Bolstering the Impact of Today’s CIO in a Changing Business and Technological Environment

An Executive Summary of National CIO Roundtables Series Moderated by CIO Magazine and Sponsored by Dell Services.
Bolstering The Impact of Today’s CIO in a Changing Business and Technological Environment

By
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Executive Summary

CIO’s who expect to continue to play an influential role in the executive suite of their organizations will have to:

- Be seen as proactive and engaged enablers of change in today’s dynamic business environment;
- Anticipate user requirements and emerging technological capabilities;
- Move beyond today’s traditional “command and control” IT management culture; and
- Step even earlier into the process of influencing the priorities that more traditional executive leadership positions have set for their organizations.

These were among the conclusions of a series of executive gatherings held across the United States during the second half of 2012 and the first quarter of 2013.

Over 130 senior technology executives participated in a series of roundtable discussion held by Dell Services and moderated by CIO magazine. The events were held in Los Angeles, Washington DC, New York City, Austin, TX, and Chicago.

The roundtable discussion series – led by Jim Stikeleather, Chief Innovation Officer for Dell Services – explored the rapidly evolving role of the CIO in today’s business environment. The series is part of a broader initiative by Dell Services to document, analyze and frame response options for CIOs in the face of key changes in the business, technological, social and economic environment.

The CIOs who participated in the roundtable represented a broad cross sectors of the market, including:

- Financial Services
- Government Agencies (Federal, State and Local)
- High-Technology
- Manufacturing
- Telecommunications
- Non-Governmental Organizations (NGOs)
- Professional Services
- Research & Academia.
CIOs Role: A Portrait of Motion

The roundtable participants agreed that the CIO position has never been a static proposition. Nevertheless, CIOs have spent much of the past 20 years validating their strategic role in the organizations they serve by:

- Ensuring that investments in technology provide a clear return;
- Supporting a stable and efficient set of operations; and
- Reducing the total cost of ownership of systems over time…if nothing else on a per-unit basis.

However, things are changing rapidly, across multiple fronts. The global economic picture has collided with a new digital infrastructure that has left no major sector activity disconnected. Consequently, the relationship between technologies and end-users has become increasingly intimate. In fact, it has reached a point that, often, technologies are less a tool for business than they are an extension of the personalities of those who use them. This is particularly true of the new generation entering the workforce.

Throw in the rise of public, private and cloud computing – along with astonishing developments in the mobility environment that is making Bring Your Own Device (BYOD) policies increasingly important – and you have a situation that is fundamentally changing the nature of technology stewardship.

Technology is in many ways less mysterious – and more accessible than it was even a decade ago. This has led to a changing set of expectations on how organizations should invest, leverage and evolve their use of enterprise technologies to accomplish mission-critical objectives.

As a result, many CIOs are revisiting the nature of their relationships with their vendors. The outsourcing trend is prompting organizations to establish more strategic relationships with technology providers as more pressure is placed on IT to align to business strategy. But there is also an expectation that vendors sharing a common client should do an increasingly better job of collaborating and coordinating their activities to support the objectives of the CIOs that hire them.

All of this is causing CIOs and their IT staffs to revisit the nature of risk assessment in the context of cost versus control, while balancing in-house resource allocation with outsourced activities. These new dynamics are having an effect on how projects and programs are prioritized, managed, and ultimately phased out.

In this context, the panels of CIOs – who met in Los Angeles, Washington DC, New York City, Austin and Chicago – identified the following key attributes that will have to be mastered by IT organizations if the profession is to continue to remain a relevant and vibrant part of the equation:

- IT departments must be a positive and engaged enabler of change in a much more dynamic business environment (this is true of for-profit, non-profit and public sector organizations).
• CIOs must put renewed focus on anticipating requirements and emerging capabilities – not just implementing stable systems – so that IT organizations can field future proof (or at least future friendly) enterprise technology investments.

• To meet new expectations and accomplish new objectives, IT organizations and CIOs must rapidly move beyond a “command and control” management culture toward a much more nuanced structure that focuses on personal engagement and persuasive collaboration across disciplinary lines.

