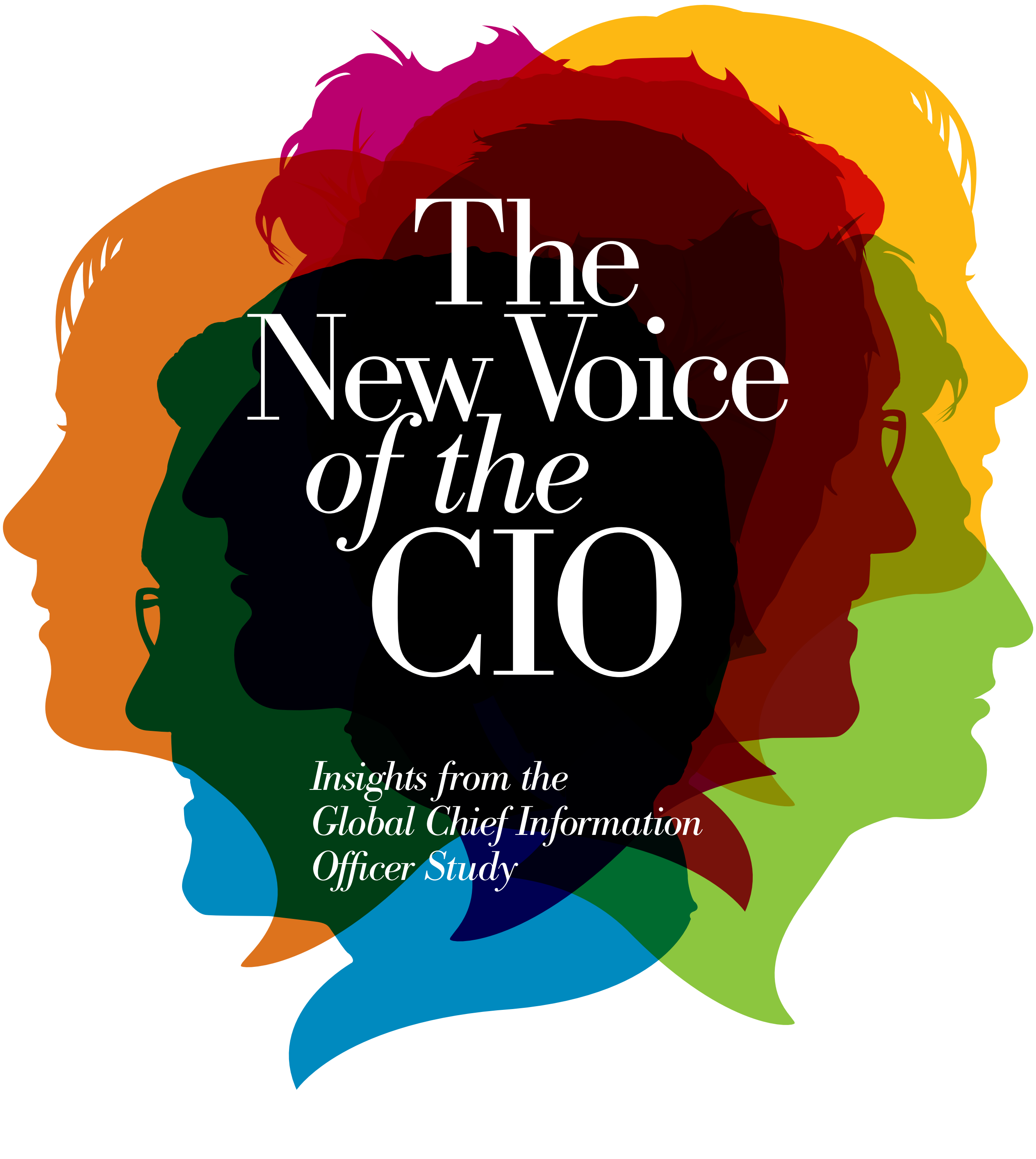


The New Voice of the CIO

Insights from the Global Chief Information Officer Study

Midsize Organization Executive Summary

IBM

Introduction

In a fast-moving business environment, how can today's Chief Information Officer (CIO) make the biggest impact on behalf of the entire organization? To answer that question, we listened to more than 2,500 CIOs worldwide, including 158 CIOs from midsize organizations with fewer than 1,000 employees. In this report, we will refer to this group as "Midmarket CIOs." Our sample covers Midmarket CIOs from 31 countries; two-thirds are based in established economies, and one-third in rapidly developing economies.

