

# The Adventurous CIO

Michael Earl, Dean of Templeton College, Oxford and Emeritus Professor of Information Management at Oxford University explains how the role of the CIO is changing



I have researched the role of the CIO for nearly 20 years. One thing is clear from my studies, something that seasoned CIOs will recognise all too clearly. The demands and challenges placed by business on the CIO and the IT function come in cycles – and the cycles seem to get ever shorter. Right now, of course, economic uncertainty in the face of the credit crunch potentially sets two new challenges for some CIOs, especially in the financial services sector. On the one hand, the pressure is on for better and more timely information on exposures, liquidity and margins. On the other hand, budgets are under scrutiny and the focus is likely to be on investing in applications and infrastructure with the most certain and visible returns.

### AN ADVENTUROUS MANDATE

However, research I completed in 2007 suggested that a more expansive and adventurous mandate was being placed on CIOs than for several years and unless a particular company is facing undue financial stress, I see no reason why this momentum will stop. In short, CEOs in 2007 were expecting IT to make a much more strategic contribution to the enterprise than for some years. Fig. 1 summarises the picture I discerned.

In about one third of large corporations in Europe and North America, IT was still being seen as a *back office* activity. The aftermath of Y2K and the dotcom boom was leading CEOs in these businesses to

set a mandate to run a tight IT shop, focus on metrics of cost efficiency, speedy delivery and quality of service and don't talk visions, strategy or business transformation. If the IT function avoided disasters and looked good against industry performance benchmarks then the CIO was doing

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just what was expected. In short, the CIO was being asked to be a steward and to continuously improve IT performance.

### A STRATEGIC CONTRIBUTION

The remaining two-thirds of organisations were demanding that IT made a more strategic contribution to the business. Some CIOs had a very explicit agenda of *business integration*. The scope varied from building and running shared service units, through driving process-based organisations, to investing in enterprise integration. Here the metrics were not just those of IT efficiency but also of business operational performance such as product-to-market time, cross-selling ratios or fulfilment targets. Here the CIO was more of a *processor* than steward, concerned with systems, processes and change, with enterprise

architecture and selecting and managing the best providers available.

Other CIOs were being set a more flexible, developmental mission. It was almost a call to relive the spirit of the 1980s, that is, to re-engage with the business on both integrating IT strategy with business strategy and

partnering senior executives to see how IT could make a real difference in competitiveness. In short, IT was being seen by CEOs and executive teams in these companies as a *strategic capability*; the CIO therefore was being asked to be a *collaborator*. The focus was value creation and the CIO was being expected to be a full and active member of the executive team. Success was being measured in terms of business relationships and emergence of new strategic thrusts. The CIO's key task was to find and mentor business-oriented project managers and top-class systems consultants.

### THE CIO AS AN INNOVATOR

Finally, in another set of companies – particularly in financial services, information businesses and pharmaceutical companies – the

CEO was asking IT through the CIO to enable business innovation. Expectations were about new products, new channels, new processes and new business models. The CEO probably was setting a direction but hoped the CIO could come up with some good ideas. So IT increasingly was recognised as a *source of innovation* and the CIO was being positioned as an *innovator*. IT was seen as a tool of innovation, an enabler of innovation and a component of innovation. Of course the CIO, or any one executive, cannot be *the* innovator and the business was hardly likely to grant the CIO ownership of innovation – which would not work anyway. So the CIO had a challenge of where to start, who to work with, what to do, and how to find the time.

Indeed, it is time which is the key challenge in any of these three more strategic orientations. This is mainly because IT always remains an important back office activity, evermore with frontline presence, and the metrics of cost, speed and quality are eternal. So CIOs must keep their eye on the operations ball whatever the strategic mandate placed on them. This may become even more obvious in the coming months of credit crunch consequences.

### A BINARY ROLE

What should this mean for the day-to-day approach that a banking or financial services CIO should take towards his or her role and organisation?