• Rather than simply addressing the needs of the business, there was a significant call for more proactive leadership from CIOs and the IT organization. CIOs will have to participate even earlier in the process of influencing the priorities that more traditional leadership structures set for their organizations.

• All of this will require a shift away from strictly being a “service organization” that sees end-users as “customers,” (which brings with it the ensuing mindset that the customer is always right) to establishing a much more collegial set of relationships in which planning, risk-taking and execution is shared to accomplish the comprehensive strategic interests of the organization.

To Do…or Not To Do…That is the Question

CIOs were asked to think about what changes in their strategic, operational, financial and technological outlook would have to take place in order to respond to a rapidly changing business environment.

Specifically, they were asked to consider their current activities and behaviors suggesting they focus on how to shift the mix engagement by giving up some things, starting some new things, and doing some things differently. Here is a summary of what they had to say.

Things to Give Up:

• Relationships & Interactions – There was a consensus around the need to be less defined by the delivery of technological services (i.e. the IT department is our help-desk organization). Several CIOs stated that they are actively looking to either outsource the function and/or find ways to automate these functions as well as to foster peer-to-peer assistance of the more basic blocking and tackling of what once was a core IT activity.

• Resources and Allocations – The CIOs participating in the roundtables were interested in doing away entirely with the traditional approaches to IT budgeting. The point was often made that an annual decision-making process often harmed – rather than fostered – business alignment. This is especially true for agile organizations that constantly change directions. Rigid budgets and budgeting processes are, as one participant noted, one of the primary reasons that IT develops the reputation for being the “Department of No.”
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- **Questions and Focus** – There was a pretty clear sense that IT organizations should stop asking “How high?” every time some elements of the business say “Jump!” This was not presented as an opportunity to be unresponsive to the “business.” However, executives noted that a subservient posture often precludes a richer conversation with colleagues that can advance the organizational interests of the enterprise.

- **Activities and Outcomes** – What CIOs do – and are expected to do -- must also be significantly updated. While CIOs and IT departments are under increasing pressure to innovate and contribute to strategic top-line growth, too often, they are held accountable to the tactical and terminal performance of discrete systems. Most of the CIOs participating in the roundtable series stated that they want to move toward activities, and be measured for achieving outcomes that are tied to the business impact of technology-enabled business strategies – or the ability to rapidly respond to changes in the environment to protect the interests of the enterprise.

**New Things to Start**

- **Relationships and Interactions** – The order taking role of the CIO should be replaced by a much more consultative set of relationships that are established at multiple levels throughout the organizations. This should include engagement with mid-level management and extend all the way up to the board of directors.

- **Resources and Allocations** – New technology services and offerings have provided an opportunity for many organizations to migrate away from a CAPEX-intensive IT investment model to OPEX-oriented situations. Not all CIOs thought that this would always be appropriate in every circumstance. But there was certainly a consensus that this was an increasingly available option that may be appropriate and even desirable in a growing number of circumstances. It was noted that the popularity of OPEX-based IT infrastructure investment models represents a break with an “economies of scale” mentality that has characterized the decision-making of many large organizations for the past few decades.

- **Questions and Focus** – It will be imperative for the CIO to be much more incisive and proactive about identifying challenges and opportunities that the IT organization can address. The primary question, according to a significant number of participants should start with:
  
  o Where are we failing and why?
  o What do we need to do?
  o Why do we need to do it?
  o How do we know if our new efforts are working?

- **Activities and Outcomes** – New incentives, new skillsets and clear objectives. A comprehensive multi-disciplinary discussion with the most senior elements of management – including the board of directors – must
take place. The conversation should define how it is that IT professionals (and CIOs) are compensated as well as what training or recruitment should be pursued to bring in the right people with the right capabilities. This is actually a discussion that can be led by the IT community, but requires the engaged involvement of the highest organizational authorities.

