



CIO INSIDER

IT culture: From business limitation to competitive advantage

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An organization's culture—the behavior and values that drive the way work is done—can have a major impact on business performance, customer experience, and talent engagement. A global survey of C-suite executives showed that more than two-thirds (69 percent) believe company culture has a critically important impact on their organization's ability to realize its mission and vision.¹

IT culture is an often-overlooked secret weapon. A vibrant and agile culture can deliver a competitive advantage that allows IT to transform operations, strategy, and performance; a stagnant or chaotic culture can limit a business's ability to achieve critical goals. Forty-five percent of CIOs

surveyed in Deloitte's Global CIO Survey say that a high-performing IT culture is essential to their success²—yet less than a quarter (22 percent) describe their current organizational capabilities in this area as leading or excellent.³

In this paper, we discuss the many cultural challenges that CIOs face and propose the use of a cultural change model that allows them to help improve cultural outcomes. Through our global CIO survey and CIO interviews, we identify three primary types of healthy IT cultures that CIOs can curate within their organizations to help deliver competitive advantage to their businesses. Finally, we describe the characteristics of high-performing IT cultures.

What's the matter with IT culture?

As IT teams grapple with business operations and strategy, many unique cultural challenges arise. CIOs we interviewed told us that their IT teams are too often:

- **Reactive.** The rapidly changing business and technology landscape can put IT teams in a near-constant reactive state, with success measured by tactical terms such as the ability to execute on time and under budget. M&A, divestitures, technology innovations, and other business and organizational disruptions can reinforce reactive IT cultures.
- **Siloed.** Organizational misalignment, governance gaps, and conflicting business agendas often create a chasm between business needs and IT delivery. A historical tendency to value solo IT heroics and technical competency can de-emphasize collaboration and teamwork, often resulting in projects with little to no collaboration or feedback from business counterparts. Silos can often exist within IT. For example, software developers may write code, build an app, and “throw it over the wall” to testing and production teams who know very little or nothing about the app.
- **Inflexible.** As a back-office partner with decades of responsibility for creating and maintaining mission-critical business systems and applications, many IT teams take pride in their focus on reliability and resilience. This can mean that the IT organization is able to build solid, powerful tanks but struggles to develop sleek, speedy race cars. Many teams are driven by over-engineered, unwieldy processes and long development cycles, which can lead to frustration among their business peers.

When these qualities become entrenched in an IT organization, they can lead to what one CIO described as a “culture of mediocrity.”⁴ Leaders and employees may be reluctant to make difficult decisions, act quickly, think creatively, or take risks.

Beliefs, behavior, and outcomes are often core elements of culture

CIOs can change an IT culture afflicted by these systemic problems, but the process is more evolution than revolution. As one CIO told us, “I can’t walk downstairs and say ‘OK, today we are Google’ ... You want to take the best of that [culture] and weave it in at the right pace for your organization.”

To remediate a “culture of mediocrity,” CIOs should consider actively and consciously curating IT culture. To bring about lasting cultural change, Deloitte proposes that cultures be deconstructed to its core elements: beliefs, behaviors, and outcomes.^{5,6} Many organizational cultures consist of commonly held beliefs that lead to certain behaviors and ultimately deliver specific outcomes. (See figure 1.)

Figure 1. Beliefs shape behaviors, which lead to outcomes



Source: Deloitte U.S. CIO Program

Cultural change thus requires CIOs to first discover and then reframe their organizations' embedded beliefs—a task that can be substantially more complicated and problematic than implementing new technologies.

In a large technology company's IT organization, business demand outpaced IT capacity so significantly that the department was 18 months behind. Output was inconsistent, and IT had developed several customized tools to complete similar jobs for different business units. Business leaders were unhappy with IT's performance and viewed the department as a roadblock to business growth.

In this organization, business and IT leaders operated in individual silos. Business leaders inflated project benefits and set unrealistic deadlines, and the IT team threw projects "over the wall" without any real collaboration or discussion. Even though IT worked diligently to meet the expectations of eight different business leaders, they did so without coordinating, prioritizing, or holding anyone accountable for outcomes. As a result, the team almost always failed to meet business expectations.

