The New Voice of the CIO

Insights from the
Global Chief Information
Officer Study

Retail Industry Executive Summary

IBM

Introduction

In a fast-moving business environment, how can today's Chief Information Officer (CIO) make the biggest impact on behalf of the entire organization? To answer that question, we listened to more than 2,500 CIOs worldwide, including 145 Retail CIOs from 19 countries. As part of our research, we also sought to understand the differences between the responses of CIOs from organizations with high PBT growth (referred to in this report as "High-growth CIOs") and those of CIOs from organizations with low PBT growth ("Low-growth CIOs"). For details about our research methodology, please see "How our research was conducted."

These one-hour, face-to-face conversations, along with our statistical and financial analyses, made clearer the changing demands on CIOs. Not content to be known only as consummate IT experts or perpetual seekers of savings, CIOs are redefining their role.

The voice of the CIO is being heard in new ways – as CIOs are increasingly recognized as full-fledged members of the senior executive team. Successful CIOs are much more actively engaged in setting strategy, enabling flexibility and change, and solving business problems, not just IT problems.

Today's Retail CIOs spend an impressive 54 percent of their time on activities that spur innovation. These activities include *generating buy-in for innovative plans, implementing new technologies* and *managing non-technology business issues*. The remainder is spent on essential, more traditional CIO tasks related to *managing the ongoing technology environment*. This includes reducing IT costs, mitigating enterprise risks and leveraging automation to reduce costs elsewhere in the business.

CIOs universally acknowledge that some of their most important objectives too often seem to clash: *How can I support the introduction of new services while avoiding the disruption of existing services? How can I reduce costs while improving services? How can I balance the need to influence business strategy with the need to provide top-notch IT support?*

Complementary, yet sometimes conflicting roles
One CIO summed it up well: "In IT, we are not magicians, but we are certainly jugglers." On any given day, CIOs are poised for the unexpected, leading an organization that solves a myriad of problems for customers, both internal and external. Without question, IT functions represent the lifeblood of most businesses. But CIOs told us that they can only turn more attention to new technology ideas *after* addressing current IT needs.

After thousands of interviews, we found that successful CIOs actually blend three pairs of roles. These dual roles seem contradictory, but they are actually complementary. To characterize each role, we have coined a term that describes its dominant quality. At any given time, a CIO is:

- An Insightful Visionary *and* an Able Pragmatist
- A Savvy Value Creator *and* a Relentless Cost Cutter
- A Collaborative Business Leader *and* an Inspiring IT Manager.

By integrating these three pairs of roles, the CIO:

Makes innovation real

It's not enough to just plan for innovation – it needs a robust foundation. When acting as an Insightful Visionary, a CIO is perceptive, promoting a broad technology agenda to help the business profit from leading-edge initiatives. The flip side of the Visionary is the Able Pragmatist role. As a Pragmatist, a CIO deals with the realities of the business. The Pragmatist also facilitates the productivity of current IT solutions to allow more time and budget for innovation.

Raises the ROI of IT

Using IT to produce greater business value is vital, accompanied by an ongoing focus on lower costs and higher efficiency. A Savvy Value Creator finds new ways to help customers and the organization profit from how data is used. The Relentless Cost Cutter, its counterpart, is focused on managing budgets and processes to eliminate or reduce costs.

Expands business impact

To contribute the most to the organization, proven expertise in both business and technical matters is vital. Part of the time, CIOs will engage with the enterprise as Collaborative Business Leaders, to drive new business initiatives and cultural shifts jointly with fellow CxOs. At other times, the Inspiring IT Manager role occupies center stage to motivate the IT organization and deliver superior IT performance.

Adjusting the mix, one pair at a time
It's no surprise that CIOs must reconcile seemingly opposing mindsets. But our findings revealed ways in which they can be more effective in this everyday balancing act. Even some experienced CIOs acknowledged that they are sufficiently strong in just one or two of the six CIO roles. Yet every role requires at least some attention.

The realities facing each individual influence how that CIO can, and should, manage change at any given time. Many factors impact their decisions about how much emphasis to place on any single role, including macroeconomic and regional conditions, industry-specific forces and various organizational characteristics, as well as the CIO's own skills and aspirations.

