CHAPTER 1

Get the CIO on the Executive Team

Case Study 1.1

The Chief Information Officer/Executive Reporting Relationship

At a major provider of information and other services, a new executive team had just arrived. The new chief executive officer (CEO) commissioned a complete review of all the company's corporate functions, with an eye toward modernizing and streamlining them to enable and support the customer-service teams in the field more effectively.

The review of the IT function was particularly disturbing to him because it revealed a huge weakness and gap in his ability to propel the company forward along the lines of his strategic plan. Without a chief information officer (CIO), IT was fragmented, unfocused, and uncontrolled.

The new CEO knew he had to appoint a CIO who understood the company's business issues, could build relationships with the key business-unit leaders, and could function as a member of the leadership team. Knowing the personalities of all the company's key executives, he also understood that the new CIO would have to earn his way onto the leadership team. The CEO also struggled with whether to have the new position report directly to himself or to the chief operating officer (COO). He decided he would ask the new CIO, an individual with many years of business experience, about his views concerning the reporting line.

During their discussion, the CEO suggested that he would like to have the CIO report to the COO, to whom the accounting and operations functions also reported. The new CIO raised a number of concerns. He was worried about the perception of this reporting relationship throughout the company and particularly among members of the executive leadership team. How, he wondered, would he get any respect or time from the leadership team if his role, while described as important, was still positioned beneath the leadership team level?

- He was also concerned about whether or not the COO, with whom he had never before worked, shared the CEO's views concerning the importance of IT and of the CIO's role. He would have to work quickly to create a relationship with the COO, and if the COO and the CEO were not on the same page, things could become difficult.
- Finally, he was truly concerned about not having easy access on a regular basis to the CEO and to members of the leadership team. He was afraid he was going to be insulated from the real business issues and would, therefore, not be very effective in executing his goals and responsibilities as CIO. He knew that because of his relationship with the CEO, he could probably gain access to him on short notice; but he was concerned that many members of the executive team would consider his doing that to be an "end run." He also felt that for him to be able to turn the CEO's vision for IT into reality, he needed easy access to the rest of the leadership team as well.

The new CIO proposed the following solution: He would officially report to the COO, but he also wanted to be a full-time, equal member of the leadership team and a full participant in all key business strategy and other meetings. This unique arrangement resonated with all parties.

By behaving like a businessman and working out this compromise, the CIO was able to get his "seat at the table" and reasonable access to the CEO and the rest of the executive team. The leadership team quickly came to view him as a management peer, not just a "techie" from IT, regardless of his official reporting relationship.

He quickly built a very good relationship with the COO, who gave him wide berth in terms of restructuring the IT organization. Because of the open, candid, and collegial working relationship between the COO and CIO, the COO was not concerned that the CIO had access to the CEO and did not fear that the CIO would use that access to go over his head. By focusing on creating ways to work together as business people, the CIO was able to carry out many of the changes that the CEO and senior leadership wanted to implement within the IT organization.

Strong market forces, globalization, and ever-increasing customer demands are causing the world's largest corporations to realize that technology plays an integral, mission-critical role in helping executives to meet key business objectives and, ultimately, to achieve their companies' visions. However, investing in technology that is not used to its fullest potential is wasteful and irresponsible and often indicates a fundamental breakdown in the basic management controls within the organization.

Such investing often occurs when a CIO is not considered to be an influential participant in strategic discussions and when the IT organization is not considered to be integral to the business strategy. The CIOs who are most effective at mapping technology to business goals are those who have the ear and the trust of business-unit leaders and the corporate leadership team. The IT organization needs to be inextricably tied to the business and, to provide true value, it must have the support of corporate and business-unit leadership, from the CEO and board of directors chairperson on down. This is not a simple issue of alignment or linkage; it is more akin to being "joined at the hip."

The CIO's role is becoming ever more complex. In the 1970s and 1980s, the CIO was, essentially, the head of corporate data processing. Today's CIO heads up a business unit that is responsible, in many cases, for maintaining technology infrastructure and communication networks; for upgrading, installing, and training users regarding ever-more-powerful business decision support application software; and for overseeing a program for annually leasing or purchasing hundreds or thousands of new pieces of computing or communication hardware and devices. The CIO's budget for people, maintenance, procurement, new projects, and consulting or outsourcing may run into the hundreds of millions of dollars.

