



Insights from IBM's Global CIO Study

The Canadian Perspective

October 20, 2009

Paul Bellack,

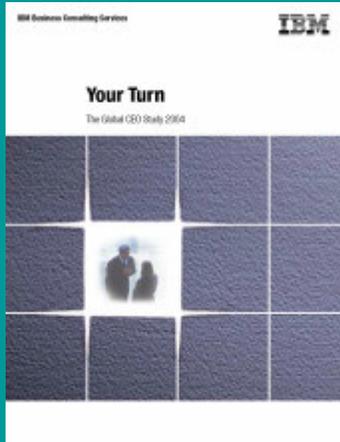
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Discussion Flow

- Study Demographics and Approach
- Background: “Setting the Stage”
- Three Pairs of CIO Roles: “The New CIO Paradigm”
- Implications for CIOs: “How To Get it Done?”



The IBM Global CIO study is part of our ongoing C-suite study series



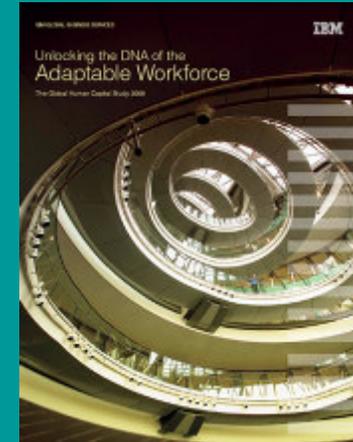
2004 CEO Study



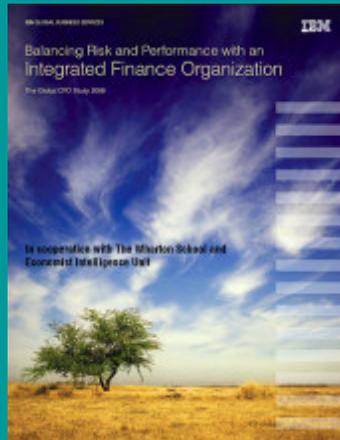
2005 CHRO Study



2006 CEO Study



2007 CHRO Study



2007 CFO Study



2008 CEO Study



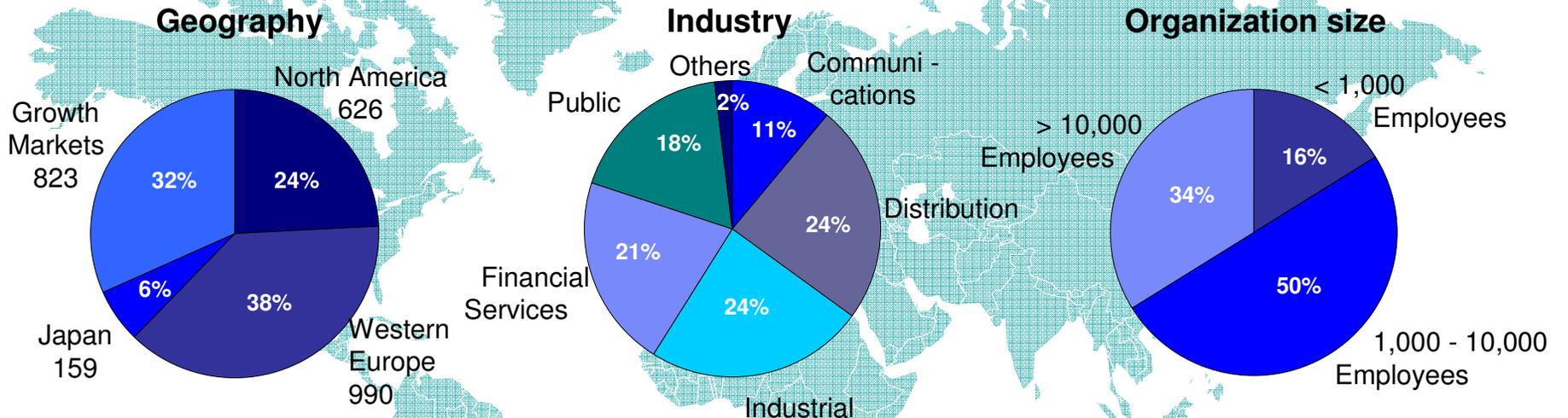
2008 CEO Study (II)



