

Exclusive  
CIO survey  
results

# WHO OF THE HEADS TALES CIO 2003

BY SUE BUSHELL

**CIOs have made it to the executive suite** — yet many are too satisfied with IT to move up.

**The first responsibility of CIOs is communicating** — yet woe to the CIO whose staff fails to keep IT systems running.

The majority of CIOs have come up through IT — **yet the skills they need for success have little to do with technology.**

**CIOs spend much of their time in meetings** and complain about the lack of time for strategic thinking and planning.

#### WHAT IS JOB NUMBER ONE?

Communication leads the list — 49 per cent of CIOs' time is spent communicating with fellow senior executives, department heads, customers and suppliers, and IT vendors. (Understanding technologies takes up only 14 per cent of CIOs' time.)



#### THE REPORTING WAR IS STILL TO BE WON (but you're gaining ground)

28 per cent of IT executives now report directly to the CEO.



#### TOP JOB FOR NEXT JOB ... CIO

57 per cent are happy with the CIO role — even if they aren't happy at their current organisation. Still, 14 per cent have their sights set on the CEO suite



## CIO magazine's 2003 *State of the CIO* survey

challenges numbers of the stereotypes which have gained currency about CIOs over recent years. Our exclusive assessment shows Australian CIOs are maturing and their expectations shifting, even while the frustrations that have most potential to mar their job satisfaction levels continue to gather force.

It is also clear most CIOs got to where they are today from a strong technology background, defying all the talk about corporate demand for CIOs with business savvy, and that relatively few aspire to move directly to the CEO's chair from their current position. Rather, they are first and foremost looking for challenges in their work; better remuneration comes a very poor second.

And that is, perhaps, just as well. In a period of turmoil in Australian business, with stock prices under pressure, growing shareholder and customer disillusionment with business and the fate of even some blue chip companies looking less than certain, challenges abound for

CIOs trying to do their duty.

"One of the things my members talk to me about is the challenge of doing some of this strategic planning in such turbulent corporate times," says Peter Hind, IDC manager of User Programs and *InTEP* Forum, and a *CIO* columnist. "If you were the CIO of AMP, you wouldn't feel very comfortable about doing long-term strategic planning, would you? And that seems to be very much the mood — that there is a short-termism abroad."

And it is not just short-term thinking that causes problems. Australian CIOs are clearly more troubled by lack of staff, low budgets and insufficient time for strategic thinking than their US counterparts. Hind says that probably reflects the differences in scale between organisations in the two countries. Most US organisations, with much bigger IT departments and arguably more resources at their disposal, tend to be more insulated from the impact of cost reductions.

And as Gartner EXP research

director Andrew Rowsell-Jones points out, the difference in the role of the CIO in North America and Australia is that in general the North Americans exploited "the IT thing" on a much grander scale. This saw an enormous ramp-up during the dotcom mania, made Americans very bullish about technology and has seen CIOs appointed to corporate committees and boards.

"Many service companies in America, many of the soft industries, took to these technologies like a duck to water," he says. "Now if you look at Australia, we have many fewer of those institutions that benefit hugely from technology, and there are fewer banks and insurance companies. The Australian economy is principally an exporter of raw material, an exporter of agricultural product — it's a real market with real products. If we didn't see the boom on the run up to the dotcom bust the way the Americans did, neither did we see Australian companies becoming quite as overtly enthusiastic as many of the

American corporations were in appointing and expecting very high things of their CIOs.”

But everything is relative. Time-short and constantly fighting for money, Australian CIOs know the sometimes unjustified levels of cynicism about the value of IT have harmed their chances of delivering to the organisation and made putting the case for new IT investment much more difficult.

“Proving value is a very big problem,” Hind says, “because a lot of IT can be subjective, and

sometimes IT is a component in, say, a process change, and maybe the IT element doesn’t get credit for it. It may be the cog behind the whole sort of thing, but it is not the only element. And I think that sort of thing can cause problems as well.”

Perhaps reflecting Australia’s role as a branch office economy, and particularly the relative unimportance to vendors of the Australian marketplace, Australian CIOs seem to find significantly greater barriers

blocking their path to success than do their US counterparts. US CIOs seemingly have been better able to integrate themselves into the corporate culture than their Aussie peers.

In Part 2 of *The State of the CIO*, appearing in the May issue we’ll explore CIOs’ best — and worst — working relationships

**T**HE EXCLUSIVE AUSTRALIAN CIO SURVEY *The State of the CIO* was administered at CIO’s annual conference and by telephone, and replicates exclusive surveys conducted in the US and Singapore. The aim of all three surveys was to better understand the careers and the roles played by CIOs, examining their responsibilities, executive relationships, challenges, skills, career path and spending. The results detailed here are based on the responses of more than 250 heads of IT from a broad range of Australian organisations, making the Australian results particularly comprehensive. The US CIO survey for instance — despite a considerably larger population in the US — was based on slightly less than twice as many responses (500) as our Australian survey (257).

communicating with fellow senior executives; department heads; customers and suppliers; and IT vendors, and only 14 per cent of their time learning about technology. It’s no wonder CIOs find little time for strategic thinking and planning. Yet with strategy being an important part of the CIO role today, it’s imperative to find the time.

For BankWest CIO Joe Deragon, one of the most satisfying aspects of the CIO role comes from knowing operational areas and infrastructure are working at optimal levels of efficiency and performance, day after day, with little management attention. Another is being able to say he now understands a part of the business he had not focused on before, and he has put required technology support in place so effectively that it has now become an integral part of the bank’s operation. It comes from being aware of the “details” of his part of the business and how it impacts the business both operationally and financially.

“Frequently it’s easy to operate at too high a level and become unaware of this information. In our current economic environment I think this is an aspect of our roles we’ll have to get closer to,” Deragon says.

**So much thinking to do . . .** The results make one part of the picture starkly clear: CIOs face significant challenges in meeting their organisation’s strategic goals, with the biggest being a lack of time for strategic thinking and inadequate budgets. These twin menaces were cited by more than 60 per cent of Aussie CIOs as being among their biggest barriers to job effectiveness. That almost twice as many Australian CIOs complain about a lack of time for strategic thinking as their US counterparts (31 per cent) would seem to indicate local CIOs are spending much of their time with their sleeves rolled up.

The time and budget restrictions, along with the continuing slowdown in IT development since the dotcom bust, worry Macquarie Bank CIO Nigel Smyth, less because of the impact on the bank’s ability to move forward than for the effect on staff development opportunities and career progression. “It’s been a tremendous boom period for the last five or six years,” says Smyth, “and I think that’s meant accelerated career opportunities and accelerated development opportunities, [more] than would be normal in a normal market.”

“Suddenly we’ve come off that. We’re in a very flat period now and people are looking around and saying: ‘Okay, I’ve been doing this job for six months or a year and I’m used to going on to do the next job.’ And the next job isn’t there, because the group isn’t growing at the rate it was growing. So that’s something that we’re working on quite a bit here,” he says.

“Our staff has enjoyed good development opportunities and career progression over the last 10 years in terms of IT because of the level of IT growth. But how do you continue to do that in a low IT-investment period? So the business has continued to expand, but maybe not at the rate it has done in the past, and also they’re not spending the money on IT that they may have done in the past as well.”

**. . . so little time.** The increasing business orientation of the job is also reflected in what CIOs do with their time. The survey found that they spend almost half of it

**Putting all the pieces together.** When it comes to IT spending priorities, integrating systems and processes leads the field. Almost 70 per cent of Australian CIOs say systems integration remains their biggest spending priority, whereas 36 per cent of US CIOs indicate integration as a main concern.

“The infrastructure play is a classic defensive play,” Rowsell-Jones says. “We are not freeing up money to embark on new projects, what we’re doing is we’re taking the asset that we already have and trying to unlock the value. It came out very clearly in our [Gartner’s] survey as well, which is the importance that everybody is placing this year on joining up the internal bits and pieces.”

Rowsell-Jones says the Australian numbers suggest survey respondents see this as a time to pause and catch breath, and to concentrate on getting value out of the existing technology. Many Australian companies have lost their appetite for big speculative investments.

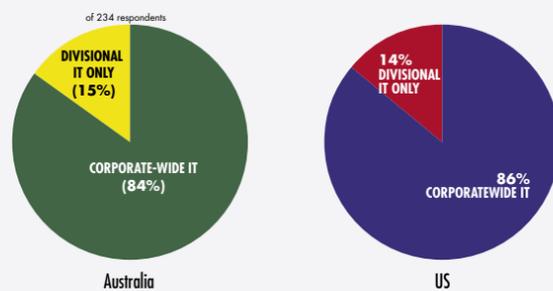
**Prove IT, and prove it again.** The potency of another perennial bugbear remains strong, with about 48 per cent of local CIOs complaining about the difficulty they have proving IT’s value to the organisation. But if Australian CIOs think proving the value of IT is tough right now, they should try living in the US.

Americans are telling Gartner they are under much higher pressure to demonstrate the value of information technology systems, almost as if the boom time has led to a bigger bust in the US than here, according to Rowsell-Jones. “We see much more temperate response in Australia,” he says. “The good times were not so good, and the bad times aren’t being so bad.”

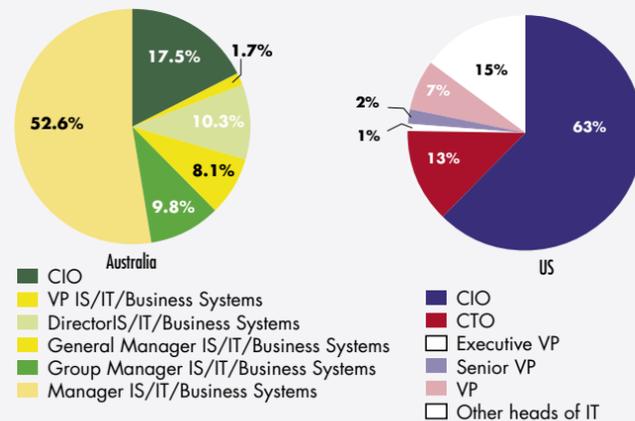
## Here’s Looking at You

A snapshot of respondents to the *State of the CIO Survey*

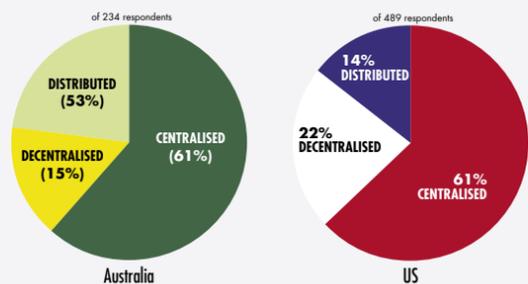
### IT responsibilities



### Your title



### Your IT structure



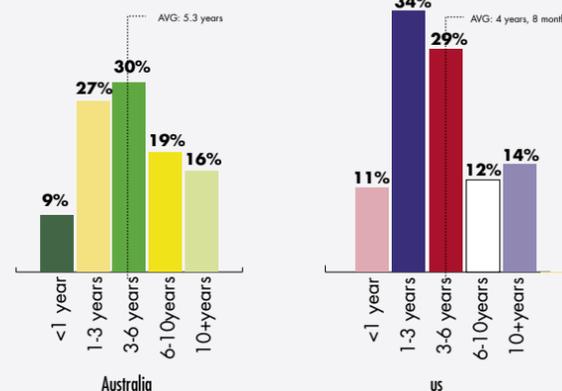
**Centralised:** corporate HQ with in-house application development and support capabilities

**Decentralised:** independent subsidiaries with application development; support provided locally as well as from central HQ

**Distributed:** small sites with no local application development or support capabilities that rely heavily on a centralised location or HQ for these services

**Note:** Percentages may not add up to 100 because of rounding and because respondents who did not answer are excluded

### How long you have been a CIO or equivalent head of IT



“On the other hand, developing leadership in terms of building capabilities of the enterprise is of much greater importance to the Australians than it was on our [Gartner’s] survey to the Americans,” he says. “It seems to me one of the ways of interpreting this is that the Australians aren’t taking the short-term a view of the things so much as compared to the response the Americans are adopting.”