Upon investigation, the IT team's corresponding outcomes and behaviors were traced to a deeply held cultural belief that the customer (in this case, the internal business unit) was always right. Over time, a belief rooted in good intentions led the IT team to accept all business requests and prioritize projects according to the "squeaky wheel" principle.⁷ (See figure 2.)

Figure 2. Beliefs, behaviors, and outcomes that created an inefficient IT culture



Source: Deloitte U.S. CIO Program

Changing a cultural belief system is not usually a trivial undertaking—it can require creating a narrative that reinforces more desirable beliefs, behaviors, and outcomes. In another case, the CIO of a financial services company created a narrative to support the IT organization's transformation from a back-office support group to a driving force in customer experience—and backed it up with actions such as:

- Mandating that IT leaders develop cross-functional teams involving marketing, operations, and sales organizations in every customer-facing project
- Encouraging and facilitating conversations across functions and businesses to understand customer needs
- Collaborating with IT and business leadership to reserve dedicated resources for technology projects
- Measuring and rewarding employees on business outcomes (changes in customer experience scores and customer retention rates) instead of project performance and uptime
- Holding the collective team accountable for outcomes

These actions helped send a very strong message to the IT team and business units. The CIO created a belief system that helped establish IT as an equal partner with marketing in terms of customer experience ownership, which served as a foundation for customer-focused behaviors and outcomes for the whole IT organization and set the stage for IT to function and be perceived as a true business partner. (See figure 3.)

Figure 3. Beliefs, behaviors, and outcomes that created a customer-centric IT culture



Source: Deloitte U.S. CIO Program

3 types of IT cultures can coexist in healthy organizations

Diagnosing and remediating cultural problems can help ensure that IT meets basic operational obligations and enables CIOs to align IT teams with business expectations. We have observed that when CIOs eliminate systemic cultural challenges by changing beliefs, behaviors, and outcomes, three primary types of IT cultures emerge, emphasizing either stability, partnership, or courage.

- **Stability.** Technology is a business enabler and stable technology environments allow businesses to thrive. “I call it win with the basics,” said Johnson Lai, CIO of medical device maker Nuvasive. “Let’s be really good at those things that are repeatable and predictable, including executing strategic projects.”

In a stability culture, the primary cultural belief is that the business must operate efficiently and without disruptions. The culture commonly rewards behaviors that result in improved security and capacity; timely and cost-effective project delivery; and cost savings. The outcome of a stability culture is often an efficient, resilient IT environment.

CIOs should be aware of the possible challenges posed by an IT culture that overemphasizes stability. For example, IT systems and processes may not be built for speed, and IT staff may not be able to focus on innovation. A CIO in a large manufacturing company discovered that the stability culture promoted by his predecessor had created an aversion to failure. As a result, IT rejected, stalled, or resisted any projects that involved new or emerging technologies, forcing business leaders to buy those technologies on their own.

- **Partnership.** Partnership-oriented cultures are often familial, with a focus on nurturing and teamwork. “The primary role of the CIO is to be an influential partner with business leaders,” said one CIO.

The overarching belief is that collaboration and teamwork welcomes and engages the workforce and business partners. A partnership culture commonly promotes behaviors such as loyalty, mentoring, friendship, and work flexibility. Outcomes can include better customer service, more engaged employees, and an environment of openness and trust.

In some companies, the culture of partnership permeates the entire organization, and a commonly held belief system creates a tribe. In others, the partnership culture is limited to the IT team, which can lead to an “us vs. them” mentality when interacting with business peers. In addition, building consensus often requires much time, effort, and energy, which could lead to project delays, costly adjustments to project scope, and lack of consistency in technology systems and processes. CIOs should be aware of and consciously strive to avoid these traps.

- **Courage.** A high degree of passion and willingness to take risks are at the heart of cultures emphasizing courage. One CIO told us, “Rather than have things happen to you, you have to make things happen. Get in front of that train. I think [you have to take] calculated risk—the business wants that.”

