# Today's CIO, tomorrow's CEO?

As technology becomes more important in generating competitive advantage, can the CIO leapfrog the CFO to become the heir apparent for the chief executive role? Maybe – but the key will be avoiding being pigeonholed as a technologist. **Freya Purnell** reports.

Predictions and debate about the changing role of the CIO have abounded in recent years. Can CIOs successfully make the transition from being seen as simply keeping the lights on to strategic partner? Will they be completely sidelined as the line of business only buys cloud-based point solutions? Does the CIO really understand the business well enough to take on more commercially focused roles? Are they contributing to the organisation's success or simply guarding the IT fiefdom?

There are now certainly some examples of CIOs who have been entrusted with broader business roles, and even the top job.

Transfield Group CIO Stephen Phillips was handed additional responsibility for operations business processes in February, in the midst of the company's massive Project Quantum SAP roll-out.

At Suncorp Group, CIO Matt Pancino was promoted in June to the role of chief executive of business services, reporting directly to the group CEO. This is a well-worn path at Suncorp, with Pancino's predecessor Jeff Smith also holding the CIO role first.

And David Hall, Jetstar CEO for Australia and New Zealand, is one CIO who successfully made the transition into the top job – though perhaps telling is that his background was in finance. Hall picked up business operations experience in the mining industry, and then joined Jetstar as CFO. When Alan Joyce became CEO of the Qantas Group in 2008, Hall was made chief-of-staff at Qantas, a portfolio which included technology, including strategy and transformation programs as well as managing the office of the CEO. Having a non-technical

person in such a senior technology role was a first for Qantas.

He told *CIO Magazine* that no technologist should believe that the CIO role is the glass ceiling for them, but also added, "I never claimed to be a great technologist – I have always seen myself as a savvy and commercially-oriented business leader… What I was able to bring was financially savvy, strategic intent, but also the message that business-led technology was a true enabler. I needed to help people focus more on customer service aspects rather than just the technology aspects, and assist in transforming the Qantas organisation."

That approach certainly paid off for Hall – so can other CIOs make the same transition?

## Gaining a solid footing

In some ways, now could be seen as a time of great challenge or great opportunity for CIOs, as their roles and that of technology in the organisation undergoes significant change.

It's almost as though all the cards are being thrown up in the air, according to Rob Livingstone, who is Fellow at the University of Technology, Sydney, and also runs his own advisory practice.

"Executives in the line of business are looking to do things flexibly, cheaply, quickly, with great precision and at the lowest cost. That adaptability and agility does not always fit in with the conventional traditional model of how they have perceived the IT department working," Livingstone says. "There is a lot of change, a great diversity of perceptions as well as misunderstandings about how, when, where and what technology should be used within an organisation."

Another issue is the comparatively low level of digital literacy on many established company boards – and specifically levels of understanding about how enterprise technologies work – a point not lost on the Australian Institute of Company Directors, which recently identified this as a challenge. Organisational context could also be a barrier for CIOs.

"If you look at the transition from the conventional IT department which is working typically under a CFO, and it's seen as a cost centre and 'service provider' to the business, those structures do not always allow or encourage IT to be a transformational value-add to foster and drive innovation across the business," Livingstone says.

The emphasis on the cloud is also changing the way organisations think about their IT strategy, how it aligns with where the business is going, and issues around capability and cost, according to Peter Ryan, senior technology partner, Deloitte.

"I haven't done as many IT strategies as I am doing now for around five years. So that's a signal to me that the successful CIOs have now got to be thinking about what they have got and where they need to take it. They can't do that as technologists. They have got to be talking to the business and aligning with the business," says Ryan.

From a recruitment perspective, Ross Stacey from the CIO practice at Harvey Nash, believes that while businesses are genuinely starting to see technology as a strategic enabler, not just a cost centre, it's not without some internal battles.

"There is a significant increase in demand for commercially minded CIOs, who have a track record of influencing at the exec level; the shadow IT debate, however, has created an unwanted power struggle in organisational leadership teams," Stacey says. "I think it would be clear to see that currently actually this battle is facilitating a clearer path for the CMO to move in to the CEO position rather than the CIO. The success of future CIOs does now rely heavily on their ability to demonstrate their value identifying and implementing technologies that don't just meet the demands of the business but deliver competitive advantage, through the broader use of enterprise data, for example."

Stacey says that while CIOs are lagging some way behind CFOs, general managers, and sales and marketing directors in being the obvious choice for CEO roles, this is changing – "especially as there is now a new breed of technology leader emerging who has strong experience outside of IT and is – arguably – more 'battle ready' for life at the top".

The Harvey Nash CIO Survey 2014 found that 39 per cent of CIOs had strong experience in at least one other role, for instance, general management. Only 16 per cent had that experience in finance, and only 13 per cent in marketing, which are two disciplines particularly useful for a CEO to have.

And while some signs point to CIOs being taken more seriously, Peter McClure, CIO at MMG and chair of the SAP Australian User Group Executive Council, says this is not always the case.

