency in my mind is business acumen and,

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DOES AN IT BACKGROUND MATTER?

Among the CIOs we interviewed, there was universal agreement about the importance of business experience to a CIO's ability to excel; there was less agreement about the depth of technology expertise required.

On one hand, IT organizations increasingly rely on external partners for "hard-core" technology skills. More important for CIOs, according to Bruch, is to have a working knowledge of technology and be able to apply that knowledge to the problems of the business. "You do not have to know everything about the technology. I know enough to be credible with the IT professionals and to understand how to connect the dots between the business and what the technology can deliver."

Jean-Michel Arès, senior vice president and CIO of The Coca-Cola Company, said he believes the CIO of the future will be a business technologist. "It's someone who really understands the business, someone who has consultative and problem-solving skills," he said. "It's not enough to be able to talk about SAP at 100,000 feet. You've got to understand how it works enough so that you can make good calls on how to wire things together to achieve the greatest efficiencies. I'm looking for people who are very bright and have good business experience, sharp business acumen, have a good intuitive understanding of technology and can solve business problems, build consultative relationships and obviously drive change and execute."

Other CIOs placed more value on having "in-the-trenches" technology experience, given the scale and complexity of technology today.

"Technology has become more complex and, at least in our world, requires somebody who can deal with all the complexity and still make the right decisions about technology solutions for the business. There are so many variables today and sorting through all of that is critically important. If anything, technical skill-sets are more important now than ever," said Scott. "The CIO of the future is one who has deeper technical skills and broader business experience and can combine the two to deliver a management response to the company's issues."

Ultimately, the degree of technical knowledge a CIO will need is likely to depend on the strategy of the company, the industry in which it competes and the sophistication of its IT. But the jury is still out, according to Thompson. "I had the opportunity to code for 10 years and be a database administrator and systems analyst, but those aren't the core skills and experiences that I use today. The business experience is much more important and prominent. However, I wonder how would I be handicapped today if I never had the opportunity to get that background? If the next generation of CIOs doesn't have any hands-on background given outsource trends, etc., can that generation succeed as a CIO and an IT leader generally?"

secondly, people management — looking at issues such as how you make sure that you create the right teams and that the culture within the organization is optimal for the work that we have to do. The people aspect of the leadership role continues to grow in importance because talent is scarce. We have to make sure that we create an environment which gets the most out of the people that we have in the organization and it becomes a destination for talent as a company,” he said.

Being a leader also requires saying “no” when necessary, according to Paanakker. “A CIO needs to be solution-oriented, but also must be authentic about what will work and what won’t. In times of pressure, it’s all too easy to commit to something that might not be feasible to implement, rather than put the issues on the table,” he said. “But this whole notion of being a trusted and respected business partner implies that, every now and then, you have to say ‘no’ or come up with alternatives.”

We asked CIOs about their individual routes to the top and which experiences have been most valuable to them in their current role. Interestingly, no single career path emerged; some CIOs began their careers in finance, others in technology or operations. Several have consulting experience. Others headed business units at one time or were entrepreneurs.

Regardless of the paths they have taken, CIOs overwhelmingly agreed that the diversity of experience they accumulated — in various industries or through a range of very different assignments and roles, including e-commerce, operations, consulting and international positions or projects — has been instrumental in their professional success and in their ability to be effective as CIO. Some, like Novartis CIO Leon V. Schumacher, describe them-

selves as “accidental” CIOs, who successfully responded to new challenges and opportunities and were continually rewarded with new assignments and positions in different areas and geographies. “Most of the stops in my career were not really planned. I do not believe it would have been possible to plan them in this way. It was more like a collection of great opportunities and challenges in diverse functions that presented themselves over time and were based on past performance,” he explained.

“My strategy from early in my career was really to become as broad as possible because I knew that would be the foundation,” said Doucette. “As a CIO, you need to understand sales, marketing, distribution, finance, manufacturing and engineering. On any given day, you may be in a discussion about any one of those functions and you need to be able to talk about it, whether it’s about how to dispatch a mechanic or how a call center should operate. You really need to understand how that process happens, where that process is going in the future and how new technology will change that process.”

Similarly, several CIOs said they draw on knowledge from their work as consultants, which helped them build a broad base of business knowledge by exposing them to a wide variety of industries, business models and problems, and improved their ability to find solutions to complex problems. “With that variety, you’re a little more fluent, confident and comfortable in the business discussions that you end up getting into as CIO,” said Thompson.

Several CIOs also said past experience in business operating roles was especially valuable for them. These assignments deepened their understanding of the business, including the levers of business.

Tony Scott ran a unit of Marriott Corporation's Great America Theme Parks early in his career, overseeing a couple hundred employees and couple million dollars in sales. "Those opportunities help you learn the fundamentals of managing and running a business — marketing, supplier management, the variables that you can control to increase or decrease profitability. That basic business orientation was great training later for understanding the role that IT could play in either helping a business or hobbling it, as the case may be."

