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Technology
Review

The Path to Professional Salvation for Modern IT Leaders
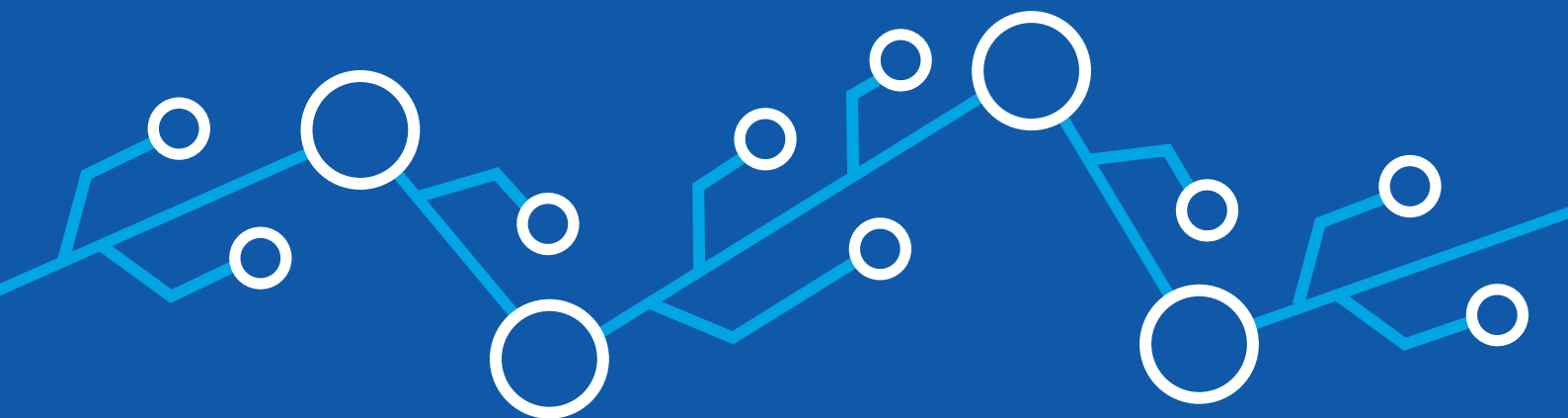
Today's technology leaders must learn how to become transformational business experts, driving the digital opportunity with the CMO or CDO, and looking beyond operational improvements to achieve competitive advantage through innovation.

For the type of CIO who reactively takes orders from business leadership, while longing for a seat at the executive table, the future isn't just bleak — it's non-existent. Since the rise of the CIO role, the IT function has remained largely separate from the business — not through dramatic rupture but through matters of culture and habit. The need to reintegrate IT with the business — steering the CIO from the sidelines to the front lines — is being driven by a strategic imperative of utmost urgency: the delicate alignment needed to drive digital transformation in an age when 85 percent of organizational leaders believe they have a narrow two-year window to advance their digital transformation efforts before business performance is compromised.[i]

Traditionally, the CIO has stood out — and, at times, apart — by understanding technology better than anyone else in senior management. IT's relationship with the business followed a strict "command and control" model, with the CIO approving (and, in most cases, initiating) all decisions related to enhancing the corporate technology and infrastructure.

But the function's ownership of the organization's IT strategy and platforms withered as technology — particularly cloud services — became democratized. Functional leaders, especially CMOs eager to exploit digital channels, committed their own budget dollars to acquiring digital tools and talent, bypassing the corporate IT function. Easy access to technology, often in the consumable software-as-a-service format, made it feasible for the business to fulfill its needs outside of enterprise IT. Such enthusiasm has helped drive the market for the global public cloud to a projected $178 billion this year, growing at an annual clip of 22 percent according to Forrester.[ii]

With the speed of technological change accelerating and line-of-business managers gaining confidence in their own IT decision-making, the imbalance of power grew. Within the same company, groups bought and administered the technology that suited their needs without regard to how, or whether, it might fit into the larger enterprise context. As proactive as a company might be in building digital interactions with their customers or driving key functions to mobile platforms, such initiatives remained isolated from one another and from the rest of the business.

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Richard Cross, chief digital transformation officer at Clear Channel International

To make matters worse, the CIO became more focused on operational issues like cost management, ongoing process improvement, and system availability rather than helping the business transform. "Most CIOs lost the battle in technological innovation," says Dwight Specht, North Highland vice president and global technology lead. As a result, "their main task became maintaining and operating legacy systems and operations."

The shrinking of the CIO's portfolio could be viewed as a consequence of his or her own success. From the inception of the role, it had been the CIO's job, to sell the business on the idea of investing in subsequent waves of architectural innovation, from distributed network computing to internet connectivity. Eventually, "the business understood the importance of technology. They didn't need to be convinced of it anymore," says Specht. "They needed a tech leader who could do more than provide a service."

