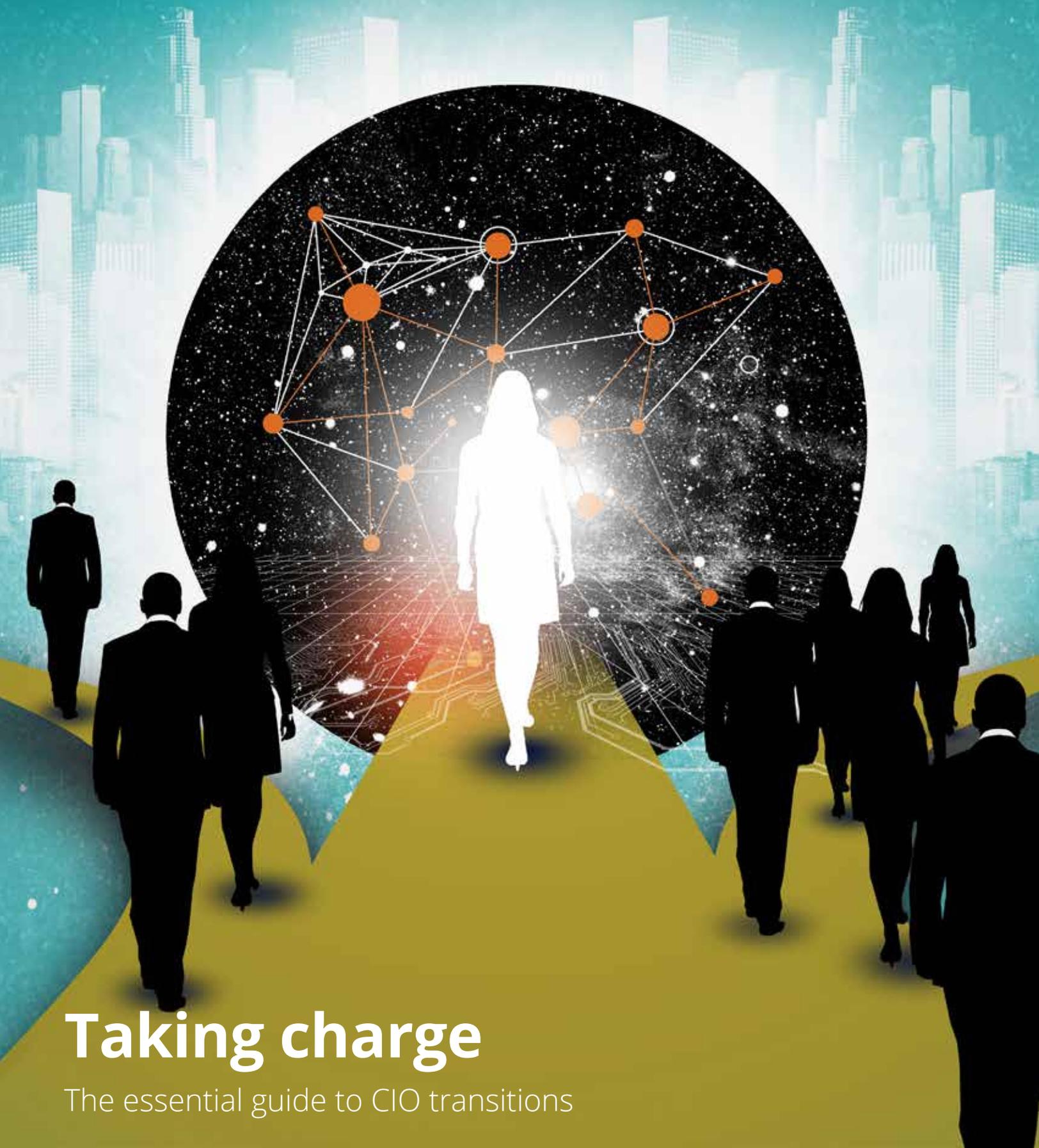


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Taking charge

The essential guide to CIO transitions

ABOUT DELOITTE'S CIO PROGRAM

CIOs hold one of the most complex and challenging roles in business today. Those who excel operate at the highest level to create value for their organizations. The Deloitte CIO Program bolsters the value CIOs deliver as they advance along their career journeys. Through personalized lab experiences, leadership development and career connection opportunities, targeted networking, and distinctive research and insights, we empower, inform, and connect IT leaders in order to tackle what's next, now. Interested in learning more?

Contact USCIOProgram@deloitte.com, or visit www.deloitte.com/us/cio.

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A fraught path for incoming CIOs

As technology evolves to both drive business operations and generate revenue, the influence and relevance of the chief information officer (CIO) as a business leader is anticipated to continue to grow. Yet, as a recent survey has shown, CIOs have one of the shortest tenures in the C-suite, at an average of only 4.3 years.¹ Many CIOs find themselves in situations that require them to take on new leadership responsibilities, juggle shifting business mandates, and manage complicated technology transformations.

Like most executive transitions, CIO transitions can be fraught with complex and unexpected challenges. Democratization of technology has made the CIO's job more difficult—many executive leaders now see technology and systems development as not only the purview of IT but of their own functional group, which can lead to multiple shadow IT organizations. Other issues are the pervasiveness of technology in business—including as part of the business strat-

egy—and the conflicting views business stakeholders have about the CIO's role and responsibilities. Perhaps the most daunting challenge is the necessary shift from manager of back-office technology operations to strategic business leader and driver of topline revenue and growth.

During the last five years, Deloitte's CIO Transition Labs have helped around 200 CIOs transition into new roles. Every transition is unique, and there is no single formula for success, but we do find consistent patterns. This report leverages lessons learned from the CIO Transition Lab experiences and hundreds of other interactions with transitioning CIOs to identify common patterns and insights. (See the sidebar "Research methodology" for more information.) This guide helps underscore the importance of three key dimensions—*time, talent, and relationships*—and offers initial steps CIOs can take to better prepare for a successful transition.

RESEARCH METHODOLOGY

The CIO Program conducts the CIO Transition Lab as a one-day experience that leverages creative thinking and collaborative teaming to help both new and seasoned CIOs address the unique challenges of technology leadership. The labs help CIOs establish critical priorities, evaluate talent, identify and address challenges, and frame leadership strategies and work plans.

To customize each CIO Transition Lab session to meet the participants' individual needs, the CIO Program team conducts interviews with key business stakeholders, including other members of the C-suite and functional business leaders. This report synthesizes the data from more than 200 CIO Transition Labs, including interviews with more than 600 key stakeholders, along with in-depth phone interviews with 26 global CIOs who have recently transitioned.

CIO transitions

A primer

AS we sought to understand expectations, criteria, rationale, preferences, and processes for selecting CIOs, some common patterns emerged.

Evolving business needs and dissatisfaction with IT can drive transitions

About three-quarters (72 percent) of business stakeholders said that a significant change in the company’s direction or strategy preceded the CIO transition, and about the same percentage (74 percent) reported that change was necessitated by a general dissatisfaction with technology leadership and support from IT (figure 1).

In 23 percent of transitions examined, the previous CIO was demoted or asked to resign.

