



The Transformational CIO

*Leadership and
Innovation Strategies for
IT Executives in a
Rapidly Changing World*

HUNTER MULLER

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For Sandra, Chase, and Brice

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PREFACE

The Indispensable Executive

None of the essential transformative processes can be achieved or sustained without information technology. As a result, the chief information officer, more commonly known as the CIO, will play a central and indispensable role as a leader and enabler of business transformation. The CIO's new role is vastly different from the roles played by the previous generation of CIOs.

Unlike the CIOs of the recent decade, the modern CIO must take an active hand in developing and guiding the multiple processes required to achieve the company's strategic goals. This represents a sharp break with the past, when the primary responsibility of IT was serving internal customers and responding to the expressed needs of business units operating within the traditional boundaries of the enterprise.

The modern CIO works in the cloud, both figuratively and literally. There are no boundaries—just an infinite set of potential futures, waiting to be brought into existence.

In this truly quantum universe, the CIO's portfolio of responsibilities includes hundreds of duties. Some of these duties are abstract, some are concrete; some are obvious,

some are subtle. Some require patience and humility; some require risk-taking and hubris.

Over the next 200 pages, we will look at the role of the transformational CIO and see how it is actually very similar to the roles played by other senior corporate executives. We will assemble a portrait of the “modern CIO” through stories, anecdotes, case studies, and topical research.

All of the sources interviewed for this book will provide actionable guidance, based on their own personal experiences and accumulated wisdom. You are free to follow their counsel or chart a path of your own. I promise that you will learn something useful from the stories they tell, and that you will come away with a stronger understanding of transformational IT leadership when you have read the book.

What You Will Find in This Book

Ideally, this book will serve as a helpful and very general guide for CIOs, IT leaders, and IT suppliers. It is by no means exhaustive, but it does cover many of the critical topics that concern IT executives struggling to manage successfully in today’s rapidly changing markets.

The book’s opening chapters are arranged loosely around a four-step process model. The subsequent chapters deal with crucial matters, such as partnering with the business, how to think like a CEO, what to do in your first 30 days on the job, and how to prepare for the next steps on your career path.

I have included as many charts and graphs as possible to help you visualize the main points of my argument. I have also included numerous examples of real-world situations in which IT leaders successfully managed the types of challenges and issues that, sooner or later, you are likely to confront in your career. I sincerely hope that you find these examples both interesting and useful.

Methodology

Before plunging onward, a few brief words on methodology are appropriate. I have been actively involved as a consultant in this field for more than 20 years. Much of what I'm writing is based on my own personal observations of top executives at leading organizations operating in major markets all over the world.

For the purpose of this book, I assembled an experienced editorial team that interviewed dozens of respected IT executives and industry experts, and crafted these interviews into stories and anecdotes revealing the multitude of challenges and opportunities facing transformational leaders in various sectors of the global economy.

Additionally, we combed through hundreds of books and thousands of articles, searching for clues that would lead us to a better understanding of how transformational strategy plays out in the real world.

I also leveraged the capabilities and resources of my firm, HMG Strategy LLC, to conduct surveys, analyze data,

and generate information that will likely prove useful to anyone who is involved in a transformation project. The results of these surveys are interspersed throughout the book, and will also be available on my web site, www.hmgstrategy.com.

ACKNOWLEDGMENTS

Although this book is based primarily on the knowledge and experience that I acquired over nearly three decades as a consultant in the IT industry, the book is also a work of journalism and reportage, and I could not have completed it without leveraging the collective wisdom of many knowledgeable sources. To them I am deeply indebted. I thank them sincerely for their time, their energy, their intelligence, and their support.