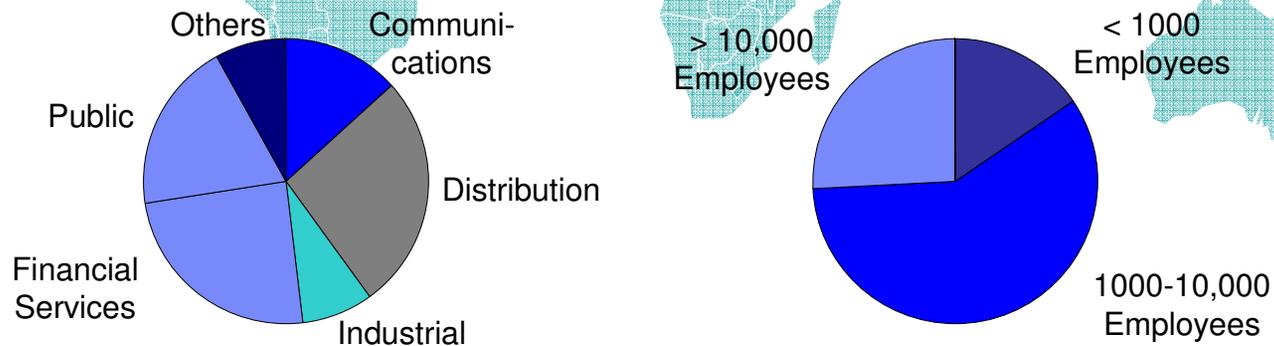
2009 CSCO Study

In the largest known sample of face-to-face interviews, we spoke with over 2,500 CIOs to understand their goals and challenges

The study represents different-sized organizations in 78 countries and 19 industries

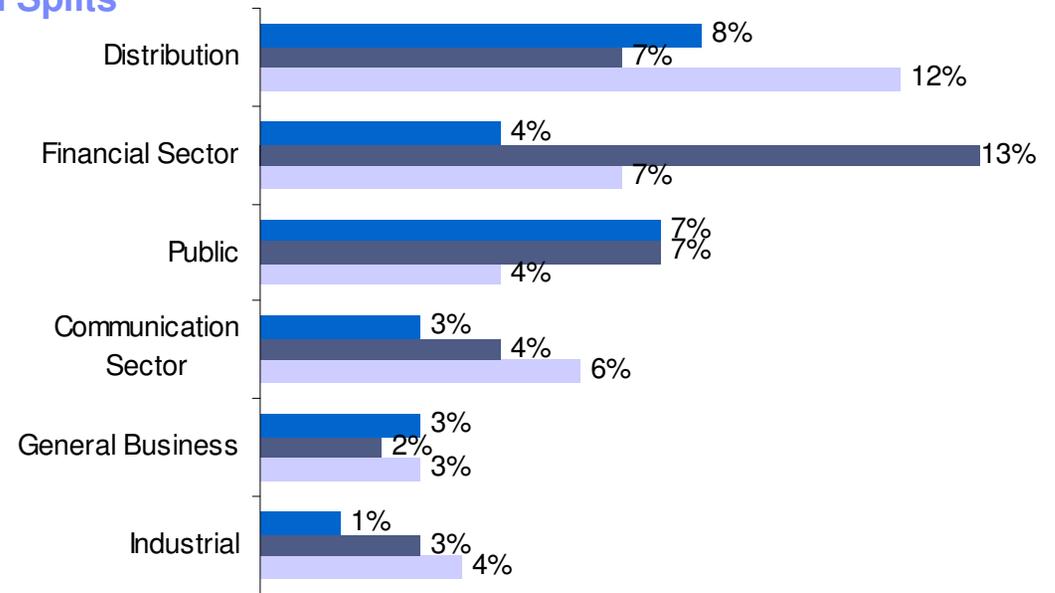
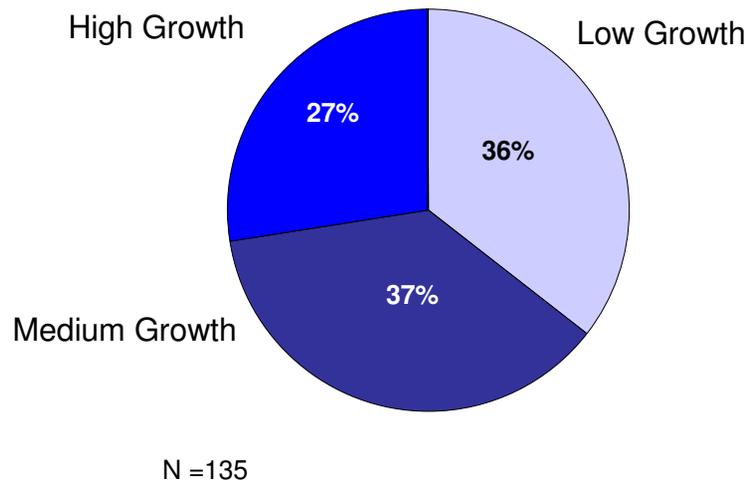


- **For the Canadian results, 150* CIOs and IT Leaders across 6 industry segments participated.**



Growth in Profit Before Tax was identified as a key differentiating variable; survey participants were categorized into 3 growth segments

Canadian Splits



Analysis was done comparing High growth verses Low growth organizations to better understand how CIOs in High growth organizations perform

Our analysis used 2004-2007 Profit before Tax (PBT) growth, relative to peers in their industries, to categorize organizations. For organizations where this information was not available, we used statistical correlation to assign levels, based on closest overall similarity of answers.