As part of our research, we also sought to understand the differences between responses of CIOs from organizations with high PBT growth (referred to in this report as "High-growth CIOs") and CIOs from organizations with low PBT growth ("Low-growth CIOs"). For details about our research methodology, please see "How our research was conducted."

These one-hour, face-to-face conversations, along with our statistical and financial analyses, made clearer the changing demands on CIOs. Not content to be known only as consummate IT experts or perpetual seekers of savings, CIOs are redefining their role.

The voice of the CIO is being heard in new ways, as CIOs rise up the management hierarchy. More than half of all Midmarket CIOs *hold positions on their organizations' top executive teams*. Many of them are also actively engaged in setting strategy, enabling flexibility and change, and solving business problems, not just IT problems. Indeed, the most successful Midmarket CIOs spend nearly two-thirds of their time on activities that spur innovation. These activities include generating *buy-in for innovative plans, implementing new technologies* and *creating new insights from information.*

Yet, like their peers in larger organizations, Midmarket CIOs acknowledge that some of their most important objectives too often seem to clash: *How can I support the introduction of new services while avoiding the disruption of existing services? How can I reduce costs while improving services? How can I balance the need to influence business strategy with the need to provide top-notch IT support?*

Complementary, yet sometimes conflicting roles
One CIO summed it up well: "In IT, we are not magicians, but we are certainly jugglers." On any given day, CIOs are poised for the unexpected, leading an organization that solves a myriad of problems for customers, both internal and external. Without question, IT functions represent the lifeblood of most businesses. But CIOs told us that they can only turn more attention to new technology ideas after addressing current IT needs.

After thousands of interviews, we found that successful CIOs actually blend three pairs of roles. These dual roles seem contradictory, but they are actually complementary. To characterize each role, we have coined a term that describes its dominant quality. At any given time, a CIO is:

- An Insightful Visionary *and* an Able Pragmatist
- A Savvy Value Creator *and* a Relentless Cost Cutter
- A Collaborative Business Leader *and* an Inspiring IT Manager.

By integrating these three pairs of roles, the CIO:

Makes innovation real

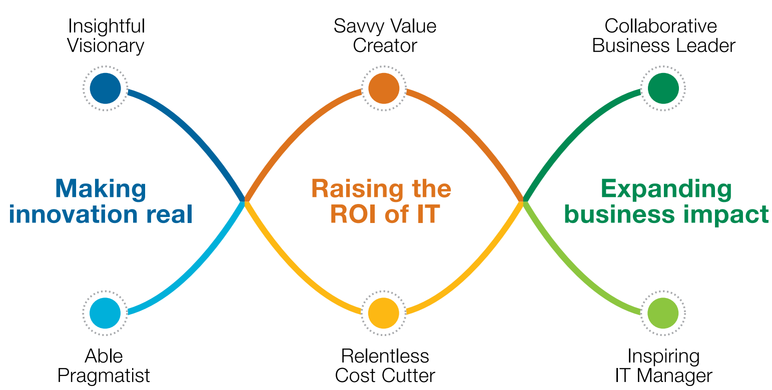
It's not enough to just plan for innovation – it needs a robust foundation. When acting as an Insightful Visionary, a CIO is perceptive, promoting a broad technology agenda to help the business profit from leading-edge initiatives. The flip side of the Visionary is the Able Pragmatist role. As a Pragmatist, a CIO deals with the realities of the business. The Pragmatist also facilitates the productivity of current IT solutions to allow more time and budget for innovation.

Raises the ROI of IT

Using IT to produce greater business value is vital, accompanied by an ongoing focus on lower costs and higher efficiency. A Savvy Value Creator finds new ways to help customers and the organization profit from how data is used. The Relentless Cost Cutter, its counterpart, is focused on managing budgets and processes to eliminate or reduce costs.

Expands business impact

To contribute the most to the organization, proven expertise in both business and technical matters is vital. Part of the time, CIOs will engage with the enterprise as Collaborative Business Leaders, to drive new business initiatives and cultural shifts jointly with fellow CxOs. At other times, the Inspiring IT Manager role occupies center stage to motivate the IT organization and deliver superior IT performance.