The data illuminates that companies expect CIOs to successfully do two very different tasks: keep operations running smoothly, and contribute to business

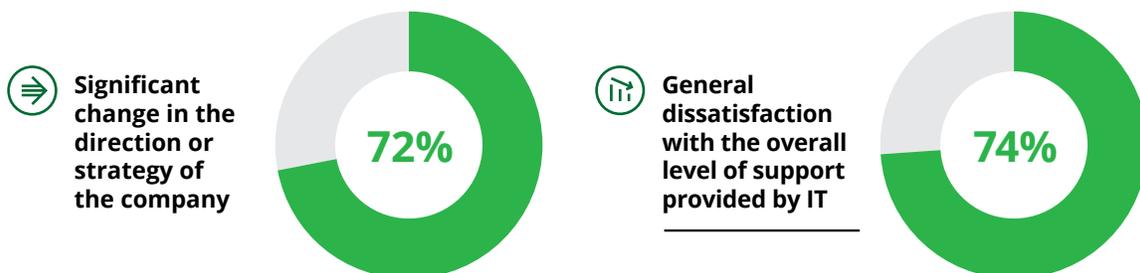
growth and performance. For a new CIO, this can mean having the confidence and courage to take calculated risks while keeping a steady hand on the wheel. “You have to have the courage and not fear for your job,” said Trevor Schulze, CIO of Micron Technology. “If you have fear, then you are the wrong person for the job.”

An adaptive mind-set can also help CIOs successfully transition and can be a predictor of future success. One CIO found himself in the middle of a significant merger in the second month of his transition, which required him to set aside his in-process strategic road map to focus on the foundational technology integration.

Internal candidates are often preferred, unless drastic changes are needed

Overall, internal candidates were twice as likely (64 percent) to be selected for the CIO role compared

Figure 1. Reasons for CIO transitions



N=108,109. Source: CIO Transition Labs.

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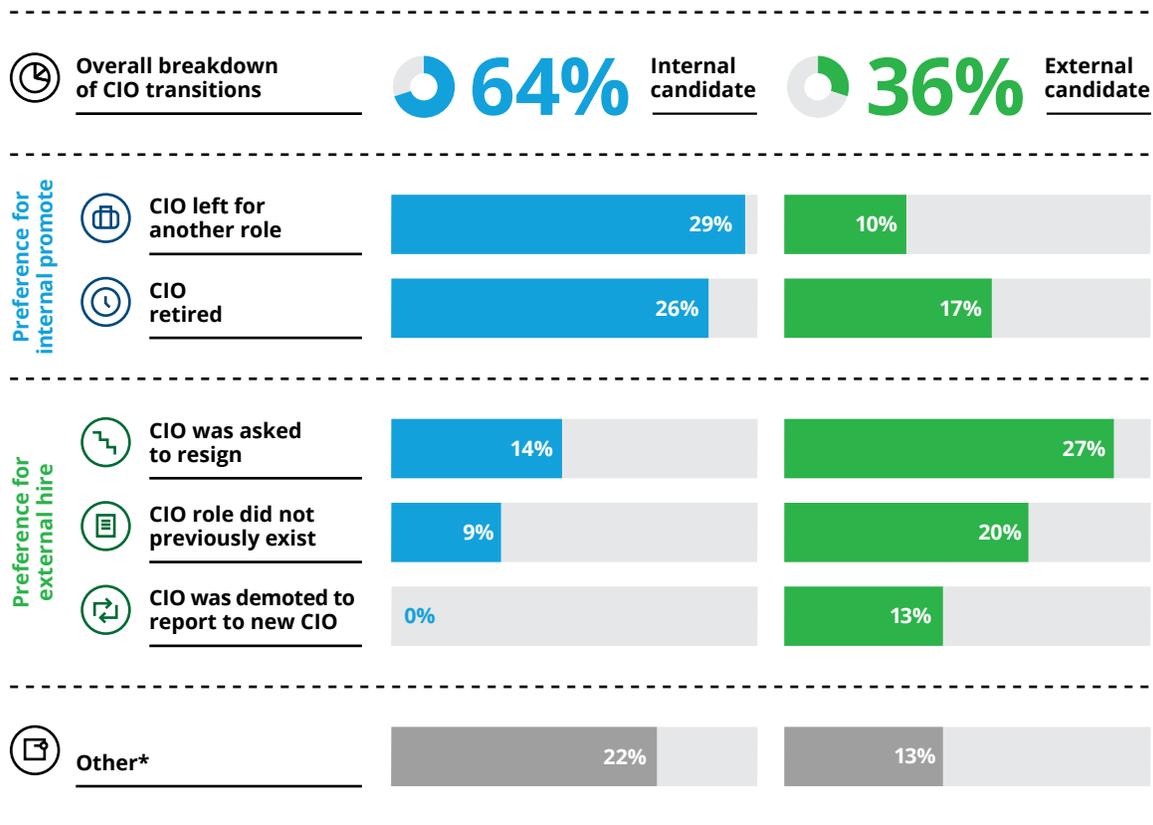
Taking charge

with external candidates (36 percent). However, when the former CIO was demoted or asked to resign, or the CIO role did not previously exist, companies preferred an external candidate (figure 2).

Externally hired CIOs told us that the interview process is a key contributor to a successful transition, especially when a drastic change in the IT organization and its leadership is needed. The interview process can help the future CIO and business stakeholders adequately understand, assess, and prepare for the new role.

One company hired its new CIO six months before making a formal announcement, allowing him to shadow the departing CIO and gradually take on more responsibilities. Not all companies can afford this luxury, but a shortened hiring process may result in surprises for the incoming CIO. For example, another CIO reported 80-hour work weeks during her first year because a compressed interview process concealed the complexities of the role. Her interview process took only three days, and she spoke with only the chief executive officer (CEO) and chief financial officer (CFO).

Figure 2. Rationale for previous CIO departure: Internal promote vs. external hire



N=102. *Other includes interim CIOs, M&A, emergency leave, etc.
Source: CIO Transition Labs.

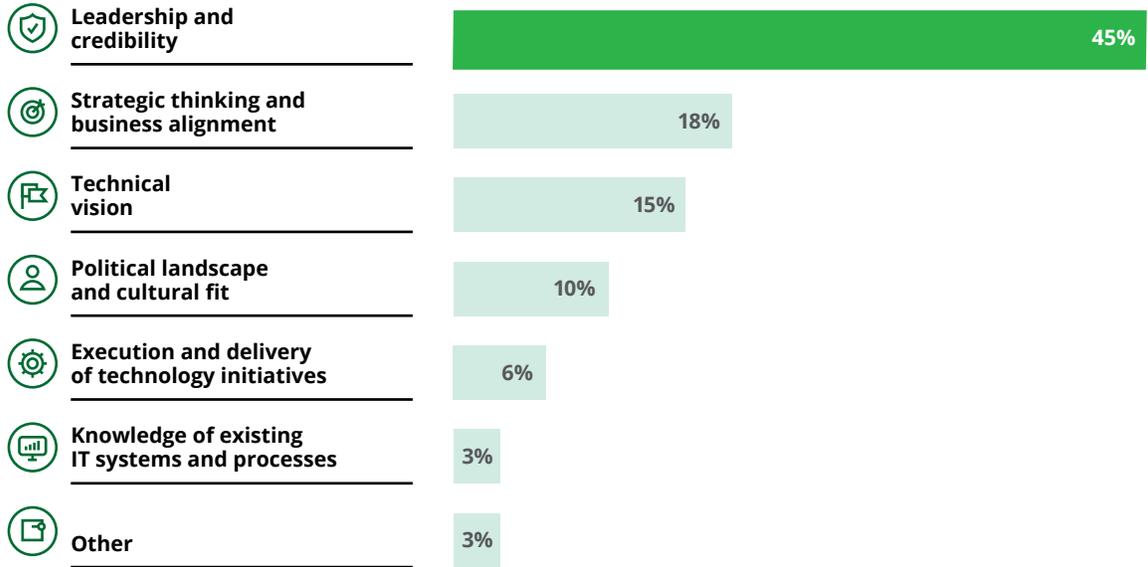
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Emotional intelligence can be more important than technical competence

A high level of technical competence does not guarantee a new CIO will succeed. In our experience, emotional intelligence, also known as emotional quotient (EQ), can be more important than technical competence.