In light of this changing role, what skills should the CIO possess? What are the CIO's primary responsibilities? Where does the CIO sit in relation to other organizational leaders? And finally, what must the CEO do to help develop and nurture the CIO?

- Ideally, company leadership should view the CIO as a valued member of the executive team who advises and demonstrates how technology could be used to achieve the corporation's vision and business objectives. But the CEO's job is to justify how implementing that technology can have a positive impact on realizing the company's vision.
- The CIO should have a front-row seat at all strategic business-planning sessions and advise on the role of technology. But the CIO should not make the final decisions about which technology investments make the most business sense.
- With the CEO, corporate business leaders, and business-unit leaders, the CIO decides which technology options map to the business vision and are good business investments. But the ultimate responsibility for making the business case rests with the various functional and business-unit leaders.
- Involvement of senior business management is critical to the development of an effective technology infrastructure. To achieve this kind of business advantage with technology, the CIO and business leaders must have a comfortable, open, and candid peer-to-peer working relationship, regardless of the reporting structure in place.

WHAT IS THE ROLE OF THE NEW CIO?

In 1999, the executive search firm Korn/Ferry International conducted a survey of 340 CIOs in the United States, United Kingdom, Germany, and France.* One of the key trends articulated in this study was that CIOs felt they were—or should be—on the verge of transitioning from a tactical role, where they are involved in the short-term technical planning and implementation of hardware and software, to a strategic role, where they are more involved in corporate planning.

The feeling of many of these CIOs (a feeling I sensed among many of my clients in the late 1990s) was that participation in technology planning for year 2000 (Y2K) systems issues, for the transition to a single European currency, and for the implementation of massive enterprise resource planning (ERP) systems represented the last hurrah of the tactical CIO.

* "The Changing Role of the Chief Information Officer," Korn/Ferry International (1998).

During the late 1990s, much new technology entered the marketplace. The "grocery shopping" method of acquisition—going down all of the aisles and buying one of every product category—hitherto embraced by CIOs became unfeasible. It became clear that CIOs were going to have to begin more rigorously to map technology opportunities to business drivers and corporate goals and that one technology solution could not fit all business profitability drivers.

A new role for the CIO quickly emerged, a role that would require the CIO to:

- Establish, implement, and communicate the strategic IT vision and plan, wedded to the overall business strategy
- Ensure that IT is used effectively to achieve overall business goals related to revenue growth, profitability, and cost effectiveness
- Build and continue to evolve relevant IT skills, capabilities, and teamwork across the enterprise
- Leverage technical expertise and minimize duplication of effort across the enterprise
- Coordinate and drive, where appropriate, IT policy, strategy, standards, common approaches, shared services, and sourcing arrangements throughout the corporation
- Serve as the point person (internally and externally), that is, as the company's *single voice for technology.*

As Michael Doane, vice president, Professional Services Strategies for META Group, Inc., puts it, "Over-acquisition of applications software from 1995–2001, combined with a slow economy, has led clients into an era of management and consolidation. CIOs are increasingly in search of measurable business value from what is spent on IT. Organizations across the board are not yet doing a very good job of balancing the needs of business and of IT."

Developing and Communicating the Strategic IT Vision and Plan

The strategic IT vision must be crisp, clear, and simple enough for every member of the company to understand without much explanation. It must be easy for executives, managers, IT people, and users throughout the company to remember it and repeat it. However, if it is to resonate with executive management, this vision must be firmly based on a good understanding of the company's underlying business strategies.

Size and volume do not matter with regard to the vision. A good clear vision can be presented on a single sheet of paper or presentation slide. The plan derived from this vision must have depth and substance and must be developed at the right level of detail so that it can be monitored effectively in terms of actions and measurable results.

Finally, both the vision and the plan must be communicated appropriately. The CIO must "walk the talk" with regard to IT, but so, too, must the CEO and other executives. Executives need to be able to articulate the vision to anyone who asks about it and must understand the plan just enough to know that they can trust the CIO to explain the plan in more detail to those who wish or need to know more.