"In my own organisation, I can say that I feel that I am certainly taken seriously and have a seat at the table whenever I need it, but that's based on evolving credibility for what the function has been able to deliver," McClure says. "In some areas, I have seen in banks, for example, the CIO role has stepped down a level after reporting to the CEO, and is now reporting to the chief operating officer."

Certainly this has been the case at Airservices Australia, where the role of CIO was reportedly abandoned after its last CIO, Gordon Dunsford, left in March. In its place was established a general manager of business systems role, which sits within the agency's engineering division, and no longer reports directly to the CEO.

McClure attributes the changing priority for the CIO role to different organisational responses to industry-specific challenges, but maintains it continues to be an important job.

"Obviously in some fields, they are being severely disrupted by new entrants with advanced IT, whether that's banking or consumer packaged goods or retail. In other areas, perhaps the changes are a bit slower like utilities or heavy industry. All organisations, as they grow, are facing the challenge of complexity, and really you need a role like a CIO to help an organisation navigate that."

There is, of course, the challenge of 'shiny new object' syndrome, with the advent of the Digital Director role increasing pressure on the CIO community, says Stacey.

"In central government now there is a feeling that the role of the CIO is redundant and it's all about Digital Directors. However, it's more apparent probably that a new breed of CIO will come through with digital in their veins, and then the CIO will truly warrant a seat at the highest table."

have got to have that nose for what works and what is likely to be a dead end," McClure says.

And while in some quarters, data – big or otherwise – has become the favourite buzz word of the moment, it shouldn't represent much of a shift for CIOs.

"What people forget is that the 'I' in CIO does and has always stood for information. Data is not a new issue to the technology team, it has just garnered greater notoriety, in reality, because the digital economy has finally woken up the rest of the organisation to the importance of being able to centrally and efficiently access data," Stacey says.

"The CIO needs to continue to immerse themselves within the business and continually and proactively promote IT as a 'demand' enabler and not purely a supply function. The most successful CIOs will be those that can create and foster a strong and trusted working relationship with the CMO and CEO."

Ryan believes that consultative process and guiding the organisation to the right solution – which increasingly may be in the cloud – is what is going to make CIOs successful.

"They are going to have a happy client, they are going to have controlled expenses, they are going to have the governance in place. That's going to look great to the Board and the executive suite – and that's where potentially all of a sudden they do become a CEO," he says.

## Avoiding the technology box

Even with all these skills in place, how can CIOs position themselves as more than just technologists?

While the organisational context and how IT is structured and perceived within the company can be crucial, making the transition from IT leader to business leader also depends on personal positioning.

"If one were to be a fly on the wall in an executive meeting, and after 15 or 20 minutes of conversation, you don't know who the CIO is, then they would have made it. Because they are not talking technology, they are talking in business terms," Livingstone says.

McClure says it's about making sure "you have got your own backyard in order" first, in terms of the foundational services the CIO is responsible for, and then having a vision and engaging with peers to collaboratively develop that vision.

"If you manage to break through a few barriers, and if you can develop those relationships, that will result in doors being opened," he says.

Demonstrating a solid understanding of financials is essential, as is building a strong team to take care of the routine aspects of the role.

"CIOs need to build the right leadership team around them so they can focus less on operational IT and begin to drive strategy and innovation," says Stacey. "With that said, I think the future lies in developing entire enterprises within an organisation that has a greater focus on the customer. Indoctrinating this principle throughout the IT organisation and shifting away from 'keeping the lights on' towards a customer-centric model creates innovative thinking and will resonate closer with the business. It's almost an entire paradigm shift." **SAP**

## Key attributes for taking the lead in the C-suite

CIOs have certainly had to switch from being reactive to getting on the front foot to successfully lead in organisations. This means adopting a proactive, consultative approach with an ability to engage the business, manage stakeholders, understand their market and shaping business strategy accordingly, manage change, and foster collaboration and influence.

"The research has shown that the most effective CIOs have very similar competencies to the CEO, in that they need to understand how the business works, they also need to understand the organisational context, they need to understand what the customers are, they need to understand where technology can underpin the business – and not only from a service point of view, but also in terms of adding value," Livingstone says.

"One of the key capabilities that a CIO needs to have – in fact, any leader for that matter – is to be able to collaborate with, and have an influence with people over whom they have no authority. Strategic orientation is another one – how can a CIO think strategically in terms of business awareness, integration of information and the ability to develop specifically actionable plans in business terms?"

McClure agrees, saying, "You have got to have some sense of the broader pattern of things, where the world is headed, and how you can make a contribution in your particular industry, to enable your business to profit from that in some way or another."

Of course, having reasonable technical skills is critical to actually deliver successfully in a CIO role – without which any move up the ladder will be impossible.

"If you don't have technical literacy, you struggle because you really can't translate some of the broader patterns into specific architectures and objectives. You just don't know whether one is better than another; you have no sense of what is good. You