



### Strategy

## Leadership Mindsets for IT Success

By Donald A. Marchand and Joe Peppard

**Negative stereotypes regarding IT departments abound: they are slow, ineffective, dull. But the reality is very different. As Donald A. Marchand and Joe Peppard explain, IT needs to have strong leadership that can work and cooperate with other executives in the business for overall success.**

IT is not something that can be managed from a box on the organizational chart. Unfortunately, this is not the mindset in most C-suites. Just look at what most do: they appoint a chief information officer (CIO) and give him or her a budget and a mandate to get on with it! Why? As one CEO said to us, “I just want to forget about IT and concentrate on my core business.”

Of course, this response would be fine if the challenge were merely to deploy technology (on time and on budget) and ensure it continues to function properly for as long as required.

It would also mean that outsourcing to a proven tech provider would be a legitimate response to perceived problems with IT; get someone with more experience and knowledge to run it for you. Or that the cloud is the remedy for IT’s perceived inability to deliver, inflexibility, tardiness, and questionable return. By portraying IT as a utility like water and electricity, with apps on demand, a pay-as-you use model, and unparalleled scalability, what could be more attractive?

The reality is somewhat different. This approach may work for business functions like manufacturing or logistics, but it definitely will not work for IT. For one thing, what a manufacturing director is and is not responsible for is usually very clear. So what can a CIO be held responsible for? Technology? This only results in technology that is deployed on time, on budget, and in working order. What about being held accountable for the benefits and value derived from the IT spend, the reason that organizations choose to invest in IT and drive their digitization agendas?

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### Where Does Accountability Reside?

The accountability question raises the fundamental dilemma as to whether CIOs can *really* be held accountable for something that will only emerge when their colleagues step up to the plate. For example, successfully deploying customer relationship management (CRM) software on time and on budget will deliver little unless sales, customer service, and fulfillment processes are redesigned, staff are trained to have the right conversations with customers, data quality is improved, and marketers build the right competencies to use all the data that will subsequently be available to them.

Let’s say that a company’s sourcing strategy calls it to move all IT requirements to best-of-breed cloud-based providers. Infrastructure and IT-based services would then be provisioned and delivered directly from the cloud. The question is, will IT problems go away, particularly the challenges around delivering business value? Of course not! Why? Because the problems with enterprise IT have generally nothing to do with IT. They never have!

What the cloud does is make the technology-supply side more efficient and perhaps more agile. It may make costs more predictable and shift investments from CapEx to OpEx. It may even provide access to leading edge technologies. But these are not generally where the challenges lie when we look at the return on IT spend in most companies.

Even if the supply and delivery of all IT requirements is fully outsourced, the reality is that the organization still requires a strategy for information and systems. It still needs to

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make choices about process standardization and the extent of digitization, define the degree of integration required, and think about IT-enabled innovation opportunities, whether they be process innovation, business model innovation, management innovation, or customer experience innovation. And the organization still needs to prioritize the IT spend, run programs and projects, manage the IT investment portfolio, orchestrate the organizational change to deliver expected business benefits, and make sense of information to generate new insights.

Accountability for some of these areas resides with the CEO and the other members of the C-suite (we are assuming the CIO is a member of the C-suite); for other areas, it resides with line-of-business (LOB) managers, and in some cases, accountability is shared. What is clear is that it is not the sole responsibility of the CIO. All members of the C-suite need to recognize and embrace their fundamental roles and be accountable for them. However, our research signals that this can often require a significant mindset shift.

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### **It Takes Two to Tango**

Ultimately, achieving the expected value from IT is a shared responsibility. Given how value from IT emerges, outside of perhaps the CEO, no one person can be assigned overall accountability. But even CEOs can achieve very little without the active involvement and engagement of their colleagues. What is required, therefore, is strong IT governance. This means that there must be clarity about the decisions concerning IT that need to be made, who gets to make them, how they are made, and the supporting management processes, structures, information, and tools needed to ensure effective implementation, compliance, and achievement of desired levels of performance. Unfortunately, we have found that the focus of IT governance continues to be on the more operational IT issues of delivering technology capabilities and IT services; what we call “IT governance of IT,” not “business governance of IT,” which focuses on value realization.