Adjusting the mix, one pair at a time

It's no surprise that CIOs, especially those in midmarket organizations, must reconcile seemingly opposing mindsets. Many midsize and small businesses are taking advantage of the Internet and globalization to innovate, enter new markets and make their mark in today's smaller, flatter and smarter world.

Yet, even though increased connectivity is creating new opportunities, it has also brought a period of unprecedented volatility; 55 percent of Midmarket CIOs anticipate changing their business models over the next three years. These CIOs are making bold moves to reshape their businesses and infuse them with intelligence, while improving their efficiency.

Our findings revealed ways in which they can be more effective in juggling these priorities. Even some experienced CIOs acknowledged that they are sufficiently strong in just one or two of the six CIO roles. Yet every role requires at least some attention.

The realities they individually face influence how each CIO can, and should, manage change at any given time. Many factors affect their decisions about how much emphasis to place on any single role, including macroeconomic and regional conditions; industry-specific forces; organizational characteristics; and their own skills and aspirations.

But despite the multiple forces in play, our findings show that successful CIOs discover ways to focus on high-value projects in support of their organizations. We share with you the voices of many CIOs and what they are doing to achieve three primary goals: to make innovation real, raise the ROI of IT and expand business impact.

Making innovation real

Insightful Visionary *and* Able Pragmatist

The Insightful Visionary is active in setting strategy and helping the business explore how technology can drive innovation. The Able Pragmatist sets the stage for enacting innovation. Key Visionary actions are to: push business/technology integration, champion innovation and expand CIO influence. Key Pragmatist actions are to: enable the corporate vision, make working together easy and concentrate on core competencies.

"The main challenge of a CIO is to measure and show the entire organization all the benefits that IT can bring to the business."

CIO, Midmarket IT Services company, Brazil

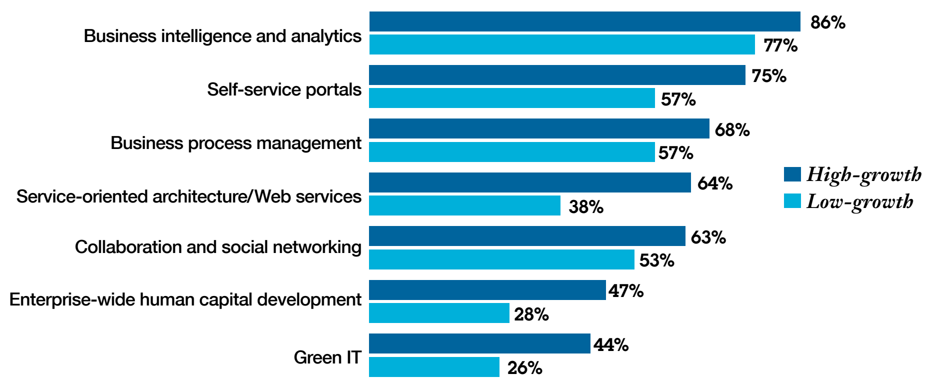
Midmarket CIOs must be particularly good at balancing these two roles. Most midsize organizations are still carving out a niche for themselves in today's globally integrated economy – and innovation is a crucial way of winning new customers and seizing new opportunities. But in order to innovate, they often need to supplement their internal resources by collaborating with other firms.

High-growth Midmarket CIOs provide some useful lessons here. They are much more proactive about championing innovation and co-creating business strategy than their peers in low-growth midmarket organizations. Similarly, they are much more actively engaged in integrating business and IT across their firms. And they are farther ahead in implementing technologies that enhance their organizations' competitiveness. A full 86 percent plan to use *business intelligence and analytics*, and 75 percent to use *self-service portals*, for example, versus just 77 percent and 57 percent, respectively, of Low-growth Midmarket CIOs. The gaps between the two groups are even bigger when it comes to adopting a service-oriented architecture, business process management and Green IT solutions (see Figure 1).

High-growth Midmarket CIOs also excel as Able Pragmatists. Fifty-seven percent are involved in *enabling the corporate vision* and *developing specific industry solutions,* compared with only 33 percent of their counterparts in low-growth midmarket firms – who are expected to focus mainly on *providing core technology services* and *facilitating process efficiency.* And they are almost twice as likely to be actively promoting the use of collaborative technologies to enable smarter workflows.