Rowell-Jones also points out a major difference between the North American and Australian view comes because of the difference in scale and maturity reflected by the fact that in the US much of the technology is “indigenous” because so many IT suppliers are US-based.

“In a sense, because [the US] is a big market, they’re very highly tuned to that marketplace. Now, if you step away from that, particularly down here into Asia Pac, from the perspective of the vendors it’s an interesting market but it’s not their principal market. They certainly would be focusing principally on the United States, then on Europe, and then, because we in Australia are fortunate enough to speak English, they can take some of the North American products and use them here. But we are very much in Australia a branch office economy, particularly from the vendors’ perspective,” he says.

With that “rest of the world” mentality, it’s not a big reach to see why Australian CIOs have a bigger bone to pick with the vendor community than US CIOs do. Locally, 30 per cent of the CIOs surveyed cite poor vendor support, service levels and product quality versus 16 per cent of the US CIOs.

**The Incredible Shrinking Budget.** And in a reflection of the real effect the spending cuts of the past few years have had on CIOs’ thinking, lowering costs and meeting budgets is the number two IT spending priority in the survey, with 54 per cent of the CIOs ticking this box. Issues with shrinking budgets is further evidenced by the 61 per cent of local CIOs who say inadequate budgets are the biggest barrier to job effectiveness.

“I think in the near term we’re all probably looking at a slowed economic situation and very tight purse strings on IT spending,” says David Boyles, COO, ANZ Banking Group. “And [there is] probably a lot of pressure in most companies to focus more on the short-term aspects of IT than the longer term. I think you’re seeing that in Australia with some of the stories about the number of IT jobs that are shrinking in Australia. So I think in many companies there’s a decreasing appetite to engage in strategic projects, and more of a focus on tactical projects.”

Aligning IT with business goals gets a tick from just over half of those surveyed as the third-biggest priority for local CIOs. Probably reflecting the limits on IT budgets rather more than it does attitudes to the usefulness of the technology, knowledge management is in last place when it comes to allocating precious IT dollars.

**Talking (and taking) IT up.** CIOs may have made some progress with their push to sit at the executive table — the data shows 28 per cent now report directly to their CEO, while 29 per cent report to the CFO — but for many the conversations they have there remain severely strained.

“The CIOs . . . who have very difficult jobs in large corporations, would argue that the senior level CIOs tend to be more politically connected because of the relevance of what they’re doing and the fact that as people, they tend to be well-grounded, well-rounded people,” says Rowell-Jones. “There is a distinct difference between the CIO of a major corporation who is every bit the general manager or every bit the business unit leader, and the CIO of a smaller corporation.”

Whatever the true impact of those distinctions, the data shows a real disconnect with executive peers plagues many Aussie CIOs (36 per cent), while only 12 per cent of US CIOs report the same problems. Even so, some 31 per cent of local CIOs say the executive with whom they have the best working relationship is their CEO. “There’s no doubt about it, though,” says Hind, “that when CIOs do have a good relationship with the CEO the wonders it does for the organisation and the IT department are significant. And because CIOs get a feeling they know where the CEO is going, his or her ideas for the business, there is all that empathy there.”

But for Australian CIOs challenges extend beyond the hallways of Mahogany Row, with 33 per cent and 24 per cent of them citing disruptive office politics and ineffective communication with users respectively as barriers to job effectiveness. Local CIOs are also more overwhelmed by the pace of technology change than their US brethren (31 per cent versus 14 per cent, which is probably again an indication of being distanced from the technology hubs of the US and Europe.

**Everybody’s talking at me.** The results show that more than ever before, being an effective CIO is largely about getting your message across. For a great many CIOs the bulk of the average day is spent communicating with business executives or managing IT staff. It’s hardly surprising then that a whopping 79 per cent of local CIOs say effective communication is the most important personal skill a CIO can have for success, a number not dissimilar to their US counterparts.

“It’s the ability to translate sometimes complex technology into business terms,” says Macquarie’s Smyth. “It means above all being just as open as we can be. I think there’s been a tendency for technologists to assume people don’t understand. What we’ve discovered is that we’re dealing with very smart people, and really, they understand this stuff the same way that we do. We just have to help them with some of

the jargon and also the application of it to their business so that we’re not talking about technology in an abstract; we’re actually using it as it is applied to their business.

“So we don’t just say we’re going to buy XYZ because it can do great things — it’s what great things can it do for me. It’s those ‘What can it do for me?’ discussions that we have to have.”

After communication skills, the skills Aussie CIOs deem as most important are understanding of business processes and operations (60 per cent), followed by strategic thinking and planning (56 per cent), with technical proficiency a fair distance back at 11 per cent.

**For the Joy of IT.** The *State of the CIO* survey clearly illustrates CIOs are increasingly motivated by job satisfaction: while almost 45 per cent say they moved on from their last job to advance their career, and more than 35 per cent were looking for fresh challenges, they are now seeing their world through rather differently-coloured glasses.

When they left their last jobs, only a minority of Aussie CIOs were motivated by better pay (15 per cent), or said they had left because they were unhappy where they were, either because they felt disconnected from their CEO or other senior executives (6 per cent), or because of unfavourable reporting structures (3 per cent). But a look at their next likely career move shows their shifting expectations. Better monetary compensation is looking more tempting now than it was before: compensation is now twice as important (some 30 per cent want more money from any new employer).

But the real significance lies in the substantially greater number (more than 50 per cent) of CIOs keen to face new challenges in their next position.

“I think the issue for a lot of people is job satisfaction,” Hind says. “I’m seeing a growing trend of people who have been CIOs in what has been regarded as blue chip top 100 companies electing to move to smaller SME environments, with the feeling that they’re closer to the decision makers. They’re not so at the mercy of the whims of the stock market and that maybe there is more forward thinking in those organisations.”

If their last jobs are any guide, any moves to those new positions may not be imminent. Surprisingly, 35 per cent held their last position for between three and six years, 26 per cent for between one and three years, and 17 per cent were in that position for between six and 10 years. So much for the typical portrayal of CIOs as restless, job-hopping fly-by-nights who cannot be expected to stay with the job for more than a couple of years. It would also appear to disabuse the notion that CIO means “career is over”.

Moreover, 35 per cent of the CIOs surveyed expect to remain in their current job for between three and six years. Thirty-two per cent expect to remain for between one and three years, with 6 per cent planning to stick around for more

than 10 years. There were even 10 respondents who intend to hold out for the gold watch, all saying they aim to keep the CIO reins until retirement.

And what CIOs did in that last job, and the functional areas which had an impact on their path to the CIO spot, puts the lie to all the talk about the supposed push to put people with broad business experience into CIO positions — at least Australia. More than four out of five CIOs in both Australia and the US have IT experience, but US CIOs have more widespread business experience than their Aussie counterparts. The next most common route to the CIO’s chair both here and in the US is clearly consulting (24 per cent versus 50 per cent). Other noteworthy functional areas where experience was gained were customer service (22 per cent versus 34 per cent) and administration (34 per cent in both Australia and the US). A financial background helped 25 per cent of US CIOs, but only 18 per cent of local CIOs indicated the discipline as a career enhancer.

Some of the results also challenge other stereotypes about CIOs. Asked about their preferred next role, three of five Aussie CIOs (57 per cent) say they want to continue doing just what they are doing today. Slightly more than 25 per cent are angling for another executive suite role, while 4 per cent will retire once they leave their current position. Just 14 per cent are angling to become CEOs next time around. Far more US CIOs aspire to senior corporate management (35 per cent) than do their Australian counterparts, but that urge may be waning in the current US climate as more and more CEOs are ousted or gaoled.

Australian corporations demand much from their CIOs, and are prepared to determine remuneration by performance. Our CIOs tell us that how they perform, particularly their effectiveness in keeping IT budgets within forecast restraints, is a big determinant of salary rates. Forty-one per cent of CIOs say the main factor in determining their remuneration is how their actual IT budgets compare with plans. Keeping within those budgets and the impact of their initiatives on the company are even more so (44 per cent). But leadership and demonstrated value are almost as important — at 38 per cent each — as those determinants, while only 10 per cent are judged in the light of stock performance.