If the CIO is the only person who can articulate the vision, he or she has not done a good job. Conversely, if the executive leaders understand the vision and do not articulate it, they are falling down on their job of providing the CIO with the necessary executive support needed to turn the vision into reality. In many companies that I have worked with, I have seen the creation of outstanding strategic IT visions and plans, but implementation and execution of these has fallen far short because of a failure to communicate them effectively and to achieve ownership across the organization.

Ensuring that IT Is Used Effectively

One of the biggest responsibilities of a corporate CIO is to keep the CEO from allowing inappropriate and sometimes wrong decisions to be made regarding IT spending. Buying technology just for the sake of acquiring the latest and greatest IT toys, or following the *fad du jour* (FDJ) is not a wise way to spend IT resources.

Often, much of this spending is driven by operating functions or business-unit leaders and their senior marketing or production staff or by semiknowledgeable IT "hobbyists," who hold themselves out as the business unit's technology aficionados. But the CIO must be able to stand up to such people and say, "I have the authority within this company to tell you that this is not an effective use of IT resources. If you feel strongly about this, you need to put it in your budget, and then I'll provide the necessary support for it. But I will not allow this to be dropped in my lap without my peers at the executive level signing off on it."

IT must be appropriate and adequate for the task at hand. Elephant guns should not be used to shoot flies or fly swatters to herd elephants. The right tools for the job may not be what everyone—or even what anyone—is using today or what anyone wants.

Therefore, IT needs must be clearly and carefully defined. Users do not always know what they need or even what they really want. The process of getting users to define their needs clearly is an evolving business analysis issue. IT people need to understand what business objectives users are trying to accomplish and then help them to understand what they are asking for and whether or not there are cost-effective solutions.

Most people date before they marry and test drive a car before they buy one. The same should apply to new IT. Both users and IT professionals should test new IT systems before they are turned on, going slowly and engaging in open communications about expectations and about the realities of the IT being implemented. A good and lasting "marriage" between IT and the business units evolves through a number of stages in a flexible and productive manner.

Building IT Skills and Capabilities

The skills needed in today's IT organization are as varied as those needed in any business unit in the company. All types of skills are necessary, not just technical skills. For IT people to advance, they need to develop capabilities related to project management, financial management, performance measurement, one-on-one and group communications as well as written communications, organizational and people development, and relationship management.

People and the skills they possess are the most important assets of an IT organization. Because of the rapid pace of change in technology, the technical and business analysis skills of each person working in the IT organization must be continually renewed and upgraded. It is also important that the IT organization foster the culture and spirit necessary for any high-performance team. Members must share experience and knowledge and help each other get the job done. As companies become more complex and networks beyond the company's four walls develop, IT teams must be like their counterpart business-unit teams in their ability to partner with other organizations in the network and to create fluid, virtual, performance-driven teams.

A technically competent leader who has no background in managing a business will not be able to help the IT organization develop these critical skills and cultural attributes. And a company that believes IT is merely a support function and should not be an integral part of the high-performance, cross-functional, and cross-corporate-boundary way of doing business will find itself left behind by competitors who are using IT to leverage business performance. I have worked with many excellent technology people whose lack of fundamental business management and organizational skills has astounded me. This dichotomy of skills clearly inhibited their ability to advance their well-intentioned IT agendas across their respective organizations.

Leveraging Global Technical Expertise

Although some part of IT, especially infrastructure, can be leveraged across business units and organizations around the world, other parts of the company's IT will, of necessity, be more local in focus, regardless of whether the company is organized by lines of business, product lines, countries, or regions. The watchword for IT should be "as global as necessary, as local as possible."

All IT best practices do not emanate from the United States. A CIO needs to understand the skills, capabilities, and accomplishments of the various IT teams and organizations throughout the world and to assign the best people, wherever they are located, to roles where they can help the rest of the IT organization to replicate their successes in their home regions.

Being a truly global IT organization is about deciding strategy and developing plans as one team and then allowing for local differences when determining how that strategy and those plans are executed. The local IT people understand both the IT imperatives and the local business culture. The CIO needs to listen to and respect local IT professionals and let them educate him or her as to the differences that need to be taken into consideration. Rather than trying to force things to be done in one way around the world, the CIO must leverage similarities and account for differences.