Discussion Flow

- Study Demographics and Approach

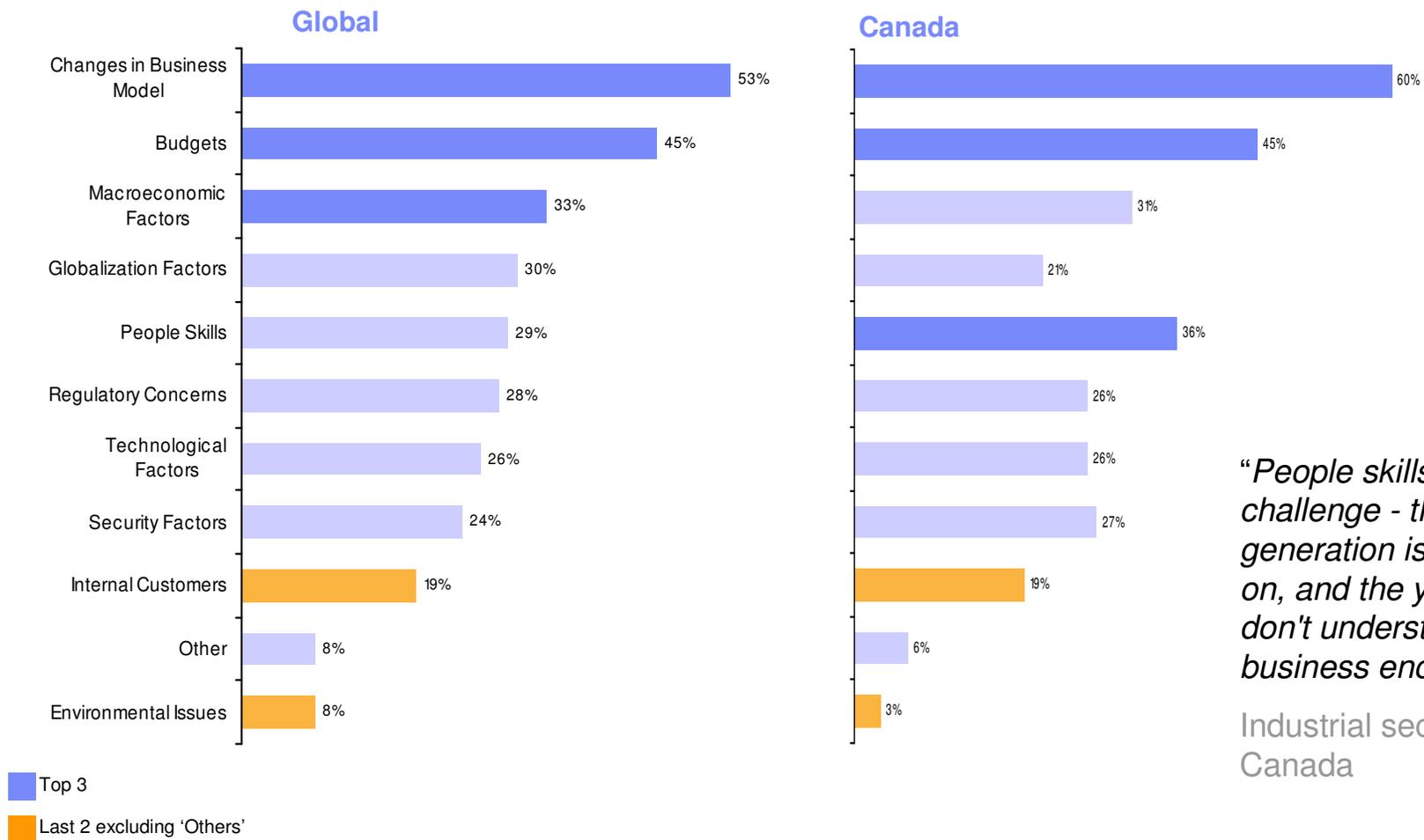
- Background: “Setting the Stage”
 - External forces impacting IT
 - Performance criteria for the CIO



- Three Pairs of CIO Roles: “The New CIO Paradigm”

- Implications for CIOs: “How To Get it Done?”