It means adopting an attitude or stance that is in some ways *binary*. On the one hand as IT is the operations of financial services businesses the CIO, sometimes in partnership with the CTO, has to be a steward. On the other hand it is advisable to agree with the CEO and the Executive Team which of integrator, collaborator or innovator is the most important complementary role.

fig. 1

IT as	BACKOFFICE	BUSINESS INTEGRATOR	STRATEGIC CAPABILITY	INNOVATION SOURCE
CIO as	Steward	Processor	Collaborator	Innovator
FOCUS	Reliable Operations	Plus Processes Shared Services	Plus Value Creation	Plus Service/Product Innovation
KEYWORDS	Cost, Speed, Quality	Enterprise, Across Silos	Relationships with Business, Partnership	Innovation, New Business Models...
CEO MANDATE	No Disasters Benchmark Well	Business Performance Results Orientation	Executive Team Member From Cost to Value	Technology-Based Innovation
CHALLENGES	Internal IT Re-engineering	Sourcing, Architecture	Re-skilling, Mentoring	Ownership

If you'd like to comment on Michael Earl's article, email me at [npullen@freestone-executive.com](mailto:npullen@freestone-executive.com) and we'll forward on your thoughts to Michael.

## Managing IT risk


As global financial services institutions seek to link risk management, compliance and audit processes, 2008 promises to be a year of continued change for the industry with IT risk management playing a critical role.


Financial services organisations have recognised the need to broaden the scope of risk governance and management to include IT. This awareness is growing in the

wake of highly publicised identity theft incidents and other security breaches, as well as legislation aimed at better managing financial, market and operational risk exposures.

The majority of firms see effective IT risk management as a business imperative designed to execute, manage, measure, control and report on risk matters related to IT. If successful, a firm's program should provide the board of directors, senior management, regulators and other

stakeholders with the confidence that IT can deliver business value efficiently and securely while providing high-quality assurance around data integrity, availability and confidentiality.

 [CIO.com, Tips to an Effective IT Risk Management Plan for Financial Services](http://www.cio.com/TipstoanEffectiveITRiskManagementPlanforFinancialServices) CIO.com, April 30th 2008

 [http://www.cio.com/article/344364/Tips\\_to\\_an\\_Effective\\_IT\\_Risk\\_Management\\_Plan\\_for\\_Financial\\_Services](http://www.cio.com/article/344364/Tips_to_an_Effective_IT_Risk_Management_Plan_for_Financial_Services)


## Four steps to Fortune

Success is not easy or simple. Even in the best of times, workplaces are fraught with changing conditions, political jockeying and limited room for advancement. And these are not the best times.

Yet some IT staff manage to get noticed-and in all the right ways. What are the secrets of their success? How do some IT leaders manage to shine?

Beyond the basics - energy, enthusiasm, passion for the work-four important behaviours can help catapult you to success, according to CIOs and executive recruiters.

- *Be good to your end users.* First things first: If you want to get ahead, don't make people feel stupid.
- *Go beyond the walls of IT and become business-savvy.* Not just so you can talk the talk. Without understanding business users' work lives, it's impossible to deliver optimum technology solutions.
- *Understand the organisation's structure and goals.* If you want to move up the ladder of success, you need to create strategic IT. And you need to know what top management values.
- *Build trust with your boss.* Trust is the glue that binds relationships together inside and outside of work. Without it, moving up is virtually impossible.

 [Four Secrets to becoming a rising IT star](http://www.itworld.com/Career/it-career-tips-080430/), CIO.com, May 1st 2008

 <http://www.itworld.com/Career/it-career-tips-080430/>

## CIO Coaching with JCA

We are delighted to announce an agreement with **JCA Group** to provide executive coaching for CIOs and those either aspiring to be on a Board or imminently doing so. If you would like more information please contact **Neil Pullen** on +44 207 969 2745.

## Credit Suisse's Asia Outsourcing Model


Most 21st century CIOs are still coming to terms with how their role has been transformed. Here, one CIO in the financial services industry outlines how comprehensive are his duties and responsibilities in today's increasingly complex world.

Credit Suisse's Divyesh Vithlani, is regional IT chief operating officer, and head of IT in Singapore, the regional IT head for the bank's outsourcing strategy called centres of excellence (COE) in the Asia Pacific. He set up the bank's first COE in Singapore.

In the early 2000s, Credit Suisse, like other banks, experimented with the traditional outsourcing model. "We have aspects of development work that you'd specify and a third party would be asked to essentially

develop the code base and provide that with a view that we would then deploy the work," explains Vithlani.

