

The new CIO: insights from the Center for CIO Leadership

*An interview with Harvey Koeppel, Executive Director,
Center for CIO Leadership*



Highlights

The Center for CIO Leadership trains and empowers CIOs through thought leadership, research, education and outreach.

The Center enhances the skills and competencies of current and future CIOs through its own programs and by influencing college and university curricula.

Introduction

Harvey Koeppel, executive director of the Center for CIO Leadership, talks about the challenges facing CIOs today and the emerging role of the CIO as a business leader helping to drive change and innovation.

Q: What is the Center for CIO Leadership, and what is it trying to accomplish?

A: The Center was established this past October. It was officially announced at the IBM CIO Leadership Exchange, which was held in New York in October 2007. The Center is a very new organization, the mission of which is to advance the profession of the CIO and establish a global CIO community. The Center is achieving that mission through a combination of thought leadership, research, education and outreach. These are the four major tenets of the Center.

The Center is a non-profit organization that is creating an active community of CIOs that can interact with each other and engage in a dialogue. The Center serves to facilitate that dialogue and is completely driven by the CIOs' priorities, which have been determined through both the primary and the secondary research done by the Center.

But, most important, the Center is focused on understanding the skills and competencies of the new CIO and looking at what those skills and competencies are when compared to the current individual skills and competencies of incumbent CIOs and their teams.

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The CIO's role is no longer about only tactical issues, but driving overall business value.

The Center has identified the gaps that are driving its education and outreach programs and is addressing those gaps through a combination of Web-based activities, seminars, peer-to-peer mentoring and Webinars. The research and educational material on the Center's Web site is currently the major vehicle for establishing a longer-term plan for influencing the educational curriculum both at the undergraduate and graduate level in colleges and universities.

Q: In your new role as the head of the Center for CIO Leadership, how do you see the world of the CIO changing?

A: The world of the CIO is changing quite dramatically. As seen from the Center's perspective, this change mainly involves an evolution of the role of the CIO into a significant business leadership role. The current role of the CIO is very tactical in nature and concerned with maintaining operations and with making the overall IT function less expensive year over year. The transformation happening now has the CIO focusing on leveraging the IT function to deliver more business value.

Q: Is the CIO able to drive those changes, or is it something that the individual can take advantage of because it's happening in the business?

A: The challenge for CIOs is to both drive change and capitalize on industry trends that open the door to a leadership role. Actually, there is probably not a good "one size fits all" answer to that question. The skill sets and competencies of CIOs vary significantly, depending on the industry, the location and the maturity level of the CIO's particular company.

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Leadership skills and business acumen are key CIO competencies.

Additionally, CIOs need to acquire skills in business transformation, governance, talent management and communications.

In some industries and geographies, CIOs are already starting to assume these leadership roles. In other areas, research performed by the Center has revealed a real need for education and training in order for CIOs to obtain the skill sets required to move into a leadership position.

Q: What do you think are some of the key competencies that CIOs need to master to assume this leadership position?

A: The key competency is, largely, leadership. Research that's been done over the last couple of years shows that leadership is definitely a high priority, as is an understanding of business processes. Transformation skill and governance are also emerging as very important competencies.

Talent management is increasingly becoming another important aspect of the CIO's role. As businesses and enterprises become more global and processes become more distributed, the talent base itself has become much more diverse and geographically dispersed, making communications skills an additional important competency that the CIO must have.

Another significant aspect of the competency chain identified by the Center is the CIO's ability to understand and develop appropriate metrics around both the IT function and the portfolio of programs and individual projects. This competency is one that CIOs can use to communicate directly with their CFOs or CEOs to convey the strategic importance and value of specific IT efforts. Metrics also give the CIO information about the status of particular efforts and help ensure that the programs themselves are appropriately aligned with the overall business strategy of the enterprise. Metrics also shift the focus from reducing costs to delivering more revenue to the business and improving operational efficiencies.

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CIOs and CEOs are working together to improve communications and mutual understanding.

Q: Has getting the CEO and other C-suite executives to truly understand the value of the CIO's contribution to the businesses been one of the real challenges in the past?

A: Yes, that's a fair statement. Convincing other C-suite executives of the transformed value of the CIO represents a key challenge the CIO has needed to face. In many companies, the challenge is that business and IT executives literally speak a different language. This is particularly apparent when CIOs, who typically come up through a technology career ladder, lack awareness of or are not terribly fluent in the language of the CFO or the CEO.