Not surprisingly, the top 3 external forces identified by CIOs that impact their mandate the most are changes in business models, budgets and macro-economic factors.

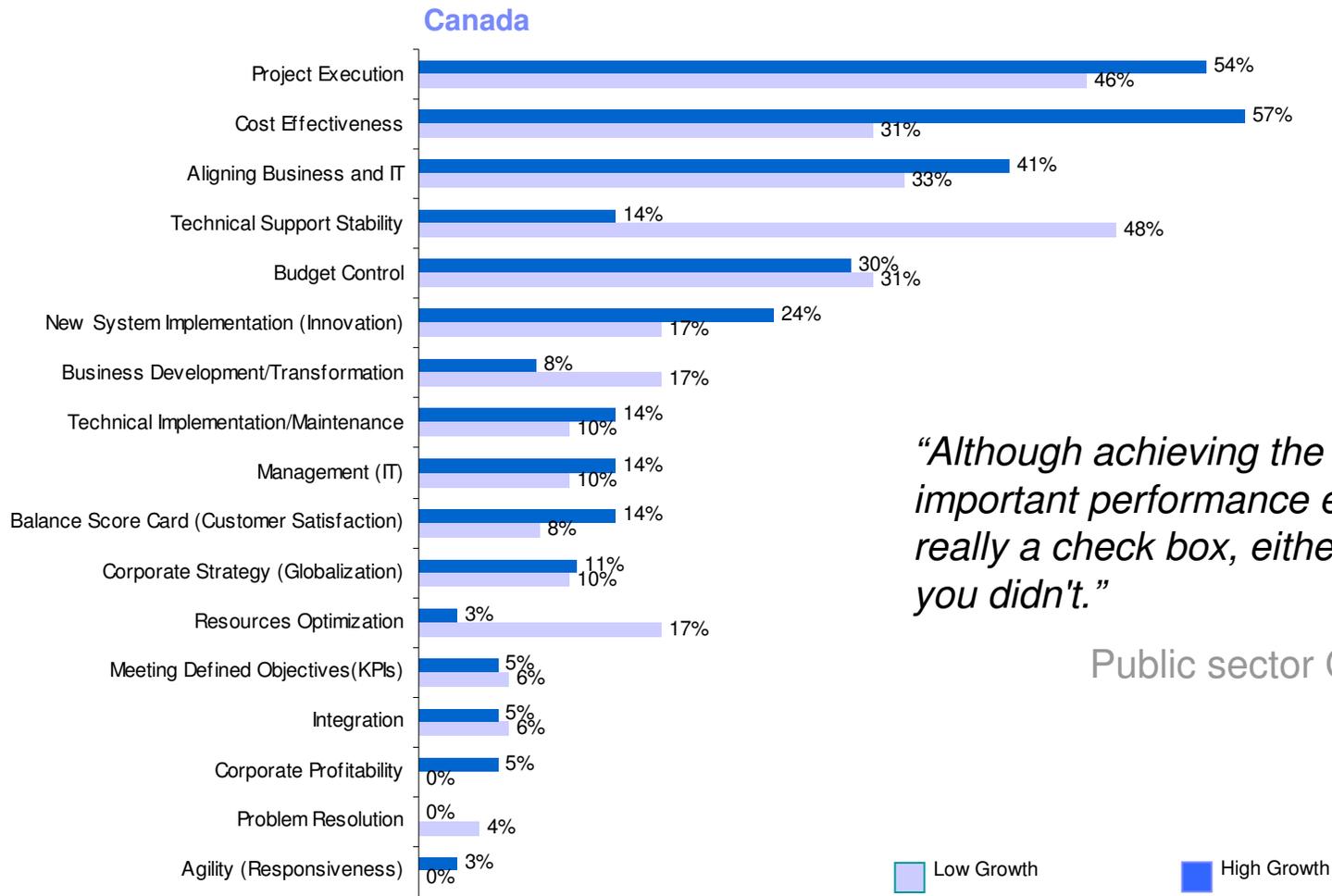


“People skills is the real challenge - the older generation is moving on, and the young ones don't understand the business enough..”

Industrial sector CIO
Canada

Global n=2598, Canada n=135

When it comes to measuring CIO performance, Project Execution and IT Cost effectiveness were high on the list in high PBT Growth organizations. In lower PBT Growth organizations, delivering technical stability was viewed as the key performance criteria.



“Although achieving the budget is an important performance element, it is really a check box, either you did or you didn't.”