Figure 1 **CIOs in the most successful midmarket organizations actively capitalize on new technologies**

More High-growth Midmarket CIOs expect to use pioneering technologies to enhance competitiveness in the next five years.



Note: CIOs were asked to select all applicable answers to the question, "What kind of visionary plans do you have for enhanced competitiveness?"

What new collaboration tools and processes are you using – and how are you using them – to enhance communication and the sharing of knowledge, both within your company and with its partners, and thereby encourage innovation?

What steps have you taken to build an IT infrastructure that is sufficiently flexible and dynamic to respond to significant changes in your business, including new customer demands and markets, and sufficiently reliable to handle peak loads?

How are you balancing your time among the key roles today's Midmarket CIO is expected to fulfill? In what ways could a third party support your infrastructure or application needs, so that you can devote more time to enabling your company's vision and making innovation real?

Are you planning to implement, or already implementing, any emerging technologies into your infrastructure? Are there areas in which we can partner with you to pilot new approaches to solving problems and enhancing your company's competitiveness?

How are you leveraging environmental strategies and Green IT solutions for competitive advantage? What other emerging technologies have you considered?

Raising the ROI of IT

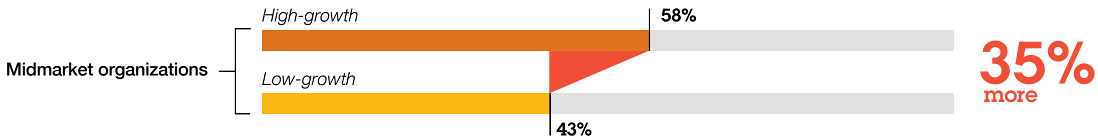
Savvy Value Creator *and* Relentless Cost Cutter

The Savvy Value Creator devises better solutions by understanding customers' needs, while the Relentless Cost Cutter is vigilant about trimming expenses wherever possible. Key Value Creator actions are to: make the data "sing," reach customers in new ways, and enhance integration and transparency. Key Cost Cutter actions are to: standardize to economize, centralize the infrastructure and keep cost reduction a top priority.

Midmarket CIOs are clearly focusing on raising their returns on investment, with high-growth organizations further along the path in both respects. They are creating value by proactively turning the data their organizations hold into information that can be used to develop better products and services (see Figure 2). They are also taking the lead when it comes to exploring new ways of finding and interacting with customers. Over the next five years, 88 percent of High-growth Midmarket CIOs plan to *use new channels to attract and retain customers,* while 80 percent plan to *improve their organizations' integration and transparency capabilities* to satisfy customer expectations, versus just 72 percent and 45 percent, respectively, of Low-growth Midmarket CIOs.

> *"Information Technology used to be looked at as an expense but now it is an asset."*
>
> CIO, Midmarket Retail company, United States

Figure 2 **CIOs in the most successful midmarket organizations are value creators**
High-growth Midmarket CIOs proactively craft data into actionable information.



Similarly, Midmarket CIOs recognize the importance of managing their costs, as corporate budgets come under increasing pressure. Again, however, those in high-growth organizations are generally more proactive about looking for ways to take out costs and improve their organizations' efficiency. Two-thirds of all midmarket respondents anticipate *using a more centralized infrastructure* to improve their efficiency over the next five years. But 76 percent of High-growth Midmarket CIOs are also standardizing their business processes, compared with just 43 percent of Low-growth Midmarket CIOs.

Do you know what kinds of information your company needs to get a better understanding of its customers, improve its regulatory compliance and manage risk more successfully? And how are you looking for new ways in which to unlock the value of the information it collects?

What are you doing to help ensure that your people, processes and IT are aligned to gather, share and exploit information effectively?

Does your company plan to adopt an increasingly centralized infrastructure, in common with other midmarket organizations? Are you considering server and storage virtualization, for example? Have you researched the opportunities for reducing space and energy costs?

Have you considered implementing any business process management initiatives as a means of improving your organization's workflows and productivity?

What precautions are you taking to shield your organization's IT infrastructure from the increasing risk of security breaches and other such threats that come with collaborating more widely and creating new customer channels?