Data from our stakeholder interviews backs this assertion: 45 percent of business stakeholders we interviewed said that they selected their new CIO because of leadership and credibility, attributes that require a finely tuned EQ. Strategic thinking, business alignment, and technology vision were all lower priorities (figure 3).

Figure 3. Reasons CIO was chosen for role



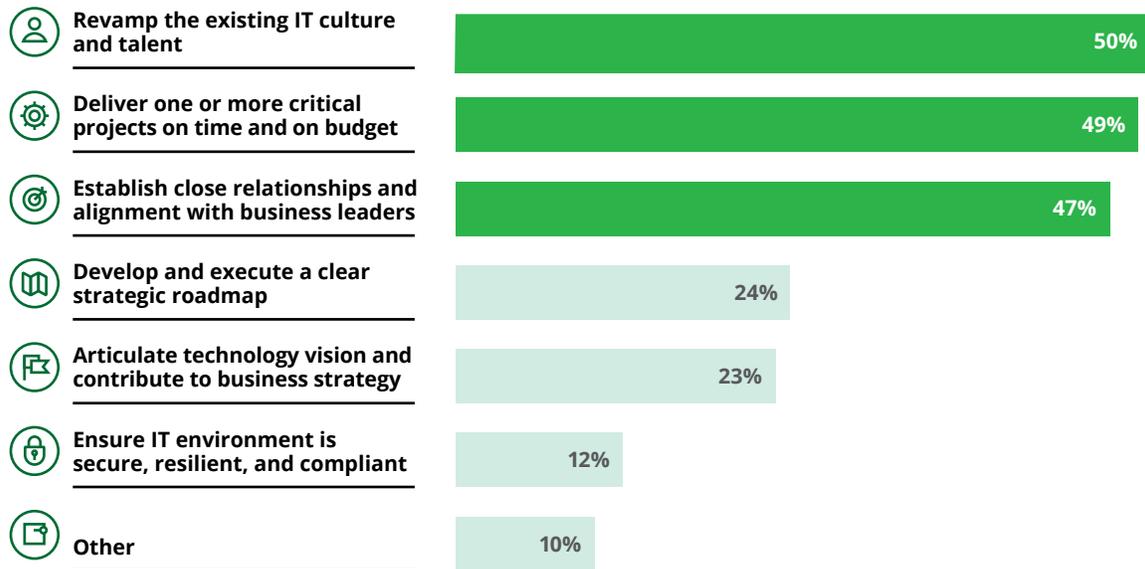
N=357. Respondents were allowed to select multiple answers. Source: CIO Transition Labs.

Talent, execution, and relationships are often key measures of success

When business stakeholders were asked to define success for the CIO, their responses spanned three

primary dimensions (figure 4). Fifty percent of key stakeholders said high-performing IT **talent** and culture were a top priority, followed closely by **timely execution** of critical IT initiatives (49 percent), and strong **relationships** with key business leaders (47 percent).

Figure 4. How business stakeholders define success



N=436. Respondents were allowed to select multiple answers.
Source: CIO Transition Labs.

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Three critical dimensions

Time, talent, and relationships

INTERESTINGLY, our interviewees' measures of success align with earlier Deloitte research on CIO transitions² that linked transition success to effective management of time, talent, and relationships. CIOs can deliver on key business expectations by effectively managing:

- **Time.** Decisively setting initial priorities, recalibrating business expectations, and achieving quick wins can help CIOs build a solid foundation in the first year.
- **Talent.** Initiating critical talent and culture changes can enable CIOs to align people, skills, and roles while establishing an IT brand, vision, and expectations for staff.
- **Relationships.** Establishing or renewing important stakeholder relationships with business peers and ecosystem partners—including customers, partners, and suppliers—can help build professional credibility.

We examine each of these in further detail.

Time

The first year of a CIO's tenure can be critical for establishing credibility and trust among IT talent and staff and business stakeholders, which can serve as a foundation for future success. Transitioning CIOs may find it necessary to immediately address time-critical issues and high-visibility decisions such as failing systems or stalled projects, postponement of major architectural decisions or large expenditures, and quick wins that help gain organizational support.

SET A COURSE FOR SUCCESS

The incoming CIO is often expected to develop a set of key priorities, raise the ship's anchor, unfurl its sails, and set course within the first year. "Similar to other C-suite positions, becoming a CIO is like entering the NFL as a new coach," said Dennis Self, the former senior vice president (SVP) and CIO of Axiom Corporation, who is now the company's president and general manager of marketing services. "You are expected to be in the Super Bowl—or at least playoffs—within a very short period of time. You've got very little time to make that happen, and if you don't, you can be quickly rendered as irrelevant. So you have to move quickly."

During the first year, CIOs can make several important moves:

Quickly gain support of IT staff, especially high performers. Transitions can be fraught with uncertainty. Try reaching out to key staff members, especially high performers, to acknowledge and assuage their concerns, explain the path ahead, and assure them of a future with the company. In many cases, strategic hiring of key external talent is also necessary to drive IT performance. For an external candidate, it is best agreed upon as part of the interview process.

Align with key stakeholder concerns, and promptly follow up. Many stakeholders noted their appreciation for CIOs who worked to effectively understand and acknowledge their perspectives within the first few weeks on the job. Try following up on stakeholder concerns promptly and transparently. We often find in our labs that CIOs

get drawn into the operational issues early in their transitions, but business stakeholders expect them to spend more time on strategic issues right away. It can be imperative to understand, acknowledge, and reset stakeholder expectations quickly and be transparent with the stakeholders on timelines and prioritization.

Meet key customers, partners, and suppliers.

Meeting with customers, partners, and suppliers is not typically a high priority for CIOs in their first six months. More than other CXOs, CIOs may need to engage with these constituents to accurately assess technology's impact and role in delivering value. A customer visit, factory tour, or trip to the retail store can signal the CIO's intent to understand the end customer and contribute to business success.

Transitioning CIOs can gain trust by rapidly finding and solving systemic problems.

Look for low-hanging fruit. Transitioning CIOs can gain trust by rapidly finding and solving systemic problems. When one new CIO found that the lack of wireless signal in multiple office locations caused widespread frustration, within three months, he set up a new wireless network that works seamlessly across the enterprise, establishing immediate credibility across the company.

“Be empathic to the business,” advised Nicolas Simone, CIO of Grupo Boticário. “If a printer is having issues at the administrative office, it might be OK to take couple of days to fix. However, if it is a fiscal printer and expedition of products depends on it to release product delivery, it must be fixed within seconds.”

Assess IT demand and supply, and prioritize accordingly. Many IT organizations are woefully lacking project prioritization capability, leading to huge backlogs. Tim Graumann, the recently retired CIO of Brocade, told us, “I’ve come into organiza-

tions where 50 percent of projects needed to be killed.” Enabling a process for working with business partners to prioritize alignment with business needs is mandatory.

Two weeks into a new role, another CIO discovered the IT department had 1,300 ongoing projects, most of them late or over budget; some had even been initiated three years before. In some companies, every business request is turned into a project without a proper benefits assessment, and projects are not prioritized, which can lead to a catastrophic failure of IT. Strong governance and prioritization mechanisms can alleviate many of the causes of IT failure.

Reset expectations and strengthen the foundation. Many CIOs hired to transform the technology landscape find themselves pulled into the basic blocking and tackling to maintain efficient and stable operations. Often when the IT environment is unstable, unreliable, and unpredictable, CIOs will need to buttress the foundation, an investment of time that can yield future benefits and enable transformation.

