

The Evolving Role of the Mid-Market CIO



Signs of Change. Hybrid, diverse and in constant transit: the mid-market CIO is uniquely symptomatic of the conflicted post-recession economy as it transitions between the operating models of the past and those that are already defining the concept of ‘work’ for future generations. Caught between old and new, mid-market organisations are grappling with the ‘big business’ capabilities offered by newly accessible business technologies to compete in a smaller, smarter world – but struggling with the cultural legacy and budgeting limitations that no amount of technology can erase. Borne of necessity in a shifting competitive landscape and not necessarily indicative of wholesale change in executive attitudes to IT, the mid-market CIO continues to be characterised by often conflicting responsibilities and expectations. In this paper, we will briefly explore the evolution of this role from the depths of the back office to the heart of strategic capability; the character of the role in today’s mid-market environment; the challenges still to be faced; and the shape of things to come.

Transition

A decade ago, value-creation for a CIO was limited to back office processes, such as through Enterprise Resource Planning, e-commerce, and Human Resources Information System deployments. Today, IT value creation defines the core capabilities and niche ownership of every business. It increasingly defines differentiation, competitive footing and customer loyalty. The mid-market CIO is increasingly occupying board

level position and wielding business wide influence. With a capable CIO at the helm, technology is addressing the growing customer demand for something beyond **the bureaucratic and faceless organisation**: instead, IT is playing an ever more integral role in empowering workers, powerfully realising the potential of organisational culture, connecting with customers and leveraging individual expertise across organisations.

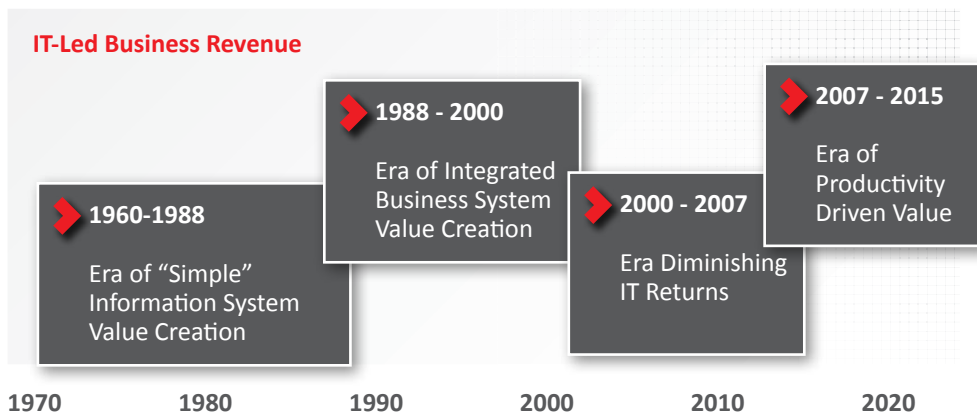


Figure 1: CIO Advisory: The New Economics of IT, Gartner, 2011

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Hybridity: The Duality of the Mid-Market CIO

In today's mid-market businesses, the CIO role is highly variant according to the specific needs of each business. In many mid-market organisations, the CIO role continues to embody, and reconcile to varying levels of success, two conflicting functions: *delivering IT fundamentals*, and *pioneering the visionary*. The mid-market CIO is at once a *Change Leader*: shaping business strategy, building bridges through the business and beyond, and leveraging IT to realise new value – and a traditional IT Manager: sourcing and building internal IT expertise, managing the team, and ensuring the quality and accuracy of data. The CIO must reconcile the bold mentality required to drive through change with the microcosmic management needed to maintain business-as-usual; the drive to seize opportunity in new and unpredictable territory with the constant need to minimize risk. They are envisioning, creating, collaborating – and simultaneously rationalising, cost cutting, and scrutinising. For many mid-market CIOs, such fundamental opposition remains a core point of conflict, with business continuity coming ahead of innovation on the CEO's list of mission-critical priorities. Without the increasingly scarce levels of expert support required to delegate with confidence, this style of oppositional working continues to drain focus and prevent true value creation.

This same hybridity, however – the ability to embrace both the microcosm and the macrocosm – is leveraged to great effect in the uniquely dual perspective the CIO is able to provide for its business: through the lens of technology and the potential it brings, the CIO is able focus on both the detailed end-to-end working of the business *and* on the big picture: the technological developments driving new value in the industry at large.