**The future belongs to me.** Whether or not the definition of the CIO role will change over the next few years is academic. The job is certainly changing, with strategic planning becoming ever more central to the CIO skill-set. Some observers contend that business-IT alignment will be a no-brainer, while others believe understanding business will be the skill that makes or breaks careers. CIOs will focus more on strategy — or they’ll stay attuned to operations. While reading CIO tea leaves isn’t an exact science, one thing is clear: the job won’t be boring. Not that it ever was. ♦

# State of the CIO Survey 2003



**Respondents :**  
 Australia: 257 (except where indicated)  
 US: 500 (except where indicated)  
 US CIO percentages are in brackets

## Responsibilities

### How you spend your time

Managing IT staff	29%	(28%)
Communicating with other business executives	26%	(33%)
Understanding new technologies	14%	(15%)
Interacting with outside business customers/partners/suppliers	13%	(15%)
Talking to IT vendors	10%	(11%)

Respondents: 251 (Australia), 492 (US)

### Factors in your salary and performance appraisal

Project performance, including schedule and budget	44%	(50%)
Performance against IT budget projections	41%	(39%)
Company profitability	40%	(67%)
Leadership	38%	(66%)
Perceived or demonstrated value of IT investments	38%	(53%)
Stock performance	14%	(15%)
Other	25%	(12%)

Respondents: 249 (Australia)

## Executive relationships

### Who do you report to?

CFO	29%	(11%)
CEO	28%	(51%)
Corporate CIO	18%	(4%)
COO	6%	(12%)
Other	19%	(22%)

Respondents: 241 (Australia), 494 (US)

### Who do you feel you have the best working relationship with?

CEO	31%	(43%)
CFO	23%	(19%)
COO	16%	(21%)
CMO	2%	(N/A)
Other	18%	(15%)

## Challenges

### Your biggest barriers to job effectiveness

Inadequate budgets and prioritising	61%	(37%)
Shortage of time for strategic thinking	61%	(31%)
Lack of key staff and skill sets, retention	52%	(40%)
Difficulty proving the value of IT	48%	(10%)
Disconnects with executive peers	36%	(12%)
Destructive office politics	33%	(6%)
Overwhelming pace of technology change	31%	(14%)
Poor vendor support and service levels/ product quality	30%	(16%)
Ineffective communication with users	24%	(18%)
Volatile market conditions	19%	(22%)

## Skills

### The personal skills most important for CIO success

Effective communication	79%	(70%)
Understanding of business processes and operations	60%	(58%)
Strategic planning and thinking	56%	(46%)
Ability to influence/salesmanship	32%	(17%)
Negotiation skills	27%	(19%)
Thorough knowledge of technology options	23%	(31%)
Technology proficiency	11%	(10%)

## IT spending

### Your top IT spending priorities

Integrating systems and processes	69%	(36%)
Lowering costs/meeting budgets	54%	(22%)
Strategic planning/aligning IS and business goals	49%	(14%)
Implementing data security and privacy measures	41%	(14%)
Implementing new technologies such as wireless	32%	(26%)
Enabling/enhancing e-commerce	31%	(21%)
Project management improvement	30%	(18%)
Knowledge management/leveraging intellectual assets	30%	(7%)
External customer service/relationship management	27%	(24%)
User training/education	25%	(12%)
Staff retention/hiring/training	20%	(25%)
Automating/optimising the supply chain	18%	(4%)
Managing IT globally	11%	(5%)
Other	19%	(N/A)

## Career path

### Functional areas you worked in that had an impact on your path to CIO

IT	85%	(82%)
Consulting	24%	(50%)
Customer service	22%	(34%)
Administration	20%	(34%)
Finance	18%	(25%)
Sales	13%	(30%)
Manufacturing/production	12%	(18%)
Engineering	11%	(25%)
Research and development	11%	(27%)
Marketing	9%	(24%)
Logistics	8%	(N/A)
Other	10%	(38%)

Respondents: 251 (Australia)

### What role would you like next?

CIO	57%	(44%)
CEO	14%	(20%)
COO	7%	(14%)
CFO	3%	(1%)
CTO	1%	(N/A)
Other	15%	(21%)

Respondents: 238 (Australia), 373 (US)

## Turnover

### How long you spent at your last job

More than 10 years	16%	(19%)
Between 6 and 10 years	17%	(19%)
Between 3 and 6 years	35%	(31%)
Between 1 and 3 years	26%	(27%)
Less than 1 year	6%	(4%)

Respondents: 254 (Australia), 493 (US)

### How long you expect to stay at your current job

More than 10 years	6%	(17%)
Between 6 and 10 years	8%	(10%)
Between 3 and 6 years	35%	(40%)
Between 1 and 3 years	32%	(28%)
Less than 1 year	9%	(5%)

Respondents: 247 (Australia), 442 (US)

### What drove you to leave your last job

Career advancement	44%	(40%)
More interesting challenges/a more challenging work environment	36%	(41%)
Better financial package	15%	(29%)
Disconnects with CEO/other senior executives	6%	(10%)
Unfavourable reporting structure	3%	(8%)
Other	21%	(17%)

### What would drive you to leave your current job

More interesting challenges/a more challenging work environment	51%	(45%)
Career advancement	39%	(33%)
Better financial package	30%	(41%)
Disconnects with CEO/other senior executives	13%	(19%)
Unfavourable reporting structure	6%	(9%)
Other	8%	(10%)

**T**HE EXCLUSIVE CIO SURVEY *The State of the CIO* was administered at CIO's annual conference last year and then by telephone interviews during October. For the telephone interviews, CIOs, and senior IT executives were randomly selected from large- and medium-sized organisations (more than 350 employees) from our circulation file and invited to take the survey. The results shown here are based on the responses of 257 heads of IT from a broad range of organisations (in the US survey 500 heads of IT were surveyed).

The 500 respondents were asked a total of 28 questions in three major categories. Several questions concerned their personal job history, including their functional background, tenure as CIO, career goals and compensation. We asked respondents about their current job structure, including their reporting path, IT budget and IT staff size.

Finally, we asked these heads of IT about their current job function, including their reporting relationships, specific job responsibilities, current spending priorities, critical skills and biggest challenges.

— LINDA KENNEDY  
 EDITOR

# STATE OF THE CIO 2003 Part 2

Last month, in Part 1 of *CIO's* exclusive *State of the CIO* survey, we looked at the overarching results of the feedback we received from 257 CIOs and senior IT executives. In Part 2, we explore CIOs' best — and worst — working relationships.

If you're not already a member of your company's executive team you need to find a way to get in the club. But remember: simply having a key card to the corner suite won't necessarily make a CIO more effective

BY SUE BUSHELL

# Not as a Stranger

## FORMER CIO OF A STATE GOVERNMENT UTILITY

Bob Wisdom (not his real name) came to know just what it feels like to keep banging your head against a brick wall during the time he spent working for an organisation ranking on the low-to-mid levels of the IT maturity scale.

Time and time again he voiced his frustration with a mind-set locked in a past where computers had no strategic role to play in business. But his success was limited, mainly because reporting directly to the head of business services as he did, his access to the

CEO was filtered. The understanding of many of the executives and senior managers he dealt with on a regular basis regarding technology and technology issues was pretty low, and those people tended to take "quite a hostile view" of anyone who they considered to be encroaching on their territory.

When Wisdom got caught up in office politics, as CIOs everywhere inevitably do, he felt acutely the lack of the kind of working relationship with the CEO that might help mitigate a tense situa-

tion. "If you are not a direct report you never develop that working relationship to be able to use that referential authority," he says. So reflecting his view that Australian management in general is significantly behind its US counterparts in its willingness to embrace and move ahead on IT, Wisdom is not even vaguely surprised by data from our *State of the CIO* survey showing only 28 per cent of Australian CIOs (compared to 51 per cent of their US counterparts) report to the CEO. [Editor's note: the number of

*US CIOs reporting to their CEO dropped slightly in US CIO's 2003 State of the CIO survey, from the aforementioned 51 per cent to 47 per cent, with the number of CIOs reporting to CFOs jumping significantly (from 11 per cent in 2002 to 22 per cent this year). This shift may well be an indicator of increasing belt-tightening in the US.]*

Wisdom believes that when it became trendy in Australia five or six years ago for organisations to have a CIO, most Australian companies didn't do much more than change the IT manager's title. "Now that didn't

make them a CIO," he says. "The real CIOs you will see sitting on executive [teams]. The ones who aren't real CIOs — who are really general managers IT or whatever — they will be the indirect reports, and the really behind companies are the ones that have them reporting to CFOs.

"There are two types of CIOs: what I call the real CIOs, and the rebadged IT managers," Wisdom says. "To properly do the job of a CIO you must report to the chief executive, because you've got to take a corporate-wide view over systems and information. You basically

need the clout of that authority to be able to crash through all of the political barriers, defensiveness, and so on. It is utterly impossible if you are not a direct report."

### A Matter of Maturity

Actually the *State of the CIO* shows slightly more Australian CIOs (29 per cent) report to the CFO than to the CEO, with another 6 per cent reporting to the COO, 18 per cent reporting to the corporate CIO and 19 per cent reporting to someone else.

To Wisdom, it's all a matter of

where the organisation fits on the IT maturity scale. At the lowest rungs of maturity, he says, you see organisations that think computers are all part of finance. As you slide up the maturity scale the organisation is likely to migrate from regarding technology as a shared service to the point where the board sees information as a major corporate asset that needs to be managed like an asset. "That's why you see that distinction in statistics between the US and Australia, because Australian management is generally behind the thinking," he says.

So, after making his frustrations known repeatedly to senior executives, Wisdom has taken up a new position in a public sector organisation 20 times the size of his former employer, and which, he says, "is in a bit of trouble as far as its technology is concerned". He also expects "endless challenges with lots and lots of zeros on the end of the bill".

But as always there are two sides to the coin, and not every CIO chafes at the idea of reporting to someone other than the CEO. A CIO working in the construction industry

— we'll call him Fred — thinks how the CIO is received and who he or she reports to is as much a factor of the importance of technology to the business as is that business's standing on the IT maturity scale, and that that importance relates directly to the nature of the industry involved. Fred reports to the CFO, and reckons that's fair enough given IT's relatively low impact on the business. Sure, he could do a "whole lot more" if he reported to the CEO, but he accepts that since IT is of relatively low importance to the business, who he reports to is also of lesser importance.

"In some industries [information technology] does tend to matter more than it does in ours," Fred says. "For Telstra and Optus and the banks, a key part of their operational activity is IT. I think that, yeah, in those cases it's important that the CIO report to the CEO, but in ours it doesn't matter so much."

Reporting to the CEO is definitely important as far as GE Consumer Finance Australia CIO Chris Felstead is concerned. In his organisation, he says, the CEO provides

the ultimate point of strategic focus. Access to that office allows for the possibility of breaking prioritisation stalemates when resources are an issue. "Further, as a direct report you have access to the strategy development process," he says. "This means that you can evaluate the impact of certain strategies and influence the outcome to enhance overall business success."

And that is very much the way it works for Spherion group IT director Steve Withnall, who reported to the CFO until a new CEO changed the reporting structure and elevated IT to become part of the executive suite (see "A Brand New Experience", October 2002 CIO). The differences between reporting to the CFO and to the CEO are significant, Withnall says.

"The difference to me has been that reporting through a CFO — even one who was technically competent like the one I was reporting through — always had a bias towards what you could achieve. And it was always biased towards

## UNDER THE CFO, Spherion IT director STEVE WITHNALL prepared a business case TO INSTALL MICROSOFT EXCHANGE, got organisation-wide support, PREPARED A BUDGET, AND then put THE PROJECT ON HOLD IN THE FACE OF COMPETING budget pressures

systems to support the financial side of things, or it was biased towards the cost management side of the business. Moving underneath the CEO and working with peers, each of them running their own business units, I'm much more able to deal with business issues, and I think it makes me a lot more effective," Withnall says.

And he has the stories to prove it. For instance, under the CFO, Withnall prepared a business case to install Microsoft Exchange, got organisation-wide support, prepared a budget, and then put the project on hold in the face of competing budget pressures. By contrast, as soon as the new CEO appreciated the strategic nature of the project, she determined to get the money wherever she could. "In other words, she saw it as a strategic issue to solve, whereas the CFO saw it as a cost measure that didn't get the light of day under business issues," Withnall says.