And this deep, business-based experience gives CIOs credibility with business leaders and others. "I didn't plan it that way, but in hindsight when I look at the business experience I have, it helped. When I sit with my counterparts, they don't look at me as just some IT guy telling them what to do; I have credibility when I say, "This is not how we

should be manufacturing' or 'Here's how we should manage our inventory.' That makes our conversations a lot easier, because they look at me as one of them," said Iyer.

Several CIOs also talked about the value of deep technical experience early in their careers. Coca-Cola's Arès said he draws on the problem-solving skills he learned as an entrepreneur and software engineer working toward commercializing a product. "Being a working engineer for two-and-a-half years and designing very complex information systems, not only architecting them, but building them, was very important in shaping my ability to solve problems. When you spend that much time designing and programming software, it's not very forgiving. As an entrepreneur, I had the responsibility of overseeing the vision, marketing, engineering and making it all happen."

CIO SNAPSHOT

A look at the professional backgrounds of CIOs of Fortune 100 companies.*

Highest educational level achieved**

Bachelor's	44%
Master's	18%
MBA	14%
Ph.D.	9%
JD	3%
Other	1%
No advanced degree	1%
Unknown	11%

Average tenure

48 months (4 years)

Average age

51

Reporting relationship**

CEO	54%
CFO	21%
COO	12%
Board member, vice chairman	9%
Other	5%

First IT role?

No	82%
Yes	18%

* Data not available for all executives in the group.

** May not equal 100% due to rounding.

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Developing the next generation of IT leaders

Based on their experience in their own careers and overseeing the career development of the people on their teams, CIOs shared their observations on what companies should be doing to attract and retain talented IT people and preparing them for senior IT leadership. CIOs said building a strong IT team for the future is a top priority and most reported spending between 15 and 30 percent of their time on staff development. What are the most effective practices for developing CIOs and other senior IT leaders?

A disciplined and pervasive talent management program

It seems obvious that an active talent management program is essential for identifying and developing promising executives and ensuring that they gain the breadth of experience required for senior-level roles in the organization. Nevertheless, it's an area that many IT organizations don't do as well as they should.

Effective talent management begins with recruiting individuals who not only have necessary competencies, but also represent a good fit for the culture of the organization, said Jeff Smith, group executive for business technology for Suncorp-Metway Limited. “When interviewing people, the discussion can't focus on ‘did we like him?’ It has to be as rigorous as performance management and increasingly we are enforcing even behavioral interviews at the lowest level. New people have to be compatible with our value systems because people rarely leave

because of technical skill deficiency. More often, someone leaves because they don't fit in,” he said.

To be effective, talent development has to be an ongoing effort. At Suncorp, managers review all IT talent down to the team leads once a quarter. “Many companies talk about people development once a year, but it is important to talk about talent every day and create an environment where people continue to learn,” said Smith.

“Whatever the CIO's marvelous qualities, what people really experience on a day-to-day basis is their immediate supervisor,” said Lawrie Turner, CIO of Singtel Optus Ltd. That's why it's so important to invest in the leadership development of a broad group of managers, which Turner has done through an intensive, three-day leadership program. “I'm an immense believer in a strong team; the caliber of the team is what will make all the difference.”

Formal or informal mentors also can be valuable when they provide a clear, honest appraisal of individuals' strengths and development needs, according to Bruch. “The people who have the most success are the ones who are coached by mentors, leaders or managers who are not afraid to identify areas of improvement and have a vested interest in helping that person improve. If you can do that and help them address those developmental areas, you greatly enhance their ability to grow into more significant positions and to add significant value to an organization,” she said.

Leaders also must be willing to make tough decisions about talent. “A senior leader’s main responsibility is developing other leaders,” said Dallas. “I spend at least 30 percent of my time on staff development, including making the tough personnel decisions when someone is not cutting it. Indeed, I found my biggest mistakes were when I waited too long to make personnel decisions that were obvious. I hesitated because many times they were good people but in the wrong job or I promoted them beyond their ability.”

Exposure to the business

CIOs told us they expect that there will be more fluidity between operating business units and IT, and that more CIOs in the future will come to the role with prior experience running a business. Companies are taking a variety of approaches to exposing IT talent to the business.

At Verizon, “IT lives within the business. In the field with marketing or operations, IT is side-by-side on the front line,” said Kheradpir. The company’s talent development approach is to bring in new employees and give them interesting and challenging assignments. “We have one of the biggest playpens for an engineer that you can find. We point them in a direction and help them learn how to define problems and build necessary relationships, all in order to find a solution that has a positive impact on the company.”

Two years ago, Starwood realigned its IT organization around the business units. “We eliminated the technology silos and aligned the team with the business functions. As a result, we’re developing new muscles for innovation and business solution

delivery, and I expect we will continue to refine the structure as we learn and develop,” said Thompson.