Public sector CIO, Canada

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Our analysis provided insights into how CIOs can make the biggest impact on behalf of the entire organization

- CIOs spend an impressive 55% of their time on activities that spur innovation and help the business
 - Generating buy-in for innovative plans
 - Implementing new technologies
 - Managing non-technological issues

- Successful CIOs are much more actively engaged in
 - Setting business strategy
 - Enabling flexibility and change
 - Solving business problems

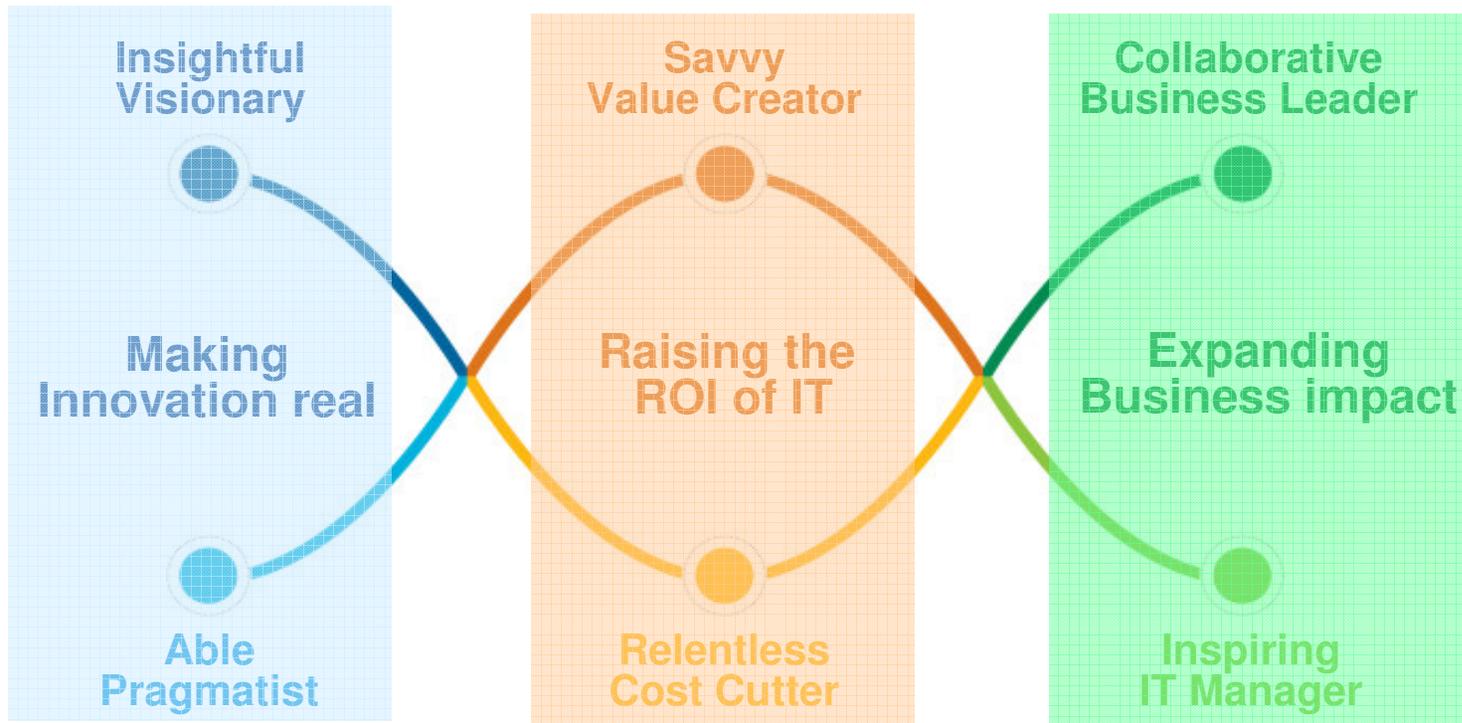
- CIOs are increasingly recognized as full-fledged members of the senior executive team



Successful CIOs blend three pairs of roles that seem contradictory, but are actually complementary

The New CIO Paradigm

One foot in the Business....



....and the other foot in Technology.

By integrating these three pairs of roles, the CIO makes innovation real, raises the ROI of IT and expands business impact



Making innovation real

*Insightful Visionary and
Able Pragmatist*

The Insightful Visionary explores how technology drives innovation, and the Able Pragmatist enables innovative plans

Insightful Visionary
<ul style="list-style-type: none"> ▪ Truly integrates business and IT to innovate ▪ Proactively reaches out to the business to co-create, champion and facilitate innovation ▪ Has a clear view of the top technological priorities that will enhance competitiveness

Able Pragmatist
<ul style="list-style-type: none"> ▪ Does practical things to help enable the business vision, via the digital platform, as business leaders expect ▪ Widely uses collaboration and partnering technologies to get work done ▪ Uses third-party business and technology services to allow to focus on the top priorities



"Innovation should be based on practical technology that can deliver business objectives within reasonable time and cost, which can be absorbed by the business."