Exchange is now up and running and is proving mission critical.

And, as Promina CIO Rob Flannagan points out, there can be other pluses for CIOs lucky enough to report directly to the CEO. "It's an advantage to me for a number of reasons, but number one, because I don't have a technology background. I've been a CIO for two years, and I've been a chief executive running a business for the rest of the thousand years of my life," Flannagan says. "Our approach is managing architectural standards and consistency throughout the group, in Australia and New Zealand. Reporting to the CEO gives me the advantage of being a peer with an equal voice at the senior table, and I have an equal voice and an equal contribution on all business issues as well as IT issues. So it gives me the mandate, if that's the word, to set policy and to eyeball people who have agreed to those policies to ensure that they are followed through for the benefit of the group."

### Working in Harmony

But reporting to the CEO is not always the be-all and end-all of CIO success. Like Wisdom, former Energy Australia CIO Leslie Howatt agrees utilities are moving on IT at a somewhat slower pace than other organisations. Like Wisdom, she did not report to the CEO

during her time at Energy Australia (she reported instead to the general manager corporate strategy). And like Wisdom she has just moved on, to a position where she does report to the CEO.

Howatt says it mattered little that she was not reporting to the CEO because she had such a strong working relationship with her boss, and because both of them benefited from having highly complementary skills and strengths and had therefore tended to share a lot of the responsibilities. She says she also had an enormous advantage from having worked as a consultant to Energy Australia before joining the organisation as a CIO. In that role she forged strong relationships with the executive team and the board of directors.

"So from that perspective, because I had that unique set of relationships coming into the role, it hasn't hindered me at all. I think if someone was in my role without those relationships it could be a negative," says Howatt. "That's why one of the things I recommended on my departure is that rather than filling my role as it exists, my title should be attached to the general manager corporate strategy so the role does sit at the executive table."

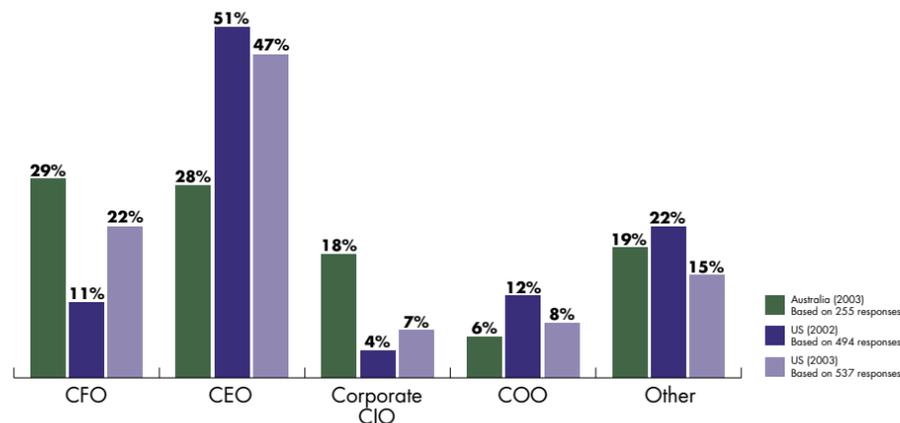
Over at marketing loyalty rewards company Pinpoint, general manager IM Frank Liebeskind, who used to report to the CEO but now reports to the chairman of the board in his capacity as acting COO, says he has lost very little in the change in arrangements.

"At the end of the day you've got to report to the person that can actually invest some time in you, and invest time in understanding the issues and so forth," Liebeskind says. "Likewise the other important fact is the person actually having authority and respect within the organisation. Who you report to is not so much a function of the mission, but of a person's respect in the organisation, their authority level within the organisation, and the person's own stature and standing. It is that which carries the implied authority you get reporting to them, not the fact that they have a title."

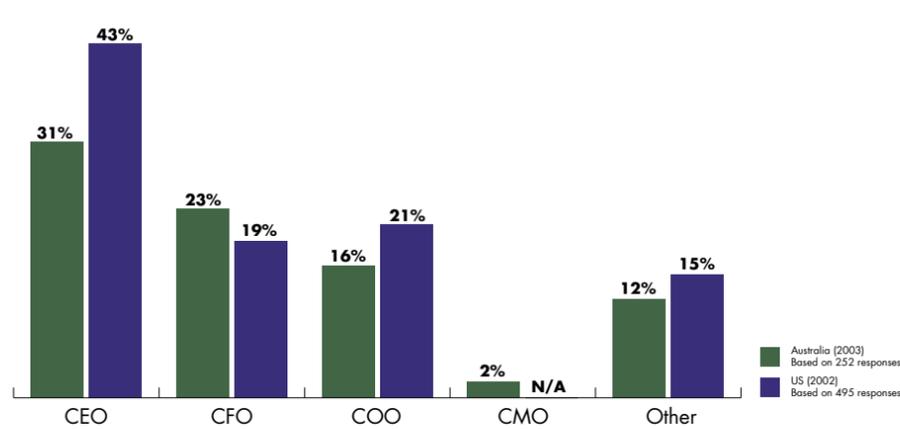
And Optus CIO Eng Chew is equally content reporting to the COO — indeed in his particular circumstances he sees more pros than cons. At Optus reporting to the COO makes him part of the executive committee team, since all the

### EXECUTIVE RELATIONSHIPS

Who do you report to?



Who do you feel you have the best working relationship with?



## SOME 31 per cent of CIOs SAY THE EXECUTIVE WITH WHOM THEY HAVE the best working relationship IS THEIR CEO, 16 per cent say IT'S THE COO, and 23 three per cent nominate THEIR CFO

trading divisions also report to the COO. He sits on the same executive committee with the CEO, so he meets weekly with the CEO team, and enjoys a very close relationship to the CEO even while not reporting directly to him. And, Chew says, the CEO “has full visibility” of what IT is delivering, its priorities and the strategic issues.

“I think for any technology company, what is important is that the executive committee, including the CEO, need to be very cognisant of the technology differentiator,” Chew says. “So as long as the CIO reports to a senior executive such as COO, and with full support from the CEO, I think that is just as good.”

### So Happy Together

As we reported last month, our survey data shows many more Australian CIOs than their US counterparts complain of a real disconnect with executive peers. Even so, some 31 per cent of CIOs say the executive with whom they have the best working relationship is their CEO, 16 per cent say it's the COO, and 23 three per cent nominate their CFO.

Many CIOs now chair an IT steering group or the like and hold regular meetings — formal, informal or both — with general managers of business units. Most say they try to maintain excellent relationships with all those business heads. While most would maintain their relations with their fellow executives tend to be fruitful and productive, business exigencies and personalities do sometimes get in the way.

For instance, Wisdom says because he lacked the clout of a “real” CIO (his title, he maintains, should really have been general manager IT), most of what he achieved in association with business executives was done by stealth and persuasion, and over much longer time periods than might otherwise have been necessary. “And there were obviously huge amounts of tension with finance — as there often is — because particularly on infrastructure-related issues, there were no simple business cases and most of what we did were strategic projects,” he says.

On the other hand, the utility now has a new CFO on board who is tasked to take a much more internal customer-oriented approach and to recognise technology as a huge

enabler. And at any rate, Wisdom insists he loved his job and that much depends in the final analysis on the attitude of the CIO. “If you see it as a negative that the organisation doesn't want to move forward, well then you might as well slit your wrist and jump overboard,” he says. “As an alternative, you can see it more as a game, which is that you've got to get the business moving in a whole host of different ways, and you try all kinds of different methods to do that. Some are successful, some aren't, but by and large it is moving. It's just not moving as quickly as we would like.”

If CFOs are often the *bete noir* of CIOs, other executive relationships can be very productive. Liebeskind, who sits on a senior executive committee comprising external advisers as well as half a dozen of the most senior people in the organisation (including a number of group general managers), gets on particularly well with the marketing executive. Partly that's a result of personalities, he says, partly it's because that executive embraces and respects his determination to deliver for the group, and partly it's because Liebeskind himself is widely recognised as a “frustrated marketer”.

“I guess part of the secret is having empathy for the other people's roles without trying to tell them how to do their roles, and being able to complement them,” he says.

But if empathy is a two-way street, it may be that many of his fellow employees — more so than ever now during these times of fiscal constraint — feel a great deal of empathy for Liebeskind without ever wanting to walk in his shoes. At Pinpoint the CEO and COO actively groom future management talent within the organisation, and it was within that context that they recently interviewed one of Liebeskind's team about his future ambitions. When asked if he would like Liebeskind's job, this candidate apparently looked them in the eye and said: “Actually no. I don't ever want to look like Frank does when he comes out of an executive meeting.”

On the other hand Felstead has experienced no extra strain on the relationships he enjoys with fellow executives despite the challenging economy. GE's business model has always demanded strict cost control, he says, so this year is no different. Every project is tested against a cost-benefit model and how it fits in supporting the business strategy

“This includes projects seen traditionally as IT infra-

structure projects. This forces me as the CIO to articulate clearly the business impact if we don't take action,” he says. “In relating to the CEO and my peers, I have learnt over time that simply saying a project cannot be done is not helpful. We in IT have worked hard to develop a capacity model that allows us to show the constraints and trade-offs required to get the job done. This has improved the dialogue with the management team considerably.”

But there is little doubt personalities do have a powerful role to play in determining the exact nature of the relationship the CIO enjoys with individual seniors or peers. Withnall says he has excellent relationships with all three business unit managers, but that each relationship is distinct and different. One executive he sees as a “sort of coaching” peer, who helps him with his career management and who he tries to help with career management in turn. Another relationship is highly cooperative, and involves much mutual sharing of and assistance with resources. The third is very much a “business enabling relationship, where IT is considered strategic to achieving results”.

“[The nature of the relationships] is a combination of their personalities and the businesses they're on,” he says. “For example in our recruitment business, the business is highly-leveraged towards people. In other words, people do work and they're using databases and IT as a tool. So we're building a single big database to enable that business, and hence we're a critical technology, but their business is all about people. Our education business again is about people, but they have thousands of PCs to teach on, so there is a significantly different flavour to what IT participates in. We have a huge infrastructure there. Whereas in our third business, which is technology outsourcing, we actually outsource and sell very highly skilled IT people: project managers and the like, but my role there is in fact supportive to experts better than my people.”

Under such circumstances Withnall says the CIO must develop, if not close personal relationships, at least a close personal rapport. “That's a critical skill, and it's not an IT competency, it's a personality or a personal skill. So interpersonal skills are as critical to how I succeed in my role as anything else,” he says.