Challenges of Change:

Releasing Control

The back office processes that traditionally consumed the CIO dealt with core business processes such as supply chain management, finance, manufacturing and order processing, and as such required stringent management,

control and regulation. But as the CIO has moved into the front office, innovation – not restrictive control – has become the new name of the game. While balancing the risk of change against the value it creates is still an essential aspect of the role, the changing emphasis signals a distinct shift in focus that is increasingly defining the essential responsibilities of the CIO in this rapidly changing socio-economic landscape. This new approach requires a considerably different mentality and leadership style in order to strike the balance value creation and proper risk management. As Robert Dixon, CIO of PepsiCo observed, CIOs must play an essential role in thought leadership that drives the business, and consider “the opportunities for doing more with information assets to improve performance in ways that business partners won't be thinking about” (*The Value Creating CIO*, Price Waterhouse Cooper). CIOs must embrace their role as business experts – focussed on the changes facing their industry, not on controlling IT processes.

Embracing the Power of the Consumer

The rise of the empowered, vocal and technology savvy customer is shifting the dynamics of commerce. With the free exchange and accessibility of customer ratings and reviews and a growing reliance on the credibility of peer-recommendation over traditional marketing methods, businesses are changing the way they operate to secure the loyalty of their customer base. In the wake of newly competitive standards of transparency, pricing and end-to-end customer experience, customers will develop loyalty as much through differentiating technology-based customer experiences as through the actual service or product offering. The CIO will have an essential role to play as technology becomes integral to competitive advantage in this newly customer-focussed environment. Such a shift signals the end of the concept of 'IT alignment' – a tentative bridge between the still distinctly separate realms of IT and Business – and the need to wholeheartedly embrace the innovative, strategic, and wholly integrated role of business technology.

Mastering the Language: Translating IT into Business Potential

We are in a period of enormous IT scepticism: while businesses struggle to cut costs wherever possible, CIOs struggle against the reluctance of CEOs to invest in a traditionally immeasurable asset. Battling to overcome these short-term priorities means that effective communication is an enormous part of the CIO role – and yet translating the value of IT into a compelling business case is often a significant barrier for individuals without the prerequisite executive experience. The capacity to see the potential of new technologies means that CIOs are becoming increasingly are relied on to shape the CEO's vision of the business: to translate the technology into real value, and *communicate this value effectively to the board* as they form their strategy. The core strength of the CIO is turning data into insight, and insight into strategic action. Such strength of communication must also be leveraged across the business when battling to overcome scepticism and encouraging the use of IT to remove organisational barriers. To realise their role as a *Change Leader* concerned with protecting the competitive position of the business, CIOs must have the influence to lead a culture *willing* to innovate and embrace the unifying benefits of the right IT for a truly collaborative, global, productive working environment.

But as research by analytics firm Forrester Research suggests, a significant number of surveyed business still believed that, despite implementing best practice methodologies and sophisticated processes, IT is still not able to support them on a business level – most frequently citing the language barrier that remained between the IT staff and the business as a whole as a limiting factor to their strategic capability. In addition to this, despite research indicating that CEOs already understand the need to connect business strategy to IT for clear financial gains, only 29% of firms report developing any kind of technical strategy in conjunction with the business strategy (Forrester, *Beyond Alignment: A Road Map for Business-Centric CIOs*). The mid-market CIO continues to struggle against both the limitations of such swift professional



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only 29% of firms report developing any kind of technical strategy in conjunction with the business strategy

Forrester, *Beyond Alignment: A Road Map for Business-Centric CIOs*

evolution and the cultural inertia that continues to resist the now central role of business technology.

CIOs must overcome these challenges to develop business-wide trust and credibility: championing the value of IT through a strict business focus at all times and cascading this influence through the IT department as whole. Only by changing preconceptions and challenging stereotypes will the mid-market CIO be able to realise their role as integrator: uniting technical and business expertise for untapped value creation.

Moving forward:

Completing the Evolution: Demonstrating Business Value

Business results are the true measure of a CIO's value in today's business. They are

both a CIO's greatest asset and biggest liability. With the intrinsic role IT plays in every business, the concept of the 'IT project' has become obsolete. All IT-focussed projects are essentially business projects, and their importance will only grow as IT becomes further integrated into businesses. To reflect this, CIOs are increasingly using business metrics to measure the value of IT-based initiatives. In place of measures like 'on budget', CIOs are now assessing project success in terms of real business outcomes, like the increase in sales, customer retention or profits. By innovating the way IT can visibly impact on business and drive new value, the CIO can effectively demonstrate and leverage the value-creation aspect of their role and begin to realise their as-yet-untapped potential with a new, economic-led understanding of IT.