Earlier research on CIO transitions identified four CIO subroles, or “faces,” that align to business needs:³

- **Strategists** partner with the business to align business and IT strategies and maximize the value of technology investments.
- **Catalysts** instigate innovation through transformational change to business architecture, strategy, operations, and technology.
- **Technologists** assess technologies and design technical architectures to increase business agility and manage complexity.
- **Operators** manage and deliver efficient IT services and solutions to support the business while managing risk and protecting core assets.

Many CIOs move among these subroles as they execute their agendas; continually striking the right balance across the four faces is typically an ongoing challenge. In CIO Transition Labs, participants are asked to estimate how much time they spend in each of these four areas and how much they aim to spend. Almost all transitioning CIOs find themselves occu-

pied with technologist and operator responsibilities such as understanding the IT environment and stabilizing core IT operations. They expect to allocate more time to the strategist and catalyst roles over time (figure 5).

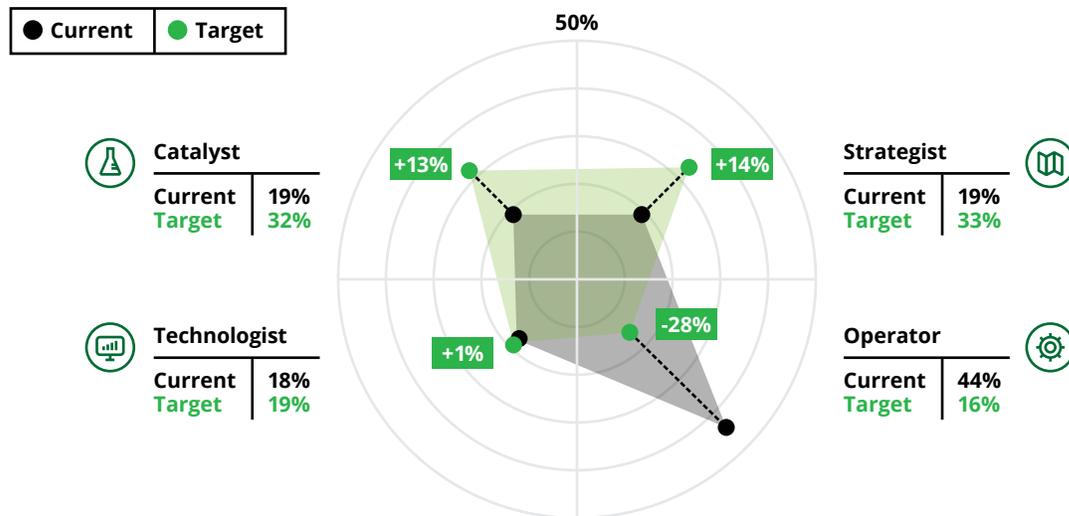
However, because the operational role often drains time from the other critical areas, CIOs can benefit from identifying talent and establishing processes that limit the time spent in that role.

Business stakeholders may underestimate this operational overhead, likely requiring CIOs to communicate the rationale and logic for a temporary shift in focus to reset expectations. “I look first at what do I need to stabilize, what do I need to secure, and what do I need to scale? When you solve that problem, then you can start focusing on new work,” said Andy Rhodes, CIO of the United States Golf Association. “But you’ve got to really get the current environment right and set expectations with stakeholder[s] before you focus on the new work.”

For example, the business leaders of a global retail organization expected its new CIO to develop a strategic vision and revitalize IT talent and capabilities. A few days into the role, he found himself in the midst of an operational meltdown: A failing point-of-sale system experienced massive outages and significantly impacted the business. The CIO postponed strategic planning and team reorganization and worked tactically for the next few months to understand and address the root cause of the outages.

In transition labs, we focus on four to six major objectives for the CIO’s first year. An analysis of all CIO Transition Labs found that the top CIO objective is operational excellence, followed by strategic IT vision and talent (figure 6). Governance, relationships, and transformation—issues that may be important to business stakeholders—are a priority, but often CIOs need to stabilize the basics before moving on to more strategic, long-term objectives.

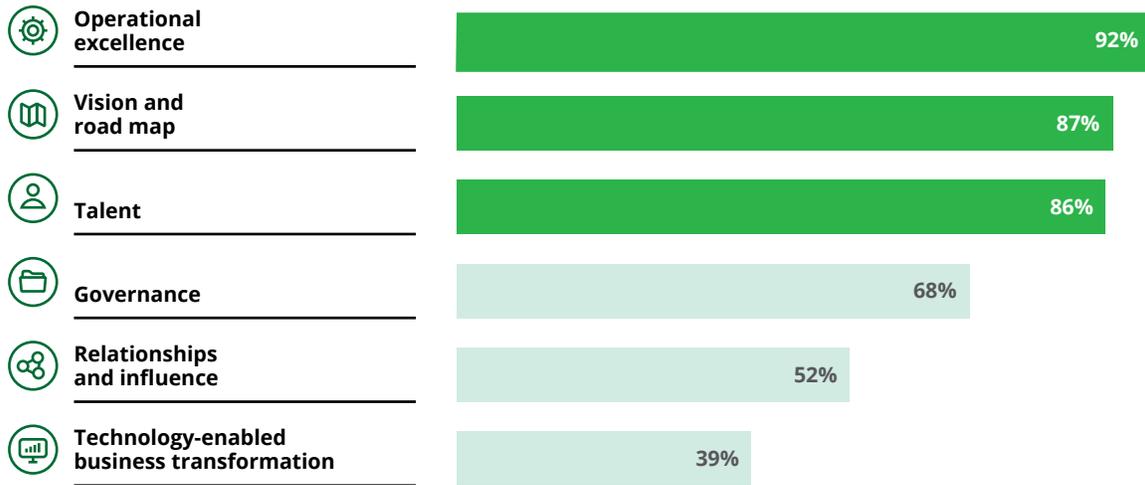
Figure 5. Allocation of time for transitioning CIOs across the four faces



N=172.
Source: CIO Transition Labs.

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Figure 6. Top objectives identified in CIO Transition Labs



N=163. Source: CIO Transition Labs.

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Talent

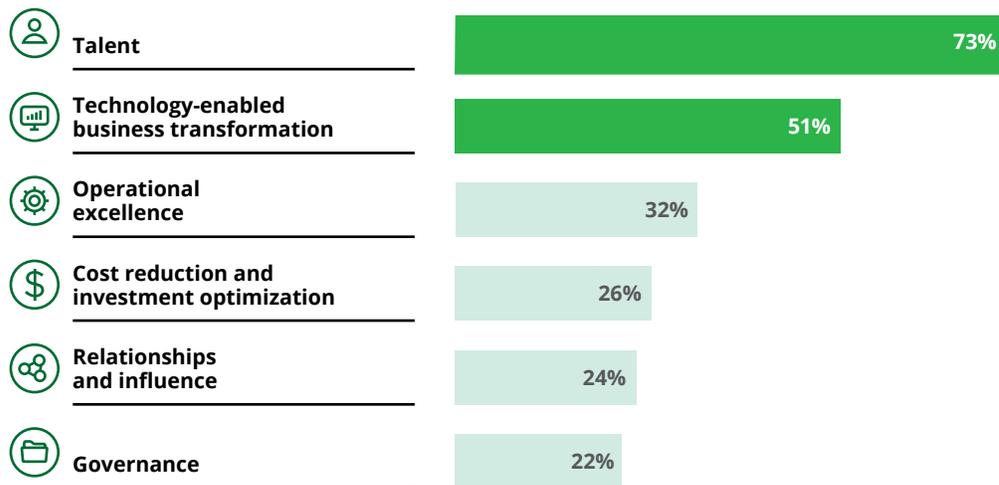
Talent is the foundation of CIO success; without the right team, CIOs can be distracted from strategic goals. Talent is by far the highest priority identified by business stakeholders (figure 7).

