

The CIO's Changing Role: Back Office Operations to Customer Facing Innovation

The Evolving CIO

If you are a CIO and spend most of your time thinking about ERP programmes, data centres, networks and driving down operating costs your world may be about to change...

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After 15 years working alongside Fortune 100 CIO's it is clear:

The CIO's role is rapidly refocussing on leading digital innovation rather than managing traditional back office IT systems.

Hadley Baldwin,
Partner, The Berkeley Partnership.

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Software as a service is not a new idea but now it is reaching maturity. So rather than just providing best of breed applications, it will soon be the default for provision of core ERP systems even in the world's largest companies.

This will have two impacts for CIOs:

1. It will materially reduce cost and move costs from being fixed CAPEX to variable OPEX
2. It will significantly reduce the effort and complexity of both traditional IT projects (no customisation – it's not an option, just more powerful configuration) and systems support (no infrastructure to support, no applications upgrades to manage)

As time and money is freed up, where will it go? Customer facing digital innovation

In the future we can expect digital innovation to become the biggest concern for IT leaders across industries. But what does this mean for the CIO role and which attributes will be necessary?

CIO time used to be predominantly focussed on back office concerns, developing processes, infrastructure and software to keep systems efficient and relevant. More recently, as an increasing amount of back office functions get outsourced, we have seen the focus shift towards more customer facing concerns. Suddenly collaboration, networking and emotional intelligence are key skills a CIO must cultivate to succeed get outsourced, we have seen the focus shift towards more customer facing concerns.

Suddenly collaboration, networking and emotional intelligence are key skills a CIO must cultivate to succeed.

Old Skills –1980	New Skills – 2015
Fixed Processes	Innovation
Back Office	Customer Facing
Control	Collaboration
Formal Structures	Networking
Technology Support	Leadership Role
Limited Influence in company	Central role in company

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Traditionally CIO's have been focused on major technology initiatives, and have not made the time to truly understand the business imperatives. In today's increasingly fast-paced, changing and digital world, IT need to effectively work with their business partners, and in particular, Marketing to drive strategic business change.

Mark McClennon,
CIO – Consumer at Unilever

The reality in 2015: If business partners don't want to work with IT on a new digital product (perhaps a new app) they'll just go to an external web or marketing agency. The problem here is that new digital products almost always need a version 2 and integration – so from a business point of view it's better they collaborate with IT. This is more likely to happen if the CIO is engaging with business partners effectively and providing value in terms of strategic guidance.

2. IT is joining finance & marketing as the 3rd function driving profitability

In the past marketing and finance would have been the functions most companies would recognise as driving profitability, now we are moving to a place where the IT has a key role to play in growing the business.

We now have more of a three legged stool when it comes to business. IT now takes its place alongside finance and marketing as one of the core factors that will make or break a business.

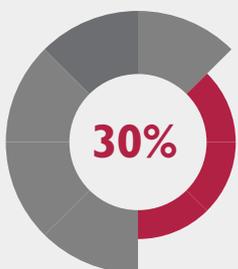
Business strategy and IT strategy used to be separate entities, now they are fusing. With IT as a more central part of generating revenue and managing costs, a company's approach to IT is inextricably linked to the wider objectives of business development.

This has led to a shift in the significance of the CIO. Where before a CIO's power might have come from knowing the workings of computer systems that others didn't, now it is becoming much more of a leadership role requiring the coordination and management of a variety of outside companies and suppliers.

As IT becomes a more central part of the generating revenue and managing costs, it is joining Finance and Marketing as the third key component of business strategy and development.

A survey by Forrester asked who was the most important senior leader in driving or supporting business transformation?

Nearly 30% answered CIO, the highest percentage of any senior leader including CEO.



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3. Control vs collaboration: Managing external and internal teams

- External Team Management: The set of competencies that are becoming essential are partnering skills and the ability to manage external teams. If your IT systems are no longer centralised in your own office, but depend on a host of outside suppliers then the ability to coordinate and optimise these relationships becomes a crucial part of delivering value as a CIO.
- Internal Team Management: It used to be all about MUST. You must have approval, must follow the rules, must have the budget. The new world of internal team management moves away from rigid control to flexible collaboration. Delegating responsibilities to the different roles within the department is key to freeing up the CIO's time for innovation.

We might traditionally consider the head of an IT department to not need the same front-facing skills as other members of the team, yet as the role evolves into one of leadership and people management, social and emotional intelligence become necessary requisites for the job.