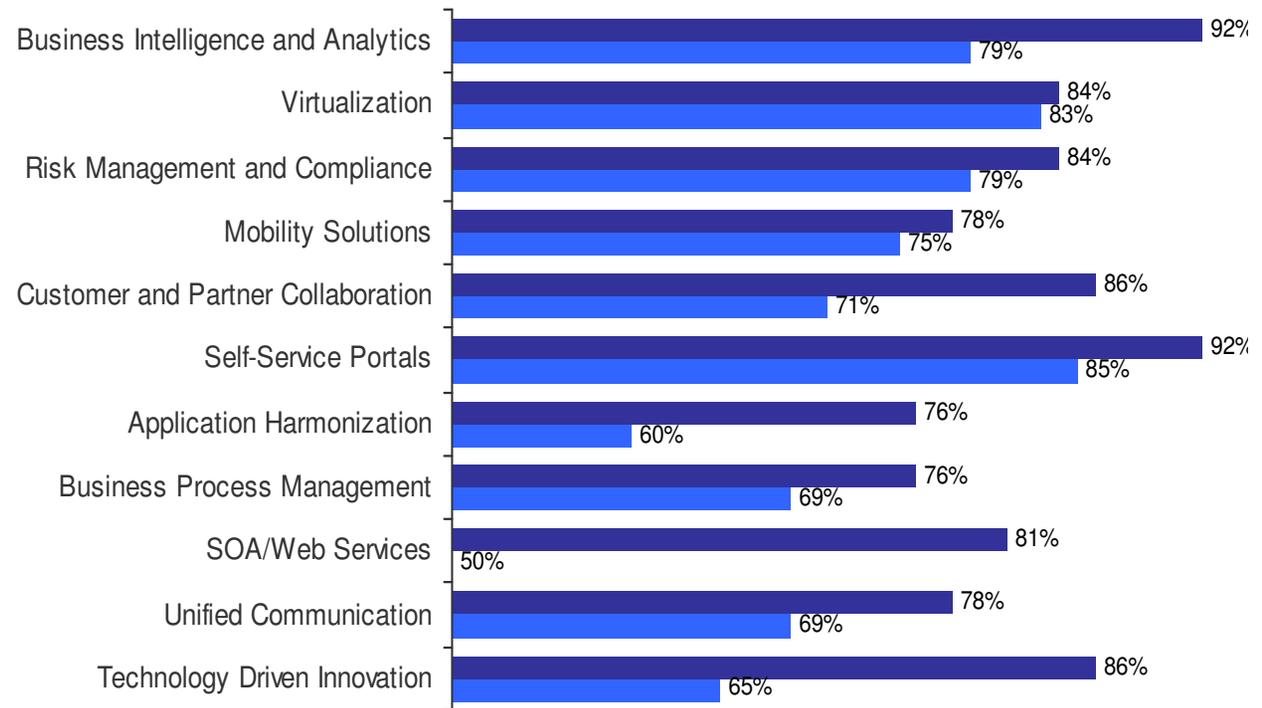
Life insurance CIO, India

Innovation is not limited to IT solutions: business-oriented plans rank high among CIOs' visions of enhancing competitiveness

Ten Most Important Visionary Plan Elements *Interviewed CIOs could select as many as they wanted*

Canada

In High PBT Growth organizations, a greater emphasis is placed on enhancing business capabilities with technology and business partner collaboration.



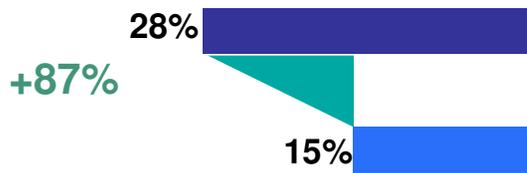
Source: IBM Global CIO Study 2009

Low Growth High Growth

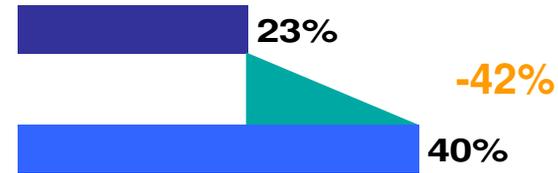
As Able Pragmatists, CIOs make it possible to bring innovative plans to life while "keeping the lights on" – move so in high growth situations.