But despite the multiple forces in play, our findings show that successful CIOs – including those in high-growth retail organizations – discover ways to focus on high-value projects in support of their organizations. We share with you the voices of many CIOs and what they are doing to achieve three primary goals: to make innovation real, raise the ROI of IT and expand business impact.
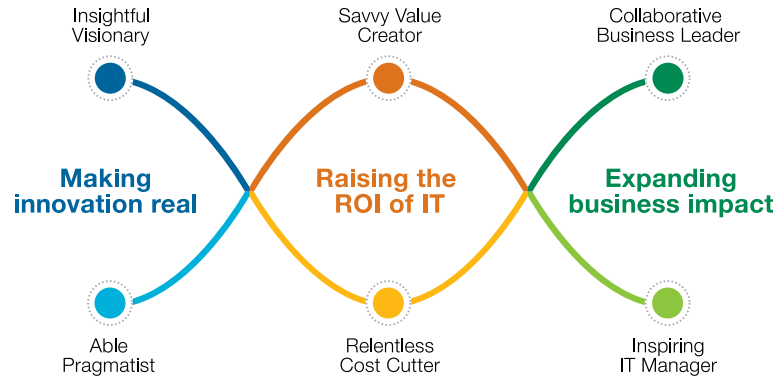
Making innovation real

Insightful Visionary *and* Able Pragmatist

The Insightful Visionary is active in setting strategy and helping the business explore how technology can drive innovation. The Able Pragmatist sets the stage for enacting innovation. Key Visionary actions are to: push business/technology integration, champion innovation and expand CIO influence. Key Pragmatist actions are to: enable the corporate vision, make working together easy and concentrate on core competencies.

High-growth Retail CIOs excel in both respects. They recognize that business knowledge is a prerequisite for their companies' success and that, by closely aligning IT with the business, they can stimulate innovation. They also understand that collaboration plays a crucial role in facilitating the development of new products and services. It is no accident that they use collaboration technologies to enable partnering and alternative sourcing models much more heavily than their peers in low-growth organizations (see Figure 1).
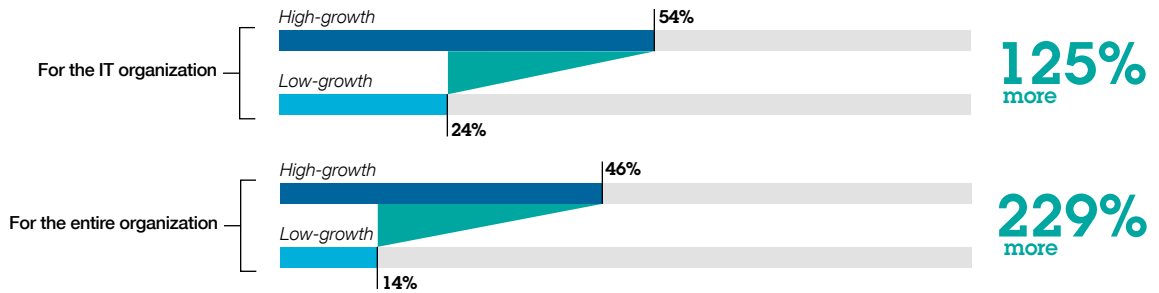
"Innovation is key to success for the future. We're striving to move away from IT and become more of a business enabler and partner."

CIO, Cross-Segment Multi-Format Retailer, India

Figure 1 **The most successful Retail CIOs actively use collaboration and partnering technologies**
Retail CIOs in high-growth companies use collaboration tools to a much greater extent than their peers in low-growth companies.

For the IT organization

High-growth — 54%

Low-growth — 24%

125% more

For the entire organization

High-growth — 46%

Low-growth — 14%

229% more

Are you well-versed in how emerging technologies and innovative processes can address uncovered business needs in the retail industry?

In what ways do you plan to partner with third parties to increase the time you devote to driving innovation within the business?

What new collaboration tools and processes are you using – and how are you using them – to enhance the sharing of information among employees, partners and customers, and thus stimulate innovation?

Do you measure – and explain – the results of all IT initiatives in such a way that your colleagues not only understand the results, but are also convinced and inspired?

Raising the ROI of IT

Savvy Value Creator *and* Relentless Cost Cutter

The Savvy Value Creator devises better solutions by understanding customers' needs, while the Relentless Cost Cutter is vigilant about trimming expenses wherever possible. Key Value Creator actions are to: make the data "sing," reach customers in new ways, and enhance integration and transparency. Key Cost Cutter actions are to: standardize to economize, centralize the infrastructure and keep cost reduction a top priority.

Again, High-growth Retail CIOs lead the way. They invest more effort in turning data into actionable insights, and getting a better understanding of the needs of their customers – both internal and external – than their counterparts in low-growth organizations (see Figure 2). They also focus on making the data readily available and thus enabling users to make faster, more accurate decisions, such as which pricing and promotion strategies to use, how best to localize assortments and how best to build customer loyalty.

"The balance between new projects and cost control is the dichotomy of my life."

CIO, Media and Entertainment Retailer, United States

Figure 2   **The most successful Retail CIOs recognize that information is a significant source of value**
High-growth Retail CIOs proactively craft data into actionable information almost twice as frequently as Low-growth Retail CIOs.