New CIOs often have to quickly assess talent, fill key roles, and realign and integrate the current team

to eliminate siloed centers of expertise. “You’re the mouthpiece and the leader, but you have to acknowledge the skills in the team and allow them the freedom to work,” noted Phillipa Winter, chief informatics officer of Bolton NHS Foundation Trust. “Excellence is on the strength of all of us coming together.”

Key areas of focus can include aligning people, skills, and roles, and creating a culture of success.

Figure 7. Top priorities from business stakeholder interviews



N=520. Source: CIO Transition Labs.

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ALIGNING PEOPLE, SKILLS, AND ROLES

The competition for talent is intense, and many new CIOs feel constrained by geographic location or corporate culture. Those who are limited by budget, promotions, and bonuses likely must find creative ways to attract and motivate talent. “Invest in people, create opportunities for them, and show them that you can trust them,” advised John Barron, CIO of the Office of the Revenue Commissioners, Ireland. “Create a culture where they can make mistakes; ideas can be worked out to avoid pitfalls. Get buy-in to show it’s theirs and not yours. Remember that someone there is going to succeed you one day.”

Here are additional lessons on recruiting and retaining talent from the CIO Transition Lab:

Don’t shy away from difficult talent decisions. Talent can be the most time-consuming and difficult task for new executives. “If you are spending too much time on execution, then you do not have the right people in the right places,” said one CIO.

CIOs may need to replace intractable staff who are resistant to change or new leadership. To create a more positive environment, one new CIO brought in new talent from outside the company to replace direct reports who had aimed for the same CIO role. “I had to get rid of most of my direct reports who were my competition for the role,” he said. “I had to rebuild from scratch; otherwise they would’ve been very problematic.”

Sometimes quick talent changes are unfeasible for operational, cultural, or financial reasons, and in other cases, CIOs decide to thoroughly evaluate staff before making significant talent decisions. One executive vice president (EVP) of an IT organization told us, “I initially focused on making quick behavioral or cultural changes. I did not make any immediate talent changes, because the organization had a lot of instability. I waited nearly a year to do the formal reorganization.”

Build a compelling career narrative. CIOs can help the IT organization attract and retain high performers by not leaning too heavily on HR to manage and lead the recruiting process. Develop a compelling IT narrative that highlights the career benefits

of working for the IT team. For example, the new CIO of a large insurance company attracted fresh talent by crafting a narrative that highlighted his team’s participation in industry transformation.

Recalibrate the leadership team. Many CIOs reorganize their leadership teams. New talent can help infuse IT leadership with new ideas and thinking, and reset the existing team’s performance expectations. “You have to look at your organization and make sure you have the right leaders for today,” said Barbara Duck, SVP and CIO of BB&T. “But you must also make sure you’re preparing the right leaders for tomorrow and who’s coming behind.”

When one CIO culled her leadership team, she elevated several gifted junior employees from a level below into stretch leadership roles. She cut overhead without dramatically impacting the IT organization’s productivity and created a leadership team that was enthusiastic and passionate.

Strategies for making leadership changes can range from complete restructuring to minor adjustments, often depending on whether the CIO was an internal or external hire. We have observed that CIOs promoted from within often approach talent changes more conservatively and tend to favor less dramatic leadership changes.

Evaluate sourcing options. Many new CIOs are challenged to determine the best mix of internal and external resources to execute on their agenda. Cloud computing, managed service providers, and the gig economy provide CIOs with many options for outsourcing; for some IT functions, it still makes more sense to rely on in-house talent. One new CIO who discovered that IT outsourced 60 percent of its work spent two years bringing expertise back inside, gradually eliminating its dependency on contract work for core engineering jobs. This improved quality and kept valuable intellectual property inside the company.

Diversity pays in many ways. Many CIOs share their commitment to diversity but lack a strategy for building a diverse team. A transition can be a catalyst for developing a diversity strategy. According to Deloitte’s *Global Human Capital Trends* research, 78 percent of business leaders responding to the survey believe diversity and inclusion are a com-

“It is easy to build a high-performance culture when you bring in the best talent to support you. Real leadership is building a high-performance culture from the talent you already have.”

—CTO/EVP of a national distributor

petitive advantage. Yet, despite this increased level of interest, only 6 percent of companies actually tie compensation to diversity outcomes.⁴ One CIO’s objective was to achieve gender parity on his leadership team within two years. Another CIO aimed for a racially diverse leadership team by actively seeking high-performing people of color that he could elevate to leadership roles. Many CIOs are partnering with nonprofit organizations dedicated to bridging gender and racial hiring gaps in the technology industry.

CREATING A CULTURE OF SUCCESS

IT culture can be difficult to shape; it requires changing habits and behaviors that often have been established and passed on for decades. “A key success factor is creating a team and a culture of belonging—being part of a family,” said Steven Jacobs, head of ICT, Sibanye, South Africa. “Value people, leverage core capabilities and skills, and celebrate success. Create a culture and feeling of belonging and accountability. Loyalty and team dynamics are important.”

Cultures are often shaped by their leaders’ behaviors. IT staff typically watch intently for clues on whether and how to adjust their beliefs and behaviors. Sometimes waiting is the best course of action. “There was a perception that I would come in and turn the organization upside-down, as some needed to do in the past,” said Anne Mullins, CIO and corporate VP of Enterprise Business Services at Lockheed Martin Corporation. “I felt it important to not make major shifts, because I didn’t want the per-

ception that talent was the problem—culture was. Therefore, I spent first six to nine months figuring out what would make us successful without major upheaval.”

New CIOs can boost their credibility—and that of their teams—by setting cultural expectations and pushing talent to meet them. Determine the “soft skills” needed by the team to improve personal and social interactions, and actively seek talent with these characteristics. Ask internal and external customers their opinions of the IT team, and determine how to close any gaps in how the team is perceived and how it wants to be perceived.

A savvy CIO can use the transition as an opportunity to rebrand and reposition the IT organization. This can include changing key job titles, creating new ways to market and communicate, and developing slogans and vision statements that bring clarity and consistency to the IT mission.

Relationships

The transitioning CIO will likely need to manage a broad web of internal and external relationships to alleviate the two most commonly heard complaints from stakeholder interviews: “IT is a silo” and “IT focuses on technology, not the business.” One CIO told us, “The most surprising aspect of my transition was that the role was so much more about the organization and relationships than it was about technology. Organizational and relationship issues will trip you up way more easily than the technical issues.”

Building relationships with key stakeholders can enable CIOs to integrate with other business leaders and leverage ecosystem partners to drive disruption. As chief digital officers, chief technology officers, chief marketing officers, and other members of the C-suite begin vying for different pieces of the technology pie, CIOs can benefit from establishing strong relationships and leveraging intersections with other business leaders. Relationships with chief operating officers (COOs), CFOs, business unit CEOs, and other business stakeholders can help CIOs continue to wield influence.

ESTABLISHING ONESELF AS A CREDIBLE BUSINESS LEADER

An important part of building relationships within the business is often establishing credibility as a leader and integrating with the rest of the leadership team. CIOs we interviewed told us:

Reporting matters—sometimes. CIOs should report to the part of the organization that enables them to make the maximum impact. Depending on the construct of the executive leadership team it may not be the CEO but the CIO who needs access to key leadership team. One CIO said, “I don’t really care where I report, but I do like reporting to the CEO because of the peer network and automatic respect from reporting at that level.”