I am especially grateful to Rich Adduci, Yuri Aguiar, Saad Ayub, Shawn Banerji, Roger Berry, Laxman K. Badiga, Ramón Baez, Eric Belove, Marc Benioff, Mitch Bishop, Larry Bonfante, Greg Buoncontri, Lee Congdon, Jay Crotts, Stephen Davy, John Dietrich, José Carlos Eiras, Dan Fallon, Philip Fasano, Greg Fell, Rich Gius, Stephen Gold, Katie Graham, Mark Griesbaum, Tarun Inuganti, Sheila Jordan, Emmet B. Keeffe III, Steven Kendrick, Winnie Ko, Harvey Koeppel, Roberta Kowalishin, Frank Kovacs, Robin Johnson, Andy Lark, Tony Leng, Beverly Lieberman, Peter Logothetis, Brian Lurie, Bryan MacDonald, Mark P. McDonald, Stuart McGuigan, Diana Melick, Rajeev Mehta, Tim O'Malley, Keri Pearlson, Mike Pellegrino, John Phillips, Mark Polansky, Joseph A. Puglisi, Perry Rotella, Howard Rubin, James Satterthwaite, Stephen Savage, Kara Schiltz, Phil Schneidermeyer, Tony Scott, David

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Additionally, I am grateful for the assistance and support of my colleagues at HMG Strategy, Melissa Marr and Michaela Cerrone.

I also extend my sincere thanks to Shek Cho and Stacey Rivera, my editors at John Wiley & Sons, who had faith in the value of the project and were patient when I missed my deadlines.

I owe a special debt of gratitude to Mike Barlow, the co-author of *Partnering with the CIO* (John Wiley & Sons, 2007) and *The Executive's Guide to Enterprise Social Media Strategy* (John Wiley & Sons, 2011). Mike served as my editorial director for *The Transformational CIO* book project, and his guidance was truly invaluable. In addition to being a talented writer and communicator, Mike is an all-around good guy. Thank you, Mike!

Most of all, I want to thank my wife, Sandra, who put up with long nights of writing, endless phone calls, and lost weekends of heavy editing.

INTRODUCTION

The best way to predict the future is to create it.

—Peter Drucker

Don't Be Afraid to Change Your Game

In my younger days, I was a highly competitive athlete. My primary sport was slalom skiing, and I was good enough to win two state championships when I was in high school. At various times in my life I have competed in football, wrestling, baseball, tennis, golf, and sailing. I guess you can say that competitive sports have played a significant role in my life. They have shaped me into the person I am today.

As an athlete, you learn early that every competitive experience exposes you to a different set of challenges. You learn to assess the situation rapidly, figure out how it is different, and adapt to it. In other words, you are continually *changing your game*.

Your ability to change, to adjust, to transform yourself becomes your greatest competitive advantage as an athlete. A former sportswriter told me that I fit the mold of the “intrepid athlete” because no matter what the circumstances, I’ll always

find a way to adjust my strategy and gain the edge over the competition.

You can only push these sports analogies so far when you're talking about business, but I think this one is valid, especially if you are a chief information officer or IT leader.

If you're going to succeed in a transformational role, you must be ready to change yourself. Sometimes the change will be a matter of fine-tuning, sometimes it will require much more. Part of your job is determining how much you have to change to achieve your goal—and then making that change as completely and as thoroughly as possible.

When I interviewed Pat Toole, the CIO of IBM, I was struck by the depth and the sincerity of the company's commitment to change. Like many of his colleagues at IBM, Pat survived the company's near-death experience in the 1990s. He doesn't have to imagine the existential danger posed by standing still—he feels it in his gut.

A full century after its birth, IBM remains a compelling story of corporate success. Even though it has racked up seven straight years of double-digit earnings per share growth, IBM is still grinding through a mind-boggling process of trimming *billions of dollars* from its operating costs.

Accompanying its all-encompassing campaign to reduce costs is an equally impressive strategy to drive innovative practices into every nook and cranny of the company—which

isn't easy when you consider the size and scope of IBM's worldwide operations.

Pat sits near the center of this epic transformation, and yet he seems quite calm. He knows the magnitude of the challenge, and he understands the risks. His job isn't protecting the status quo—his job is tearing it down and replacing it with something better.

Pat uses the word “restlessness” to describe the culture at IBM. When you're restless, you can't sit still. You seek change. You welcome what's new and different; you embrace the future.