In our work with executives, we find that there can be quite divergent views in the C-suite as to the role of IT, how it should be managed, and where responsibilities reside. The

*traditional mindset* of many managers is that IT is a competitive necessity and a cost of doing business that they seek to minimize. The belief is that the organization should invest in IT infrastructure and applications that are at least comparable to that of the competition. IT is managed as a cost center and the focus is on deploying IT efficiently. IT enables business processes and operations through the deployment of needed systems, standards, and project disciplines. As long as the business defines the functionality it requires, IT will build it, or more commonly, will source the proper software and tools from vendors. IT is perceived as a support function with no real strategic role. The CIO in this scenario almost always reports to the CFO.

In contrast, the *business impact mindset* recognizes IT as a potential source of competitive differentiation. Senior managers focus on the role of information and IT as enablers of profitable growth and innovation in the business. In this scenario, managers are concerned with how IT and information are used, not just how technology is deployed. Managers focus on the quality of information and how it can support their decision making and the reliability and speed of their companies’ business processes and overall operational excellence. In this view, information and IT enable business innovation and management support; they are not just focused on operational processes.

With this mindset, senior managers are concerned with how knowledge and information are used by people in the business to create value. CIOs are expected to be full members of the senior management team, and the roles of information, knowledge, and IT are positioned as critical resources in the execution of the strategy and business model.

On the CIO side, there are corresponding differences in the way they view and execute their roles that impact how they engage and interact with senior managers. Traditionally, CIOs tend to have a “small i, big T” mindset; they think about the IT function as primarily a technical and engineering activity. They portray their role as “aligning” IT with the business strategy and as planning, budgeting, and managing IT resources and people as efficiently as possible.

Consequently, with this mindset, they define the role of the IT organization as providing IT solutions, systems, and projects on time, on budget, and within the scope of stated needs. CIOs focus on developing IT people and competencies and let the business people worry about how information, knowledge, and IT are used. The IT function is viewed as a support function that primarily emphasizes running the business processes, systems, and infrastructure efficiently.

In contrast, with the *business player mindset*, the CIO works

to engage senior managers in setting business priorities for information and IT projects, solutions, and capabilities. The CIO strives to be a “player” on the senior management team positioning the use of information, IT, and knowledge as critical resources for growth and innovation. While the CIO recognizes that business governs IT priorities and plans, he or she and the senior managers must share a common concern about using IT, not just deploying, information, processes, systems, and infrastructure effectively with senior managers. With this mindset, the strategic role of the CIO and the IT organization is to enable the use of knowledge, information, and IT by the managers and people in the business.

**The Senior Manager and CIO Leadership Matrix**

Given these differences in mindsets and thus the perceived roles and responsibilities of senior managers and CIOs, the implications for how information resources, IT, and knowledge are managed in the company will differ, as Figure 1 suggests quite dramatically.

**Figure 1. The senior management – CIO leadership matrix**

<b>Business Manager Role</b>	Business Impact Mindset	<p><b>The Business Pulls IT</b></p> <p>“Sees relevance, but IT doesn’t deliver”</p>	<p><b>IT Does Matter!</b></p> <p>“Source of business value creation for competitive differentiation and growth”</p>
	Traditional Mindset	<p><b>IT Doesn’t Matter!</b></p> <p>“Cost Center” “Operational View”</p>	<p><b>IT Pushes the Business!</b></p> <p>“IT can deliver, but business doesn’t see relevance”</p>
		Traditional Mindset	Business Player Mindset
		<b>CIO Role</b>	

**IT Doesn’t Matter!**

In this quadrant, both senior managers and CIOs are “aligned” in treating IT as an operational function, with the CIO generally reporting to the CFO and IT being treated as a cost center. The IT organization is expected to be a follower, not an innovator, and should emphasize efficiency, productivity, low cost, and standardization wherever possible. The IT organization, people, investments, and deployments have no “strategic value” to the company’s lines of business or future competitiveness. The CIO’s main job is to keep the IT “lights running” 24/7 and to enable efficient business operations.

