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A Path to  
Success for CIOs  
*Powerful Position,  
Clear Mandate*



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## EXECUTIVE SUMMARY

*The chief information officer is in a high-profile position, with the potential to make a real strategic impact on his or her business. But it is a difficult job, especially now, as many CIOs are losing executive power in the face of budget cuts and the commoditization of significant areas of the technology they oversee. Yet CIOs have the ability to influence their position within their company, through their success at both the technical and business levels.*

*An ongoing Booz & Company study, the IT Org DNA Profiler<sup>®</sup>, demonstrates that two primary factors—the CIO’s business mandate and position in the company—can have a significant influence on how the CIO is perceived inside the company, and in turn on the success of the IT organization. CIOs who have a mandate for change and who report directly to the CEO typically have the most successful IT organizations, according to the study.*

*Improving both mandate and position, however, isn’t easy. Getting the basics right is certainly critical in building credibility. Beyond that, CIOs should take specific steps to increase their visibility and effect: Showcase IT’s strategic value, manage requirements and priorities, lead the business, emphasize the right measures, tailor innovation, set technical direction, and spearhead communication. CIOs who do so will be best positioned to help their companies leverage IT to transform their businesses.*

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## THE CIO CHALLENGE

To be a CIO at a large organization is to be given the opportunity to oversee the entire IT function while working closely with the business to unleash new opportunities and efficiencies through IT. Yet it is no easy assignment: The appeal of this high-profile position is offset by considerable challenges. The successful CIO must gain a deep understanding of both the strategic direction of the business and how it operates, maintain a watchful eye on the ever-changing external technology landscape, and manage the IT department itself—a collection of diverse specialists who must work together to deliver a wide range of complex projects and programs that will have a profound impact on the business.

These challenges have been compounded in recent years by a shift in power, as many CIOs have lost their hard-won place at the executive table. This reduction of authority and influence is attributable in part to the loss of corporate power that typically accompanies substantial budget cuts. Furthermore, as companies increasingly rely on proven, packaged, essentially commoditized IT systems and hardware, CIOs at some companies have come to be seen as the overseers of a utility service rather than as partners who contribute significantly to the organization's competitive position.

Yet CIOs have the ability to influence their role and ultimately their success. The CIO has substantial control over “hard,” measurable factors such as the way the IT department is organized and staffed, the processes it adopts, and the technical direction it takes. “Softer” factors, such as communication, decision making, and the motivation of IT employees, are also within the CIO's direct sphere of influence. Other factors, however, such as the CIO's standing among the organization's top executives and the IT organization's relationship with the rest of the business, are harder to control, because they involve people outside IT who may have different views of the department's vision, priorities, and value.

Since 2007, Booz & Company has been conducting a periodic study, called the IT Org DNA Profiler®, to better understand the factors that drive successful IT organizations; so far, it has received more than 2,000 responses. The study demonstrates that two factors in particular—a CIO's business mandate and position in the company—can have a significant influence over the less controllable issues. Thus, these factors are key to the role that CIOs play at their organization and, ultimately, key to their success.

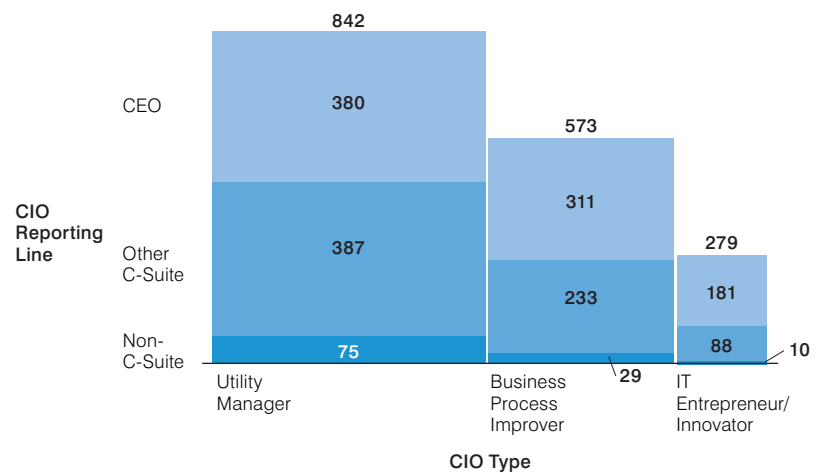
*CIOs have the ability to influence their role and ultimately their success.*

## THE PERFORMANCE FACTOR

In the course of the IT Org DNA study, Booz & Company has determined that CIOs typically play one of three roles in large organizations: “utility manager,” “business process improver,” or “IT entrepreneur/innovator.” About half of all CIOs function as utility managers, whose mandate is typically limited to “keeping the lights on.” Half of all