Managing IT as a global business is geometrically harder than managing IT as a business in a single, domestic environment. CEOs of global companies must try to fill the CIO slot with business people who have worked outside of the home country. Many of the CIOs that I have known who have mastered the issues of working globally have also gone on to become invaluable advisors to CEOs and other executives in their companies in terms of navigating the minefields of globalization.

Coordinating Policy, Strategy, Standards, and Approaches

The CIO resides at the *hub* of IT policy, strategy, standards, and approaches, rather than at the *pinnacle.* He or she must play the role of cheerleader and influencer, working with business units, the IT organization, executive leadership, and users in general to get them all on board.

The job can be lonely. Not everyone else in management will agree that CIOs need to be involved. Disputes about primacy and who drives processes will always occur, and some people will always believe that IT should be purely supportive of business and that the CIO should not have the authority to deny business units their IT requests.

A CIO must carefully pick his or her battles with regard to policy, strategy, standards, and approaches. The CIO needs to strive for ownership of these issues, both within the IT organization and the business in general. Once the CIO gets some level of agreement, his or her charter is to drive the implementation forward with discipline, rigor, and speed and to closely monitor performance against goals.

Being the *Single Voice for Technology*

The executive team wants and needs to be able to look to one person as the leader and focal point of any group, function, or organization within the company. This is as true for IT as it is for marketing, manufacturing, or finance.

The CIO is the natural focal point, that *single voice for IT.* As such, he or she is the company's internal and external communicator on IT matters. The CIO must be able to communicate in words, both written and spoken, as well as through behavior.

In many instances, behavior speaks louder than words. If the CIO is going to make the argument to other executive leaders that they do not need to have the latest and greatest toys, the CIO should not have them either. The CIO should not use the excuse that he or she is field testing these new technologies. If field testing is necessary, it should be done by the people in the field for whom the technology can offer the most help.

One business-unit CIO I worked with came to every meeting I attended with some new piece of "personal" technology gear. First, it was a lightweight laptop, then it was a personal digital assistant (PDA), and finally it was a next-generation wireless prototype that looked like something out of a movie. This CIO relished the opportunity to provide all of the business people at the meeting with a quick "show-and-tell" session. By the fourth meeting of this group, this CIO was being referred to as *Inspector Gadget*. When it came time to talk about ways of addressing some serious business issues, everyone had already tuned him out, assuming that his input was simply going to involve spending a lot of the company's money on some new IT toys. As smart as he was, that CIO could never free himself from the stereotype he had created.

A CIO who wishes to be seen by executive management peers as a true organizational leader and as worthy of a seat at the executive table needs to reach out to IT customers and other stakeholders. He or she needs not only to speak to them, but also, and more importantly, to listen to them. He or she must not only be able to say "No," but also, to say, "Let's talk about this and see how we can put a reasonable plan together."

WHAT SKILLS DOES THE NEW CIO NEED?

CASE STUDY 1.2

Skills of the New CIO

An engineering and construction services company that had been in business for many years had achieved only modest levels of organic growth. The company, however, was a high-quality "name" in the industry. As a family-owned and run organization, costs—including those for IT—had been a key focus. The CEO viewed IT more as a "tool" for his engineers to use in support of their work than as an enabler of increased growth within the business. Therefore, minimal investments were made in IT. The CEO appointed one of the company's top programmers to head up the IT Department. This individual's role was very simple and very clear: to focus on the individual applications and centralized infrastructure necessary to support what the engineers on the projects needed and to keep the costs down.

Because of an increase in global construction activity during the mid-1990s, the founder/owner of the company, who was approaching retirement age, concluded that the time was right to cash out. He began, therefore, to discuss the sale of the firm with a group of private investors. As the investors went through their due diligence efforts, they discovered a gold mine of opportunity based primarily on the company's significant potential for global growth, which included the possible acquisition of smaller construction and engineering companies. As part of its due diligence, the private investor group asked for an assessment of the current IT organization and its ability to enable and support the substantial level of anticipated growth. After only one day at the site, members of the group realized that the current head of IT was not up to the job that lay ahead. He was simply out of his league. He did not have the broad skills necessary to take IT to the next level and would not be able to play the important role of a business-oriented CIO.