This reflects the fact that CIOs are often not aware of the various factors and disciplines that drive the business as a whole. To their credit, however, CIOs and CEOs have become aware that a considerable communication gap exists, are very sensitive to the fact that it exists and are beginning to take action to address that gap.

Q: Do you see companies turning outside of the technology organization—that is, looking to other functions within the business—to find CIO leadership? Or do you see the most successful CIOs coming from within the technology organizations?

A: We see both. In many cases, CIOs that have come up through the technology ranks have been extremely successful in crossing over into the business world. On the other hand, a very large company recently appointed a new CIO who had formerly been head of the Human Resources department. So there definitely is a trend towards selecting individuals with experience in non-technical disciplines for the role of CIO.

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An interdisciplinary background and experience outside of IT are becoming more important for future IT leaders.

Grooming future CIOs is hindered by fewer candidates and doubts students have about IT as a profession.

Q: You have said before that we should be grooming individuals for leadership positions in the future. Is that part of what the CIO in the future will be looking to do? Can the critical skills a CIO needs be acquired through this grooming process?

A: Yes, this grooming process is absolutely necessary, both for CIOs themselves and for developing the talent pipeline. Our research shows that current CIOs are concerned about the quality and quantity of talent in the pipeline. They perceive a fairly significant gap between their own skills and the capabilities of the people one or two job levels below them. The shortage of qualified individuals extends all the way down the career ladder. But in particular, the number of qualified individuals gets smaller the closer you get to the CIO level.

Adding to the talent pipeline problem is that, in the eyes of today's college and university students, there is some skepticism about IT as a profession. This is certainly true in North America. I believe this skepticism actually started toward the end of the Y2K effort, where companies spent billions of dollars on remedying a problem that for all intents and purposes never existed. Of course, CIOs will take credit for the fact that the problem didn't occur because they did such a terrific job of remediation.

However, it is difficult to generalize about the roots of this skepticism, as it changes with geography. In North America, with all of the attention and activity around outsourcing, what we're seeing is that many students entering college or university environments are not as interested in becoming programmers or IT professionals as they were before—or as interested as students are in other parts of the world. They're concerned that their role or profession will end up being eliminated and replaced with a lower cost labor pool in another country.

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The convergence of IT and business curricula can provide the interdisciplinary background future CIOs require.

The Center has looked at enrollment in IT courses as well as in all science- and math-related subject areas within colleges and universities. The figures are significantly lower now than they were five or ten years ago, and the trend is definitely still headed downward. The issues underlying this decline need to be addressed, at least in North America.

Q: What do computer science courses and other IT technology courses in universities and colleges tend to focus on now? Is it mostly the technology aspects, and do they ignore the more business-oriented or communications aspects that you talked about as being vital for leadership in the future?

A: A factor that's critical when discussing college and university curricula is whether you're taking an IT course in a business school or whether you're taking a business course in an IT school. For example, if you take a Management Information Systems (MIS) class in a computer science department and you take an MIS class in a business school, they'll be totally different classes. There is no shared curriculum or content and, clearly, this is not the most efficient or effective way to go about educating people—either from the institution's perspective or from the student's perspective.

Interestingly enough, some schools that we have talked to through the Center are beginning to recognize that they themselves have created these vertical silos of curricula, which are very similar to the vertical silos of information, processes and products companies have established. So, little by little, we're starting to see some convergence of curricula on the educational front which, in turn, will affect the grooming of future CIOs and other IT professionals.

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Direct line experience and classroom training are key ways current and future CIOs can acquire needed skills.

Q: As CIOs seek to broaden their own skills and also groom the leaders of tomorrow, what are the best paths for them to gain the experiences and the skills they need to flourish?

A: A combination of experience is required. We find that the most successful CIOs have also had line management experience at one point or another in their careers, as well as experience with managing large complex technology programs. Classroom training is also important, which, today, can mean online, virtual education or learning in workshop settings. Nonetheless, many of the skills needed by the CIO can also be acquired on the job and through online, collaborative communities.

Q: You have mentioned the value of having some line-of-business experience. Is this part of the grooming process? In other words, are CIOs getting their young talent into line or administrative jobs and then bringing them back into IT?

A: Yes, absolutely more and more CIOs are rotating their high potential staff through a very rich program of literally everything from the mailroom up to positions with management responsibility. We are seeing the reverse as well, where individuals from the business side—mainly in business analysis and project leadership—are rotating through IT jobs.