I'm not sure that I would want to have Pat's job, but I certainly respect his determination. When I look at Pat, I see a transformational CIO.

What You Need to Know *Now* about Business Transformation Strategy

Business transformation is really another way of saying “business responding appropriately to changes in the market.” The reason that business transformation is terribly important right now, however, is simple: In today's unpredictable economy, markets are changing very quickly—but most businesses are still changing very slowly.

Moreover, the changes rippling across the global economy are not producing uniform effects. Some markets are changing faster and more profoundly than others. It's almost as if

the laws of economics were applied haphazardly, generating different results in different markets. Faced with this kind of uncertainty, many companies choose to wait it out. But this sort of approach merely guarantees an even *slower* response to changing market conditions.

For many companies, the inability to respond appropriately to sudden changes in their markets will prove fatal. I won't speculate about which companies are spiraling downward into the dustbin of history, but I'll wager you a fine dinner that they are the companies that are ill-prepared for change.

The winners, on the other hand, will be the companies that prepare for change and nurture a corporate culture that embraces continuous business transformation. These winners will develop processes and frameworks that enable and support continuous business transformation, they will reward the people who come up with the innovations that fuel and energize continuous transformation, and they will go to market first (or second) with the products and services generated through their business transformation processes.

The New Yin and Yang of IT

Innovative use of technology is a prime requisite for success in today's markets. It's not the only requisite, but it's difficult to imagine an organization succeeding without it.

From the CIO's perspective, however, it seems impossible to consider innovation without considering costs. In the CIO's

mind, innovation is inextricably linked with applications development. By the common calculus of IT budgeting, resources for apps development are created by extracting fixed costs from IT operations (i.e., “keeping the lights on”).

But that means the CIO always has to justify new spending by showing how much money it will save. That kind of approach made sense 18 months ago, but as the competition heats up again, it doesn’t seem like a formula for growth. As an old boss used to say, you can never save your way to greatness.

I submit that a new equation needs to be written. Instead of trying to balance innovation and cost cutting, the new formula balances innovation and value creation. After all, what really matters to the business, creating value or cutting costs? You already know the answer.

For the next couple of years, at least, the role of the CIO will be to navigate a practical course away from the old paradigm, which forced every IT expense to be counterbalanced by an anticipated savings, and move toward a new paradigm in which IT investments are justified by how much value they will create.

The “old” yin-yang was innovation and cost savings; the “new” yin-yang is innovation and business value. Welcome to the latest cycle in the continually unfolding IT saga.

Personally, I believe that the severe economic challenges of the past few years have created a new breed of

transformational CIOs who are highly innovative, extremely cost-conscious, *and* acutely aware of the need to create value. In today's tumultuous business environment, this dual responsibility does not seem odd—it seems normal.

Is Everyone Really a Transformational Leader?

Last year, I hosted a high-level, invitation-only conference for about 120 CIOs and senior technology executives at major companies in the Chicago area. The conference's title was "The CIO as Transformational Leader" and its general purpose was preparing CIOs for the multiple challenges of rapidly changing global markets.

Predictably, one of the keynote presenters asked the assembled executives for a show of hands to indicate how many considered themselves to be a "transformational leader."

Practically everyone in the room raised a hand. I remember thinking, "Wow, that's great. Everyone here is already a transformational leader." Then I thought, "Wait a second. If everyone in this room is already a transformational leader, what's the point of this event?"

Before I could think too deeply about this, the presenter moved on to his next slide, and my concerns were quickly forgotten—until a few days later, when I had the good fortune to be chatting on the phone with Philip Fasano, the CIO of Kaiser Permanente. When the subject turned to business

transformation, Philip made a remark that brought me back to that moment in Chicago when everyone raised their hands. Here is what Philip said:

Just because you're the CIO doesn't automatically make you a transformational CIO.

Philip's remark really got me thinking hard about what it means to be a transformational CIO. I wondered what you had to achieve to qualify as "transformational." Most of this book is devoted to answering that question.