Things to do Differently

- **Relationships and Interactions** – It was interesting to observe how strong the consensus was to establish strategic relationships with technology partners. In general, it was believed that relationships must be rooted in an exchange of value (money for technology or technology services) that goes extends beyond the financial transaction. This suggests some sort of performance-based relationship that triggers contractual elements over an extended period of time. There was an equal consensus that much work would be required on both sides of the transaction to develop processes, methodology and governance to make this happen.

Another key set of relationships and interactions that must evolve is with employees…particularly in a multi-generational workforce. There seemed to be a consensus that new management styles, skills and incentives must be tailored to different people in different ways. This requires a comprehensive discussion with human resources executives within the enterprise.

- **Resources and Allocations** – There was a lot of confusion on how to implement a more dynamic, iterative and responsive strategy for funding (or investing in) short-, mid-, and long-term IT assets. This represents an open area for research and further discussion.

- **Questions and Focus** – Beyond what specific questions to ask so that we can then establish the proper focus, several participants pointed to the need for new ways to ask and refocus. The role of wikis, open forums, townhall-style gatherings may uncover new questions and find unconventional answers.
### Verbatim Responses

<table>
<thead>
<tr>
<th>Relationships and Interactions</th>
<th>What will you GIVE UP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- The 15% of activities that take up 85% of all time.</td>
</tr>
<tr>
<td></td>
<td>- We are stopping some outsourcing to India, no longer cost effective or producing enough value. Can pay college grads as temps for some low level jobs short term.</td>
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<td></td>
<td>- I need to spend more time to understand the business in terms of manufacturing, distribution and order management.</td>
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<td></td>
<td>- Outsource shared services – Infrastructure, email, phone systems</td>
</tr>
<tr>
<td></td>
<td>- Emergencies – they are the big time killers for relationships and time</td>
</tr>
<tr>
<td></td>
<td>- Conversations with the business where you know you were wrong</td>
</tr>
<tr>
<td></td>
<td>- Reduce duplication of storage</td>
</tr>
</tbody>
</table>

| Resources and Allocation      | - Continue to outsource application development – moving that personal comfort zone outside the organization. |
|                               | - We will stop putting resources into small product changes for products that don’t produce enough revenue. |
|                               | - Start doing all that projects myself so I will know the status. |
|                               | - Delegate more. |
|                               | - Email off my desk. |
|                               | - Create policies to reduce user data on enterprise resources |
|                               | - Help desk service calls, Level 1 – remove this from our organization |
|                               | - Tough to give up anything because of regulations and daily shuffles |
|                               | - Responsibilities of compliance to an expert (consultant/expert) |
|                               | - Resources |
|                               | - Change how we work, less meetings and email |
|                               | - IT budget based on product marketing wish list and budget transfers |

| Question and Focus            | - Spending my time on ensuring peoples’ computers work. |
|                               | - Stop following the trends/stop being a follower |
|                               | - Alignment of business and tech |
|                               | - Eliminate silos in application development |
|                               | - Tell me why we shouldn’t move to the cloud; prove to me we should stay as we are |

