Rising Value:
The CIO in the Digital Age

A Conversation with:

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On June 3, 2014, Goldman Sachs Chairman & CEO Lloyd Blankfein declared Goldman Sachs to be a technology firm.

"We are a technology firm"

"25% of Goldman Sachs' employees work in Technology"
Dynamics of IT and Marketing ... and Digital

CDO?

CIO

CMO
Rorschach Test (what’s the first thing you think when you see…)

* Learn the language
## Operational Excellence

**Table Stakes**  

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### Operating/Profit CIO

- Oversees technology strategy, business relationships, budgeting and the fusion of technology/business processes.

- Focus on infrastructure and IT operations to support core business operations and broader technology agenda.

- Works closely with divisional leaders to understand pressure points and ensure business alignment; excellence in project management and execution.

- Track record of successfully delivering cross-divisional initiatives and ability to establish action plans for long and short term initiatives.

### Digital/Transformational CIO

- "Big Thinker" technology & business visionary who lives in the future. Orientation is towards innovation, problem solving and value creation.

- Leverages **new technologies** to create **new business models** and spur change. Lives the **customer experience**.

- Deliver solutions to drive the **company's broader objectives** via technology, online and digital resources.

- "Ambassador" for the brand who manages external responsibilities and foster a reputation for technical excellence that drives commercial results.
IF YOU ARE AFRAID OF CHANGE, LEAVE IT HERE
Why was the CDO Role Created?

- **25%** of CMOs think the IT team doesn’t understand the need to address market conditions quickly.

- **40%** of CIOs believe marketing requirements and priorities change too often.

- **42%** of CMOs agree that “technology is siloed and too difficult to use” for cross-channel experiences.

- **25%** of CIOs say CMOs lack vision to anticipate new digital channels.

Do CDOs exist because CMOs and CIOs refuse to change?

Source: Accenture 2014 Interactive CMO-CIO Alignment Survey
Digital Transformation is Happening

CDO Hiring Trends

- The Chief Digital Officer Club reported that the number of CDOs has doubled every year since 2005.
- Gartner predicts that CDO growth will triple in 2014 from 488 to 1,500 due to the percentage of CIOs who will take on the CDO title or related responsibilities.
- Gartner predicts 25% of large companies will have CDOs by 2017.
- A 2014 Survey by Harvey Nash showed that 7% of all companies currently had a CDO.
- 1 of 5 CIOs said that they already effectively act as their organization’s CDO, introducing new digital channels and establishing the digital vision for the business according to a 2013 Gartner CIO Survey of over 2,050 IT leaders:
  - 16% of companies with $100m+ IT budgets had a CDO.

Source:
Gartner: “Can the CIO Be a Chief Digital Officer?”; 2013 Gartner CIO Survey
Chief Digital Officer Club Talent Map, Version 1.0
Digital Transformation is Happening

CDOs by Sector:
- 40% of CDOs are in the Advertising sector
- 15% are in the Media sector (Broadcast, Online, Entertainment and Design)
- 15% are in the Publishing Sector
- 9% are in the Nonprofit sector (Nonprofit, Education, and Government)

Growing Presence of the CDO:
- Chart includes those who currently hold, or previously held, the title of Chief Digital Officer (CDO) at a major organization for at least one year. The number of CDOs has doubled every year since 2005. The number of CDOs are on pace to double once more in 2014 from 488 in 2013 to 1,000 in 2014.

Source: Chief Digital Officer Club Talent Map, Version 1.0
CIO vs. CDO – A Distinction without a Difference? Findings of a proprietary Russell Reynolds Study

- CIO and CDO responsibilities overlapped considerably with a few minor differences
- CIO role is focused more on running the technology organization
- CDO role is engaged with external stakeholders in a more direct way
- Their core, fundamental responsibilities were the same.