### A Matter of Appearance

Sometimes, of course, CIOs fulfil dual roles. Howatt used to, and found it proved very productive for her executive relationships. While not a full-time member of the executive committee, she has over the past four years made reasonably frequent appearances at that committee on a range of topics, and also acted as general manager for corporate strategy whenever her boss went on leave. “I think increasingly [holding that dual role] becomes more and more

important because the IT strategy has to be aligned with the big corporate strategy,” she says.

In Howatt's view, relationship management is not only the number one challenge for any CIO, it is a continuous process that is never really done. And she points out that while CIOs can have good working relationships, some of those can be more transient than others.

“We've had some interesting challenges here because as a utility we're now in a competitive marketplace which didn't exist, or existed only in a small way, when I joined the organisation four years ago. We've been through phases where we've had large organisation-wide change programs to do with externally imposed deadlines — Y2K, GST, Olympics, and retail competition — which have made everyone in the organisation focus on one activity; focused on a deadline that wasn't movable, and made for really good working relationships because everybody knew what they needed to get done and were willing to do what it took to get it done.

“In the absence of such significant externally imposed change, relationships are so much more important, but also so much more challenging. And where there is less going on you have to be even more cognisant that everything you do has to show some value,” she says.

Meanwhile Flannagan believes being thick-skinned can help oil the wheels of executive relationships. IT is expensive but the businesses don't necessarily understand what causes the expense, he says. That means the skill is to be very transparent. Communication and understanding your fellow executive's business drivers are also key, he says.

Chew says he makes a special point to build very strong relationships with all members of the executive team. “I think the lesson learnt is that the CIO must be knowledgeable and conversant with the strategies of each line of business as well as the corporate strategy,” he says. “And being able to be part of the team to advance some significant initiatives is I think a great asset to be had for a CIO.

“In the past, the CIO had tended to be a backroom boy, now we are in the front room with them . . . So, in a sense, my business colleagues see me being an integral part of their business, [to such an extent that] they cannot be successful without me. Likewise, I cannot be successful without them because I don't have any goals to go for without them.

“I can't just create my goals in a vacuum,” says Chew.

Chew's observation is a cogent one in a business environment tinged with more than a bit of cynicism regarding IT and the echo of “prove the business value of IT” lingering in many a boardroom. After all, when the executive team comes to understand the business value of a project, they'll be allies when it's time to execute it.

That's the reason why access to senior executives is critical, even if a CIO isn't on the top management team. ♦

In Part 3 of the *State of the CIO*, which will run in the June issue, we'll take a look at CIOs' key responsibilities.

In part 1 of *CIO's* exclusive *State of the CIO* survey, published in our April issue, we looked at the overarching results of the feedback we received from 257 CIOs and senior IT executives. Last month, in part 2, we explored CIOs' best — and worst — working relationships. In part 3, we take a look at CIOs' key responsibilities.

According to the *State of the CIO* survey, CIO's are increasingly responsible for business strategy and not just technology

BY SUE BUSHELL

# Who's In Charge?

## WHEN HOLDEN BEGAN ITS INDIRECT PROCUREMENT

project, so clearly replete with potential for upending many of the company's processes and systems, CIO Julie Fahey immediately swung into communications mode.

At Holden, Fahey says, the CIO is very much responsible for providing the leadership around strategy for the company's information systems and services spend. That's the main reason she sits at the executive table where the strategic decisions are made and the operational reviews conducted. And a big and growing part of that strategic leadership entails educating the executive about the enterprisewide business process-enabling capability of IT, and creating in their minds

the linkages between business processes and the information systems that enable their better integration for improved efficiencies in the business. So Fahey says she spends an increasing amount of her time making sure executives understand that IT is an enabler and that without defining the business process first, they won't necessarily get "bang for their buck on the IT stuff".

"In our indirect procurement project what we're actually looking at is the management processes, the operational processes and therefore the systems that will drive a single approach to managing our indirect commodities, services and products that we buy across

the company," Fahey says. "So we sit down at a steering committee meeting and we talk about things like what is going on inside a vehicle operation versus what is going on inside the engineering, manufacturing and the experimental warehouse where we are purchasing for vehicle design. My role is to get up and explain why there is a common process. We might be talking about different products, different lead times, different suppliers, but actually we are procuring, and the business process to support all of those is the same process. Therefore the logic is that there is absolutely no reason why it can't be a single system."

Clearly that's the kind of plain talk executives at Holden

appreciate. Fahey says she gets "a lot of heads nodding in the right direction" when she talks that way because the view is that she is talking in English rather than in "techo-speak".

A big part of effective business leadership is communicating in terms that people can understand, Fahey says.

It's an assertion that would win nods of agreement from many of Australia's CIOs. In organisations across the nation, CIOs are increasingly being expected to act as business strategists almost as much as technologists. According to *CIO's State of the CIO* survey, Australian CIOs are for now still appraised more for their project performance — including their ability to deliver on time and within budget — than

## INCREASINGLY, SAY CIOS, BEING A business leader MEANS GETTING involved IN SUPPORTING THE AIMS AND ASPIRATIONS OF other parts OF THE business

their business leadership, a contrast to the situation in the US, where two-thirds of those surveyed were compensated or evaluated primarily for their leadership and for making their companies profitable. But Australian CIOs are catching up, with leadership and demonstrated value playing a growing role in the demands companies put on their CIOs across organisations of all sizes.

That's certainly the way it is at Blockbusters, where IT director Steven Ash says IT is playing an increasingly important role in the overall business strategy. Ash is expected to take an active leadership role in delivering and supporting the overall goals and objectives of the company and to offer up ideas and solutions to issues or improvements across every department. He did both when — hamstrung by a head office-imposed mandate to retain an ancient point of sale system for at least the next couple of years — he advocated putting ADSL lines into every store and putting a PC into each so-called “manager's pit” to allow development of an intranet.

“Once that was there, it opened up a myriad of new ideas,” Ash says. “It actually improved all-over company communications 10-fold. It also allowed us to roll out applications that we would not otherwise have been able to do, like an online payroll kiosk for the staff where all the information that they otherwise would have had to phone here to get or find in paper form, we could post on the intranet.”

Ash says he loves the fact that in the business he finds himself in, his title might be IT director but he is heavily involved in all facets of the business and gets to learn much beyond IT. His compensation, meanwhile, is heavily tied to his performance, and particularly to how well or badly he is able to further the overall goals of the business.

“We as directors — and there's seven of us in this business — as a group are evaluated on the overall performance of the business at the end of a budget year, and that's based on revenue and cost,” Ash says. “Of course I can't really control the revenue side, so my area of concentration would be to control cost and

to provide solutions that are cost effective for the business. So it's managing my own budget, plus assisting others in keeping their own costs down by providing IT solutions.”

CIOs say increasingly, being a business leader means getting involved in supporting the aims and aspirations of other parts of the business.

At Victoria's Alfred Hospital acting director IT Mark Gravell has an internal SLA on provision of services to the business, but is also providing guidance on project management and project governance for the entire organisation. Gravell says a UK-developed project methodology introduced by the IT group, which enabled its PACS (Picture Archiving

and Communications System) to be delivered on time and on budget, has had enterprise buy-in and has been seen as very useful. “I think our strategic planning exercise shows the management and governance [capability] we've well developed down here, and that will probably be extended for other departments to use as a model, both on project management and potentially our strategic planning exercise,” Gravell says.

### Measure for Measure

Some CIOs, meanwhile, have both qualitative and quantitative measures taken of their performance in the job, particularly as it relates to furthering the goals of the business. WorkCover Queensland general manager of IT Lynn Kincade says in her organisation, what gets done is only as important as *how* it is done.

Kincade's potential 20 per cent bonus each year is split 50/50 between corporate performance (what gets done) and personal performance (how it gets done). The corporate performance is driven by four corporate KPIs: the employee satisfaction survey results, the injured worker's satisfaction survey results, the employer satisfaction survey results, and what WorkCover calls a solvency rate. (If the organisation is 20 per cent over solvency it has more money on hand to use for compensation than it actually spends.)

“The ‘what’ is very qualitative,” Kincade says. “It talks about budget; it talks about performance management, which is making sure your reviews get done; and it talks about corporate governance. I, too, measure satisfaction for the employee satisfaction within my division, and the satisfaction as rated by the other divisions in how we provide service to them, and the percentage of the strategies that are completed on time, or the work that is done on time. That is the ‘what’ that is done.

“The ‘how’ it is done is the competency, and that is where the business leadership comes in. That talks about communication, leadership, values, culture, personnel management, personal time management, integrity, respect . . . those types of things.”

Effectively communicating advice is a big and growing part of the job for many CIOs. Kincade identifies four key pieces of her job. Top priority is being part an active member of the executive management team, and working with all other members of that team in ensuring all of WorkCover moves together to provide services for injured workers and

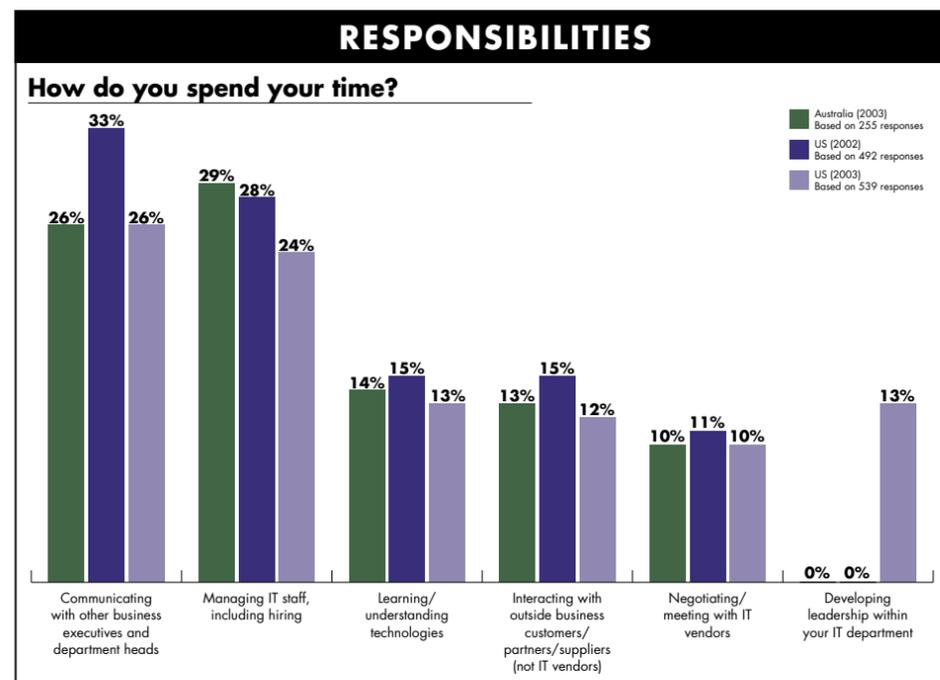


**DRIVING FORCE.** RACV CIO Charles Burgess says part of his leadership role is to encourage the organisation's various businesses to take ownership for their volume consumption of IT services

other stakeholders. Her second highest priority is establishing and maintaining the culture within IT, a culture very much aligned around the key values of integrity, respect and responsiveness. “I believe if you have the values in the division where people respect each other, they have an enjoyable time at what they do, there's integrity in what's been done, and people are comfortable in the environment in which they work, they will naturally perform much better,” she says. Next comes managing the strategies and the work that is actually done, making sure projects are on track and that there is a business case, and ensuring governance is respected.

