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How to Break the Cycle of CIO Turnover

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BY RICHARD BHANAP, NICOLAI BIEBER,
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by **Richard Bhanap, Nicolai Bieber, and Martin Roets**

In organizations around the world, new digital tools and technologies are adding efficiencies and enabling new business models. Chief information officers stand at the epicenter of this activity: As keepers of the IT wallet and managers of the firm's tech-savvy talent, they stand to unlock the competitive advantage of digitization. But with digitization's promise come challenges for those who manage how it is deployed and used.

To better understand the changing role of the chief information officer, Booz & Company surveyed 60 CIOs of large multinational corporations in a variety of sectors as part of its inaugural CIO Success(ion) Study in late 2013. These CIOs must coordinate an increasingly complicated set of internal and external resources and capabilities; oversee the development of complex new IT-enabled projects on time, on budget, and in a way that delivers the promised business value; and continually as-

sess emerging technologies and solutions. Most important, they need to juggle all this while shaping and pursuing a strategic IT agenda for the business and balancing the inexorable demand for new services and solutions from every part of the organization.

For chief executive officers, the selection and retention of a skilled CIO has never been more critical. At many companies, however, a number of factors—including limited succession planning, the choice of reporting lines, and a lack of buy-in from key stakeholders for major IT projects—can make it difficult for the CIO to perform effectively, leading to a tenure shorter than those of other C-suite executives. Our study results reveal some steps chief executives can take to ensure that their information officers and IT professionals are set up to succeed.

The CIOs we surveyed identified certain constraints on their performance, starting with how the role itself is typically filled. About 60 percent of CIOs are recruited externally, the implications of which are unfortunate for ambitious and talented members of any current IT leadership team. Only a third of the CIOs we surveyed reached that position from within their own organization. Worse yet, a number of today's CIOs who were promoted from within had switched organizations at the level just below CIO in order to be groomed as a successor. This implies that homegrown IT talent is ignored to a certain extent at many companies.

Why They Leave

For those who make it to the top, the situation doesn't always improve. Our survey shows that many

CIOs move from company to company, seemingly more frequently than other top executives, a trend we refer to as "the serial CIO." About 33 percent of our survey participants were in their first CIO role, 25 percent were in their second, and more than 40 percent had held three or more CIO roles. This suggests that many CIOs don't see room for advancement (for example, to chief operating officer) at their current organization, and they move on. Indeed, although almost half of our respondents have been in their current CIO position for three to five years, more than 40 percent said they don't expect to be there beyond another year or two.

Our survey also found that one-third of CIOs are forced out of their jobs. CIO folklore would suggest that the most obvious cause was a failure to deliver day-to-day IT services such as processing transactions and sending email. But in reality, few CIOs have been let go for this reason, perhaps because advances in technology and service management have made major service failures far less common.

According to 70 percent of our respondents, the failure of a major IT project is one of the primary reasons that the tide turns against the CIO. And although failure doesn't always lead directly to dismissal, the interviews we conducted show that it is often a contributing factor. These projects are typically big-ticket, multiyear, enterprise-wide programs involving new ERP, CRM, or core industry-specific solutions that promise to fundamentally change business performance and improve competitiveness. Unfortunately, such complex projects are often allowed to deteriorate into costly IT-driven systems implemen-

tation and replacement initiatives, which lack genuine ownership and buy-in from the business units involved. Seventy percent of our respondents said they inherited these types of programs when they became CIO; they also said that 60 percent of these programs were doomed to fail.

According to the CIO of a global consumer products company, “If you’re not extremely careful with these programs, business stamina and patience run out. ‘Just get the #@*%\$!! system in once and for all so that we can pick ourselves up again and move on’ becomes the dominant refrain. That’s of course assuming that you can get to a working system at all.” The result, frequently, is an expensive IT solution that doesn’t quite do what was promised and ultimately doesn’t have much tangible impact on business performance.

Think Big to Succeed

Given the number of institutional challenges CIOs face, CEOs have to play a direct role in creating a more favorable work environment.

The first step is knowing where to look for the next CIO. We offer a simple rule of thumb: If a CEO



exist, the CEO should consider external successors. He or she should also look within their organization to identify what allowed such a situation to develop in the first place, whether on the business side or within IT itself.

Our survey also revealed the importance of the CIO’s reporting relationship. This relationship has a direct impact on how the CIO focuses the IT organization’s energies and resources. The reporting relationship won’t be the same at every

Those reporting to the CEO said they were typically encouraged to prioritize enterprise-wide business value—how much the IT department delivers to the business—whereas those reporting to the CFO may have been asked to emphasize the cost agenda and automation of operations. Both roles are important, although the latter is often connected to an older way of thinking about IT, as a cost center to be managed efficiently. Cost management is a critical concern in an age when IT absorbs a large portion of companies’ budgets, but it’s not necessarily the way to get the most business value out of new technologies.

Still, no matter what the reporting line, CIOs who have a strong sense of how their job duties and their IT strategy fit into the overall corporate strategy will be best positioned to create a high-functioning team that coordinates well with key stakeholders throughout the company. And this will help avoid the large project failure trap. CIOs need to instill a strong sense of joint

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believes that IT and digitization are currently on the right path in the company, and there is broad confidence in the strategy and road map laid out by the CIO and the IT team, looking internally for a successor should be the default plan. If, however, these conditions do not

company, but it needs to be clearly defined and aligned to the company’s overall strategic goals.

Although a small number of CIOs reported to a COO or other operational executive, the majority had a direct line to the CFO or CEO, in roughly equal proportion.

ownership and work in genuine partnership with these stakeholders to ensure the successful delivery of complex IT-enabled business change. As the CIO of a global energy company told us, “If the CIO is credible and accepted by the top team, and has the IT management basics like service and cost under tight control, the fact that they report to the CFO...doesn’t have to make a lot of difference.”

It’s also important to clearly define the CIO’s job, and to make sure he or she has opportunities for advancement. Many of the CIOs we spoke with pointed to shared-services operations and other support functions as being areas that could be put under their responsibility. Those departments would benefit from the IT function’s service management capabilities, and would give the CIO’s role wider scope.

Indeed, some of our participants had already been put in charge of such activities. “The CIO is among the few roles with a cross-functional, cross-organizational perspective. This, in conjunction with running large programs and driving change, should prepare them to become COOs,” said the CIO at an international retailer. Uncovering new business and technological problems, and having the support needed to solve them efficiently, will help keep the CIO engaged.

In the end, CIOs need to be encouraged to have a vision of how technology can help their company achieve its strategic goals. And they need to feel supported by the firm’s executive leadership to act on this vision. Almost 90 percent of the CIOs we surveyed said the top reason for moving to their current position was the new professional challenges involved. Right now, it seems

that too many find that their actual work environment may not meet their expectations. It’s time to fix that, because an engaged and empowered CIO is essential in carrying a company into the digital age. +

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