Retail

High-growth   71%

Low-growth

39%

82%
more
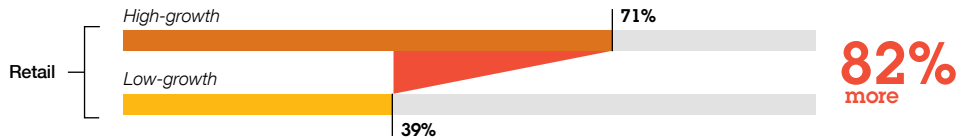
In what ways are you working with the business to extract the maximum financial return from the current IT portfolio?

Do you actively reach out to the business to jointly capture relevant customer information, and do you suggest new ways to enhance the value of promotions, marketing initiatives, loyalty programs and the like?

How can you leverage your competitors' experiences to optimize your company's business and IT processes?

If you were your own successor, what are the top three things you would do to generate a 20 percent increase in performance from your IT investments?

Expanding business impact

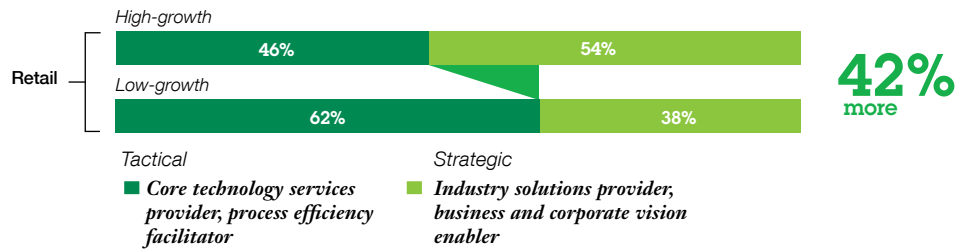## Collaborative Business Leader *and* Inspiring IT Manager

The Business Leader thoroughly understands the organization's core business and builds strong partnerships, internally and externally. The Inspiring IT Manager demonstrates personal IT expertise and advocates for stronger skills across the IT organization. Key Business Leader actions are to: know the business, get involved with business peers in non-IT projects, and present and measure IT in business terms. Key IT Manager actions are to: cultivate truly extraordinary IT talent, lead the IT forces and enhance the data.

High-growth retailers recognize the value IT brings to the business and expect their CIOs to play a strategic as well as tactical role. They put greater emphasis on the IT function's role in enabling the business and corporate vision, and providing industry solutions than their low-growth counterparts. That said, all retailers expect the IT function to facilitate process efficiencies and provide core technology services, such as application development, infrastructure and security (see Figure 3).

"Being a provider of core technology services is always important, but there is an increasing emphasis on other business and strategic factors."

CIO, Wholesale Club Retailer, United States

Figure 3   **The most successful Retail CIOs are expected to play a more strategic role**
High-growth Retail CIOs are expected to enable the corporate vision and provide industry
solutions, not just to provide core technology services.

High-growth

Retail		
46%	54%	

Low-growth

62%	38%

42%
more

Tactical   *Strategic*
■ *Core technology services*   ■ *Industry solutions provider,*
  provider, process efficiency   *business and corporate vision*
  facilitator   *enabler*

**Do you leverage business relationships throughout the enterprise
to expand the scope of your responsibilities beyond the IT
organization?**

**How can you start an ongoing dialogue between the business
and IT department that also drives shared objectives and
measurements?**

**Are you a role model with state-of-the-art expertise in at least
one IT domain?**

**Do you have a flexible, comprehensive plan to enhance business
and technology skills throughout the IT organization?**

**Is your IT organization passionate about protecting and improv-
ing the quality of enterprise data?**

# Managing dual roles in the future

But despite the multiple forces in play, our findings show that CIOs have discovered ways to focus on what matters most to them and their organizations. The collective voice of almost 2,600 CIOs worldwide points to key actions to help CIOs attain the primary goals of making innovation real, raising the ROI of IT and expanding business impact.

We have used these insights to complete profile analyses – visually represented by the "spider diagram" in Figure 4 – which provide a more structured way of enabling you to identify the areas where you want to concentrate. The diagram shows that CIOs in low-growth retailers focus primarily on being Inspiring IT Managers. CIOs in high-growth retailers, by contrast, place more weight on their role as Savvy Value Creators, Collaborative Business Leaders, Insightful Visionaries and Able Pragmatists. However, both groups are also concerned with cutting costs relentlessly – which is no surprise, given the difficult trading conditions many retailers are currently experiencing.