<p>| Outcomes and Activities       | - Should not be in the check producing business |
|                               | - Stop asking about ROI |
|                               | - Budget management drags down the ability to make changes happen |
|                               | - Provide ROI estimates (innovation efforts) |
|                               | - Focusing just on results |
|                               | - Be involved in production support (outsource items not strategic to core) |</p>
<table>
<thead>
<tr>
<th>Verbatim Responses</th>
<th>What will you do NEW</th>
</tr>
</thead>
</table>
| Relationships and Interactions | - Interactions with customers of our products – not just the sales and marketing folks.  
- Make clients their own profit centers (to shift the risks)  
- Make analysts responsible for their daily operations on their own systems  
- Monthly bill  
- IT strategy call  
- Monthly check call on business units strategy  
- Hire a Chief Infrastructure Manager; CIO vs. CTO  
- Spend more time with marketing looking for innovation  
- Align with customer for context and perspective  
- Agile frameworks, engaged teams |
| Resources and Allocation | - Office 365 implementation currently going on, started with email.  
- We will put resources into “skunk works” teams to focus on innovation in products and their delivery.  
- Take on more of the marketing role.  
- Integration vs. Chinese Wall  
- Innovation Vs. Compliance  
- Stop thinking of outsourcers as a vendor but as a partner  
- Offer infrastructure as a service to more than our current users  
- Security is key: BYOD, mobile, non-premise based  
- Big events drive an open pocket book – grab opportunities  
- Be prepared to test and pressure systems all the time  
- BYOD is huge; give them an inch and they take a mile & ask for too much  
- Cross functional talent to bring business and tech closer  
- Look for app to outsource non-strategic activities  
- Automate process to enable time innovation  
- Resource access on the fly becomes resources right now |
| Question and Focus | - Internal co-create value  
- Apple has introduced so many concepts to users; once a consumer experiences it the pressure is huge for IT in the business  
- Have a new dictionary for the new language  
- Forming small teams to a focused task |
| Outcomes and Activities | - Evaluate monopoly (IT related) opportunities and get ahead of the curve to maintain profit.  
- Review exposure of current situation to change (risks around proprietary information as a key to innovation).  
- Portfolio vs. Programs  
- Day-to-day vs. Future state |
<table>
<thead>
<tr>
<th>Verbatim Responses</th>
<th>What will you do DIFFERENTLY</th>
</tr>
</thead>
</table>
| Relationships and Interactions | - We will build on most successful collaboration with BI team projects to meet more frequently to problem solve.  
- Get users involved early, start with building a partnership as opposed to a security driven leadership.  
- More external input.  
- Figure out how to keep current; biggest issue is to understand the technology capabilities so that I can leverage it.  
- Better learning outside resources/relationships: learning, seminars, blogs  
- Spend more time outside IT with business. Spend less time fighting fires inside IT.  
- Focus more on the champions and department heads  
- Segregate IT duties; 100% infrastructure vs. 100% strategy  
- Follow and incorporate Generation X vision  
- Reduce interaction with technical teams  
- Identify regulatory requirements and anticipate; hugely important, proactive approach |
| Resources and Allocation | - Empower users to design their report instead of IT supporting.  
- Focus on strategic objectives and not operational (day-to-day) fires.  
- Simply the BI architecture.  
- Provide real-time data access for the C-suite.  
- Taking every responsibility in a re-organization  
- Allocate IT resources based on priority minimizing to move resources between projects  
- Uptime vs. Innovation  
- Plug consultants into a horizontal structure; managing silos is key  
- Develop in chunks, not overall  
- Make it easier to get budgets for consultants in and out  
- BYOD: service-level agreements are key, learning curves easier |
| Question and Focus | - Ask about the balance of short term needs and longer term survivability assets – BYOD, Cloud.  
- Rethink BYOD strategy/policy.  
- Follow Generation X behaviors  
- Looking for innovative ideas  
- Consumers do not get 79’s versus consumer needs; “language needs to change” |
| Outcomes and Activities | - Transition to automated information collection in factories.  
- Stay focused on outcomes (not tasks) – keep teams focused (drives innovation/creativity).  
- We will better/differently communicate value of higher education to our students through overt career goals vs. academic learning outcomes with technology (badging).  
- Change the way IT goals and incentives to align with business goals.  
- Self service  
- Security and competence drive outcome  
- IT becomes an internal and external service provider  
- C-suite still not very practical in their ideas  
- Get IT away from discussing IT benefits to business benefits  
- We’ve got to be prepared to fail to innovate |
Tabulated On Site Survey Response of Participating CIO Participants in Roundtable Series

NOTE: This table is sorted and ranked in descending order of activities roundtable participants stated they wanted to “Do Differently.”