In fact, the technology leadership that most companies craved needed at least as deep an understanding of the business of IT. With their business models under constant competitive pressure, companies sought help foreseeing oncoming technology trends, assessing their impact on the business and adjusting their growth strategy accordingly.

Technology is already the driving force behind customer interactions, competitive advantages, and enlightened decision-making. Given the IT function's centrality, the CIO is uniquely well-positioned to lead the business into the digital future, assessing how it can use technology to boost operations and fuel innovation. According to a 2017 Gartner survey, at least 84 percent of top CIOs [surveyed] now have responsibility for areas of the business outside traditional IT. The most common areas are innovation and transformation.[iii] "The CIO now has opportunity to be at the center of digital transformation because it is technology driven," says Richard Cross, chief digital transformation officer at Clear Channel International, the outdoor advertising giant. "You need to be the innovator, experimenting and challenging the organization and being proactive. You've got to make some big changes, and you've got to be fast. The traditional IT project can be quite slow and sequential. I'm not sure all CIOs have made that transition."

To do so, CIOs need to change their mindset, shifting from an operational view to a transformational one and setting their sights on achieving broader business objectives such as increasing revenues and growing market share. How can they begin to do that? "By demonstrating a deep level of business understanding, combined with a level of technical competence that no one else has, CIOs can get back into the game," says Paul Welty, North Highland associate vice president. "There's a gap, and the only reasonable person to fill the gap right now is the CIO."

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Paul Welty, North Highland associate vice president

From Enabler to Visionary

In truth, CIOs have little choice but to find a new role within the business. The days of trouble-shooting routers and ordering servers are fast disappearing — those duties may still need doing, but most corporate IT departments have outsourced, or plan to outsource them. Whether it's the cloud, or infrastructure or apps, the CIO's job has largely become brokering among different service providers. "CIOs have to be orchestrators much more than they did in the past," says Kevin Burkhart, North Highland vice president. "They own less, and what they do own has to be either very cheap or highly integrated. They manage SaaS providers and other vendors, working out who owns the data and how to make sure it is secure and compliant. They have become facilitators and advisors."

The skills they have been honing within their function are a smaller scale version of what the entire business needs them to do. Until recently, companies had effectively siloed their digital projects, "sandboxing" them away from their legacy functions. Insurance companies, for example, developed robust e-commerce platforms but still retained their human sales agents — even as they grew more expensive and less occupied. But now companies have reached the point where they can envision that their digital capabilities, once fully integrated, will enable synergies, producing and combining information that management can craft into a disruptive business model.

"Enterprises have thought about technology in the past as if the IT organization were a contractor to the business," says Mark Schwartz, enterprise strategist at Amazon Web Services. Analogizing the function's restructuring to the different models of software development, he goes on to say that "the waterfall way of doing things — tossing a list over

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the wall to IT — is not the model moving forward. Companies are moving toward a more agile, iterative, customer-centric way of doing things."

Such is the difference between a corporate initiative and an organizational transformation. As technology and business strategy become indistinguishable, CIOs must apply both technology expertise and business acumen to determining how to most effectively integrate and leverage new capabilities.

A key opportunity which requires the CIO's strategic involvement involves the growing sophistication and incidence of cyber-hacking. According to a report by Gartner, "by 2020, 60 percent of digital businesses will suffer major service failures due to the inability of IT security teams to manage digital risk."[iv] As IT teams strive to create a common operating platform for the business, the CIO needs to ensure controls are in place to secure data privacy and protect the company's information assets. Their cross-functional understanding of the business will enable them to collaborate with other C-suite executives to reduce cybersecurity risk in all the company's critical functions. Such increased visibility is part of what makes the prospect of digital transformation "a big watershed moment for CIOs," says Welty. "CIOs need to get in the game and do what they need to do, or the company can just shut down."

Steps to Self-Disruption

As structurally well-positioned as CIOs may be to assume the heightened role of technology strategist, their traditional focus on operations may leave them less than fully prepared to drive a digital growth strategy across the organization.

But they should heed the findings of a Gartner study that found that "by 2020, five of the top seven digital giants will knowingly 'self-disrupt' to create their next leadership opportunity."[v] They need to focus on their own growth as well, taking steps to strengthen the muscles they'll need to help push the enterprise beyond its fast-moving peers, such as the following:

- **Look to integrate technology into the core of the business**. Before assuming an expanded role, CIOs need to modernize the IT function's architecture, driving down costs by outsourcing non-critical functions as well as reducing traditional software licensing models that can lead to costly maintenance issues. They also need to establish quality leadership that focuses on operational discipline and helps them better understand the business. In working with a global design and engineering company, North Highland helped the IT department align with the goals of the business — developing a new operating model aimed at making the department a value-driven strategic partner. North Highland defined a set of key activities, including moving to the cloud and collaboration points, which drove enhancements to user experience and productivity. Through this work, the organization identified opportunities for 20 percent savings in IT spend.

