

THE CHIEF INFORMATION OFFICER



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Of all the changes that have swept over the business landscape in the past 50 years, perhaps the most significant is the evolution and expansion of the role of information technology and the impact it has had on running a global company. During this period, IT has migrated from the back office to the executive committee, from cost center to revenue driver, from operational outpost to strategic cornerstone.

The role and the very title of the senior-most IT executive has morphed from data processing manager whose primary function was to automate manual processes, to chief information officer responsible for driving technology and often times business strategy. Today the CIO is expected to conceive and execute the company-wide initiatives that are the basic building blocks of launching a company into market leadership. All this has to happen seamlessly, without failure, and with precious few dollars to get it done.

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depends in part on advances in technological development as well as their ability to deliver against the white-hot competition that impels corporate leaders to extract every last bit of strategic advantage from their organizations' information assets. And if these tasks weren't challenging enough, the CIO role is tested even more as innovation becomes increasingly more difficult in today's constrained economic environment. The CIO in a global organization has become a major player on the CEO's leader-

ship team, with ample opportunities to shape strategy, set corporate direction and lead change.

Long after the excesses of the 1990s have been worked off, that decade may be best remembered as the time when corporate leaders recognized that technology is the engine of a business. The challenge facing CIOs today is how to apply that insight throughout their organization. This calls for an executive with a rare blend of technical expertise and business acumen, conversant in both HTML and P&L.

In few industries is the sense of urgency so great as in financial services, where systems failures can cost an organization millions. "I didn't even know what a CIO was three years ago," claims Tim Arnoult, Global Treasury Services Executive for Bank of America. "When I first started in banking," he says, "the predecessor to today's CIO was the Senior Vice President of Data Processing. The role was to post transactions to customer accounts and run daily financial statements for the bank. Today, every core process in the company is enabled with technology and the strategic focus is on the use of information to improve customer satisfaction and to gain competitive advantage. Twenty-five years ago technology consisted of mainframes in the back office; today, the customer and bank have the advantage of interacting directly with each other through technology."

As Marv Adams, CIO of Ford Motor Company, sees it, "The world changed when IBM announced the PC in 1981. As the desktop computer took hold and local area networking took off, the role of the CIO changed dramatically. Overnight, it became one of trying to control the growth of IT and ensuring some consistency in the way IT was implemented across the company. Then came the Internet revolution, and we went from a world with three or four primary providers of technology to one with a seemingly infinite number of software, networking, services and hardware companies. The CIO's priorities have shifted to managing growth and helping the company gain a strategic advantage by investing its IT dollars as effectively as possible."

TODAY'S CIO

Businesses, and CIOs in particular, have entered a new phase. CIOs now go to work every day with the charter to consolidate and rationalize the IT explosion of the 1990s, optimizing systems to wring the highest possible returns from the company's technology investments. In practical terms, this means effectively managing the tension between the demand to deliver innovation and the need for rigorous expense control. "Technology now dictates how businesses develop, change and evolve," says Kelvin Thompson, Head of Innovation at Heidrick & Struggles, who helped to build the firm's CIO Practice. "That's why corporations can't just settle for someone to run the IT shop. They need innovative technology leaders who look at IT as an asset and continually question what the organization can do with technology to drive up revenue, and not simply just drive out costs. That kind of role will become more and more crucial, and in some cases will permeate into the leadership of the company."

THE CIO'S ROLE IN INNOVATION

Forcing innovation is probably the dot-com era's most worthwhile legacy. The advent of the Internet spurred every business organization to take a new look at its business model. In the financial services industry, new thinking about ways to touch the customer forced companies to consider alternative channels of distribution that leveraged the Web, and to utilize call centers and traditional brick-and-mortar models to provide unprecedented levels of customer access. Likewise in other industries, the digital directive has focused management's attention on supply chain issues, logistics and distribution. As impatient shareholders press for steady productivity improvement, IT departments are being called upon to create efficiencies, drive costs down, and streamline buyer and supplier behaviors. Corporations continue to look to technology—and to the CIO—for ways to make better business decisions, improve returns, and build connectivity, both within the organization and externally across the length of the value chain.

Today's CIO must bring a mixture of technical competence, business savvy and leadership skills to the table. A thorough grounding in information technology is a prerequisite for the CIO job. "The CIO has to be able to manage suppliers aggressively," Thompson explains. "If you don't have a background in technology, your ability to manage the people who supply your technology is often limited." Adams believes that today's CIOs are becoming more like investment portfolio managers. "CIOs need

to know when to build capabilities internally versus sourcing some of the portfolio to outside suppliers versus building alliances and forging partnerships," he says.

More and more, evidence supports the case for a CIO to possess business acumen as sharp as any operating executive. In very large organizations, the CIO has charge of thousands of people and an annual budget in the billions of dollars. The position requires strong organizational leadership and financial management skills, and also calls for an ability to balance short-term realities against long-term objectives. "CIOs have become policy-level executives in most companies", says Adams. Strong communication skills are another essential component of this tool kit. "The CIO should be able to make the business case to the technical people and the technical case to the business people," says Arnoult. But most of all, he continues, the CIO needs to be a leader who can build and inspire a high-performing team. "You have to be able to create positive energy and momentum," he says, "particularly when the economy is tough. You also have to attract and retain 'A' players. That is an absolute must."

Adams worries that many organizations are so distracted by short-term pressures that they are losing sight of the importance of cultivating the next generation of senior technology executives. Both Arnoult and Adams believe that companies in every industry are going to have to get much more serious about developing technology leaders in the second half of the decade.

THE FUTURE OF THE CIO

The next wave of CIOs will face demands that earlier generations of technology leaders could not have imagined. Both Adams and Arnoult acknowledge that the financial reporting requirements imposed by the Sarbanes-Oxley Act add to the pressure on CIOs as well as CFOs and CEOs. Additionally, increased security and risk management pressures, combined with the continued demands of the current global economic climate have made things harder. The impact of these issues cuts across every business concern facing a CIO and adds an extra layer of complexity to decisions involving running a global technology-based organization, from selecting business partners and vendors, to outsourcing operations, to developing strategic alliances.

There are a variety of professional experiences and competencies that can spell success in the CIO position. The CIO of the future will play an ever-increasing role in managing information to drive decision making, providing faster, better and smarter tools for running a global company. 