The head of IT was still very valuable to the organization, and, to his credit, once the new CIO role was described to him, he quickly told the investor group that he would be happy to stay on, but only in the narrower role of systems development leader. He understood that the new CIO role required skills that were beyond his primarily technology-focused capabilities. Members of the investor group brought in an outside advisor to help them define the new CIO role to ensure that it would be focused appropriately on the needs of a company that was expected to double in size and significantly increase its profitability.

In defining the new CIO role, the advisor established four additional areas of skills concentration, beyond technology operations, that would be critical to success: (1) the ability to understand key business objectives and needs, (2) effective overall leadership and management capabilities, (3) a deep understanding of key organizational issues, and (4) the ability to deal with IT-related financial matters. The new CIO role was created, candidates were sourced, and the investor group selected the most appropriate candidate, who, ultimately, became a key player in helping to drive the growth and profitability the group had envisioned.

The skills necessary for leadership in the modern corporation can be divided into five types. Leaders today need skills in business, technology, leadership and management, organization and culture, and fiscal management. Leaders and managers in different functional areas of the business

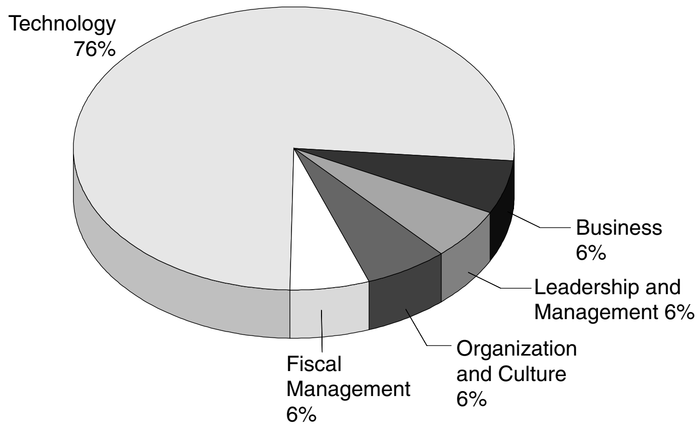

Figure 1.1 Allocation of Skills: CIOs and IT Directors.

have a need for greater or lesser skills in each of these five areas, but no effective leader can completely lack skills in any of the five.

The CIO of the twenty-first century needs very different skills than the CIO of previous generations. CIOs and IT directors from the 1970s through the 1990s had skills that were heavily skewed toward education and formal training in technology and engineering (Figure 1.1).

By comparison, the CIO of the twenty-first century needs a far more balanced set of skills (Figure 1.2).

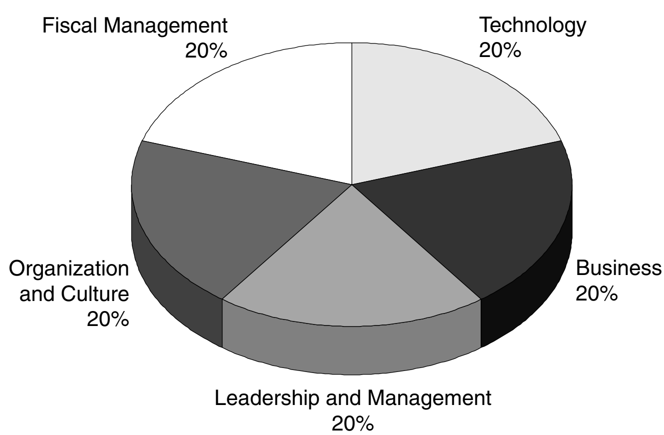

Figure 1.2 Balance of Skills Required for Today's CIO.

Business Skills

The CIO must know the company's business well enough to be able to assist concretely in the formulation of the company's business strategy and to identify key IT opportunities to help take that strategy forward. He or she must be able to blend into the corporate strategy the IT vision and strategy he or she has developed.

In addition, the CIO should have the ability and cross-cultural background necessary to assist in the development of region-based or business-unit-based business strategies and their parallel IT strategies. This can be achieved by working closely with regional or business-unit business leaders and IT heads.

Specific skills in the business group include understanding of:

- Companywide business strategies
- All business units and key linkages
- Global corporate issues.