Meanwhile, as with many other CIOs, responsibility for keeping systems running and being accountable for their performance is still very much a part of the territory, if an increasingly minute one. “The smallest component of my job is actually firefighting, and that's probably two per cent of my time,” Kincade says. “It happens very rarely. We seem to have a rather mellow shop. Either we're not doing enough or everybody is pulling the wool over my eyes. There's very few times where we have an actual panic, so the firefighting is very, very small.” As systems get more reliable, and CIOs better at building them, putting out fires is a consistent but diminishing part of their role.

At Charles Sturt University executive director IT Mike



Rebbechi is assessed against compliance with the objectives outlined within the institution's triennial plan, but he says that is not such a tall order.

"I usually don't have too much trouble meeting those objectives," Rebbechi says. "Perhaps that's characteristic of the institution that we're in, where as Australia's largest distance education provider we're very focused on the online delivery and delivery of online services to students. Those are the items that come very high up on the priority list within the strategic plan. They're also very much in all the other business managers' strategic plans as well."

From Rebbechi's perspective it's a circumstance that ensures all the business leaders are heading in the same direction, and one that also makes his life relatively simple.

### Question of Performance

Our CIOs tell us how they perform, particularly their effectiveness in keeping IT budgets within forecast restraints, is a big and growing factor in their salary and performance appraisal. So is project performance, including ability to deliver on time and on budget. Leadership and the impact of their initiatives on the company are almost as important.

And that business orientation is very much reflected in how CIOs spend their time. For instance we caught RACV CIO Charles Burgess — who says the major factor in his salary and performance appraisal is his ability to meet the budget — right in the throes of planning for next year's budget. "The question of where I spend my time is an easy one to answer just at the moment," Burgess says. "The vast majority of my time currently is spent on my business plan and budgeting activities.

"There's a peak now leading into our management committee budgeting reviews. It's a normal budget cycle, but it's driven by the fact that because we sell our services internally we have to spend a lot of time negotiating with our businesses to get the volumes that they are going to consume of our services agreed. We then convert those into revenue

and then work out our cost base to be able to meet that revenue target. That's a quite extensive set of activities that we go through at the RACV that I sort of 'drive' between March and the end of May."

Burgess says part of his leadership response to the exercise is to encourage and get the businesses to take ownership for their volume consumption of IT services. "We're going through the exercise at the moment for our management committee, and the management committee reviews and signs off the budget and makes whatever adjustments it sees appropriate, and then I manage it," he says. "I have got to say I don't find that too hard. It's time consuming, but it's not hard."

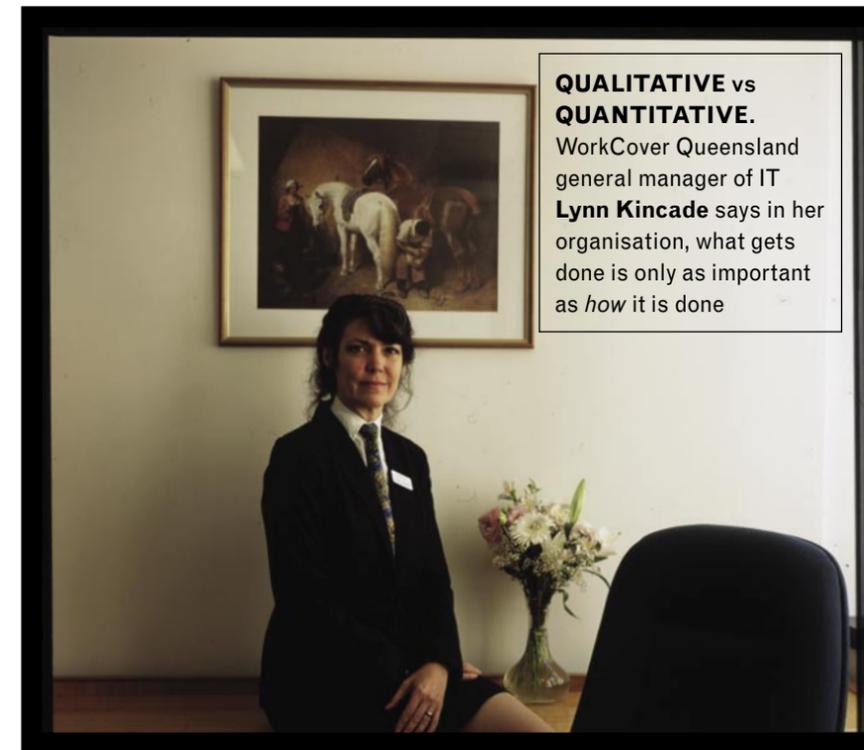
### All in a Day's Work

When it comes to how they spend their days, Australian CIOs say managing IT staff takes up more of the time (29 per cent) than anything else, closely followed by communicating with other business executives (26 per cent). Understanding technologies (14 per cent) and interacting with outside business customers, partners and suppliers are the next most time-consuming parts of the role (13 per cent.) Talking to IT vendors takes up about 10 per cent of their total time.

Rebbechi says a large percentage of his time — perhaps as much as 30 per cent — goes into working with the senior people in the institution in relation to the university's online learning activities on committees and in organisations relating to online learning. That work is simultaneously satisfying and frustrating, depending on progress. And he spends perhaps another 30 per cent of his time communicating with staff, particularly in working to change the attitudes and approaches of staff to both service culture and to technical design, for instance in changing views about the way in which an overall information architecture should work.

"I do this by making sure everyone is involved and trying to make them feel like they are part of a change process, and that they're part of change rather than having change imposed upon them. This is certainly a much slower

**AUSTRALIAN CIOs ARE STILL appraised MORE FOR THEIR PROJECT performance — INCLUDING THEIR ABILITY TO DELIVER ON TIME AND WITHIN budget — THAN THEIR business leadership, A CONTRAST TO THE SITUATION IN THE US, WHERE TWO-THIRDS OF THOSE surveyed WERE compensated OR EVALUATED PRIMARILY FOR THEIR LEADERSHIP AND FOR MAKING THEIR companies profitable**



approach to achieving a result, but I think it's probably one that is likely to stick," Rebbechi says.

But how much of the CIO's day is spent doing what, seems to be very much a factor of the type of organisation they are in. For instance Burgess estimates he would spend as little as 20 per cent of his time managing his IT staff. The members of his team are "a very mature group", he says, many of whom have been in their roles for a considerable period of time. Their resultant ability to be reasonably self-managing is a substantial improvement over other places he has worked.

"When I came in there was the remnants of a very good team here and I managed to supplement that with some good choices," Burgess says. "I suppose my management is about leadership, not about management with the team — about setting direction and getting people's KPIs lined up rather than actually worrying about their day-to-day activities."

Having such a mature staff also frees up more of Burgess' time to communicate with other business leaders. And that can only be for the good. RACV has a governance model that puts an IT steering committee and executive committee in charge of the governance of IT. Burgess hence spends much of his time talking to senior executives about all kinds of matters relating to IT.

"In fact at the moment there's a really good example on the table: I'm going through looking at all of the disaster recovery capability we have because we're chang-

In part 4 of the *State of the CIO*, which will run in the July issue, we'll take a close look at the challenges CIOs face and detail their biggest barriers to job effectiveness

ing our systems," he says. "And the way I approach that is I go and talk to the businesses and give them a clear understanding of the implications and challenges of IT in disaster recovery, and encourage them to think about their needs. Really mine is an advisory role, of going in and talking to the businesses, rather than the control and command role of saying: 'You will have disaster recovery.'"

Reporting to the board ICT committee is a big part of Gravell's job too, but so is liaising with his fellow CIOs through the vehicle of the Department of Human Services (DHS), which hosts monthly meetings of CIOs to agree on common issues and oversee the running of shared services. He says it is an excellent way to gain peer support and to facilitate the exchange of ideas. "Those meetings are reasonably orchestrated to DHS' agenda, but having said that, the CIOs probably now set the

agenda more than DHS does," he says. "It is a good group. It's probably been more productive over the last six months than perhaps it had been previously."

Meanwhile Ash says overall management of the IT department is at the top of his time tree. Blockbusters manages its budget monthly, so he spends plenty of time managing budgets line by line, but managing staff members' day-to-day performance and ensuring they are meeting key objectives and key KPIs is also time consuming.

But CIOs increasingly find that business leadership means being held accountable for high-profile projects with a big impact on their company. Ash says the bulk of his time would be spent on project management, closely followed by a raft of day-to-day issues, from managing the business from an everyday perspective to putting out bushfires when they occur.

"Our business is very dynamic; it changes daily, and it is not the same in every state, so we need to be very nimble. I think you've got to be more agile in an extremely dynamic company," Ash says. "In a less dynamic company you set your goals and objectives and you sort of work towards them at a reasonably even pace. Here, you can set them, but the goalposts move regularly. And that is the thing: you need to be agile, you need to be nimble, and you need to be very flexible."

And most Aussie CIOs would say "hear, hear" to that. ♦



This month in part 4 of *CIO's* exclusive *State of the CIO* survey we take a close look at the challenges CIOs face and detail their biggest barriers to job effectiveness. In part 1, published in our April issue, we looked at the overarching results of the feedback we received from 257 CIOs and senior IT executives. Part 2, published in May, explored CIOs' best — and worst — working relationships. Last month, part 3 examined CIOs' key responsibilities.

Money and time are in short supply. Demonstrating IT value is a mandate. The challenge is to find ways to do more with less, while continually having to prove it's worthwhile doing at all

BY SUE BUSHELL

# Rising to the Challenge?

## TO ALLENS ARTHUR ROBINSON IS DIRECTOR

Chris Holmes's mind, the vendor community must bear the blame for just about killing off any credibility the office of the CIO might once have enjoyed within the business community. Holmes believes it is vendors who have undermined, over the past 10 years, the effectiveness of CIOs within organisations. And it was vendors who ultimately destroyed the professionalism that characterised IT in the early 1990s by not playing by the professional standards they themselves helped develop.

"The IT vendors are a marketing-driven series of organisations, and they were based on ever increasing share price structure, so they had to generate very short-term returns on investments in order to keep their share prices going because that was what was really funding them," Holmes says.