“I felt it important to not make major shifts, because I didn’t want the perception that talent was the problem.”

—Anne Mullins, CIO and corporate VP of Enterprise Business Services, Lockheed Martin Corporation

Deloitte’s 2016–2017 Global CIO Survey reveals that 35 percent of CIOs surveyed report to CEOs, 20 percent to CFOs, and the remainder to myriad roles such as chief administrative officer and COO.⁵

Think beyond formal check-ins. Many CIOs set up initial meetings with all business stakeholders but lose touch after they dive into their role. Consider setting a cadence for both formal and informal touch points with key stakeholders. One CIO has a regular touch point with the company’s CFO on the treadmills at the corporate gym.

Supporters can influence others. Seek the assistance of stakeholders who support IT, and enlist them to influence the rest of the executive team. As one CIO said, “You need to have one or two table pounders to ‘pound the table’ on your behalf when you are not there.”

Establish governance processes to reengage business leaders. In our experience, a majority of CIOs inherit a dysfunctional governance process. Good governance can improve the speed, focus, and agility of the IT team and serve as a way to share accountability, align priorities, ensure funding, and engage business leaders. Develop governance processes quickly, and involve business leaders early.

Build credibility by honoring commitments. Some executives develop elaborate strategy decks and lofty vision statements but fail to deliver on basic commitments. A solid track record of delivery can help CIOs be transparent with business stakeholders and reprioritize commitments when necessary. “The CIO [role] has changed,” said the IT leader of a global financial services company. “It’s not just about, how do I keep my infrastructure running, how do I get a list of asks and requirements from the business and implement in an efficient way, how do I manage my budget. Some of those things are certainly applicable, but really what I realized is that I need to be positioned as trusted partner: If someone is thinking about, how do we really understand client personas better, let me call the CIO and ask him—that’s the position I wanted to be in.”

DRIVING RAPID DISRUPTION THROUGH ECOSYSTEM PARTNERS

Cloud providers, system integrators, consulting firms, and technology vendors help contribute to the delivery of efficient, reliable, scalable, secure, and agile technology capabilities. New CIOs will likely need to understand and assess this complex web of relationships and quickly address existing vendors and partners.

One CIO inherited a strategic partner with a direct and long-established relationship with the CEO. When the partner consistently failed to deliver IT projects, the CIO escalated the issue—but the CEO trusted the partner. Only after several months of wrangling was the CIO able to rein in the partner.

Ecosystem partners can bring more than technical capabilities to the table—they can also help the CIO

bring about change and deliver value. During the first year, CIOs can understand and invest in ecosystems beyond technology service providers: Customers, suppliers, industry disruptors, and incubators can help identify opportunities for delivering business value. Recently, we have observed several new CIOs investing in existing start-ups, or starting their own incubators and innovation hubs to infuse their businesses with fresh ideas. “My view of the future is that there are specialists in their respective areas, and more and more of this ecosystem will be critical to our business,” said Alexandre Telles, CIO of Ajinomoto do Brasil Ind e Com de Alimentos Ltda. “These specialists will evolve at a velocity that organizations can never keep up with. It is imperative for CIOs to figure out how to leverage these ecosystems to gain a competitive edge.”



Transition scenarios

Opportunities and challenges

IN CIO Transition Labs, we typically encounter four common scenarios: *internal hire*, *hybrid insider*, *external hire*, and *mergers and acquisitions (M&A) or divestitures*. Each presents a different business context that may require a different approach for dealing with opportunities and challenges.

Internal hire

The most common transition scenario we encounter is the CIO who has been organically promoted from within the IT organization. This CIO is often part of the existing leadership team and has established credibility across one or more domains. We often find internal promotes tread lightly to preserve existing relationships and do not want to be viewed as disruptive.

Hiring an insider can provide the enterprise with continuity and minimizes disruption. Such CIOs usually have a successful track record and have already built credibility with parts of the company. They may have developed strong relationships with a number of key stakeholders and peers. “Being an insider at Ulster Bank has worked to my advantage,” said Robin Marshall, CIO of Ulster Bank, part of the Royal Bank of Scotland Group (RBS). “RBS is such a large, complex, multifaceted organization, very highly matrixed and highly fragmented. For an outsider to understand this would have been like building the airplane while flying it.”

Many insiders are slow to make talent decisions because of the strength of their existing relationships. Some are first-time CIOs; they may find it difficult to delegate work and manage reports who were formerly colleagues. Inside hires may encounter resistance from peers who were vying for the same role.

Many inside hires we interviewed said they underestimated the importance of relationships.

An internal hire may need to quickly hire somebody into their former role. Otherwise, he or she may straddle both roles for months, which can impact performance and focus.

Hybrid insider

Recently, we have observed many businesses hiring CIOs with little or no IT experience from the company’s enterprise leadership ranks. This scenario often occurs when there is a need for greater business alignment or stakeholder trust. Since they don’t have a strong technology background, hybrid insiders typically focus on untangling alignment and relationship issues while relying on technologists and operational lieutenants to keep the lights on.

Hybrid insiders can bring instant credibility and existing relationships. They typically have a solid business sense and can be quick to identify opportunities for IT to contribute to business outcomes. They likely are not limited by the existing IT culture and can make significant cultural and talent shifts quickly.

Coming into this role, however, the hybrid insider may be overwhelmed with technical jargon and may quickly need to learn about relevant technologies. Existing IT staff may be skeptical of the hybrid insider’s authority, causing him or her to work hard to gain credibility and respect. A common mistake can be to overcommit to business partners, focusing on short-term wins at the expense of long-term total cost of ownership or broader strategy. This may be due to underestimating IT challenges; many hybrid insiders report being surprised by the complexity of

the IT environment, which may be bogged down by years of short-term fixes and multiple generations of technologies.

In another hybrid scenario, a divisional CIO is promoted to enterprise CIO. This may seem like a natu-

ral progression, but each role requires flexing a different leadership muscle, and the scale and scope of the enterprise role is usually much larger. The divisional leadership role often requires an operational expert, while the enterprise CIO likely is more of a strategist and business influencer.

HYBRID INSIDER: KEVIN LOWELL, VP OF IT, US CELLULAR

As VP of IT at US Cellular since November 2015, Kevin Lowell is responsible for developing and maintaining the company's IT systems and architecture that support its customers' wireless experience. This includes billing and customer care systems, point-of-sale solutions, Web presence, compliance environment, and enterprise network security.

Lowell is a hybrid insider—he joined US Cellular in 2003 and rose through the ranks in engineering and network operations. Before becoming VP of IT, he was chief of engineering and network operations, where he was responsible for the operation of US Cellular's high-speed wireless networks.

Unlike many transitioning technology leaders, Lowell intentionally did not get bogged down in operational details. "If I get involved in intricacies, it's at the cost of more pressing and important opportunities," he said. "I'd miss something that's bigger and more important to a customer."

Lowell's top priority was service delivery and its impact on the customer ecosystem. His first move was to understand the customer's perspective of the business so he could change things that were not working well. "Being an insider helped me because I already had a good sense of the performance of the organization and the historical context of their performance," he said. "I spent a lot of time trying to understand execution and the impact of service delivery."

To supplement his existing knowledge of the team, Lowell interviewed key internal stakeholders. When he shared his findings with his department, his status as a company insider paid off. "Being from the inside, I was able to give stakeholder input to the team without them resisting what they heard, even if it was not always what they expected or wanted to hear," he said. "And I was very proud of their response. They really stepped up and embraced the changes we needed to make and rallied in an inspiring way."