Technology Skills

The CIO and his or her IT leadership team must be able to establish standards with regard to the selection, integration, and operations of complex IT solutions. In consultation with corporate and business-unit leaders, they should establish appropriate metrics and performance management systems to ensure adherence to the agreed-on standards.

The CIO also must have the skills necessary to plan and coordinate the development of a robust, flexible, and cost-effective network and telecommunications infrastructure.

Finally, the global CIO should direct research and evaluation of emerging and advanced technologies of interest to the company at the corporate or business-unit level. Although the CIO does not need to have in-depth knowledge of cutting-edge technology, he or she must be a "quick study," able to learn enough from the expert on staff who is watching the horizon to report intelligently on these technologies to the executive leadership team, business-unit leaders, and other constituencies.

Specific skills in the technology group include:

- Strategic-level knowledge of IT capabilities and emerging technologies
- Hands-on practical knowledge of implementation and rollout issues.

Leadership and Management Skills

Getting a seat at the corporate leadership table is not just a matter of being invited to sit down. To keep that seat, the CIO must be a true business leader. A big part of being a business leader is being able to facilitate communication about IT among worldwide business and IT leaders through regular contact, both in one-on-one and in group meetings, as well as in formal and informal written communications.

The CIO also must be able to lead the development of comprehensive business-line technology plans. Finally, managing relationships and other arrangements with vendors of both products and outsourced services is becoming a larger part of the CIO's management duties. This adds another level of relationship management and negotiating skills to those necessary to be a CIO.

Specific skills in the leadership and management group include:

- Executive presence
- Ability to work effectively at the board level
- Ability to transfer skills, knowledge, and best practices
- Willingness to be a visible, collegial, results-oriented player.

Organization and Culture Skills

CIOs need to manage the overall care and feeding of large groups of IT staff, often widely dispersed throughout the company. He or she must be able to resist the temptation to establish a military-like hierarchical organization and, instead, must focus on team building, skill development, and establishing a culture of trust.

In addition to earning the trust of executive management and business-unit leaders, the CIO must earn the trust of all members of the IT team, regardless of their roles. He or she should be viewed not just as the team leader—the "king" or "queen"—but also as a member of the team who, like any other team member, is held accountable for performance and results.

The day of the hierarchical IT leader is gone. Today's CIO must be able to build, lead, and be a working member of different teams within the IT organization, as well as work with cross-functional teams that include IT members. "Do as I say, not as I do," simply will not cut it any longer.

Specific skills in the organization and culture group include:

- Ability to understand human resources, organizational and behavioral issues, and change management techniques
- Ability to work within and across multiple, diverse cultures
- Ability to drive major organizational change.

Fiscal Management Skills

The CIO must be able to exercise appropriate fiscal management and control over the IT spend across the organization. He or she has fiduciary responsibility for all of the financial matters within IT, including the development and monitoring of IT budgets, the review and approval of IT expenditures, and the development and ongoing assessment of key financial and operational performance metrics within the IT organization.

As part of these responsibilities, the CIO should be held accountable for translating the implications of IT into financial terms with the appropriate level of transparency and clarity, in a way that the CFO and others on the executive management team can readily understand. This demands a set of skills far beyond the traditional project budgeting skills with which most past CIOs were comfortable.

Specific skills in the area of fiscal management include:

- Ability to work across business units and develop clear, business-focused IT budgets with appropriate transparency
- Ability to practically apply complex budgetary, portfolio management, financial management, and control concepts in an IT environment
- Understanding of business-driven IT and financial performance metrics, the impact they can have, and how to use them effectively to achieve desired behavioral changes.

WHAT ARE THE NEW CIO'S PRIMARY RESPONSIBILITIES?

The new CIO has primary responsibility in three areas:

1. People
2. Priorities
3. Performance.

People

Like today's CIO, members of the IT organization at all levels need to develop new skills. To facilitate this, the CIO must take responsibility for closely managing human resources, for recruiting a first-class human resources professional for the IT organization, and for establishing a career model for IT professionals, complete with performance and evaluation metrics, career path planning, and mentoring.

The CIO also needs to develop ways to cross-train IT professionals, exchange skills and capabilities on a global basis (both to facilitate transfer of best practices and to give IT staff members a chance to build their cultural competencies), and to rotate IT professionals into other business functions and operations.