Chief Digital Officer
- Media Engagement
- Identifying Growth areas
- Using new media
- Thought Leadership
- Strategy
- Operations
- Relationship Building across the enterprise
- Team Management
- Customer Service
- Driving Change
- Expertise in emerging technologies

Chief Information Officer
- Budgeting
- IT Governance
- Applications Support
### A Great CIO is a Natural CDO…

<table>
<thead>
<tr>
<th>Best Practices for Innovation and Digital Leadership</th>
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<tbody>
<tr>
<td>1. <strong>Emphasize Execution</strong>: be nimble and flexible. Speed in the digital age is critical.</td>
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<tr>
<td>2. <strong>Highlight Value Rather Than Budget</strong>: concentrate on the stream of channel, product, and customer changes you’ve made. Spend less time talking about size of budget/projects and more on business metrics you have moved over time and the business value you are creating.</td>
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<tr>
<td>3. <strong>Avoid Digital Isolation</strong>: Great CIOs see mobile, social, and analytics coming together to change products, services, experiences, and operations.</td>
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<td>4. <strong>Be Inclusive</strong>: Collaborate. Make the case for how you see marketing, communications, sales operations, product development coming together to make a virtual core digital organization.</td>
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<tr>
<td>5. <strong>Focus on the End Goal</strong>: A digital business focuses more on the end goal and less on the process itself. Rather than choosing technologies merely for the sake of operational efficiency and flow, think about how technology can be used to improve customer experience and thereby support the business.</td>
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<tr>
<td>6. <strong>Invest in people</strong>: Be a magnet for talent. Being able to build excellent teams is key to successfully executing a transformation agenda.</td>
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<td>7. <strong>Continue to learn</strong>: Seek mentorship and coaching to address gaps and develop desired proficiencies for yourself and your team.</td>
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<td>8. <strong>Don’t play defense</strong>: Be courageous. Be willing to take calculated risks.</td>
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<td>9. <strong>Embrace technology for the right reasons</strong>: Learn to harness the power of consumerization &amp; mobile not merely to operate more efficiently but to improve the customer’s experience.</td>
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<td>10. <strong>Be a great listener</strong>: Being able to adapt to change is key to success, but knowing how to adapt is the first step. Connect with both your colleagues across the enterprise as well as consumers to what needs to be done and when.</td>
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Succession Planning & Transitions: Evaluating & Benchmarking Talent

### Individual vs. Talent Market

<table>
<thead>
<tr>
<th>John Smith</th>
<th>Tier 4</th>
<th>Tier 3</th>
<th>Tier 2</th>
<th>Tier 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Information Officer</td>
<td>Below Market Talent</td>
<td>At Market with Gaps</td>
<td>At Market Talent</td>
<td>Best Talent in the Market</td>
</tr>
<tr>
<td>Insufficient experience or capability</td>
<td>Solid but with notable gaps</td>
<td>Very solid experience &amp; capability</td>
<td>Outstanding experience &amp; capability</td>
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### Leadership Competencies

<table>
<thead>
<tr>
<th>Area to Develop</th>
<th>Moderate Proficiency</th>
<th>Solid Capability</th>
<th>Notable Strength</th>
<th>Best-in-Class</th>
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<tbody>
<tr>
<td>Strategic Vision</td>
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<td>Hands-on Execution</td>
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<tr>
<td>Building Teams</td>
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<tr>
<td>Relationships / Influence</td>
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### Background & Experience

<table>
<thead>
<tr>
<th>Area</th>
<th>Below Market</th>
<th>At Market</th>
<th>Above Market</th>
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<tbody>
<tr>
<td>Education &amp; Training</td>
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<tr>
<td>Understanding of Digital</td>
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<tr>
<td>Industry Knowledge</td>
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<tr>
<td>Scope of Responsibility</td>
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<tr>
<td>Track Record</td>
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### Key Strengths

- "Big Thinker" technology visionary who lives in the future
- Leverages new technologies to enable new business models and enhance the customer experience
- Avoids digital isolation. Sees mobile, social, and analytics coming together to change products, services, experiences, and operations
- Emphasizes execution. Is nimble and flexible, with the ability to respond to changing circumstances.
- Demonstrates a visible level of commitment to, and passion for the business