The core belief of cultures of courage is that technology can transform the business and drive company growth and performance. Many CIOs nurture behaviors such as calculated risk-taking, experimentation, and creative thinking and are rewarded with outcomes such as better business performance and innovative technology-driven products and services. Courage cultures that are tightly aligned to growth-based business objectives can drive significant revenue.

CIOs should guard against the possible pitfalls that arise from overemphasizing courage without boundaries. For example, in the absence of risk management, risk-taking can quickly become excessive, impractical, and expensive. Too-frequent direction changes can waste time and create frustration among both staff and business leadership, and too much focus on experimentation can render teams incapable of executing basic IT functions.

No single culture archetype is superior; each has pros and cons. In CIO interviews, we discovered that although a single culture type may naturally dominate, all culture types often coexist (or are able to coexist) within many IT organizations. In response to—or in anticipation of—business priorities, CIOs may decide to foster multiple cultures depending on team functions, delivery speeds, and individual roles and responsibilities.

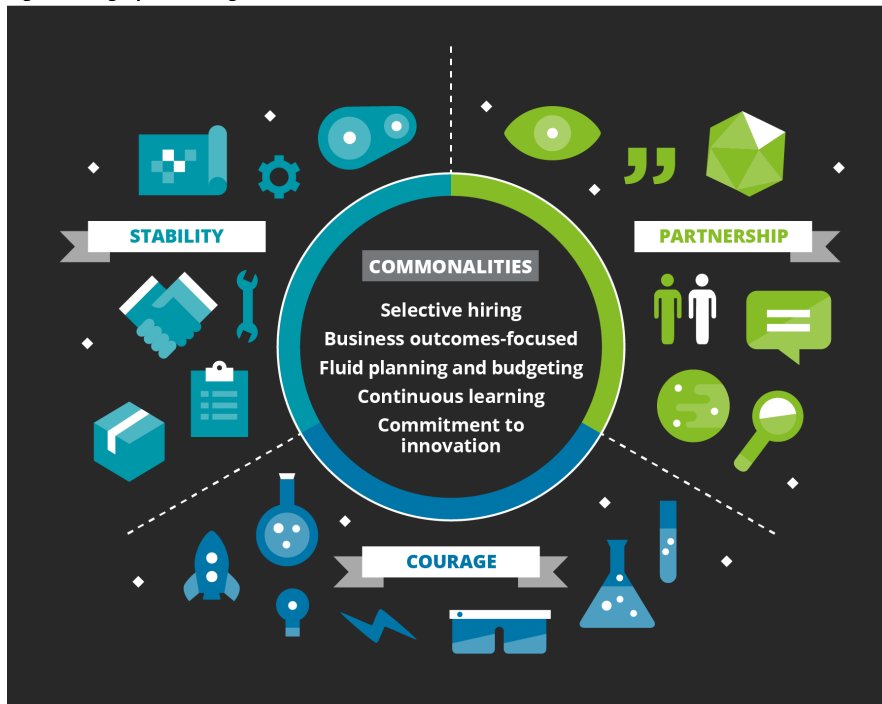
In a healthy, well-rounded IT organization, all three cultures are commonly able to thrive. Often, more than one culture can help CIOs respond to organizational challenges such as talent shortages and persistent skills gaps. CIOs may nurture a particular culture on one or more teams or even across the IT department as a reaction to a specific business change such as M&A and divestiture, digital transformation, or organizational restructuring.

5 characteristics of high-performing IT cultures

One CIO described a high-performance IT culture as one that has “the ability to achieve extraordinary things with normal resources.” Stability, partnership, and courage cultures are all able to perform at high levels.

Creating a high-performing IT culture is a deliberate and ongoing effort that requires diligence, an informed approach, and continuous monitoring. A high-performing IT culture can address business needs and be a source of competitive advantage. We found that high-performing IT cultures—whether stability, partnership, or courage—share five common characteristics. (See figure 4.)