You will read more about Philip and his amazing accomplishments at Kaiser Permanente in the chapters that follow. You will also read about the achievements of CIOs and senior executives at IBM, Microsoft, Siemens, Dell, Shell Oil, Citigroup, Hilton, Cisco, General Motors, General Electric, Walt Disney Parks and Resorts, CVS Caremark, Kimberly-Clark, Salesforce.com, Flextronics, Boston Scientific, Pitney Bowes, Red Hat, Cognizant, Stryker, Terex, Wipro, Frontier Communications, EMCOR, Verisk Analytics, QBE the Americas, and the United States Tennis Association.

By my own estimation, all of the CIOs interviewed for this book qualify as transformational. All of them have successfully guided large-scale, company-wide projects resulting in significant changes to the operating processes of their companies. In many instances, these transformational projects also set the stage for deep and fundamental shifts in company strategy.

I have also included interviews with some of the leading lights of the executive search industry, because their unique behind-the-scenes perspectives are genuinely valuable to anyone who has built—or is building—a career in this industry. I am fortunate to know many executive recruiters, and the presence of these experts in the book imparts a certain *gravitas* that might be otherwise lacking.

Chapter 5, “Mapping *Your* Future,” is structured around the comments and insight of industry experts at Korn/Ferry International, Egon Zehnder International, Russell Reynolds Associates, Spencer Stuart, Heidrick & Struggles, Halbrecht Lieberman Associates, and Hodge Partners.

Assembling an “all-star” cast of experienced IT leaders and business experts wasn’t easy, and I am grateful to all of them for taking the time to speak with me and to work closely with my editorial team. I am certain that you will find their collective wisdom to be valuable and helpful.

As you have probably already discovered, there really is no manual or field guide detailing the process of becoming a transformational CIO. This book is more of a manifesto, which is, according to the Merriam-Webster online dictionary, “a written statement declaring publicly the intentions, motives, or views of its issuer.” The definition in my dog-eared copy of *The Random House Dictionary of the English Language* is similar, but seems to strike a little closer to the bone: “A public declaration of intentions, opinions, objectives or motives . . . ”

So there you have it. Call this book a manifesto—a collection of intentions and opinions, carefully gathered from top practitioners in the field, and presented here for your consideration.

Moving Target

Early in the writing of this book, I noticed that almost everyone I spoke with seemed to have developed their own personal interpretation of the word “transformational.”

Some applied the word loosely to cover any change initiative that was reasonably complex. Some were quite strict in their use of the word, reserving it to describe large-scale projects affecting broad constituencies inside and outside the enterprise.

Still others used it to describe improvements or innovations that permanently altered an organization’s bedrock culture.

Everyone, it seemed, agreed that the introduction of new technology by itself rarely qualifies as “transformational”—unless it results in sweeping changes across multiple areas of an organization.

I mention these disparities to highlight the dangers of trying too hard to define something that is essentially an abstract concept. Words such as “transformation” and “transformational” are moving targets. Their perceived meanings change and evolve over time. So please don’t be surprised if you

notice that no two individuals quoted in this book use the words “transformation” or “transformational” in exactly the same way. This is one instance in which the dictionary offers us little practical help.

As Albert Einstein observed, it all depends on your frame of reference.

Transformation, Then and Now

Back in the spring of 1995, *Harvard Business Review* published an article by John Kotter, then a professor of leadership at Harvard Business School in Boston. The title of the article was “Leading Change.” The subtitle was “Why Transformation Efforts Fail.”

The article previewed a book of the same title that was published the following year. I think it’s entirely fair to say that Kotter’s writing defined the way that most of us understand the concept of business transformation.

If you are familiar with the book, you will remember that Kotter describes an eight-stage approach for moving ahead successfully with transformation projects. Kotter’s revolutionary process now seems like common sense, which demonstrates the extent to which we have internalized his original insights.

Given the hypermercurial quality of today’s global economy, however, I believe that a faster and more flexible method is required. I have developed a four-step model that