Q: In the future, are we still going to need people who have experience working on the systems side and others who have experience working more on applications and solutions, or will the systems get to the point where they are so self-managing that people can just focus on the business problem and not have to worry about operations?

A: Of course, establishing self-defining or self-managing systems has always been the ultimate goal of IT. I suspect that some day we will get there, but for at least the next five to ten years, we're still going to need programmers and people to perform very technical tasks.

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The point is well taken, though. While perhaps not self-managing or self-maintaining, many technologies are becoming more end-user friendly. Additionally, more applications are being developed outside of the traditional IT department, by people that are not necessarily trained as programmers. That said, for the foreseeable future, we're still going to need people with technical and business skills—ideally both in the same individual.

Q: Clearly, technology, especially IT technology, is becoming more important to all enterprises as they move into a global economy. What does the Center's research reveal about what is really changing as businesses move into this new world economy?

A: On the business side, a major driver and significant enabler of the new world economy is the change that is occurring in operating models. This is certainly true when looking at things like enterprise resource planning (ERP) and supply chain management. While many companies never before imagined themselves being positioned globally, they are now realizing the value of having parts of the supply chain distributed across different geographies, whether for reasons of lowering costs or tapping into a worldwide pool of talent.

In the new global economy, business effectiveness hinges on horizontally integrating processes and data—which is increasingly enabled by the Internet and Web 2.0 technologies.

Whether it is a Human Resources function, a Finance function, a Procurement function or a customer-facing transaction, many companies are now clearly starting to exploit global marketplaces. To derive maximum benefit from globalization, the CIO and the IT organization must manage the transformation of existing business models from independent vertical silos to integrated, horizontal processes. Horizontal integration reduces redundancy and enables an enterprise to standardize and simplify business processes in every part of the world where a company may be doing a particular function. This increases efficiency for the user and the business and, in the end, also tends to reduce operating costs.

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Research shows that the confluence of personal computing technologies, commerce and the workplace will affect both IT infrastructure and a company's ability to attract talent.

Much of this change is being enabled and supported by the Internet. Many of the Web 2.0 technologies that have surfaced over the last couple of years are enabling globalization. This is linked with another trend that we're seeing, which has been described as the "coming of age" of the Net generation— young people who have grown up with the Internet and don't know life without it. They take global communication for granted—text, photos and video.

Q: Isn't it true that some young people won't even consider working at a company that does not embrace all these technologies?

A: Yes, that's absolutely true. For example, in my previous position I was responsible for a fairly significant data and voice network. One afternoon I approved some very large invoices from a communications vendor for enabling video conferencing. At home later that evening, I found my 15-year-old son on his PC having a perfectly fine video conference with a friend living in another city, using software that was totally free. It certainly made me wonder about the economics that underlie how we acquire and deploy this technology.

Another interesting trend revealed by the Center's research is the confluence of personal computing technologies with commercial or industrial processes. For example, many companies are starting to use Face Book and MySpace profiles as part of the recruiting process to get a better feel for candidates' background and interests. Three or four years ago this never would have been in the domain of commerce.

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CIOs trying to implement IT initiatives such as legacy transformation are finding that the real challenge lies in getting people to change the way they think and work.

Q: Doesn't this impose new risks for CIOs, who are responsible for providing highly secure, reliable and resilient systems?

A: That's a very good point and, frankly, we're talking about every CIO's nightmare. With applications and information flowing inside and outside of the enterprise, it is more important than ever before to make sure that the infrastructure is appropriately backed up and protected. Clearly, the further away you get from mainstream business applications, the more difficult it becomes to secure information and applications. This has become an everyday challenge for today's CIOs.

Q: Clearly, technology is available. How can the culture of the organization be brought along to embrace some of the changes that the technology will enable?

A: Often the cultural or the organizational issues are harder problems to deal with than the technology itself, in that people are invested in the ways in which they work. That's why it is not uncommon to find businesses using heritage or legacy systems and operations and processes that have existed for 10, 15, 20 or even 30 years.

Getting people to change the way they operate or think about things is quite a challenge—the more significant the change, the more significant the challenge. The horizontal integration of processes needed to enable globalization represents a significant change in the operating model of a company. This change not only affects governance, it also affects, for example, how people are compensated.

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Just as challenging for CIOs is communicating the business value of technology-enabled change to C-suite peers.

While some CIOs are resistant to change, many realize that this era of change creates great opportunities to elevate their role to a true leadership position.

Q: Is it correct to assume that to really promote some of the changes that are possible now, the CIO must become a partner with other C-level executives and articulate the business value of the change, not just sell the technology?