- **Continually learn by reshaping your knowledge with education**. To gain fluency in the language of business, CIOs should pursue continued education relevant to business skill sets around modern marketing, service design, and digital strategy — all while focusing on fostering an understanding of how to run an efficient business. Such education will make it easier for them to communicate with members of the board who "aren't interested in bits and bytes," says Ben Grinnell, North Highland managing director and global technology & digital lead.

- **Look for opportunities to serve as the CEO's digital interpreter**. In every interaction with the CEO, CIOs should work to communicate the ultimate value of digitizing and unifying functions — expressing the return in business terms, such as decreased cost. Specifically, they have an opportunity to hire or become product leaders who can translate the company's products and services to a product that's highly enhanced with technology.

- **Rebalance priorities to align with future role.** To become effective strategy-setters, CIOs must deliberately recalibrate their efforts, devoting less of their time to boosting efficiency in favor of innovating new business models and identifying future opportunities for growth. CIOs should start viewing every opportunity through the lens of how they are contributing to implementing a business transformation. To do this, CIOs should consider attending company strategic meetings to align their team's goals to business goals.

Becoming the Company's Digital Evangelist

As internally focused as CIOs once were, they now need to devote more energy to helping other parts of the organization understand and appreciate the opportunity embodied in digital technology. CIOs can spend time getting to know their customers, accessing social media sites, and speaking with them directly. Armed with this insight, CIOs should focus on building technologies that support revenue. "They need to be able to talk about 'This is how technology is going to change the game for us'," says Specht. Once they can do that, CIOs will be well on their way toward making their own rewarding transformation.

> 66 [CIOs] need to be able to talk about 'This is how technology is going to change the game for us'. 99

Dwight Specht, North Highland vice president and global technology lead

For more on how CIOs are aligning with the business, visit
http://www.northighland.com/services/capabilities/technology

[i]   Business 2 Community, 17 Statistics Showcasing the Role of Data in Digital Transformation, December 6, 2017
[ii] Forrester, The Cloud Security Market Grows from $1.5 Billion in 2017 to $3.5 Billion in 2021, July 2017
[iii] Gartner Press Release, Gartner Survey of More than 3,000 CIOs Confirms the Changing Role of the Chief Information Officer, October 2, 2017, https://www.gartner.com/newsroom/id/3810968
[iv] Gartner, Market Trends: Digital Platforms Will Drive Full Life Cycle API Management Growth, January 23, 2018
[v]   Gartner, Top Strategic Predictions for 2018 and Beyond: Pace Yourself, for Sanity's Sake, September 29, 2017

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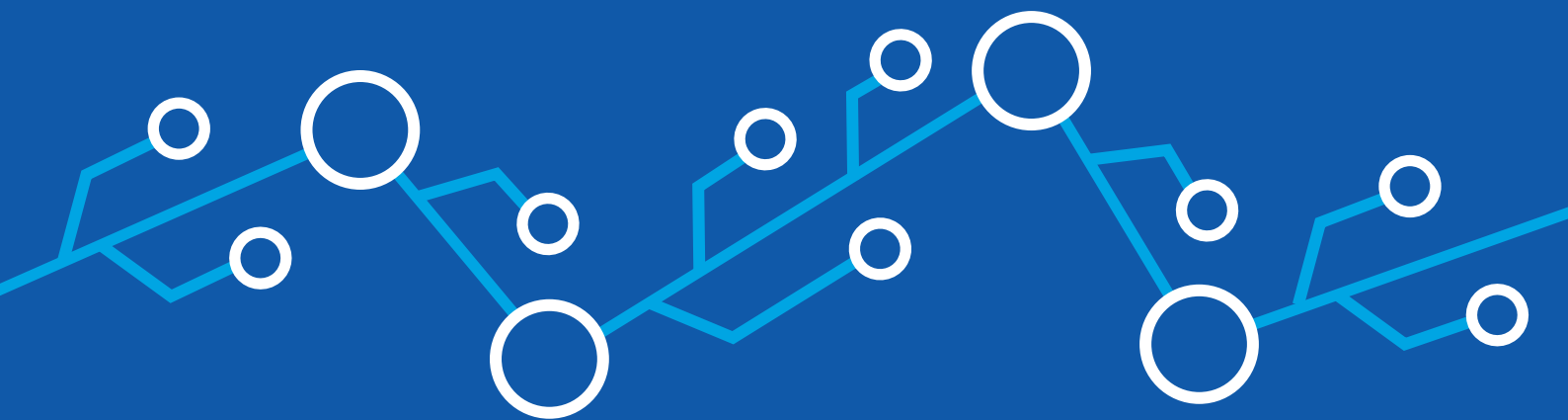## About MIT Technology Review Insights

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