



What CIOs in high-performing companies do differently

They prioritize performance, relationships, customers, talent, and cybersecurity

It's widely recognized that technology is essential to the effectiveness of every organization today, and that every CIO wants to drive and deliver value. But the contribution of the CIO to the overall achievement of a company varies widely—by industry, competitive landscape, and organizational culture, among other factors. These variances beg the question: Is there something that sets apart the CIOs at high-performing companies (HPCs)? Indeed, through our research and analysis of more than 1,200 CIOs¹, we found that

technology leaders at HPCs are generally distinguished from their peers by five practices:

- Prioritize performance and growth over cost
- Consider relationships with the CFO and business unit leaders more important than the relationship with the CEO
- Invest in grooming, motivating, and engaging talent
- Focus on customer experience as a competitive differentiator
- Link cybersecurity and privacy investments to growth and customers

Perhaps as a result of these practices, CIOs in HPCs are treated differently by their organizations—they have more budget control and strategic input and, typically, more credibility and influence. In this report, we explore the five practices of CIOs in HPCs and the implications for all CIOs.

1. Prioritize performance and Growth over cost

While it is not surprising that most surveyed CIOs of HPCs identified their top priorities as performance (69 percent) and growth (60 percent), it's worth noting that most other CIOs in the Deloitte survey did not share these priorities to the same degree. Performance topped the list for less than half of all others surveyed (47 percent), followed closely by reducing costs and attracting and retaining customers (46 percent). In a separate survey, 72 percent of Fortune 500 CEOs who responded agreed with the statement, "These days, I consider my company to be a technology company."² Many HPC CIOs know this and are proactively driving performance and growth for their companies.

De-emphasizing cost cutting is also prevalent among HPC CIOs. Only 21 percent of the CIOs from HPCs

picked cost as a top business priority, compared to nearly half of all other CIOs surveyed (figure 1). During conversations, many CIOs from HPCs explained that managing the bottom line was a basic expectation of leaders, but not a significant business priority. The emphasis on cost is due not to direct cost pressures, in the words of one HPC CIO, but to create capital for IT initiatives that support digital, data, and other priorities.

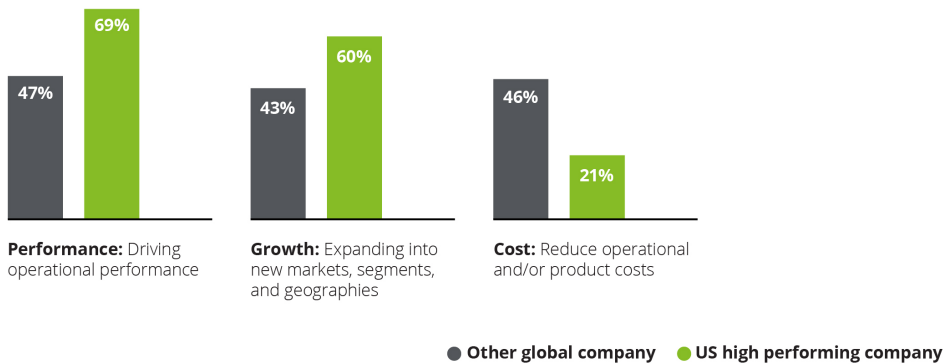
HPC CIOs' focus on performance and growth is consistent with the research conducted on exceptional companies by Michael E. Raynor, research director with Deloitte Services LP and Mumtaz Ahmed, chief strategy officer of Deloitte LLP.³ In a multiyear study of thousands of organizations, they found that exceptional companies focus on three rules:

- Better before cheaper
- Revenue before cost
- There are no other rules.

CIOs of HPCs prioritize the second rule—revenue before cost—driving profits through innovation, price, or volume, not thrift.

Figure 1: HPC CIOs focus on growth and performance over cost

What are your organization's top business priorities over the next 12 months?



N=1,271 CIOs surveyed. Source: Deloitte Global CIO Survey, November 2015.