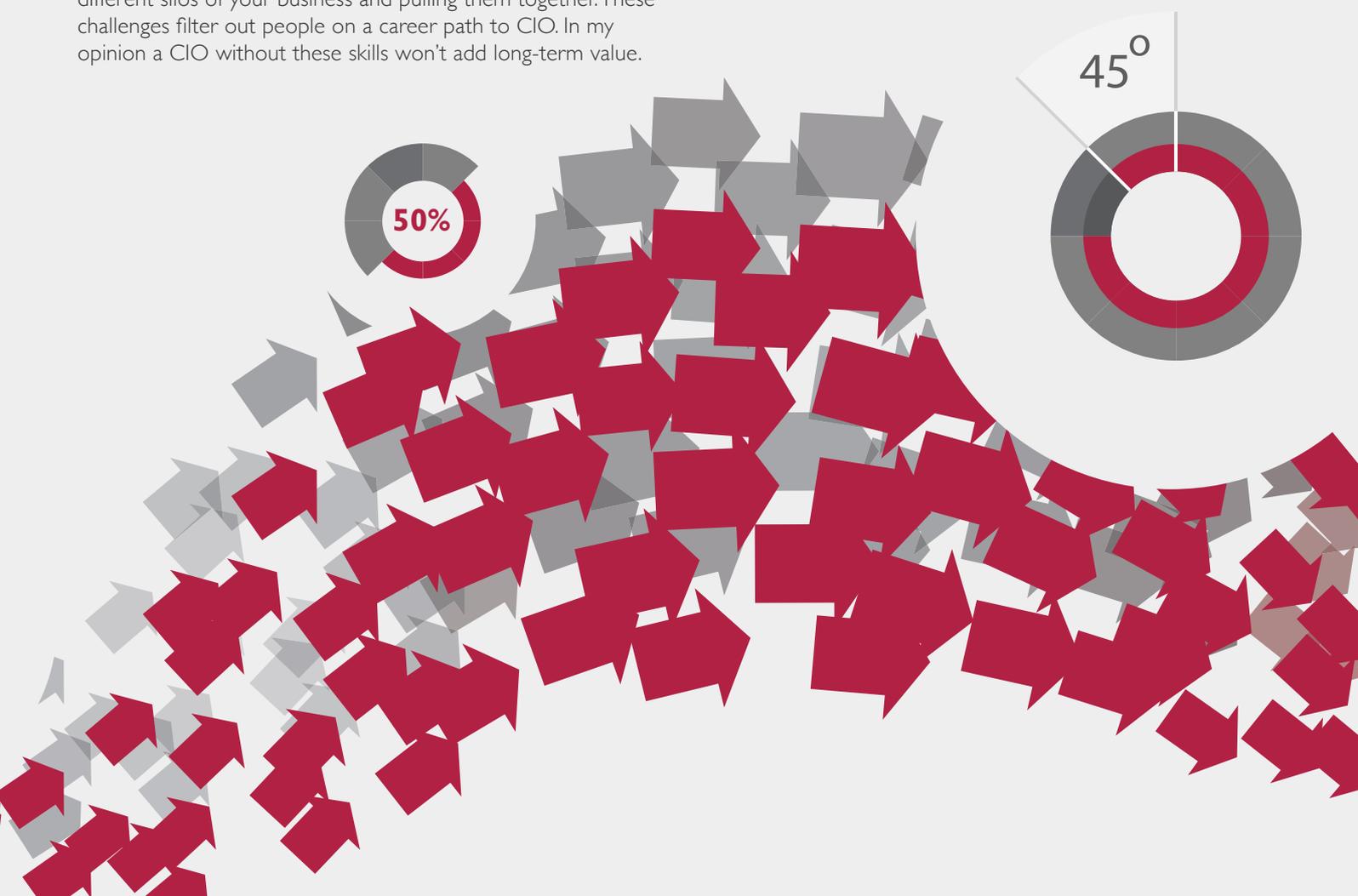
The journey to being a CIO is in large part about driving change, dealing with multifunctional teams, dealing with the different silos of your business and pulling them together. These challenges filter out people on a career path to CIO. In my opinion a CIO without these skills won't add long-term value.

4. Not just for CIOs. Alongside finance, CEOs must understand IT and digital

IT literacy goes both ways. Finance has traditionally been seen as the essential skill for developing business strategy and we are used to the idea that an effective CEO needs to have a strong understanding of finance. Now we are witnessing the rise of IT becoming a necessary skill set for leaders. CEOs will need a solid grasp of digital in order to keep their companies relevant.

In 2014, PricewaterhouseCoopers asked 'Which global transformative trends do you believe will transform your business the most over the next five years?' A whopping 86% of CEOs interviewed answered 'technological advances'.

This change doesn't only affect senior management – it indicates that business people in general need to be better educated about IT. If primary school children are being taught programming, we need to make sure our business schools are equally on the ball in disseminating these newly essential digital skills. The CIO of the future faces a very different task to what has been come before, requiring a variety of new skills. As more routine processes get outsourced and innovation becomes a stronger element of the job description, CIOs will command smaller teams... but of much greater value. How we think of IT will change and it will become part of the must have skill set for every role from the CEO downwards.



CEOs also need to understand the evolving role of CIOs will play:

I predict that in less than ten years' time, it will become clear that the digital agenda is IT enabled. The digital agenda is driving real business transformation, real growth, and real value to customers. It's got to become less acceptable for people to rise up through the ranks saying, "I don't know anything about IT".

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Process and technology skills as well as an ability to lead large scale change are typically strengths of a good CIO. However they won't make it if they can't invest at least 40% of their time focusing on the end consumer. Without it CIOs can be effective, but will be on the edge of the action rather than at the middle of it.

Sian Baldwin,
Group CIO – Clarks

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