Figure 4. High-performing cultures share five common characteristics



Source: Deloitte U.S. CIO Program

- 1. Selective hiring.** Most CIOs want to hire the best talent, but CIOs in high-performing IT cultures can be especially demanding. They try to hire very selectively, offer outstanding opportunities for career growth, and groom their staff to excel beyond all expectations. They commonly seek flexible employees that fit cultural needs. For example, in a courage culture, CIOs might look for candidates with a strong track record of risk-taking, innovation, and creativity.
- 2. Business outcomes-focused.** By emphasizing business results instead of IT activities, CIOs can clarify priorities and help teams understand their business impact. For example, they might orient the organization toward business outcomes by flattening it to remove the distance between staff and customers; measuring senior leaders on time spent with internal and external customers; or linking IT incentives to business performance metrics such as top line growth, bottom line profitability, and customer satisfaction scores.

- 3. Fluid planning and budgeting.** The pace of technology change has accelerated so quickly that in many cases, one-year planning cycles are no longer applicable. Many CIOs can prepare their IT teams to be agile and responsive by allocating operational budgets and developing effective governance mechanisms that allow for course corrections and priority adjustments.
- 4. Continuous learning.** Many high-performing IT cultures invest in and reward continuous learning, branching beyond technology skills to include business aptitude, market dynamics, and business model innovations. This can equip teams with the ability to predict and quickly respond to disruptions. For example, the CIO of one financial services firm consistently selects five percent of the IT workforce to be retrained for skills needed in the future.
- 5. Commitment to innovation.** Innovation is not only the domain of the courage culture—many culture types need to innovate to be healthy. Innovation involves continuously looking for ideas to do things better, finding new ways to drive value, and creatively solving the thorniest business problems—regardless of culture type. For example, stability cultures might innovate by developing more efficient ways to operate IT environments, while partnership cultures can innovate to improve collaboration and consensus-building.

A company's IT culture can be as unique as a fingerprint. The CIO can proactively use culture as a dial to align an IT organization to business needs, creating cultures of stability, partnership, or courage as required. To take it to the next level, CIOs can cultivate habits that drive IT culture to perform at the highest levels. When this happens, IT can function like a well-oiled machine.

Endnotes

1. Stephen Redwood, Mark Holstrom, and Zach Vetter, *Transitioning to the future of work and the workplace*, Deloitte Consulting, <https://www2.deloitte.com/us/en/pages/human-capital/articles/transitioning-to-the-future-of-work-and-the-workplace.html>, accessed March 29, 2017.
2. Khalid Kark, Mark White, Bill Briggs, and Anjali Shaikh, *Navigating legacy: Charting the course to business value*, Deloitte University Press, <https://www2.deloitte.com/us/en/pages/chief-information-officer/articles/cio-survey-navigating-legacy.html>, accessed February 3, 2017, p. 56.
3. Kark, White, Briggs, and Shaikh, *Navigating legacy: Charting the course to business value*, p. 57.
4. This and other CIO quotes are taken from interviews conducted in spring, summer, and fall of 2016.
5. Ajit Kambil, *Catalyzing organizational culture change*, Deloitte University Press, <https://dupress.deloitte.com/dup-us-en/focus/executive-transitions/organizational-culture-change.html>, accessed April 12, 2017.
6. Kambil's model borrows from the Lewis-Schein change model, which is discussed in detail in Edgar Schein's 1995 MIT Working Paper: *Kurt Lewin in the classroom, in the field, and in change theory: Notes toward a model of managed learning*, <http://dspace.mit.edu/handle/1721.1/2576>, accessed April 12, 2017.
7. This and other examples are based on personal knowledge.

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About this research

Deloitte CIO Insider articles are developed with the guidance of Khalid Kark, Research Director, CIO Program, Deloitte Services LP. *IT culture: From business limitation to competitive advantage* also relied on insights and guidance from Judy Pennington, Managing Director, Deloitte Consulting LLP, and Robyn Wagner Skarbek, Senior Manager, Deloitte Consulting LLP.

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