> *"Our CEO's attitude is that IT is part of the business and is included across the board…IT is moving up the value chain."*
>
> CIO, Home Merchandise Retailer, Canada

Figure 4 **There are significant differences between the two groups**
High-growth Retail CIOs juggle all six roles, whereas Low-growth Retail CIOs see themselves, first and foremost, as IT managers.
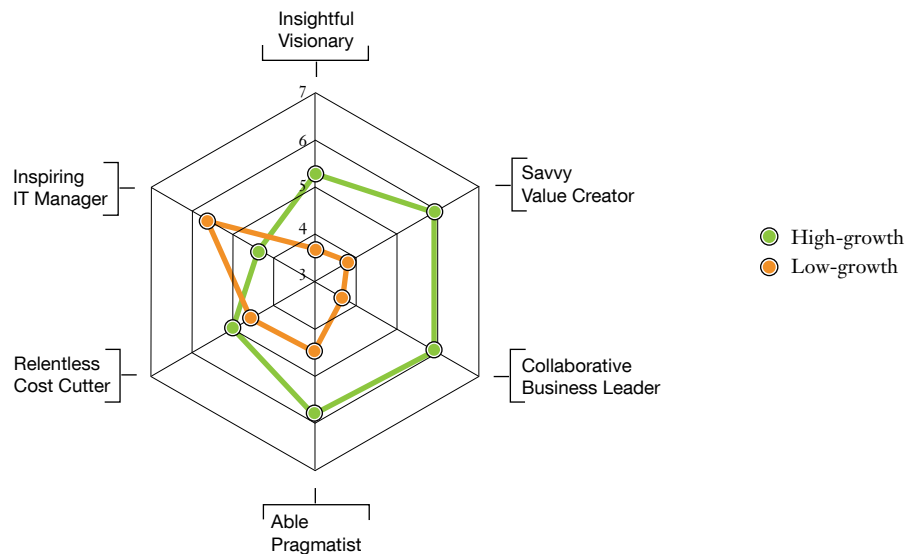
Over time, we expect CIOs to regularly assess how much emphasis is appropriate on each of the three pairs of roles. Our profiles offer CIOs a more structured approach to identify where they want to increase their focus and how to do it. Whichever role you choose to emphasize, we look forward to working with you.

For further information, please send an e-mail to the IBM Institute for Business Value at iibv@us.ibm.com, or to download the complete IBM Global Chief Information Officer Study, visit our Web site:

ibm.com/voiceofthecio

How our research was conducted

This report features Retail insights from the inaugural edition of our IBM Chief Information Officer (CIO) study – the latest in the ongoing C-Suite Study Series developed by the IBM Institute for Business Value. To better understand the challenges and goals of today's CIOs, we met face-to-face with 2,598 of them, in what is the largest known sample of these executives. Between January and April 2009, we interviewed these CIOs, who represent different sizes of organizations in 78 countries and 19 industries.[1]

Our analysis used 2004-2007 profit before tax (PBT) growth, relative to peers in their industries, to associate organizations with one of three growth levels: High, Medium or Low. For organizations where this information was not available, we used statistical correlation to assign levels, based on closest overall similarity of answers.

To simplify the terminology in this report, we will primarily refer to CIOs who work in organizations with high PBT growth as "High-growth CIOs" and to those working in organizations with low PBT growth as "Low-growth CIOs." Presenting our findings in terms of these categories offers CIOs a more structured approach to identify where they want to increase their focus and how to do it.

About the IBM Institute for Business Value

The IBM Institute for Business Value, part of IBM Global Business Services, develops fact-based strategic insights for senior business executives around critical industry-specific and cross-industry issues. Browse through our research library at **ibm.com**/iibv.

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Notes and sources

[1] CIOs we interviewed in the following countries were counted in the Growth Markets category: Argentina, Australia, Bahrain, Brazil, Cameroon, Chile, China, Colombia, Croatia, Czech Republic, Ecuador, Egypt, Gabon, Georgia, Ghana, Guinea, Hong Kong, Hungary, India, Indonesia, Malaysia, Mexico, Morocco, New Zealand, Nigeria, Pakistan, Peru, Philippines, Poland, Qatar, Romania, Russia, Saudi Arabia, Singapore, Slovenia, Slovakia, South Africa, Taiwan, Thailand, Tunisia, Turkey, Uruguay, Venezuela and Vietnam. The Western Europe category includes CIOs from: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Israel, Italy, Luxembourg, Monaco, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and United Kingdom. The North America category consists of CIOs from: Bahamas, Canada, Cayman Islands, Jamaica, Trinidad/Tobago and the United States.

Our CIO respondents represented 19 industries. The Communications sector includes: media and entertainment; telecommunications; and energy and utilities. The Distribution sector includes: agriculture; airlines; consumer products and wholesale; food, beverages and tobacco; life sciences and pharmaceuticals; mail, package and freight delivery; professional services; railroads; real estate; retail; transportation and logistics; and travel and tourism. The Industrial sector includes: aerospace and defense; automotive; chemicals and petroleum; computers and office equipment; electronics; energy (production and refining); engineering and machinery; forest and paper products; industrial products; and network and other communications equipment. The Financial Services sector includes: banking; financial markets; and insurance. The Public sector includes: education; government and public service; and healthcare payers and providers.