"What they found was that when they had created the profession of IT and the CIO, the IT profession started looking at the offerings critically and saying:

"Well look, your ERP thing doesn't actually add any value to my business. It's a fabulous you-beaut thing and what have you, but it really doesn't improve the quality of my business. It's the same with CRM and each of the really big money spinners the vendor community created for itself over the last 10 years."

The vendor community has responded by circumventing the CIO, Holmes argues, taking their pitch direct to the board, to the financial people and to the non-professional IT folk. And what they do there is to sell a vision, not to sell a discipline.

Holmes ought to know. Having worked in the vendor community for many years, he says it is to his shame that he must admit to having been a participant in destroying whatever professional reputation CIOs have tried to build for themselves over the years. But he says it is CIOs themselves that must now labour to reclaim their good reputations.

As Australian CIOs struggle to cope with the many trials and tribulations facing their profession in 2003, poor vendor service and support and a lack of product quality actually rate fairly low on the list of issues they say are bothering them most. Some 61 per cent of Australian CIOs responding to *CIO's* State of the CIO survey said the biggest barriers to their ability to be effective in the role were inadequate budgets and prioritising, and shortage of time for strategic thinking, respectively. (Compare this to the experience of their US counterparts, where in the 2002 survey only 37 per cent cited inadequate budgets and prioritising as their biggest worry, and just 31 per cent lamented a shortage of time for strategic thinking.)

Next on the list for Aussie CIOs is a lack of staff and skill sets, and retention of those staff they are able to take on board. The other major challenges facing today's CIOs: poor vendor support, service levels and product quality; ineffective communication with users; and volatile market conditions. But as those CIOs seek effective strategies for meeting those challenges, it is worth listening to Holmes's

take on the necessity for CIOs and the credibility problems they face, because without credibility their ability to address most challenges will be seriously hampered.

"I think the whole concept of the CIO has really missed the point," Holmes says. "It really gets back to how a business is structured. If an organisation sees itself as being technology-centric — that its main reason for existence is to leverage technology and thereby generate support for its clients — yeah, a CIO should exist in such an organisation. But where an organisation sees itself as being client-driven or product-driven or service-driven, the CIO as such isn't such a serious role . . . In an organisation that sees itself as being client-driven, technology is an enabler of that delivery. You don't need a chief information officer, what you need is a channel manager — that is, a chief client manager, if you like."

But wherever CIOs do exist, Holmes says if vendors continue to circumvent CIOs in order to win business, it is up to them to present themselves strongly to general management and the board as the organisation's technology interface. That way, when a board member or division head

gets a sideways approach, they will automatically include the CIO in deliberations. That is what happens in his organisation, he says, because the board and executive both know Holmes will always take a business view of whatever has been put forward, and always talk about the value of any new product or service.

“That is, if there is more value to them spending X dollars on an advertising campaign than there is in buying the new gadget, they are confident that I will say: ‘Spend the money on the campaign,’” he says.

### CHALLENGE The Incredible Shrinking Budget

Both hard-edged survey data and anecdotal evidence suggest there can hardly be a CIO in Australia who does not face the problem of trying to do more with less money. It is certainly cited by CIOs surveyed as one of their two biggest challenges.

Austrade acting CIO Greg Jossey is a rare exception. Jossey says even as his budget has been tightened, prices have also continued to drop. While he could always do with having more money to play with, that happy circumstance means coping with budget cuts is nowhere near as important an issue within Austrade as is achieving IT-business alignment.

“We’re government, so maybe it’s a little bit different, but I wouldn’t say [budget cuts] have been the key issue for us,” Jossey says. “We’ve seen a flat budget, but while our people costs keep going up, our actual hardware, software, telecoms keep going down, so we’re finding that’s not such an issue.”

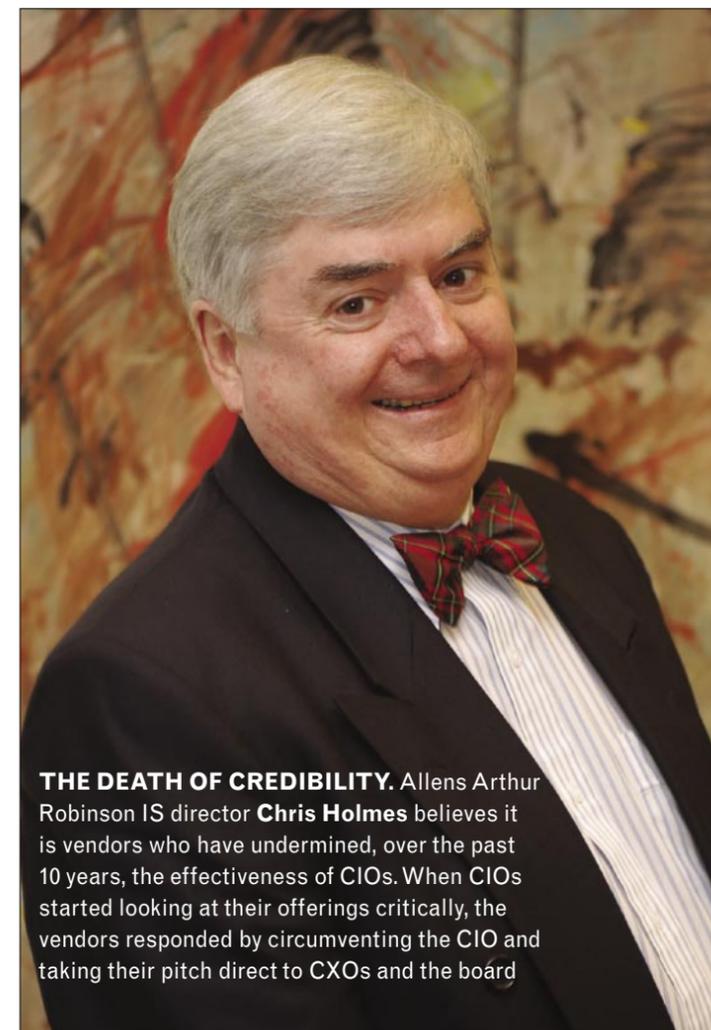
Max Gentle “is government” too, but as director of

information management for the Tasmanian Department of Education, he cannot claim to be nearly as lucky as Jossey. Gentle has worked in a range of government organisations over the course of his 30-year career and his budget has never been big enough. That can be personally frustrating, Gentle says, but he has been in the industry long enough to work within the bounds he is set.

“The problem is that IT is an additional budget to that which the organisation already needs, which means that it is always going to be difficult,” Gentle says. “IT is growing. We continually need more, and the organisation wants us to do more, so we need an expanding budget and that’s always difficult in a government organisation which is pretty much a set-budget type approach.”

It is not so easy in the private sector either, but Holmes thinks a CIO’s attitude to spending constraints can be as much a determinant of success as whether the money keeps flowing. After all, he points out, if budgets were not constrained, and strategic thinking was easy, what would be the point of a CIO? “So I quite revel in the fact that budgets are constrained, and therefore hard decisions have to be made,” he says.

Holmes says the commercial reality is that IT costs have been allowed to grow to the point where they are somewhat unrelated to the positioning of the business. At the same time, the growth in IT expenditure has not been matched by a similar growth in organisational revenue. “Early on that growth in IT was very much offset by productivity gains generally within the business, and what have you, but to a fairly large extent those productivity gains no longer exist,” he



**THE DEATH OF CREDIBILITY.** Allens Arthur Robinson IS director **Chris Holmes** believes it is vendors who have undermined, over the past 10 years, the effectiveness of CIOs. When CIOs started looking at their offerings critically, the vendors responded by circumventing the CIO and taking their pitch direct to CXOs and the board

individual clients, rather than forcing the client into accepting a generalised solution.

“Providing a specific solution to 20 clients is a lot less expensive than trying to build the 20 or 40 features that any one of those clients might want, in a generic sense,” Holmes says. “We’ve sort of developed a philosophy of trying not to be the guinea pig with new technology. It’s very easy to be trapped into this sort of activity in the ‘e’ space, but we try to look at technologies that have been applied successfully and leverage that knowledge into our own space. I’m fairly confident that reduces our costs for the implementations to about a tenth of what the other departments’ are.”

Mary Wollmering, Royal Melbourne Hospital’s director information systems, agrees that budget constraints can be a positive thing. “It really makes you do your homework, actually, in a very positive way. [Lack of funding] can be seen as an obstacle, but if you really do your homework, you know what you’re putting up and it’s valid,” she says.

So when IS put up a proposal for video streaming at patients’ bedsides, and when it trialled purpose-built video phones, which could allow long-term cancer patients to enjoy virtual visits from distant friends and families, there was no ROI case to argue. There was simply no financial return for such facilities. No matter. Wollmering did her homework and got the funding via a donation from a hospital trust. “It was a matter of being creative and looking at other ways of funding,” she says.

Siemens CIO Heiner Karst says making IT spend pay is always a challenging issue, because people want new ideas to work for them instantly and rarely have the patience needed to gestate them properly. They just as rarely want to pay for them. That means the amount of energy dedicated to the business case has become much more important. “We spend a lot of time looking for the business case over and above just the good idea, before it actually gets to the starting line,” Karst says.

“When I was involved in a senior role in IT in South Africa, with South African breweries, I remember taking an IT solution to the MD in a discussion and he looked at me and he said: ‘Do you know how many beer trucks I can add to my distribution fleet for the money you want to spend?’ And it was beautiful the way it related to the way the business thinks about where they will get the most bang for their dollar. This is even more valid today in this economic environment,” he says.