CIOs report directly to the CEO, 40 percent report to another C-suite executive, and the final 10 percent report to an executive outside the C-suite. But a CIO whose role is confined to utility manager is significantly more likely to report to a top executive other than the CEO—this is the most common combination (see Exhibit 1). A CIO who reports

*Exhibit 1  
Distribution of CIO Types and Reporting Lines*



Note: IT Org DNA survey sample size: 1,694 definitively profiled respondents out of 2,033 total (Oct. 2007-Sept. 2008).  
Source: Booz & Company

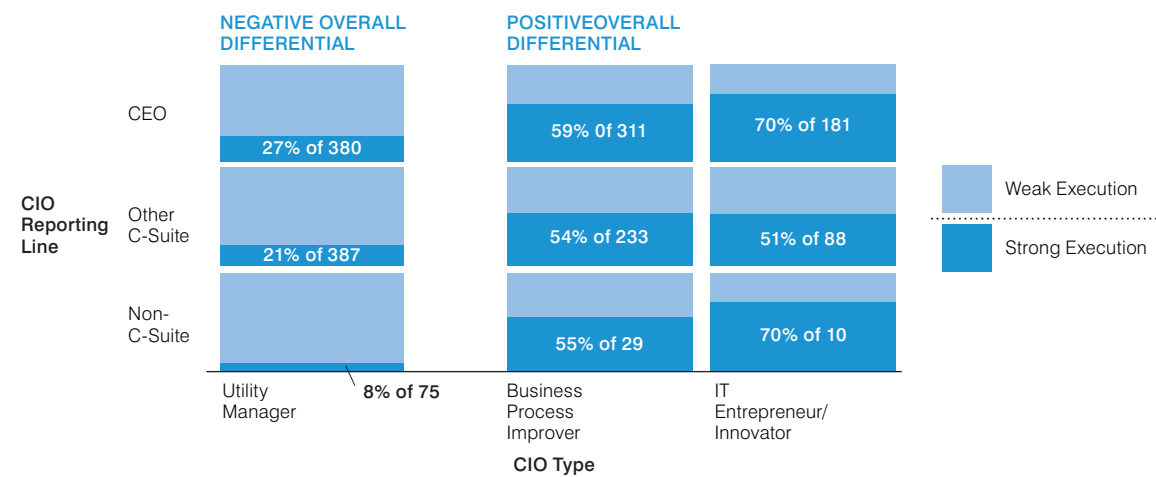
directly to the CEO is more likely to be characterized as having a successful IT organization than one reporting to a less senior executive.

Furthermore, there is a strong correlation between IT leaders who have

a clear mandate for change—those seen as an entrepreneur/innovator or a business process improver—and their IT organizations’ ability to execute successfully. These organizations are far more likely to be successful than those run

by utility managers. There is also a correlation, although less strong, between reporting line and execution ability (*see Exhibit 2*).

**Exhibit 2**  
*IT Execution Ability by CIO Type and Reporting Line*



Note: IT Org DNA survey sample size: 1,694 definitively profiled respondents out of 2,033 total (Oct. 2007-Sept. 2008).  
Source: Booz & Company

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## ROOM FOR IMPROVEMENT

Given these results, it is clear that CIOs who hope to improve the performance of their IT organization can significantly help themselves by increasing their own influence within their organization's hierarchy and ensuring that they take on the role of change agent. To do so, they must improve in two areas, business mandate and position.

“Mandate” refers to what the business has formally asked and empowered the CIO to do. IT's customers—both business executives and end-users—have increasingly high expectations of the IT function. Surrounded by constant IT innovation in their daily lives, they have come to expect professional IT organizations to continually provide the business with better functionality, usability, and accessibility. Meanwhile, the “utility” aspects of IT, including stable provision of infrastructure and services, are now often viewed as baseline services and taken for granted. The challenge for the CIO is to fulfill all the fundamental requirements of the utility manager while simultaneously securing a mandate to deliver real change through the role

of business process improver or IT entrepreneur/innovator.

“Position” refers to how connected the CIO is to the wider organization and how the CIO interacts with senior business executives. As noted, this is frequently manifested in the CIO's reporting line. A strong position within the organization is critical to the CIO's ability to understand what really makes the business tick and to apply that business knowledge to prioritization of investments and projects and deliver appropriate solutions. Position also determines whether the CIO has the authority and top-level support to bring about real change. The CIO's challenge is to earn that support and trust by demonstrating an informed strategic perspective, powerful communication skills, and real leadership both within and outside the IT department.

Although mandate and position are individually linked to success, the two together provide a winning combination. All CIOs should consider taking actions to strengthen their position and clarify their mandate.