**IT Pushes the Business!**

In this quadrant, the CIO and IT organization would like to play a “strategic role” in the company if the senior managers will let them. IT as a function is still treated as a cost center, but with occasional innovation and value creation forays into the business. However, in this view, senior managers rarely appreciate or respect IT’s efforts to act strategic. If the CIO pushes for particular IT investments and does not implement them successfully and achieve the promised benefits (which is likely with little engagement from business colleagues), business managers blame IT for the failure. Consequently, IT contributions tend to focus on good deployments and running reliable applications and infrastructure. The business does not expect more! CIOs are always “at risk” since senior managers do not know what they really want from IT.

**In the final scenario, senior managers and CIOs both see information, IT, and knowledge capabilities as sources of differentiation and growth.**

**Business Pulls IT!**

In contrast to the second quadrant, here senior managers see IT as a source of value creation, but selectively by “business opportunity.” In this view, IT “takes orders” from business managers or these managers “do their own thing” with IT. Business managers demand effectiveness and efficiency from IT for their needs and priorities, but IT cannot deliver. Consequently, they can become frustrated with IT, developing their own “shadow” IT staff and competencies to deliver IT solutions and projects. IT plans and priorities are not “compelling” in the eyes of business leaders, so CIO credibility is low. CIOs often serve at the “pleasure” of business leaders or hide behind their focus on technology and infrastructure.

**IT Does Matter!**

In the final scenario, senior managers and CIOs both see information, IT, and knowledge capabilities as sources of differentiation and growth. They govern the deployment and use of these resources collectively. Managers and CIOs see information and IT usage as the multiplier of business value as long as there are appropriate people competencies and behaviours. CIOs develop and deploy their people to enable managers to exploit information and IT for innovation and management decision making in addition to managing business processes and operations. Both managers and CIOs recognize

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information, IT, and knowledge as critical to the execution of strategy and the business model of the company. CIOs supply IT to drive business value with managers who shape demand for information and IT based on business priorities.

## A Leadership Exercise for Senior Managers and CIOs

While we cannot explore all the real-world implications embedded in these four views of the senior manager and CIO leadership roles, one place for your company leadership teams to begin is to use Figure 1 to evaluate where they are today and where they believe they can or should move in the future relative to these four positions. Two key questions should be explored:

*Where are your group or business unit management teams and CIOs today in terms of mindsets, behaviour, and shared language?*

In addressing this question, we recommend that managers recognize the differences between aspirations and current behaviours, language use, and actions. For example, business managers may talk as if IT does matter, but act very differently in working with their CIOs or the IT organization. Similarly, CIOs may talk about their roles as business players, but do not have the credibility to actually play this role with management teams. Distinguishing honestly and with integrity between aspirations and behavioural realities related to these leadership options is the first step in generating productive conversations within management teams about these shared roles and responsibilities.

*Where should your business unit management teams and CIO be in the future related to the strategic management of information, IT, and knowledge resources?*

In focusing on this question, the management teams and CIOs can discuss their shared strategies and the role of information, IT, and knowledge capabilities in the business operating models for improving performance. Both can discuss the roadmap they must follow to improve the execution of information, IT, and knowledge capabilities to achieve competitive advantage, business innovation, and growth.

The way your company's leaders and managers think about and develop information, IT, and knowledge capabilities embedded in the strategy and business model are too important to be left to the CIO alone. Similarly, these strategic choices are too important not to be made consciously and carefully by management teams including CIOs. For most companies competing globally in service or industrial products businesses, the use of knowledge embedded in their people, information about products, customers, operations, and IT applications and competencies can inhibit or enhance competitive success. Are your management teams conscious of their strategic choices, mindsets, and actions about the information, IT, and knowledge that matter in your company?

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The basic requirement for success with enterprise IT has changed little over the decade. There is no magic bullet. The bottom line is that executives need to get their hands dirty and actively engage with their CIO. Decisions about IT today really have little to do with technology!

## About the Authors



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