2. Consider CFO, business unit relationships above CEO relationship

As companies increasingly rely on technology as a competitive differentiator, CIOs need to build and sustain peer relationships with other C-suite leaders. But all relationships are not created equal. A strong CFO-CIO relationship, for example, can mean smarter technology investments that align with strategic growth

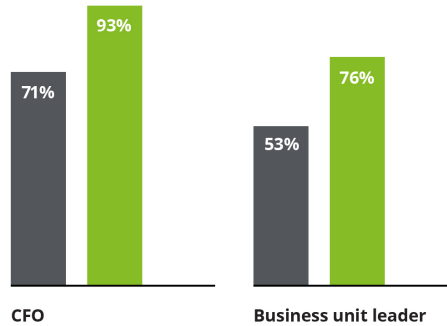
plans, improve business performance, and administer effective risk governance.⁴ This isn't lost on HPC CIOs. When asked which relationships are important for their success, most (93 percent) consider the CFO relationship one of the top strategic relationships. Only 70 percent of other CIO respondents agreed.

Consider a recent scenario at Broadcom Inc., an HPC semiconductor company. Broadcom found itself in the midst of a transformation, acquiring new businesses and divesting itself of others as it prepared to be acquired. Growth at that point was critical. CIO Bill H. Miller Jr. was tasked with providing innovative environments and tools for the company's engineers, improving the effectiveness of R&D, and continuing to provide highly customized services to B2B customers. To help accomplish his goals, Miller looked to internal stakeholders, most notably his CFO. "If you don't have influence with internal stakeholders, you are dead," says Miller. "For me, it's the CFO. I respect his judgment and he respects my judgment. He knows I won't bring him something immaterial."

CIOs in HPCs also tend to prioritize relationships with business unit leaders (figure 2). More than three-quarters of HPC CIOs surveyed rate business unit relationships as important for their success, versus just over half of all other CIOs surveyed. The emphasis on strong relationships with business unit leaders does not mean that HPC CIOs don't consider the CEO an important stakeholder or that they have a poor relationship with the CEO. Rather, these CIOs may view their CFO and business unit leader relationships as key to building trust and achieving influence with all members of the C-suite, including the CEO. As the CIO of a high-performing aerospace manufacturer put it, business unit leaders allow him to know what to do in IT—and they back what's being done.

Figure 2: HPC CIOs prioritize relationships that build trust and achieve influence

Which of the following relationships are most important in order for someone in your role to succeed?



● Other global company ● US high performing company

N=1,140 CIOs surveyed. Source: Deloitte Global CIO Survey, November 2015.

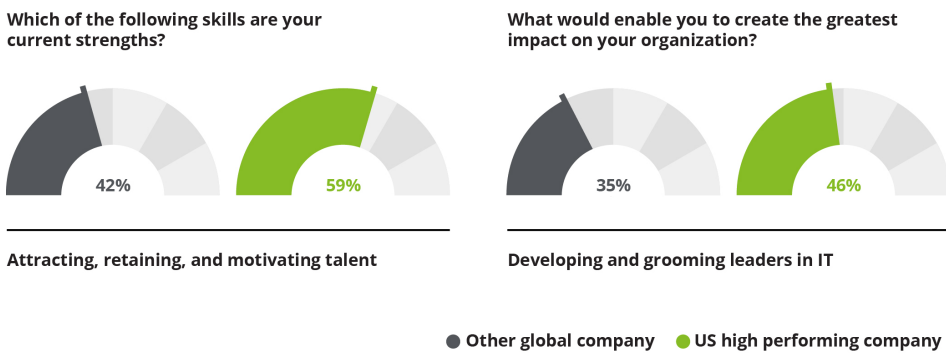


3. Invest in grooming, motivating, and engaging talent

Leaders in all management disciplines have long recognized the importance of effective team-building. According to *Harvard Business Review*, “a world-class leader must be able to hire and develop an exceptionally strong leadership team—he/she cannot succeed as a brilliant one-person player.”⁵ Talent is an area of focus and strength for HPC CIOs. Fifty-nine percent of these CIOs surveyed consider talent development to be a personal strength, as compared with 42 percent of all other respondents (figure 3). Nearly half of HPC CIOs (46 percent) said developing and grooming IT leaders would enable them to have the greatest effect on their businesses. Only 35 percent of all others surveyed shared that view.