To ensure his team stays close to the business, Honeywell’s Iyer said he requires his direct reports to have at least one pure business objective, for example reducing the inventory costs of a business. “They get measured on it and I want to see active participation and be able to see what they have done to make it happen,” he said.

There also are benefits to inviting people from the business to join IT teams. Bombardier moves people from the business into IT and the reverse, benefiting both the business units and the IT function, according to Jean Pierre Bourbonnais, vice president of information technologies and CIO for Bombardier Aerospace Group. “We continually cycle people from the business into IT and then they go back to the business after two to five years. We bring them in for big projects because of their business process knowledge. They become savvier about IT. They actually become proponents of how IT needs to function in the business. It’s a very powerful model,” he said.

Meaningful work and a productive environment

One of the most powerful tools to develop future leaders and retain the loyalty of key people is to give them challenging and interesting assignments. “I strongly believe leaders are developed through their experiences, especially the tough ones. As a result, I look to give our top talent assignments — not just positions and promotions — that teach them change and program management. When things go wrong, I ask them what they learned from it,” said Dallas.

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ADVICE FOR ASPIRING CIOs

We asked CIOs what IT executives aspiring to be CIO should be doing to prepare for the role.

“If you want to distinguish yourself, you’ve got to take personal risk — good, educated risk. You have to be willing to bring change to an organization. If you can sell change and then deliver change, you’ll be seen as someone who is very important to the overall organization.”

— Vic Severino

“Be proactive. There’s an expression, ‘let sleeping dogs lie.’ I would say don’t let sleeping dogs lie; make sure that you’re proactive and address issues that need to be addressed. Don’t take things for granted just because something seems to be working. Go out there and ask questions. The more information you have, the more feedback you get, good or bad, you’ll be in a better position to make the right decisions, to make the right changes.”

— Jean Pierre Bourbonnais

“Develop your business problem-solving skills and a view of what an enterprise is because, when you’re CIO, you’re fundamentally disaggregating the enterprise into its components and looking for the leverage that creates value. Develop your consultative skills, your business problem-solving skills, develop an intuitive understanding of technology and, obviously, be highly disciplined in the way you manage complexity.”

— Jean-Michel Arès

“Zigzagging between business and technology is really important to becoming a well-rounded senior executive of any sort. Some great CIOs come out of non-IT backgrounds and for people with a pure IT background, it’s very important to go and do something else for a while. Be broad within IT, and then build multi-industry, multi-role experience.”

— Lawrie Turner

“Five things: (1) learn how to speak the language of business, especially from a strategic and operational standpoint; (2) build a portfolio of experiences, not just positions; for example, experiences leading or working on major change initiatives and acquisition integration; (3) take on at least one global assignment; (4) spend as much time as you can traveling with sales to major customers, especially the higher up you go; and (5) make the tough decisions, such as cost cuts, before you are asked to.”

— James Dallas

“Be in love with the work. Think about doing the best in what you can control and you will be best positioned for opportunities. There is also an element of timing and luck involved. The people who do well show enthusiasm and creative energy for the process of work — and for achieving great things. The outcomes then tend to follow.”

— Shaygan Kheradpir

Verizon has a similar approach. “The number-one driver of people is meaningful work. If you give them better and more challenging assignments, they stay engaged. That is the key component of retaining the best people” said Kheradpir.

Plan to replenish talent

As reliance on outsourcing has grown, IT organizations today have fewer people at the lower levels of the talent pyramid — particularly in areas such as application development — from which to draw future IT leaders. In response, some CIOs have made adjustments to their talent development processes to ensure that they have a steady stream of talent coming up through the organization.

United Technologies, which outsources most of the day-to-day tasks of the help desk, network operations and application development, has created a training program for entry-level IT people. “We try to bring in recent college graduates and within 27 months via three different nine-month rotations, we train them and then give them the equivalent of five years experience until they get up into the top of the pyramid. That was an adjustment we had to make because of the change in our IT organization structure,” said Doucette.

Conclusion

The CIOs who we have interviewed for this study mirror the profile of the most in-demand candidates we see through our search work. They are highly accomplished business people who know their customers and user requirements. They think strategically, while knowing the tactical “levers” that can add immediate value to the business. Proactive and adaptable by nature, these leading CIOs are respected across the enterprise. Their ability to nav-

igate critical “make” versus “buy” and outsourcing decisions is now second nature. Most importantly in difficult times, the CIOs at the top know how to innovate and make a difference with less.

These capabilities will continue to be important for CIOs in the future, as the demands on the role will only grow. Future CIOs are likely to become even more involved in value-creating activities. They will be expected to take a leading role in transforming business processes and capabilities and to serve as a proactive adviser on a range of business decisions. To ensure they develop the next generation of IT executives with the necessary leadership skills and business and technical expertise, today’s CIOs will have to commit to a talent development plan that provides up-and-coming IT leaders with broad-based technical experience and an in-depth understanding of the levers of the business.

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