After Lowell spent the first three months of his transition understanding service delivery, IT execution, and customer perspective, he unveiled a master plan focusing on a number of critical areas—such as talent, service delivery, and compliance—and his team began executing the plan's objectives. Overall, he was satisfied with the results. "For example, the IT organization in 2016 delivered the best service availability that we have ever delivered," he noted. "That's key, because as a service organization, our credibility depends on that."

Lowell was able to make decisions about IT improvements with the objective eye of someone from outside the team; however, he found it challenging to make the required talent adjustments. "If I had worked with someone for a long time and was familiar with their performance, I may have been less willing to move that person out based on what the customers were telling me," he said. "I may have moved faster if I had come from the outside."

Moving forward, Lowell continues to challenge himself and his organization to maintain the forward momentum. "I want to demonstrate and create continuity. With service availability, for example, it needs to be something we do every day and all the time," he said. "Now that we've established the highest levels of service availability, we've got to keep it going and never, ever take a step backward."

External hire

CIOs are typically brought in from outside the company when significant change is needed within IT. We have observed that many CIOs change industries or move globally from business to business. External CIOs typically impress with a successful track record or expertise in a particular domain. For example, CIOs from financial services or retail can be appealing to industries seeking expertise in building digital platforms.

Because external hires usually have a mandate to make drastic changes, they often find it easier to make key talent changes and are able to do so at a faster pace than many internally promoted CIOs. Because outside hires often inherit IT teams with significant challenges, any achievement is celebrated—the organization has nowhere to go but up.

However, outside hires often are given a short timeline to end or redirect bad initiatives. In addition, they typically must simultaneously gain understanding of a new industry, culture, and company, and

they may take longer to establish key stakeholder relationships than internal hires or hybrid insiders.

M&A or divestitures

M&A and divestitures generally present CIOs with tight deadlines, strict financial and talent targets, and the complex task of either integrating or separating multiple business-critical applications and platforms. Often, the CIO may be working with unfamiliar IT staff.

When massive change needs to occur in a short timeframe, constant communication with stakeholders and IT staff is likely essential. CIOs must often maintain morale as their teams struggle with long workdays and frustrating migrations. Transitioning CIOs in M&A or divestitures typically do not have to develop a strategic plan; as a counterpoint, the deadlines and road maps are usually driven by the business, typically with little input from IT.

EXTERNAL HIRE: CHARLES T. BROOKS, SVP, OPERATIONS AND SYSTEMS, KEMPER CORPORATION

In his role as SVP of operations and systems, Charles T. Brooks leads information system efforts for the Kemper Corporation family of insurance companies. Hired in May 2016, Brooks brings a wide range of technology, business, and operations experience garnered during 15 years of insurance industry leadership roles.

Brooks came to Kemper at a time when the company was rapidly embracing change. His newly created position, which reports directly to the CEO, is a reflection of the company's commitment to transformation. "I was excited and energized because I knew that there was a hunger for new leadership and new ideas," said Brooks. "There was a renewed focus on being competitive and growing market share."

Early in his tenure, Brooks focused on quickly fixing operational pain points. "These issues, in areas such as email retention and use of wireless networks, were not necessarily such critical items. But they were a symbolic way of demonstrating that there are no sacred cows," he explained. "It showed that everything is open for discussion and that change to the status quo is needed and inevitable."

For approximately six months, Brooks continued to focus primarily on tactical activities. Once the operational house was in order, he was able to focus on more strategic tasks such as change management strategy and innovation.

Relationship building helped Brooks achieve these objectives. His process and operational background helped him quickly develop credibility among his colleagues, and he credits his CEO for helping to accelerate the relationship-building process. "He treated me as a business leader from the beginning," Brooks explains. "He gave me a seat at the table for discussions in which a CIO might not normally be involved."

Brooks appreciated and was able to leverage much of the institutional knowledge that long-term veterans of the company brought to the table. However, some staffers were not able or did not want to match the change of pace that Brooks wanted to set. As an outside hire, Brooks had prepared himself to make difficult talent decisions quickly. "In these situations, sometimes there are good people who have deep institutional knowledge and are well respected and loved, but they can't or won't pivot the way the company needs them to," he said. "So some self-select and decide to do something else. What's left includes tough decisions in org structure and personnel. But after making those decisions, you're better positioned to motivate the rest of the team to focus on the path forward versus constantly looking over their shoulders."

As he and his team worked through these changes, Brooks held several open meetings and feedback sessions. "I personally led a lot of candid leadership discussions and skip-level meetings with nonmanagers," he said. "The best talent—the talent we all want to keep—really understood the message: that these changes would make us a better team and a better company moving forward. And they really wanted to be a part of that."

"When a new CIO comes in from the outside, I think there can be a lot of trepidation, especially if he or she is coming in because something is wrong or management wants to make a drastic change," Brooks concluded. "I worked really hard to ease people's fears and set a tone that was optimistic but decisive about changes that needed to be made."

M&A TRANSITION: GEORGIA PAPATHOMAS, CIO, JOHNSON & JOHNSON PHARMACEUTICALS

CIO of Johnson & Johnson Pharmaceuticals Georgia Papathomas is particularly energized by the challenges that come with connecting technology strategy to business requirements. The ongoing increase in pharmaceutical M&A and divestitures has provided her with many opportunities to tap into this source of energy. She has helped play an influential role in many key deals during her 15-year tenure in the industry, including Johnson & Johnson Pharmaceuticals' recent acquisition of Actelion.

During an M&A, Papathomas finds that fully understanding business priorities is the greatest—and most important—task. “First I have to figure out how the business is trying to create value, whether from synergies, intellectual property, or some combination of the two,” she stated. “IT has to understand what the business is trying to achieve and translate it into an IT plan.”

“In IT, bureaucracy can be entrenched, and sometimes during an M&A, it can drive leaders to add resources or create processes without proper planning,” she observed. “That’s where CIOs can lead—by ensuring that people don’t jump in and make changes, or add costs or resources, without first gaining a deep understanding of the objectives and environments.”

According to Papathomas, another important part of the CIO’s planning process during an M&A transition is to learn about the new IT environment, including applications and infrastructure, talent and culture, capabilities, and governance. An evaluation and comparison of the merging IT environments can reveal best practices that can be applied to the combined organization. “Sometimes, the acquiring IT organization assumes its best practices will carry over. More often, you will be merging best practices from two teams,” added Papathomas. “Never assume that you will continue to do things the same way you always have.”

Papathomas recommends that CIOs spend 70 percent of the first 100 days of the acquisition on learning and strategizing, and the remainder on developing an integration plan. “Usually within 100 days, I understand company priorities and sensitivities and the IT environment, and have mapped out an integration strategy and plan,” she said. “Only then can we fully start the execution.”

During this time, developing relationships with the integration lead and CIO of the target organization can be critical. “Choosing the right integration leader is one of the most important parts of the integration,” she asserted. “I look for people with deep technology skills, leadership capabilities, and strong communication skills.”

“It’s so important to build a foundation of trust with the CIO of the acquired company,” she added. “He or she will be one of the primary drivers of a successful integration of technologies, processes, talent, and cultures.”

Papathomas applies the same methodical, evenhanded approach to talent issues. “I would not assume that certain roles are redundant or will be eliminated because they come from the target organization. Again, it depends on business objectives and a thorough talent assessment,” she noted.

CIOs will likely have to manage high levels of talent uncertainty. “People on both teams are concerned about losing their jobs. Add to that the stress of changing the way you work,” Papathomas said. “Defining a clear vision, setting unambiguous goals, establishing clear accountabilities, and communicating often during an M&A transition help CIOs manage uncertainty, keep the organization focused, and retain top team members.”