HPC CIOs groom, motivate, and engage talent by articulating a vision, strong beliefs, and clear expectations, and by aiming to create a high-performance culture. They reported recognizing the abilities of others early, trusting them with critical projects, and challenging them to achieve stretch goals. Cardinal Health, a high performing company, has expanded from a presence in six countries to a presence in 60 countries, the result of recent acquisitions. Not surprisingly, CIO Patty Morrison spends nearly 50 percent of her time planning for what needs to be done over the next three to five years, and the other 50 percent grooming, motivating and engaging talent. In doing so, she is able to entrust decisions and delegate to the right team members—and focus on high priority initiatives. “If I have to go too far in the weeds, I know I’ve got the wrong team,” says Morrison.

Figure 3: Grooming and engaging talent is a key strength



N=1,142, 1,212 CIOs surveyed. Source: Deloitte Global CIO Survey, November 2015.

4. Focus on customer experience as a competitive differentiator

Engaging external customers is a common strategy toward growth; better customer experience can mean better stock performance and shareholder value. To quantify the seemingly elusive ROI of great customer experience, Watermark Consulting analyzed the cumulative stock returns of the top 10 and bottom 10 performers in Forrester’s annual Customer Experience Index. Their findings: The leaders vastly outperformed the market, generating cumulative total returns that beat the S&P 500 by 27 percent over a five-year period and beating the bottom ten performers by 128 percent.⁶ HPC CIOs tend to zero in on customer experience as a competitive differentiator.

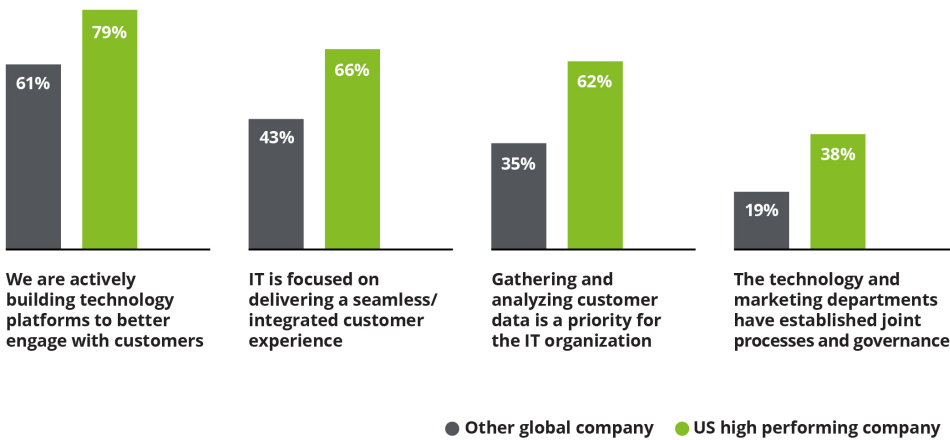
When asked about their involvement with end customers, a big difference between HPC CIOs and other respondents emerged: HPC CIOs are more actively implementing technology and establishing partnerships to create compelling customer experiences. They are building systems and services to attract new customers and retain and engage existing ones. While 66 percent of HPC CIOs are focused on delivering a seamless customer experience, only 43 percent of others surveyed are doing so. The high-performing CIOs also prioritize gathering and analyzing customer data, and partnering with marketing to grow customer-focused initiatives, about two times as often as all others surveyed. HPC CIOs, in other words, outperform their peers in every category of customer experience by a wide margin (figure 4).