While the model was more suitable for low risk functions, the bank felt that it needed to have a strategy that facilitates all areas of the bank to participate in off shoring and outsourcing. The plan formulated entailed leveraging the benefits that outsourcing provides, with respect to the bank's ability to tap into the global talent pool, at the right price while staying competitive.

 [Credit Where It's Due CIO-Asia](http://www.cio.com/ShowPage.aspx?pagetype=2&articleid=8301&pubid=5&issueid=136), May 2008

 <http://www.cio.com/ShowPage.aspx?pagetype=2&articleid=8301&pubid=5&issueid=136>

## Going Green

The IT industry needs to benchmark and create measures that would help IT managers to hit green targets and design IT environments for maximum efficiency. When it comes to developing best practice, Government CIO John Suffolk says: "We need to answer the question: What does 'good' look like from a green perspective?"

 [Government CIO Demands Green Best Practice](http://www.cio.co.uk/news/index.cfm?RSS&ArticleID=2801)

 <http://www.cio.co.uk/news/index.cfm?RSS&ArticleID=2801>. CIO Magazine, May 8th 2008

Almost half of UK IT leaders would pay at least a 10% premium for goods and services from sustainable suppliers, a Cisco study has revealed.


Of the 43% of UK respondents who said they would pay more, three-quarters said they were prepared to pay up to 10% extra to ensure sustainability, while a quarter said they would consider premiums up to an incredible 50%.


 [UK CIOs Will pay premium for green goods](http://www.cbronline.com/article_news.asp?guid=21D1D17B-8531-4379-B52B-A5B1A1AB2728)

 [http://www.cbronline.com/article\\_news.asp?guid=21D1D17B-8531-4379-B52B-A5B1A1AB2728](http://www.cbronline.com/article_news.asp?guid=21D1D17B-8531-4379-B52B-A5B1A1AB2728). CBR, May 1st 2008

A new study from consulting firm McKinsey & Company has concluded that current initiatives to reduce data centre power consumption aren't adequately addressing the issue.

McKinsey recommends that companies bridge the gap between the chief information officer (CIO) responsible for co-ordinating build-out requirements and the CEO/CFO responsible for actually paying the energy bill by appointing an "energy Czar," who would report to the CIO, but would also work within the IT department of any given organisation. If properly executed, this would bridge the gap between the two departments.

 [Cut Datacentre power with bureaucracy](http://arstechnica.com/news.ars/post/20080501-study-recommends-datacenters-go-green-adopt-power-metric.html)

 <http://arstechnica.com/news.ars/post/20080501-study-recommends-datacenters-go-green-adopt-power-metric.html> Ars Technica, May 1st 2008

## Governance is key


IT alignment is important, but it's nothing without IT governance. Instituting effective IT governance means sharing ownership of IT initiatives with other CXOs. Without that your program will fail.

When CIOs are asked to list the most significant challenges they face, it often looks like this:

- Inadequate funding and other resources to do the things they would like to be doing for their company;
- Even the funding that IT supposedly has is not stable enough to guarantee that expensive IT projects will survive a long development time;
- Insufficient stature - they don't have a seat at the table;
- Fighting the perception of the other CXOs that they lack the political skill to function at the full potential of an executive;
- Fighting the perception of the other CXOs that the CIO is more a technology leader than a business leader;
- Fighting the perception of the other CXOs that even if the CIO wanted to be a business leader, she/he lacks the business skill necessary to assume a business leadership position;
- Lack of understanding on the part of the other CXOs about the strategic role that IT could play.

If the above list looks something like the challenges you face, there's good news. All that can be overcome simply by instituting effective IT governance.

 [CIO.com IT Governance Tips: Help to Improve Executive Buy-in](http://www.cio.com/TipstoanEffectiveITRiskManagementPlanforFinancialServices) CIO.com, May 12th 2008

 [http://www.cio.com/article/355413/IT\\_Governance\\_Tips\\_Help\\_to\\_Improve\\_Executive\\_Buy\\_In](http://www.cio.com/article/355413/IT_Governance_Tips_Help_to_Improve_Executive_Buy_In)

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