IT Economics: Generating Business Revenue

As a component in its own right, business IT has never been managed as a business element capable of creating revenue. Supporting revenue growth – yes. Generating it – no. But recent research has identified a significant new trend in the role of the CIO: driving revenue directly through the capabilities of IT (*CIO Advisory: The New Economics of IT*, Gartner). In this emerging environment, the requirements for IT are very different from the traditional support mentality of the past. Though research stresses that the supportive capacity of IT remains a priority in every business, attitudes are changing – and IT is being transformed into an economic driver. Thirty-three percent of surveyed CEOs currently measure and give incentives to their CIOs against a personal revenue target, and another 24% planned to initiate these measure by 2015 – indicating that it is only a matter of time before strategic revenue contributions will become a normal part of a CIO's planning process.

Combined with an understanding of game-changing technologies for the business, a firm grasp on business finances will provide the basis for substantial competitive advantage. Moving the organisation to a position that exploits these dual capabilities is and will be the challenge for businesses seeking to protect or leverage their competitive footing in the time ahead.

| | From | Change | To |
|----------------|--|--|---|
| Structure | IT structure to deliver only on services to the rest of the company | Expansion of the mission of IT beyond managing business costs | IT has responsibility for revenue with the right team |
| Infrastructure | Systems are designed around a service organisation business model | Shift to a focus on revenue accounting as well as service-level agreement (SLA) accounting | Systems are designed to support entrepreneurial efforts in the business |
| Process | SLA-driven processes for IT directly, plus support of mission-critical processes | Including IT in the revenue-planning processes of strategy | Processes designed and built to grow revenue |
| Mind-Set | Belief that IT is primarily a service organisation | Belief that IT expertise is useful in starting up and building the modern business | Belief that the human and information assets available to IT can be used to drive new revenue |

Figure 2: *CIO Advisory: The New Economics of IT*, Gartner, 2011

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The New Paradigm Reimagining IT: the 2011 CIO Agenda

To gather the data needed to create their research document *The Shape of the Future: Reimagining IT: The 2011 CIO Agenda*, Gartner surveyed 2,014 CIOs, representing \$160 billion in IT budget, and covered 38 industries across 50 countries. This provides an exceptional insight into the changing priorities and focus of CIOs across organisations of all sizes. The results are encouraging, indicating that significant new value is being realised by the ever-evolving CIO role.

Key Findings:

Shifting Priorities:

- ◆ In 2011, the top three priorities for surveyed CIOs were as follows:
 - ◆ 1. Increasing enterprise growth
 - ◆ 2. Attracting and retaining new customers
 - ◆ 3. Reducing enterprise costs

Verses the priorities in 2010:

- ◆ 1. Improving business processes
- ◆ 2. Reducing enterprise costs

Such shifts indicate that CIOs across organisations are increasingly realising the value of their role to core strategy realisation and fundamental business success.

Shifting Strategic Focus:

- ◆ The top strategies focus for CIOs in 2011:
 - ◆ 1. Developing and managing a flexible infrastructure
 - ◆ 2. Delivering app and growth projects
 - ◆ 3. Reducing cost
- ◆ The top strategic focus for CIOs in 2010:
 - ◆ 1. Delivering app and growth projects
 - ◆ 2. Improving/linking the business-IT relationship
 - ◆ 3. Reducing the cost of IT.

Emerging trends:

- ◆ Cloud infrastructure and software as a service in being adopted faster than anticipated. In line with CIO-leadership, business leaders are recognising and embracing their transformative properties

- ◆ CIOs will be focussed on infrastructure in the coming years as other top technology priorities such as mobility and business intelligence continue to place new demands on computing power, connectivity and storage
- ◆ **Business outcomes and strategic knowledge are seen as the CIO's primary sources of success and influence: 37% to 29% respectively**
- ◆ Few CIOs expect their funding in 2011 to go beyond the operational and investment needs of IT – resource realities give new urgency to technologies such as virtualisation and cloud services which are suited to shrinking budgets – offering high levels of service at a fraction of traditional costs
- ◆ **CIOs are increasingly looking for areas where IT can leverage the business's unique points of competitive advantage**
- ◆ The most effective CIOs spend more time than average (2 days per month) working with their board and their C-Level peers

Conclusion

The growing prominence of the mid-market CIO will continue to be a strong indicator of the successful transition of the mid-market as it moves beyond traditional limitations to embrace new competitive capability in a smarter, smaller, more flexible economic landscape. Competitive advantage through 2015 will depend on the ability of organisations to leverage their IT investments while exploring new working models. The capabilities that emerge from the increasingly revenue-focussed IT —

restructuring, streamlining and building new sources of revenue — will build not only essential competitive advantage, but a new career path for the CIO, whose role will continue to adapt, drive change and realise new value for the forward thinking mid-market business.

Further Reading / External Sources:

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