High growth CIOs are expected to spend more time to enable the business and corporate vision

Business and corporate vision enabler

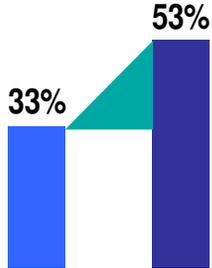


Core Technology services provider

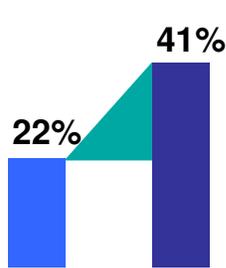


High growth CIOs actively use collaboration and partnering technologies...

+60%



+86%

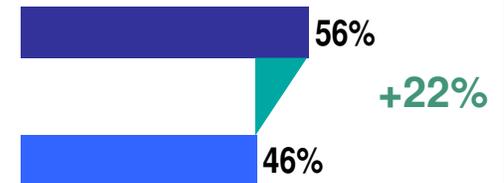


IT Organization Entire Organization

... and use third party business or IT services more often to improve their business agility

"Like many other companies, we are always exploring the possibility of utilizing external entities to help manage the day-to-day IT operations so that, internally, we can focus on more strategic initiatives."

Kurt Rao, Time Warner Inc.



Source: IBM Global CIO Study 2009; n = 2598

Low growth High growth



Raising the ROI of IT

Savvy Value Creator and Relentless Cost Cutter

The Savvy Value Creator devises solutions to fit customers' needs, while the Relentless Cost Cutter is vigilant about trimming expenses

Savvy Value Creator

- Proactively crafts data into information
- Prepares for end-customers that will continuously explore new channels
- “Knows” that end-customers expect no less than world class integration and transparency

Relentless Cost Cutter

- Aims for completely standardized, low-cost business processes
- Foresees a centralized infrastructure
- Focuses relentlessly on taking costs out of ongoing technology environment

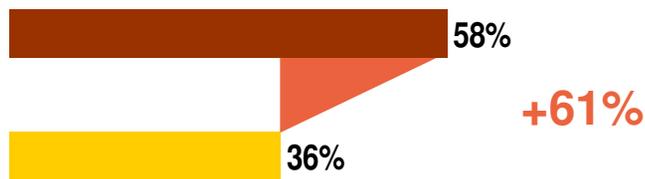


“There is tension between having to reduce operating expenses, yet also create value through innovation and deploying new technology”.

Energy and utility
CIO, Australia

As Savvy Value Creators, CIOs are skilled customer advocates that create value by truly understanding what customers want

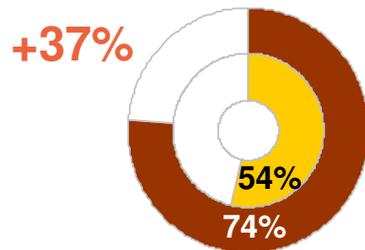
High growth CIOs proactively craft data into actionable information



"We do recognize the strategic advantage of using data to support improved decision making. We are not as strong as we would like to be, but this is a key plank of our strategy moving forward."

Consumer products CIO, Ireland

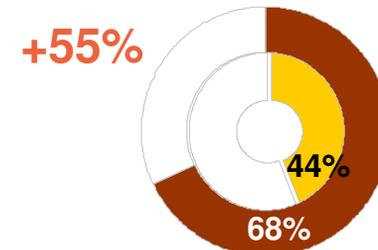
CIOs expect end-customers in five years to continuously explore new channels...



... and anticipate much greater levels of integration and transparency with customers in the next five years

"Having a strong data governance model that allows for a single view of the truth through accurate data is a strategic imperative."

Financial Markets CIO, U.S.

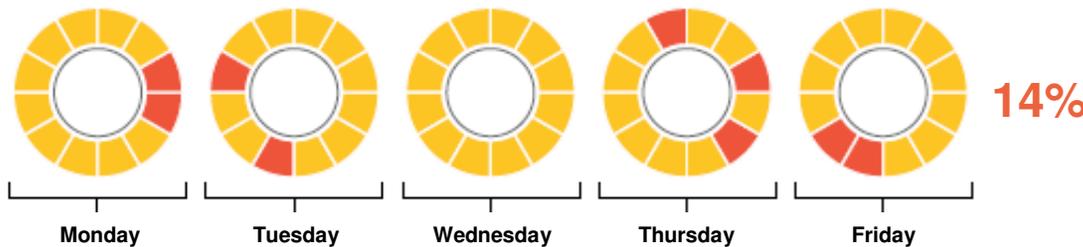


Source: IBM Global CIO Study 2009; n = 2598

Low growth High growth

As Relentless Cost Cutters, CIOs are perpetual seekers of savings who reduce costs through infrastructure and process standardization

All CIOs spend about 14% of their time to take costs out of the ongoing technology environment



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

Retail CIO, U.S.