Priorities

Today's CIOs must begin setting priorities by first establishing, and then living by, a set of key IT principles and by recognizing that change is the only constant they and their team members will ever know. They must be IT champions, demanding business ownership and accountability with regard to the constantly shifting IT priorities in a zero-sum game of fixed or declining IT expenditures.

The CIO must constantly wage the battle of focus in determining the few things that really count and in translating new and evolving business priorities into relevant, cost-effective IT actions. He or she also needs to understand that effective priorities cannot be set in an IT vacuum and that regular direct involvement and interaction with business-unit executives and users must be the norm.

Performance

The CIO as a businessperson should be the guardian of a range of IT business value metrics. These metrics must dynamically fit the current situation and contribute to desired outcomes, results, and improvements. The CIO's responsibility is to ensure the relevance of the IT business value metrics used, guiding the organization to the *focused few* instead of the unfocused many.

In addition, the CIO must ensure that everyone in the IT organization is focused on identifying the root causes of the problems they encounter and initiating the actions necessary to correct problems and improve processes.

Finally, today's CIO is also responsible for integrating all of the pieces of the IT puzzle. He or she must understand the impact on total costs downstream and not just deal with the individual pieces at discreet moments in time.

If used effectively, IT business value metrics will become one of the most important tools in the CIO's business management tool kit.

WHERE DOES THE NEW CIO RESIDE IN THE ORGANIZATION?

CASE STUDY 1.3

Situating the Role of the CIO within the Organization

The management board of a highly decentralized European-based food products company had recently decided to take advantage of economies and efficiencies made possible by new European Commission rules. They believed that because so many of their support operations and costs were spread throughout the continent, substantial savings could be achieved if they established a "Single Europe" concept and created shared services for all of these operations. IT was among the areas they believed they should address first. However, before they could grapple with IT, they had to deal with the fact that they had never had a corporate CIO (each of the decentralized companies had its own IT director).

As the board discussed the issue of establishing a corporate CIO position, they wrestled with the question of where to situate this role within the organization. The board recognized that bringing on a corporate CIO was going to be a major jolt to the organization (and especially to the company's IT directors). It also recognized that if IT were to be the first test of the Single Europe concept and the move toward shared services, the new CIO would have to be given some real authority within the company. However, accomplishing that objective meant ensuring that the corporate CIO position had "teeth" without alienating the local company IT directors, managing directors, and finance directors.

Because the management board consisted of key managing directors from various local companies as well as certain corporate directors, the board concluded that, at a minimum, the CIO must be a full member of the overall management board. That decision was easy. The board was split three ways with regard to the person to whom the corporate CIO should report. Some members felt the CIO should report to the corporate CEO, while others believed it should be the corporate finance director. Still others felt that the CIO should report to the full board, even though he or she was to be a member of the board. The board members could not agree. Those who wanted the CIO to report directly to the corporate CEO—the "power" group—felt that that solution would provide the CIO with maximum clout. Those who wanted the CIO to report to the finance director—the "control" group—believed that that solution would provide the best opportunity to control IT costs. Finally, those who believed that the CIO should report to the full board—the "fear" group—wanted to ensure that even though they would be the new CIO's peers, under this scenario, they could continue to have the most influence over the IT agenda.

The CEO allowed this dialogue to go on for quite some time before he weighed in on the issues. He clearly understood that the CIO needed the highest authority to get things done. Because this change would represent a major cultural shift for the company, the CEO expected a lot of resistance. He also realized that the local company managing directors needed to feel that they would be heard. However, he also had to ensure that other members of the management board would accept the CIO as a peer.

The key to the CEO's ultimate decision can be summed up in two words—access and balance. He had to balance the CIO's authority with full access. He accomplished this by making the CIO a full member of the management board with reporting responsibilities directly to CEO (hard line) and also to the local company managing directors (dotted line). As ambiguous as this structure might appear, it provided the CIO with the necessary top-management authority and clout and also held him accountable to the local company managing directors (his peers on the board). At the same time, this structure prevented the managing directors from exercising undue influence and allayed their fears. The organizational model proved to be successful and was subsequently used by the company in establishing other functional, shared services centers.