<table>
<thead>
<tr>
<th>Activity</th>
<th>Stop Doing</th>
<th>Do Differently</th>
<th>Continue Doing in the Same Way</th>
<th>Not Applicable -- Not Currently Doing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Spent on IT Performance Metrics</td>
<td>3%</td>
<td>72%</td>
<td>22%</td>
<td>2%</td>
</tr>
<tr>
<td>Time Spent on Annual IT Budgeting</td>
<td>2%</td>
<td>69%</td>
<td>25%</td>
<td>3%</td>
</tr>
<tr>
<td>Time Spent on Senior Executive Interactions</td>
<td>2%</td>
<td>64%</td>
<td>33%</td>
<td>3%</td>
</tr>
<tr>
<td>Time Spent Engaged in Innovation-Related Research</td>
<td>0%</td>
<td>64%</td>
<td>30%</td>
<td>6.4%</td>
</tr>
<tr>
<td>Time Spent on Technology Impact on Business Performance</td>
<td>3%</td>
<td>62%</td>
<td>36%</td>
<td>2%</td>
</tr>
<tr>
<td>Time Spent on Strategic Issues</td>
<td>2%</td>
<td>61%</td>
<td>39%</td>
<td>0%</td>
</tr>
<tr>
<td>Time Spent on IT impact Business Needs Assessment</td>
<td>6%</td>
<td>60%</td>
<td>33%</td>
<td>3%</td>
</tr>
<tr>
<td>Time Spent Interacting with Line of Business Staff</td>
<td>2%</td>
<td>59%</td>
<td>36%</td>
<td>3%</td>
</tr>
<tr>
<td>Time Spent Interacting with Customers</td>
<td>3%</td>
<td>59%</td>
<td>37%</td>
<td>4%</td>
</tr>
<tr>
<td>Time Spent Attending Industry Conferences/Events</td>
<td>0%</td>
<td>58%</td>
<td>42%</td>
<td>0%</td>
</tr>
<tr>
<td>Time Spent on Mid-level Management Interactions</td>
<td>6%</td>
<td>57%</td>
<td>37%</td>
<td>0%</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
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</tr>
<tr>
<td>Time Spent Interacting with Technology Vendors</td>
<td>6%</td>
<td>55%</td>
<td>40%</td>
<td>0%</td>
</tr>
<tr>
<td>Time Spent on Technical Issues</td>
<td>14%</td>
<td>53%</td>
<td>33%</td>
<td>0%</td>
</tr>
<tr>
<td>Time Spent Interacting with Technical Staff</td>
<td>3%</td>
<td>50%</td>
<td>47%</td>
<td>0%</td>
</tr>
<tr>
<td>Time Spent Interacting with Financial (CFO) Staff</td>
<td>6%</td>
<td>50%</td>
<td>42%</td>
<td>3%</td>
</tr>
<tr>
<td>Time Spent Interacting with Legal Counsel/Risk Management</td>
<td>0%</td>
<td>49%</td>
<td>37%</td>
<td>14%</td>
</tr>
<tr>
<td>Time Spent on Informal Networking with Fellow CIOs/Technologists</td>
<td>0%</td>
<td>48%</td>
<td>52%</td>
<td>0%</td>
</tr>
<tr>
<td>Time Spent on Staff Level Interactions</td>
<td>3%</td>
<td>47%</td>
<td>48%</td>
<td>2%</td>
</tr>
<tr>
<td>Time Spent on Opex Oriented Investments</td>
<td>6%</td>
<td>47%</td>
<td>31%</td>
<td>17%</td>
</tr>
<tr>
<td>Time Spent on Help Desk Support</td>
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<td>47%</td>
<td>11%</td>
<td>8%</td>
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<tr>
<td>Time Spent on Business Needs</td>
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<td>47%</td>
<td>53%</td>
<td>0%</td>
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<tr>
<td>Time Spent Reading Tech Literature</td>
<td>3%</td>
<td>45%</td>
<td>52%</td>
<td>0%</td>
</tr>
<tr>
<td>Time Spent Reading Industry Literature</td>
<td>3%</td>
<td>45%</td>
<td>51%</td>
<td>1%</td>
</tr>
<tr>
<td>Time Spent on Informal Networking with Industry Colleagues</td>
<td>0%</td>
<td>45%</td>
<td>55%</td>
<td>0%</td>
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<td>----------------------------------------------------------</td>
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</tr>
<tr>
<td>Time Spent Designing Management Structures</td>
<td>12%</td>
<td>45%</td>
<td>33%</td>
<td>9%</td>
</tr>
<tr>
<td>Time Spent Attending Tech Conferences/Events</td>
<td>0%</td>
<td>45%</td>
<td>55%</td>
<td>0%</td>
</tr>
<tr>
<td>Time Spent on Capex Focused Investments</td>
<td>6%</td>
<td>44%</td>
<td>33%</td>
<td>17%</td>
</tr>
<tr>
<td>Time Spent Interacting with Human Resources</td>
<td>25%</td>
<td>38%</td>
<td>28%</td>
<td>9%</td>
</tr>
</tbody>
</table>
Additional Facts & Stats on Business Alignment