McDonald's, a HPC global food service retailer, exemplifies the value of a winning customer experience. The company recently undertook a customer experience overhaul that included a streamlined menu, improved order accuracy, investments in food quality and ingredients, and the launch of a digital app. As part of the transformation, Deborah Hall-Lefevre, corporate vice president, Global IT Solutions & Business Transformation, worked with her team to develop new customer loyalty products and services, including

mobile apps and kiosk delivery. The outcome so far: after seven quarters of declining growth, McDonald's outperformed its competitors by 2.9 percent in the fourth quarter 2015 and saw a 5.7 percent increase in same-store sales growth, a success company CEO Steve Easterbrook attributed, in part, to customer experience innovation.⁷

Figure 4: HPC CIOs are more engaged with end customers and partners

Which of the following statements is true about your involvement with your organization's end customer?



N=1,175 CIOs surveyed. Source: Deloitte Global CIO Survey, November 2015.

5. Link cybersecurity and privacy investments to growth and customers

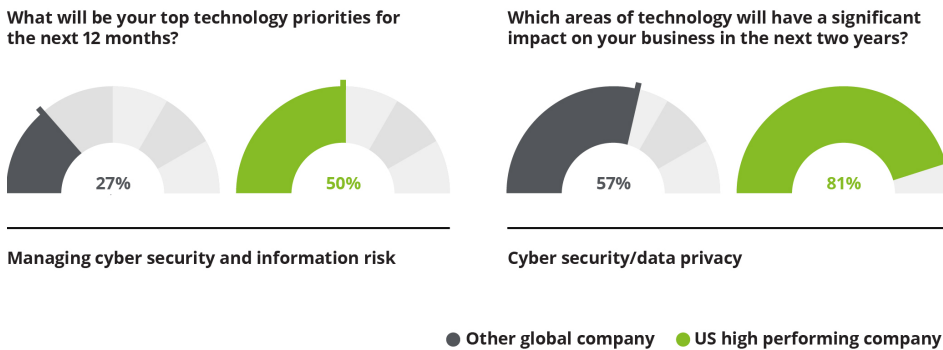
HPC CIOs typically view cybersecurity as a key enabler for growth because it fosters trust with customers and demonstrates a commitment to safeguarding customer privacy. It also allows CIOs to deliver reliable technologies to their organizations, helping them become valued business partners.

The impact of brand trust is hard to overstate. According to the TRUSTe/National Cyber Security Alliance 2016 U.S. Consumer Privacy Index, 89 percent of respondents avoid brands that do not protect their privacy. And because of privacy concerns, 51 percent of the survey's respondents have not clicked on any online ads this year, and 32 percent have not downloaded an app or product.⁸ With the continued proliferation and enablement of digital business, the protection of data and IP has emerged as a competitive differentiator. HPC CIOs understand the importance of prioritizing

cybersecurity and privacy as growth enablers. Fully half of HPC CIOs surveyed chose "managing cybersecurity and information risk" as a top technology initiative, nearly twice as often as other survey respondents. (figure 5). When asked which technology areas would have a significant impact on their businesses in the next two years, HPC CIOs picked cybersecurity and data privacy as a top technology priority 24 percent more than all others surveyed.

That HPC CIOs rate cyber and information risk management as their top priority reflects the second rule of exceptional companies—revenue before cost—when viewed through the lens of a growth enabler. At a high-performing medical devices company, the CEO has directed the CIO to play a pivotal role in determining how to use data to increase income. One caveat: do so while securing critical patient information. Both leaders understand that solid cybersecurity, data privacy, and growth go hand in hand.

Figure 5: Managing cyber and information risk matters, and is a lever for growth



N=1,271, 1,112 CIOs surveyed. Source: Deloitte Global CIO Survey, November 2015.

The potential payoff: more credibility, more influence

HPC CIOs who prioritize performance and growth, talent, strategic relationships, customer engagement, and cybersecurity are clearly valued by their companies. Our research shows that HPCs increase their CIOs' budgets about 15 percent more than do all others surveyed, and give their CIOs budget control 12 percent more often. They also involve their CIOs in strategic decisions more often. And HPC CIOs participate in M&A transactions nearly 20 percent more than other CIOs surveyed. Ultimately, such CIOs may have more credibility and influence.