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## BUILDING CREDIBILITY AND VISIBILITY

As long as the business side perceives the IT function as underperforming, it is unlikely to take seriously either the CIO's ambition to operate as a strategic partner or any attempts to deploy IT in a more strategic or entrepreneurial way. In order to change this perception, CIOs must first get the basics right and make sure they have all the utility aspects of IT well in hand, by delivering reliable and high-quality service—a task best accomplished when the CIO maintains control, rather than relegating it to subordinates. Getting the basics under control will help CIOs gain the credibility to work more closely with

the business to identify opportunities to pioneer innovation and the improvement of business processes. At that point, CIOs can take seven specific actions to increase their visibility and impact, working toward a more senior position with a greater mandate for both influence and change.

*1. Showcasing IT's strategic value.*

CIOs should continually seek ways to demonstrate that IT is more than a commodity and that its formal mandate can safely be extended. Well-publicized launches of new applications and frequent communication of differentiating functionality and tools will remind the business of IT's potential to add real business value. CIOs should be able to communicate IT's value in jargon-free language.

*2. Managing requirements and priorities.* CIOs need to ensure that both

the IT function and the business function understand the business's technology requirements and that the business participates actively in identifying and prioritizing IT initiatives. This means creating committees through which business owners and IT jointly establish the priorities for the IT department, determining capital allocation and the project portfolio.

*3. Leading the business.* CIOs can progressively increase their visibility by developing strong relationships with an expanded number of business leaders, built on a reputation for doing the basics well, coupled with strategic understanding and good judgment. Actions that demonstrate that the CIO is a capable leader who understands the big picture should bring him or her closer to the CEO. Examples include identifying cost-cutting opportunities, taking responsibility

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for business initiatives, and participating in governance structures outside IT, while clearly articulating a vision and strategy for IT.

4. *Emphasizing the right measures.*

For IT to demonstrate that it is meeting business requirements, the department and the business leaders must work together to put in place service-level agreements (SLAs) that are aligned with the priorities of the business. These delivery standards should be based on objective metrics for running IT on a daily basis, such as system availability, customer satisfaction, problem resolution time, and the like, as well as for the management of new IT projects, including on-time milestones, error and incident rates, and cost versus budget. Once the SLAs are in place, the CIO needs to identify key performance indicators (KPIs), communicate them to the IT organization and the business, and provide

incentives to exceed KPI targets. External benchmarking can verify and demonstrate that the service provision from the internal IT department is competitive in cost and quality.

5. *Tailoring innovation.* Any attempts to foster innovation that adds business value should be grounded in an understanding of current and future customer needs. Working closely with business counterparts, IT can identify initiatives in which an entrepreneurial approach may offer significant strategic or commercial value. Here, CIOs will have to be selective: Resources for entrepreneurial activity are likely to be limited, and not all departments will be receptive to working closely with IT.

6. *Setting technical direction.* The CIO's architecture group needs to establish policies and standards regarding enterprise architecture—

including the application portfolio, infrastructure, data, security, and network—and communicate them to the business side. Doing so will help standardize development processes, provide a stable platform for systems integration, and facilitate effective information sharing among business users.

7. *Spearheading communication.*

CIOs should take focused actions to ensure that IT is well managed. The IT organization needs to be structured to best serve the business, and crucial roles must be identified and staffed with high-quality professionals. Regular, structured communication will ensure that the department's direction and priorities are understood. Performance management and staff development programs should be established to achieve a motivated, high-performing team.

## Key Findings

- In the face of budget cuts and technological change, many CIOs are losing their place at the table.
- A Booz & Company study reveals that the most successful IT organizations are run by CIOs who have a strong mandate for change and who report to executives at the highest levels of the company.
- We have identified seven actions that CIOs can take if they wish to improve their effectiveness and get the most business value out of IT.

## AN INTEGRATED APPROACH

The principle of building credibility by getting the basics right before seeking greater visibility and interaction with the business will help CIOs improve both their position and their mandate. Strengthening either factor alone will help increase the CIO's power and impact, yet will probably fall short of the ideal vision of the role.

Thus, CIOs must work to strengthen both areas at once. If they can, the result will be better performance, greater trust and empowerment, and a higher level of seniority. Moreover, success in one domain is likely to increase opportunities to

excel in the other. CIOs who can demonstrate strategic understanding of the business and come up with fresh, clearly stated ideas for adding value are more likely to be trusted to proceed. CIOs who can add value by engaging with the business in an entrepreneurial way are more likely to gain a senior audience and a closer relationship with senior management.

CIOs who lack the credibility and visibility needed to produce real change will find it difficult to change their mandate and improve their position. But the effort is well worth it, if doing so helps transform the role of the CIO and raise the profile of IT as a whole. CIOs who succeed at this effort will find it easier to overcome some of the challenges of a difficult job, reclaim or safeguard executive power, and realize the vision of their role—managing IT effectively to transform the business.

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### ***About the Authors***

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