Dell Services undertook a series of research initiatives with the Economist Intelligence Unit (EIU) and Harvard Business Review (HBR) to understand the prevailing forces that are redefining the role of the CIO and the IT function in the organization. Key observations include:

From EIU:
- A focus on plus CIO and C-suite alignment drives financial success. According to EIU research, there was a 2 to 1 performance gap in favor of organizations whose CIOs were part of overall development of IT strategy.
- Those who use IT to drive revenue outperform those who focused on IT to cut costs.
- Over half, 57 percent, of executives who participated in the study indicated that significant change will happen to IT in the next three years.
- Less than half, 46 percent, of CEOs surveyed stated that their CIOs understand the business.

From HBR:
- When HBR researchers set out to categorize the “IT Investment Personality” of organizations, they found that:
  - 44 percent considered themselves to have a “Balanced” approach to IT investments;
  - 29 percent self-categorized as “Committed cutters”; and
  - 27 percent stated they were “All In Investors” making big bets on IT to provide an organizational pay-off.
- Key measures of success reported by respondents to HBR researchers:
  - 52 percent cited Business Process Improvements;
  - 47 percent cited Project Budget & Schedule;
  - 43 percent cited Return on Investment; and
  - 40 percent cited Customer Satisfaction.
- Top priorities for 2012 reported by respondents to HBR researchers:
  - 60 percent cited Reduction & Optimization of Costs;
  - 41 percent cited Improved Customer Experience/Service;
  - 28 percent cited Improved Product or Service Development
  - 28 percent cited Increased Market Share.
About Dell Services

Dell Inc. (NASDAQ: DELL) listens to customers and delivers innovative technology and services that give them the power to do more. Dell provides people, processes and technology to help create, improve or support an efficient IT organization. With over 100,000 global team members Dell is committed to provide expertise, infrastructure, support, applications and business processes to help organizations operate their IT more efficiently, proactively and securely. Learn more at www.dell.com/services.

About CIO magazine

CIO produces award-winning content and community resources for information technology executives and leaders thriving and prospering in this fast-paced era of business, as well as creates opportunities for information technology and consumer marketers to reach them. The CIO portfolio includes CIO.com, CIO magazine (launched in 1987), CIO Executive Programs and the CIO Executive Council. CIO properties provide business technology leaders with analysis and insight on information technology trends and a keen understanding of IT’s role in achieving business goals. The U.S. edition of the magazine and website are recipients of more than 200 awards to date, including the American Society of Business Publication Editor’s Top B-to-B Magazine since 2000 and two Grand Neals from the Jesse H. Neal National Business Journalism Awards. CIO websites and printed publications appear in more than 25 countries, including Australia, Canada, Finland, India and Sweden. CIO Executive Programs—a series of face-to-face conferences including the CIO 100 Awards & SymposiumTM—provide educational and networking opportunities for pre-qualified corporate and government leaders. The CIO Executive Council is a professional organization of CIOs created to serve as an unbiased and trusted peer advisory group. CIO is produced by a subsidiary of International Data Group (IDG), the world’s leading technology media, research and event company. Company information is available at http://www.idg.com.