A: That assumption is completely borne out by the research that the Center has done. CIOs clearly recognize that, given the maturity and the sophistication of the technology that's available, support for many of these changes is relatively straightforward. However, the decision to implement those kinds of programs is wholly dependent on the CIO's ability to develop the partnerships and have the peer-to-peer conversations with the rest of the C-suite in order to make a business's strategic agendas successful.

Q: In the future, do you see the CIO reporting directly to the CEO and being at the same level with their C-suite peers? Is that a growing trend?

A: What we are observing at the Center is a dichotomy. On one hand, CIOs have historically reported to the CEO, which best positions the CIO to become a real business leader. On the other hand, we are seeing a trend towards CIOs reporting to either CFOs or COOs. In both cases, there is a concern that the real focus of those other C-suite positions is more tactical, focusing on expense containment or reduction, and less concerned with the strategic agenda of the company or with leveraging innovative technologies. This dichotomy is a significant obstacle for transforming the role of the CIO into one of business leadership.

Q: Do the CIOs you've been talking to see the time we're living in now as a time of great opportunity for them, a threat, or a little bit of both?

A: The best way to view the era we're living in is that CIOs are now at a crossroads. They have many opportunities to enhance their specific skill sets, create business value, increase customer and employee satisfaction, and grow shareholder value. Many CIOs are very much attuned to those kinds of dynamics. Others are not as open to change. Other CIOs see opportunities,

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Regulatory requirements challenge CIOs both to understand the IT environment in detail and to engage business executives in addressing the issues.

but the company may not. As a result, they are slower to adopt new technologies and leverage new opportunities. Many even refuse to align themselves and their organizations with these new models. But increasingly, CIOs are becoming aware that this crossroads does exist, and that there is an opportunity for them to assume a true business leadership role.

Q: How does the issue of regulatory compliance and governance affect today's CIO?

A: Awareness of the need for regulatory compliance creates stress as well as opportunities for the CIO. To ensure that the appropriate information is retained and available, it is critical to understand the regulatory requirements. Changes in technology further increase the challenges posed by regulatory compliance. For example, five years ago, I don't think any CIO would have worried too much about the content of an instant message or a text message. Now, that type of content becomes as much of an issue that the CIO must consider as e-mail retention.

But, along with that challenge, a great opportunity emerges for the CIO to engage business executives in the kinds of dialogue that really are necessary to create partnerships within the organization. So while compliance is largely a tactical issue from an IT perspective, it can help CIOs forge those peer-to-peer relationships in the C-suite.

Q: Are the issues today's CIOs face covered and discussed by analysts, or do we see it in blogs? Are they presented in headlined articles that are appearing? What other indicators are you seeing?

A: In describing the changing role of the CIO, a new term, "the new CIO," is clearly emerging. We are seeing it throughout press, both within technical and business magazines, and we are using it ourselves at the Center.

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The CIO's new role has widespread exposure in the press, which is educating the IT and business communities alike.

Enthusiastic feedback about the Center has secured its role in developing the management skills that drive business growth.

In fact, the recent cover story of a major magazine was about how technology needs to be versatile and how the CIO must be capable of assuming multiple responsibilities. The article referred to this transformed role of the CIO as “CIO 2.0,” and the CIO featured in the article also happens to be on the Center’s advisory council. In fact, he represents a great example of “the new CIO.” The company itself is a good example of the kind of new, innovative business model that is emerging as a result of new technologies and an innovative use of the Web. It is an information-based marketing organization that has outsourced a large portion of its back office functions and processing. This kind of model probably could not have existed ten years ago, or even five years ago in the form in which it currently exists.

Q: Do companies tell you that they need this new and more innovative business model?

A: They tell us that they not only need this new business model, but also ask about how they can implement it within their own organizations and how they can become fully engaged in it. We at the Center find this interest very exciting to hear.

Q: What reaction have you received so far from CIOs to the Center for CIO Leadership?

A: I am pleased to report that it has been extremely positive, almost without exception. As we have described our mission, goals and objectives to CIOs and to some other C-suite members, the feedback has been that the Center is quite unique in recognizing that need, with the sole mission to advance the CIO profession. There has been a tremendous resonance around what we’re doing, and we’ve received a great deal of support for the work that we are undertaking in the Center.

For more information

To learn more about the Center for
CIO Leadership, visit:

<http://cioleadershipcenter.com>

For additional white papers, case
studies and other information
developed specifically for CIOs, visit:

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