Lack of interest or understanding of technology, or, worse yet, fear of technology, causes many CEOs to run for cover at the prospect of the CIO's reporting directly to him or her. The myth that technology is nothing more than an administrative support function is perhaps the most compelling reason those destined to become CEOs do not feel they need to be competent in technology matters.

Another reason many CEOs do not want their CIO reporting directly to them is that historically, most CIOs have not done a very good job of communicating in ways that make CEOs comfortable. Thus, a CEO who is already less than conversant in technology does not want to demonstrate further public weakness (or possibly be humiliated) concerning IT should he or she fail to understand what the CIO is talking about (even though that may be entirely the CIO's fault).

The Korn/Ferry survey referenced earlier in this chapter queried CIOs about the importance of meeting regularly with the company's "C-level" leadership and asked them whether they sat on the company's executive leadership team.

With the CEO, German CIOs were most likely to meet at least weekly; 58 percent of German CIOs said they met either at least once a week or daily; 40 percent of American and French CIOs said they met either at least once a week or daily; and 26 percent of CIOs in the United Kingdom said they met either at least once a week or daily.

With the COO, French CIOs were most likely to meet at least weekly; 74 percent of French CIOs said they met either at least once a week or daily; 62 percent of CIOs in the United Kingdom met at least once a week, 46 percent of American CIOs met at least once a week; and 40 percent of German CIOs met at least once a week.

With the CFO, German CIOs were most likely to meet at least once a week; 71 percent of German CIOs met at least once a week; 62 percent of CIOs in the United Kingdom met at least once a week; 56 percent of French CIOs met at least once a week; and 55 percent of American CIOs met at least once a week.

These findings are summarized in Table 1.1.

While U.S. CIOs do not rank first in terms of interacting with any C-level executive on a regular basis, more U.S. CIOs sit on the their companies' executive committees. For example, 49 percent of U.S. CIOs sit on the executive committee while 36 percent of French and British CIOs and only 13 percent of German CIOs do so.

Further muddying the waters, 64 percent of American CIOs rated as "critically important" regular access to the CEO and other top corporate

Table 1.1 Percentage of CIOs Interacting Weekly or Daily with CEOs, COOs, and CFOs

	United States	*United Kindgom*	*Germany*	*France*
CEO	40	26	58	40
COO	46	62	40	74
CFO	55	62	71	56

executives, while only 46 percent of French, 31 percent of British, and 29 percent of German CIOs did so.

And finally, 84 percent of French CIOs and 74 percent of German CIOs recorded a high level of satisfaction with their relationships with other C-level executives, a larger percentage than either American or British CIOs.

These differences might possibly reflect the differences between European and American business organization, structure, and culture. But putting such differences aside, full and frequent communication is essential. I have seen many global teams disintegrate into an endless series of country/turf battles. However, in the majority of the cases, this did not occur because of any fundamental technology differences. The primary reason for these team failures was a lack of leadership and cultural sensitivity on the part of the CIO and his or her key lieutenants. The CIO must embrace and hone these skills as prerequisites to achieving any sort of success in the global arena.

WHAT THE CEO CAN DO TO HELP DEVELOP AND NURTURE THE NEW CIO

A CEO can take five concrete steps to help the company's CIO reach his or her full potential, both as a business executive and as the leader of an organization that is integral to the company's future success. The CEO can:

1. Recognize his or her own lack of interest in or fear of technology and admit that he or she needs to take the time to listen to someone with a business/technology focus and knowledge about IT matters.

2. Let the CIO into the executive club, make sure everyone else in the club is aware of this, create visible signs recognizing and accepting the importance of IT to the business, and consider IT as a business unit equal to the company's operating business units.
3. Help the CIO to communicate more effectively to the CEO and tell the CIO how he or she prefers written or verbal presentations to be made both in terms of structure and content. Most CIOs did not grow up in the traditional parts of the business—marketing, finance, and so on—that get people into the CEO's chair.
4. Move away from adherence to the myth that IT cannot be managed like any other business unit in the organization; expect performance measurements to be created that measure the business value of IT; and learn how the more discrete IT measurements are translated into business value metrics.
5. Establish ways to cut through the "fog" when he or she does not understand the CIO and use outside business-IT expertise as a sounding board to get a second, objective opinion about what the CIO is saying.