From the trenches

Navigating the transition

A PART from considerations along the key dimensions of time, talent, and relationships, our interviews and interactions with CIOs have helped identify some key lessons for navigating the transition, irrespective of the scenario and business context CIOs inherit. Our participants advised new CIOs to ask the following questions.

- 1. Who's got your back?** Transitioning CIOs usually need the full commitment and backing of business leadership to succeed. Strong executive sponsorship can give the CIO the confidence to develop and execute a bold technology agenda and make difficult or unpopular decisions. One CIO advised, "During the interview process, explicitly ask for access to the CEO and senior leadership." Another told us, "Leadership can be lonely, [so] find a confidant and a sponsor quickly."
- 2. What's your change agenda?** In many instances, CIO transitions take place when there is a need for change. Developing and communicating the intent and agenda for change within the first six to nine months can be critical. One business leader counseled, "You have to set whatever your version of transformation is on the table in the first six months. It can be earlier, but it can't be a year in. The honeymoon will be over at six months." Finalizing the details and execution road maps can often take up to a year, but CIOs should communicate intent and develop strategic direction earlier. Some stakeholders believe that once the new CIO is on board, all IT issues will be addressed immediately. Reset expectations quickly if necessary, and provide focus and direction to IT staff. A clear agenda can provide decision rationale and justification. Change can

be hard because it challenges existing systems and processes. Be mindful of the corporate culture and pace yourself accordingly; moving at the wrong pace can be detrimental and lead to resistance and opposition.

- 3. Do you have stories to create a strong technology narrative?** Develop a narrative that illustrates how technology, not IT, drives value for the enterprise. Be careful to not force company experiences, examples, biases, and context from previous jobs into the new role. Walking the halls, factory floors, and retail outlets can provide stories and anecdotes that will likely help build a powerful narrative. Understand, acknowledge, and focus on the current business priorities and context. One CIO who came from a different industry quipped, "In my new role, if I made decisions as I did in my prior role, I would not last a day. Without a deep understanding of the business and stakeholder buy-in, we can't move the ball here."
- 4. Are you focused on the journey or the destination?** Technology capabilities and business needs are often changing so rapidly that annual strategic plans obsolesce quickly. During a transition, a CIO cannot know enough to develop a long-term strategic plan. Instead, consider focusing on the journey more than the destination; periodically revisit and adjust strategic road maps and plans. "The first time you compile a strategic plan, 70 percent feels really good, and 30 percent is missing because you are gathering information in piecemeal," said Bill Miller, SVP and CIO of NetApp. "By the second year, you tune the plan, and you land at around 90 percent confidence because you're building and evolving

and getting more fidelity out of what you did the year before. By the third year, you're really loving it, and you're saying, 'Bring it on, we're ready to go do this!' Changes or modifications start feeling natural, and the team is well into the journey and really excited about being able to realize the vision."

- 5. Do you have a shared understanding of measuring and valuing IT?** New CIOs are often surprised at the amount of administrative involvement in IT operations. Consider seeking stakeholder input, and determine how to measure progress across basic operational ac-

tivities. Establishing metrics and baseline costs and measuring the value provided by technology investments can help CIOs establish credibility. IT scorecards have to be aligned to key business priorities of a given fiscal period such that there is appreciation for the role IT plays in achieving business objectives. One CIO agreed to the CEO's previously developed metrics, but soon he discovered that these metrics did not help the business understand IT spending or how to optimize it. He built credibility by developing new metrics that brought transparency into IT investments and measured the business impact.

The transition and beyond

As the CIO role evolves, business expectations can climb. Many incoming CIOs reported being energized by the challenge of leading an IT organization because of the impact they can bring to their businesses through technology. CIOs will likely face many challenges and difficult decisions as they navigate the triangle of time, talent, and relationships. This means creating a vision for prioritizing key business initiatives, developing talent and culture, and enhancing governance and operating models to build deeper business relationships.

Increasingly, this also means crafting a digital strategy and stepping up as the digital leader of the organization. It requires not only building multifunctional, agile, empowered teams that are accountable to deliver business impact but also developing real-time information systems to support decision mak-

ing, as well as encouraging staff to iterate, experiment, and adapt.

To successfully navigate the transition and beyond, CIOs can reflect on three key elements. First, as a business leader, the CIO's decisions, priorities, and investments should be broader than IT. They will likely need to shape and influence technology spending to drive revenue and impact. Second, changing talent and competency models alone may not address systemic organizational issues. Clarity of vision and cultural expectations are often stepping stones to high-performing teams. Finally, the success of the transition can depend not only on successfully navigating relationships and expectations of internal stakeholders but also increasingly on leveraging an expanded ecosystem to deliver value.



Key takeaways

Three critical dimensions

This summary of key research findings can be removed and used as a reference as needed.

Time	Talent	Relationships
<ul style="list-style-type: none"> <input type="checkbox"/> Quickly get your staff on your side—especially high performers. <input type="checkbox"/> Acknowledge key stakeholder concerns; promptly follow up. <input type="checkbox"/> Meet key customers, partners, and suppliers, and signal your intent. <input type="checkbox"/> Visit the helpdesk; look for low-hanging fruit. <input type="checkbox"/> Assess and prioritize demand and supply. 	<ul style="list-style-type: none"> <input type="checkbox"/> Make difficult talent decisions quickly. <input type="checkbox"/> Build a compelling narrative to attract high performers. <input type="checkbox"/> Mix up the leadership team by changing roles and adding new talent. <input type="checkbox"/> Look into alternative sourcing. <input type="checkbox"/> Diversity pays in many ways—develop a strategy to build a diverse team. 	<ul style="list-style-type: none"> <input type="checkbox"/> Reporting matters—sometimes. Report to ensure maximum impact. <input type="checkbox"/> Think beyond formal check-ins. <input type="checkbox"/> Use friends to influence your adversaries. <input type="checkbox"/> Reestablish governance expectations to reengage business leaders. <input type="checkbox"/> Build credibility by honoring commitments.
<p>* Tip: Reset expectations and strengthen the foundation early.</p>	<p>* Tip: Create a winning culture in addition to developing talent.</p>	<p>* Tip: Leverage ecosystem partners to drive rapid and disruptive change.</p>

Four transition scenarios

<p>The insider</p> <ul style="list-style-type: none">  Don't delay making talent decisions because of existing relationships.  Be aware of resistance from peers that were vying for the same role.  Find somebody to do your old job quickly; straddling roles can impact performance and focus. 	<p>The hybrid insider</p> <ul style="list-style-type: none">  Make significant cultural and talent shifts quickly.  Focus on key priorities and decisions, not technology jargon or the complexity of IT.  Work to build credibility and earn respect within IT—there may be some resistance from existing IT staff.
<p>The outsider</p> <ul style="list-style-type: none">  Don't be shy—if IT is dysfunctional, the mandate is to make drastic changes.  Stop or redirect bad initiatives early before they become your responsibility.  Set expectations for a longer runway—understanding a new industry, culture, and business takes time. 	<p>M&A or divestiture</p> <ul style="list-style-type: none">  Develop an operational plan and be careful with sequencing.  Things are bound to break; constantly communicate with stakeholders and staff.  No need for a strategic plan, but ensure delivery to deadlines and roadmaps dictated by M&A.

From the trenches:

Who's got your back?	What's your change agenda?	Do you have a strong technology narrative?	Are you focused on the journey or the destination?	Do you have a shared understanding of measuring and valuing IT?
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ENDNOTES

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