Expanding business impact

Collaborative Business Leader *and* Inspiring IT Manager

The Business Leader thoroughly understands the organization's core business and builds strong partnerships, internally and externally. The Inspiring IT Manager demonstrates personal IT expertise and advocates stronger skills across the IT organization. Key Business Leader actions are to: know the business, get involved with business peers in non-IT projects, and present and measure IT in business terms. Key IT Manager actions are to: cultivate truly extraordinary IT talent, lead the IT forces and enhance the data.

"If more than one of three people in IT is not working on tomorrow's stuff, then I, the CIO, have failed."

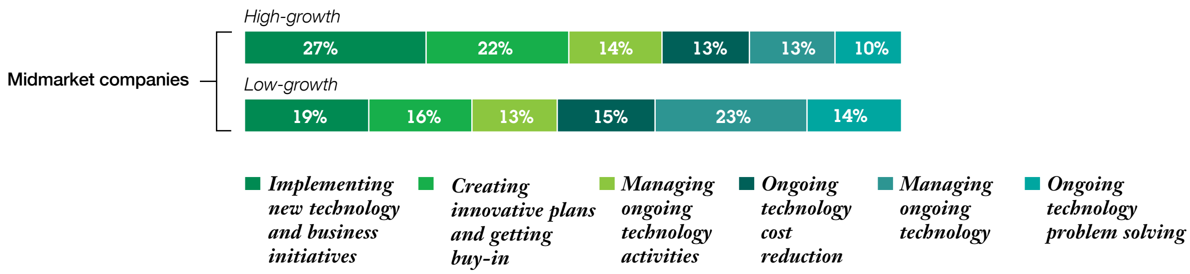
CIO, Midmarket Electronics company, United States

Again, High-growth Midmarket CIOs lead the way on both counts. They are far more likely to play a part in co-creating and presenting their organizations' business strategy than their Low-growth peers. A seat at the top table and ready access to the CEO are key factors in helping them here; 79 percent of CIOs in high-growth midmarket organizations are *members of the senior management team,* compared with just 60 percent of those in low-growth midmarket firms.

High-growth Midmarket CIOs also distinguish themselves as Inspiring IT managers. Although CIOs in all midmarket organizations invest a considerable amount of effort in reducing costs and solving technological problems, those at high-growth organizations are much better at making time to *develop innovative IT plans, secure management support,* and *implement new technologies and business initiatives* (see Figure 3).

Figure 3 **CIOs in the most successful midmarket organizations excel by focusing on the big picture**

High-growth CIOs spend 40 percent more time creating and implementing new IT and business initiatives.



Are you a member of your company's senior leadership team, like CIOs in many other midmarket firms? If so, how are you using your position to build stronger relationships with your colleagues, champion innovation and expand the impact of the IT function?

Do you actively promote your IT function as a "value center" rather than a "cost center"? And do you use business rather than technical terms to present your proposals?

What plans do you have to develop your team's IT and business skills, and encourage the members of your team to pilot emerging technologies, test new applications and network with their peers from other organizations?

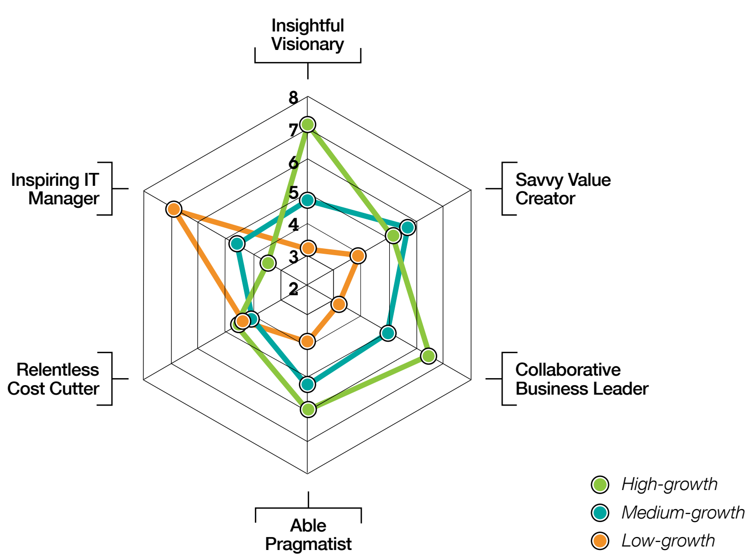
Are you proactively aligning your firm's IT infrastructure and technology roadmap with its business strategy, and seeking the right balance between technology deployment and business enablement activities?