Kroger, a HPC retail food chain, exemplifies this outcome. In addition to his role as CIO overseeing indirect sourcing, corporate travel, customer support, and R&D, Christopher Hjelm has recently been promoted to executive vice president overseeing the supermarket chain's recently acquired analytics subsidiary, 84.51°. Hjelm's focus on data analytics is part of a broader strategy to continually listen to and incorporate feedback from customers and ultimately serve them across in-store, print, and mobile channels. His promotion didn't happen overnight—it took four years of focusing on operational performance, building talent, and executing consistently with an eye toward enabling business innovation (particularly in customer experience and engagement).

"We went through an initial phase that focused on operational excellence. Next we focused on overhauling talent, especially leadership, and then maturing the organization in terms of execution," says Hjelm. "Finally, we focused on innovation."

Prerequisites for applying the HPC mindset

As CIOs across the board confront the challenges of near-constant change in their organizations, they can glean insights from the ways leaders of HPCs are shaping their CIO roles. But keep in mind that the data describe only the destination, not the journey. Many of the HPC CIOs interviewed emphasized that they had to pave the way, sometimes for years, before they were entrusted with the more exciting work. Here are some prerequisites to consider:

- **Get the operational house in order before focusing on performance and growth.**

Often HPC CIOs can afford to prioritize performance and growth initiatives over cost reduction because their operational houses are typically in order. CIOs who are not meeting basic expectations for reliability and efficiency will have more difficulty pursuing growth and performance initiatives.

- **Establish credibility with peers before expecting "a seat at the table."**

Many CIOs are fixated on getting a seat at the table. One way to earn it is to deliver on commitments and build alliances with business executives. For the CIOs of HPCs, building strong relationships with CFOs and business unit leaders in particular helped them to gain influence and credibility in their organizations.

- **Build and reinforce a high-performance culture before attracting high-performing talent.**

Talent is critical for CIO success; having the confidence and ability to delegate critical tasks to the team allows CIOs to focus on leadership rather than management. But if the organizational culture or operating model does not support the expectations of talented employees and limits their growth potential, they could walk away.

- **Make internal customers happy before focusing on external customers.**

The focus on external customers allows for better engagement and growth. But a CIO's first priority is to equip internal customers with the tools and capabilities to do their jobs well. If the basic needs of sales, marketing, and other internal functions are not met, external customers will likely suffer as well.




- **Embed security and privacy in business operations before linking it to growth and customers.**

More often than not, security and privacy controls are an afterthought because the business does not want to slow down other initiatives. Embedding security controls as part of other projects requires maturity in basic security operations, a clear understanding of risk, and an ability to think outside the box to meet business needs for flexibility and agility.

For additional information, please contact:

Khalid Kark
Research Director
US CIO Program
Deloitte Services LLP
kkark@deloitte.com

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Methodology

Deloitte's Global CIO Survey engaged 1,271 CIOs through online surveys and in-depth interviews. Based on the aggregated data, we looked for public companies listed in US stock exchanges whose stocks outperformed the S&P 500 by 10 percent or more over a three-year period (March 2013—March 2015). Of the 235 US public companies surveyed, the 42 respondents whose organizations fit this criteria were designated CIOs of HPCs. We then compared their responses to those of all other respondents to identify differences.

About this research

Deloitte CIO Insider articles are developed with the guidance of Khalid Kark, Research Director, CIO Program, Deloitte Services LP; Anjali Shaikh, Manager, CIO Program, Deloitte Consulting LLP; and Renee Boucher Ferguson, Manager, CIO Program, Deloitte Services LP.

About Deloitte's CIO Program

CIOs lead unique and complex lives—operating at the intersection of business and IT to deliver value to their organizations. To help CIOs manage these challenges and issues, Deloitte has created the CIO Program. The program provides distinctive offerings to support the CIO career lifecycle through leadership development programs, immersive lab experiences, insight on provocative topics, and career transition support to complement the technology services and solutions we provide to our clients.

Endnotes

1. In our research with more than 1,200 CIOs we identified HPCs through a single measure: those companies among the 235 U.S. survey respondents that beat the S&P 500 Index by 10 percent or more, for the past three years. We then compared the responses from CIOs in HPCs against responses from all other survey takers.
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