### Recommended Development Areas

- **Elevating his Focus** – John focuses on the details and inserts himself in decisions that occur several levels below him. In the role of CIO, this will derail his success. He will need to elevate his focus, trust the judgment of others, and spend more of his time on the critical strategic issues.
- **Developing People Skills** – John likes being the smartest person in the room. He will get out in front of his team and answer many of his own questions. As the CIO, he will need to slow down, bring his team along with him and ensure their involvement and participation.
- **Managing Teams and Business Partners** – Does not invest enough in people and relationships. Struggles to attract talent and build effective teams to successfully execute a transformation agenda. Finds it difficult to face off to business partners and customers.
To help current and aspiring Information Officers optimize their performance in the evolving paradigm of CIO leadership, Russell Reynolds Associates, in partnership with Dr. Art Langer of Columbia University, conducted a major quantitative survey in the fall of 2013.

Three Key Questions:

1. Which leadership competencies matter most in terms of IT leader success?
2. How effectively do IT leaders deliver against these competencies?
3. What actions distinguish firms that build the best IT leadership benches?

Company Location
- EMEA: 45%
- North America: 46%
- Asia-Pacific: 7%
- Central/South America: 2%

Company Headcount
- <1,000: 27%
- 1,000 - 4,999: 18%
- 5,000 - 9,999: 10%
- 10,000 - 24,999: 11%
- 25,000+: 34%

Respondent Roles
- Head of IT: 44%
- Rising Leaders: 56%
Across the defined competency categories, CIO’s and rising IT leaders cite people-related competencies as most important to success.

**Importance Ratings of Competency Categories**

*“Top 2” Box Score*

<table>
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<tr>
<th>Competency Category</th>
<th>Heads of IT</th>
<th>Rising IT Leaders</th>
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<tbody>
<tr>
<td>People Leadership, Relationships and Influence</td>
<td>62%</td>
<td>54%</td>
</tr>
<tr>
<td>Performance Orientation</td>
<td>47%</td>
<td>44%</td>
</tr>
<tr>
<td>Strategic Orientation</td>
<td>45%</td>
<td>38%</td>
</tr>
<tr>
<td>Agility</td>
<td>43%</td>
<td>43%</td>
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Despite the importance of people-skills—and the clear need for improving them—rising IT leaders are not receiving effective people-skills development.

**Percentage of Rising IT Leaders Reporting High Effectiveness at People-Skills Development**

- **MENTOR:** “My mentor is an outstanding coach who gives me great advice and guidance that helps me significantly improve my people-related skills, such as managing challenging employees and business partners.”
  - 20%

- **MANAGER:** “My manager is an outstanding coach who gives me great advice and guidance that significantly improves my people-related skills, such as managing challenging employees and business partners.”
  - 14%

- **TRAINING:** “I receive outstanding people management training sponsored by my organization that helps me significantly improve my people-related skills, such as managing challenging employees and business partners.”
  - 8%

- **HR DEPARTMENT:** “Our HR department provides outstanding guidance and resources that significantly improve my people-related skills, such as managing challenging employees and business partners.”
  - 6%
The Privileged Few

Only 6% of rising IT leaders find themselves in an environment that holistically cultivates people management and development skills.

The Privileged are those IT leaders who rate their mentor, manager, training and HR departments as highly effective at developing people skills...

...but few IT leaders fall into this category.

Elements of The Privileged

Breakdown of Respondents

- 86% Neither Privileged Nor Neglected
- 6% Privileged
- 7% Neglected

Russell Reynolds Associates
Dialogue / Q&A

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Five Simple, Strategic Questions

1. Who are our **Customers**?
2. What do they **Buy**?
3. What are the **Processes** by which we delivery?
4. What are the **Metrics** by which we measure ourselves?
5. What is the best **Organizational Structure** to support the above?