Managing dual roles in the future

Despite the multiple forces in play, our findings show that CIOs have discovered ways to focus on what matters most to them and their organizations. The collective voice of almost 2,600 CIOs worldwide points to key actions to help CIOs attain the primary goals of making innovation real, raising the ROI of IT and expanding business impact.

We have used these insights to complete profile analyses – visually represented by the "spider diagram" in Figure 4 – which provide a more structured way of enabling you to identify the areas where you want to concentrate. The diagram shows that CIOs in medium-growth midmarket firms give all six roles almost equal priority, whereas those in low- and high-growth midmarket firms emphasize specific activities. The former place more weight on their role as Inspiring IT Managers, while the latter devote most of their energy to proposing and promoting innovation, collaborating with colleagues and facilitating the corporate vision.

Figure 4 **Profiles show significant differences among the three groups**
High-growth Midmarket CIOs stress the importance of acting as Insightful Visionaries, Collaborative Business Leaders and Able Pragmatists.



Note: Raw response data for each of the three profiled groups were standardized, then converted to their respective positions on a normal distribution, using scale scores with a possible range of 0 to 10. The range of 2 to 8 depicted in the spider diagram is based on the actual range of responses.

Over time, we expect CIOs to regularly assess how much emphasis is appropriate on each of the three pairs of roles. Whichever role you choose to emphasize, we look forward to working with you.

For further information, please send an e-mail to the IBM Institute for Business Value at iibv@us.ibm.com, or to download the complete IBM Global Chief Information Officer Study, visit our Web site:

ibm.com/voiceofthecio

How our research was conducted

This report features Midsize Organization insights from the inaugural edition of our IBM Chief Information Officer (CIO) study – the latest in the ongoing C-Suite Study Series developed by the IBM Institute for Business Value. To better understand the challenges and goals of today's CIOs, we met face-to-face with 2,598 of them, in what is the largest known sample of these executives. Between January and April 2009, we interviewed these CIOs, who represent different sizes of organizations in 78 countries and 19 industries.[1]

Our analysis used 2004-2007 profit before tax (PBT) growth, relative to peers in their industries, to associate organizations with one of three growth levels: High, Medium or Low. For organizations where this information was not available, we used statistical correlation to assign levels, based on closest overall similarity of answers.

To simplify the terminology in this report, we will primarily refer to CIOs who work in organizations with high PBT growth as "High-growth CIOs" and to those working in organizations with low PBT growth as "Low-growth CIOs." Presenting our findings in terms of these categories offers CIOs a more structured approach to identify where they want to increase their focus and how to do it.

About the IBM Institute for Business Value

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IBM Global Business Services
Route 100
Somers, NY 10589
U.S.A.

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Notes and sources

[1] CIOs we interviewed in the following countries were counted in the Growth Markets category: Argentina, Australia, Bahrain, Brazil, Cameroon, Chile, China, Colombia, Croatia, Czech Republic, Ecuador, Egypt, Gabon, Georgia, Ghana, Guinea, Hong Kong, Hungary, India, Indonesia, Malaysia, Mexico, Morocco, New Zealand, Nigeria, Pakistan, Peru, Philippines, Poland, Qatar, Romania, Russia, Saudi Arabia, Singapore, Slovenia, Slovakia, South Africa, Taiwan, Thailand, Tunisia, Turkey, Uruguay, Venezuela and Vietnam. The Western Europe category includes CIOs from: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Israel, Italy, Luxembourg, Monaco, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and United Kingdom. The North America category consists of CIOs from: Bahamas, Canada, Cayman Islands, Jamaica, Trinidad/Tobago and the United States.

Our CIO respondents represented 19 industries. The Communications sector includes: media and entertainment; telecommunications; and energy and utilities. The Distribution sector includes: agriculture; airlines; consumer products and wholesale; food, beverages and tobacco; life sciences and pharmaceuticals; mail, package and freight delivery; professional services; railroads; real estate; retail; transportation and logistics; and travel and tourism. The Industrial sector includes: aerospace and defense; automotive; chemicals and petroleum; computers and office equipment; electronics; energy (production and refining); engineering and machinery; forest and paper products; industrial products; and network and other communications equipment. The Financial Services sector includes: banking; financial markets; and insurance. The Public sector includes: education; government and public service; and healthcare payers and providers.

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