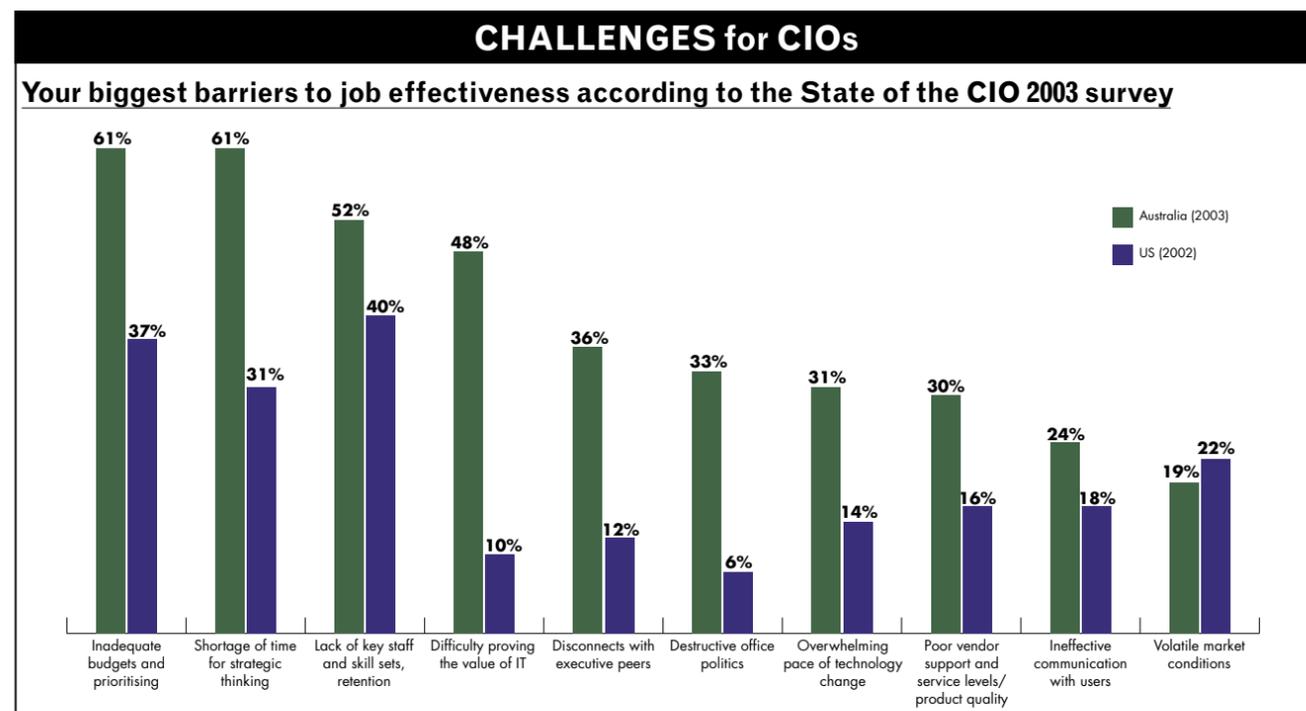
### CHALLENGE No Time to Think

With all the worries about inadequate budgets, IT alignment and the disconnect between business expectations and IT’s capability to deliver, it’s no wonder CIOs find little time for strategic thinking and planning. Yet they also know that with strategy becoming an ever more important part of the role, making time for strategic thinking is critical.

says. “We’re now in a situation where it’s tit-for-tat competition, where a competitor does something that changes the balance and we respond to it by spending more money.”

That need for IT expenditure to fit the commercial reality of the firm is not only the CIO’s biggest challenge but also the primary reason that CIOs must be so involved in strategic thinking, Holmes says. And he says the best approach is for the CIO to ensure he or she is always a part of the value equation for the customer, and to be seen to be such by the other executives within the management structure.

For instance the provision of extranet-type services is a perennial of the professional services sector, and Holmes says in almost every case those involved in the early stages of negotiation are not the people who will be the end users. That makes it all too easy to spend millions of dollars to build very sophisticated client support infrastructures that fail to enhance the client value equation by not effectively engaging the client. Allens Arthur Robinson has minimised that risk by developing a generic offering, which can be customised for the needs of



Lack of time for strategic thinking is a direct result of lack of resources, Gentle says. "Because there is too much to do, you end up having to do some things yourself that normally you would like other people to do. So lack of resources means that strategic thinking is one of those things that is important but not urgent, rather than being important and urgent," he says. "My career has progressed, and as my career has progressed I have run bigger organisations, so yes I've got busier as I had more complex environments to manage."

Even within the Tasmanian Department of Education, Gentle says the complexity of the management task has increased year by year. Other CIOs approached for this story know exactly what he's talking about.

"I would say that in IT we react now on a lot of occasions. We're running around," Wollmering says. "If you're involved at the executive level and involved in strategic planning, and you get a budget that enables you to work with that strategic direction and enables it to happen, well then you are going to be fine. But that doesn't happen all the time." When it does not happen, Wollmering says, the only answer is to keep plugging away, keep demonstrating value.

According to Karst, day-to-day business demands always seem to require urgent attention. That's why he's adopted "Arm the Doors and Crosscheck" as his motto. Karst does not believe a mind cluttered by the day-to-day minutiae of the office can effectively follow thoughts through and track them to a solution, so he does most of his strategic thinking on the road.

"Travelling shuts everything else out, and it really does give me good time to think," he says, "whereas in the day-to-day office environment too often the interruptions just prevent that flow. And I cycle a lot and when I am on the bike I can think, so that really does help."

## CHALLENGE Undermanned but Not Overwhelmed

Staffing remains a big issue for most CIOs, who must worry not only about how to retain key personnel but also how to source the right people for new projects when staffing levels are capped. Some 58 per cent of surveyed CIOs worry about staffing levels, but it seems the situation is nowhere near as acute today as it once was. CIOs have clearly been learning lots of hard lessons about how to make do.

While Jossey says it is always hard to get really good people, the situation is better than it was two or three years ago. Austrade has been very happy with the people it has been able to get. Wollmering says her biggest staffing



**LOOK FOR THE SILVER LINING.** Budget restrictions can be for the good, according to **Mary Wollmering**, Royal Melbourne Hospital's director information systems, because you have to do your homework

PHOTO BY JULIAN QUIRIT

issue is that the market and technology are moving so fast there is no choice but to train your people constantly. On the other hand, training is the way you keep staff too, she says. The situation is even more critical in Tasmania, where Gentle says he can generally find the staff he needs, but he also knows that were he to lose key people, it would be very difficult to replace some specialist skills.

"I don't really have a lot of problems getting the staff I desire, and that's changed over the last couple of years," Gentle says. "There used to be far more problems than there are now. It's difficult to get really experienced people but I've accepted that and we have ways of managing junior staff and taking them on, and we can manage to keep them now, so over time people become trained up."

## CHALLENGE Showing the Value

CIOs continue to be challenged by the need to prove the value of their IT investments, with 48 per cent citing this as a major issue. At Austrade the issue is far more likely to come up when things are seen as going wrong than when IT is running like a well-oiled machine.

Austrade's clients are known in the department as Austraders, and Austraders, Jossey says, never talk about the hardware, they never talk about the off-the-shelf applications and they very rarely talk about the telecoms. Rather, they talk about one or two applications that they use a great deal, and even then, only when there are problems. "As soon as something falls over, then everybody wants to know why and how much money we have spent on it," he says. "So for instance, we've got one internally developed system that is quite a good system, does what it is supposed to do, but is not the world's most elegant system. And it's that one that gets lots of queries, whereas it's actually quite a small proportion of our IT spend."

Austrade's political masters, Jossey says, are less interested in using vehicles like Senate Estimates to force the IT team to account for every dollar than in securing assurances that the team is thinking logically about where the IT spend needs to go, is evaluating all the options and is then making rational choices. "We've got a board as well, so I have been to many of the board meeting discussions," Jossey says. "The board is basically looking for the same thing: Where do you want to go over the next two years? How does [IT] support the business? What does that mean in terms of your options, What are the trade-offs? What's your decision? The board is quite involved at that level."

At Royal Melbourne Hospital, Wollmering knows how hard it can be to prove value, and blames the difficulty on the fact that IT systems, which have vastly improved productivity, are now taken for granted. On the other hand, she also welcomes the challenge this situation poses. "It's good, because you really have to justify what you do. You do have CFOs looking over your shoulder, but it makes you do your homework. It's not always negative," she says.

One way to do that homework, according to Karst, is to differentiate between savings and productivity. In his book, savings result in an immediately flow of money to the bottom line that is either measurable or — better still — bankable, while productivity savings mean being able to do much more with existing resources. "One tends to have to try and focus more on the hard savings than on the soft productivity issues," Karst says, "but having said that, you of course always end up with a degree of both."

## CHALLENGE The Other End of Town

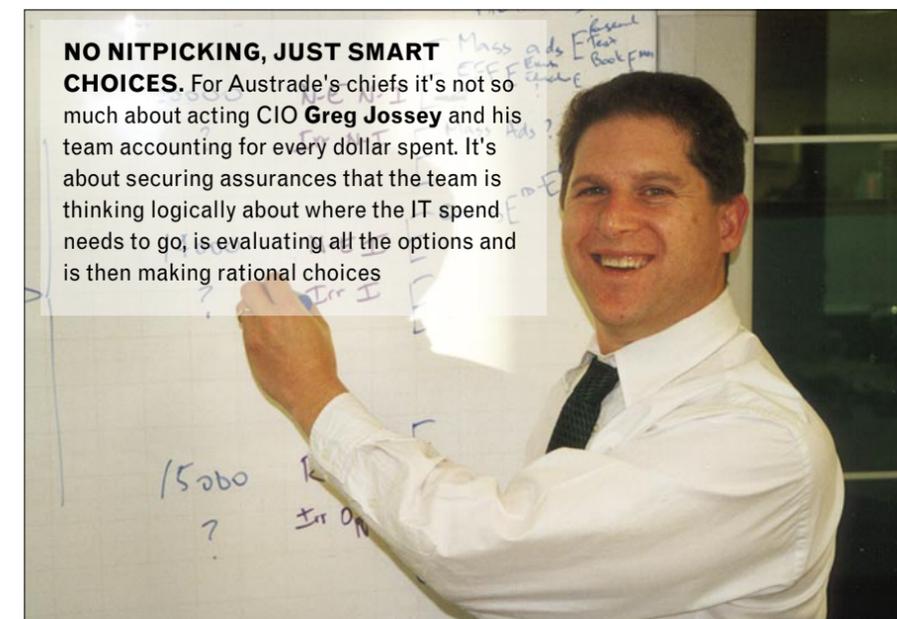
CIOs who work for an IT supplier, like Compaq's director information management Kerry Holling, tend to put issues such as the overwhelming pace of technology change and proving the value of IT further down on their top challenges list than their counterparts who do not work in the IT industry. But that does not mean Holling's job is plain sailing. Holling says his biggest challenge of recent times has been the amount of hard work he and his team put in on projects to integrate the various systems the company inherited from the HP and the Compaq merger.

"I think in terms of deciding what solutions we use within the new HP, the way we went about that decision-making was very creative," he says. "A lot has been written about the clean room process that the company went through, which was used to decide everything from what products we would continue to take to market through to what systems we would use to operate the business."

"I'd say the process itself was groundbreaking in terms of how you effectively manage a large merger. I would say that the creativity comes in how [IT] can add value over and above simply what we have to do to achieve the integration objective. That's the big challenge, because if we stand still for two years while we do the integration, our competitors will leave us behind."

Austrade's Jossey agrees that when it comes down to it, the biggest challenge at the moment in IT is actually supporting the business, rather than undertaking exciting IT initiatives. "I don't know what it's like for other organisations, but for us, really getting the IT guys involved in the business problem-solving is where we're beginning to get some good traction."

"If someone said: 'What are the key roles of the CIO?' The answer is simple. It's that alignment with the business," he says. ♦



**NO NITPICKING, JUST SMART CHOICES.** For Austrade's chiefs it's not so much about acting CIO **Greg Jossey** and his team accounting for every dollar spent. It's about securing assurances that the team is thinking logically about where the IT spend needs to go, is evaluating all the options and is then making rational choices