Of the 60 or so hours per week, some 9 hours are spent cutting costs

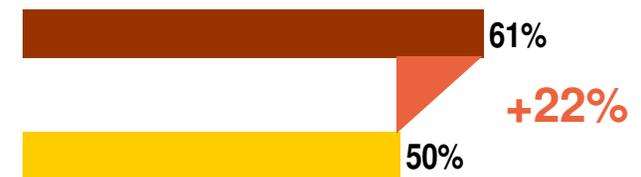
Many CIOs foresee a strongly centralized infrastructure in five years...



“Expectations have changed. It is about delivering a service through a simple process that can be repeated.”

CIO, United Kingdom

... and think business processes will be completely standardized and low cost





Expanding business impact

Collaborative Business Leader
and Inspiring IT Manager

The Collaborative Business Leader knows the business and partners well, while the Inspiring IT Manager sharpens IT expertise

Collaborative Business Leader

- Participates in business strategy teams
- Presents the strategy jointly with team members on the senior management team
- Is often invited to meetings or even sits permanently on the most senior management team

Inspiring IT Manager

- Actively promotes business and technology innovation through creation of IT centers of Excellence
- Manages IT agenda to allow for multitude of new and inspiring initiatives



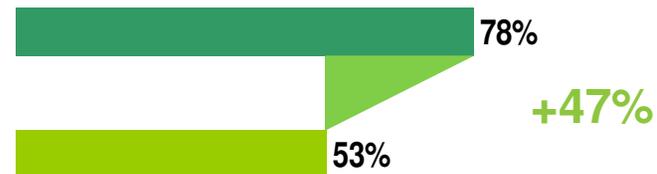
“IT is now seen as a key enabler to business goals and mission, and is engaged in delivering business strategy. Managing with defined goals and intent makes it easier for IT to align to business needs.”

CIO, Elders Rural Services, Australia

As Collaborative Business Leaders, CIOs are true partners with other executives, jointly defining better business models

CIOs in high growth organizations more often receive high marks from their senior management team

High or very high score by the entire senior management team for technology's contribution to the business



High growth CIOs are more closely involved in co-creating the business strategy with their fellow business leaders

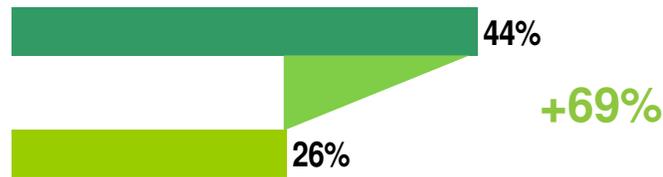


Source: IBM Global CIO Study 2009; n = 2598

Low growth High growth

As Inspiring IT Managers, CIOs are consummate IT experts who foster IT expertise to extract and preserve critical business data

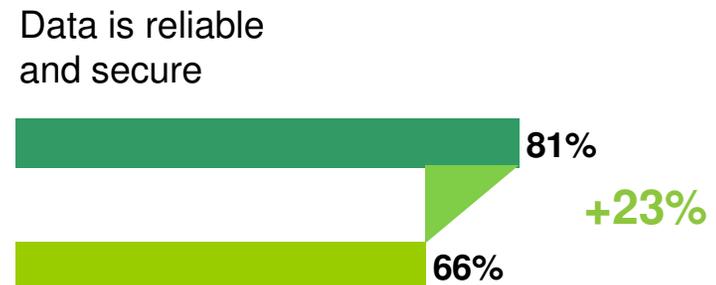
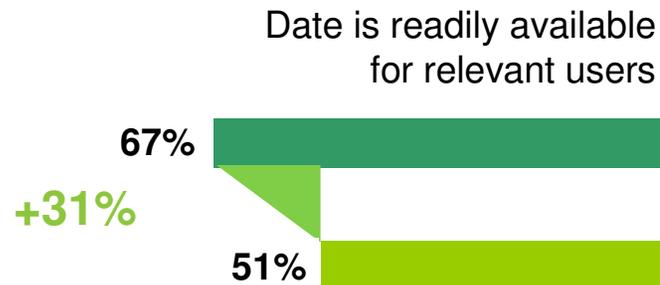
High growth CIOs create IT Centers of Excellence to help realize business and technology innovation



"We have centers of Excellence for ERP and business applications, collaboration and security - some are more formal than others."

Government CIO

High growth CIOs are doing more to improve users access to data, as well as its quality



Source: IBM Global CIO Study 2009; n = 2598

Low growth High growth

The New CIO Paradigm: Summary Characteristics of the 3 Role Pairs

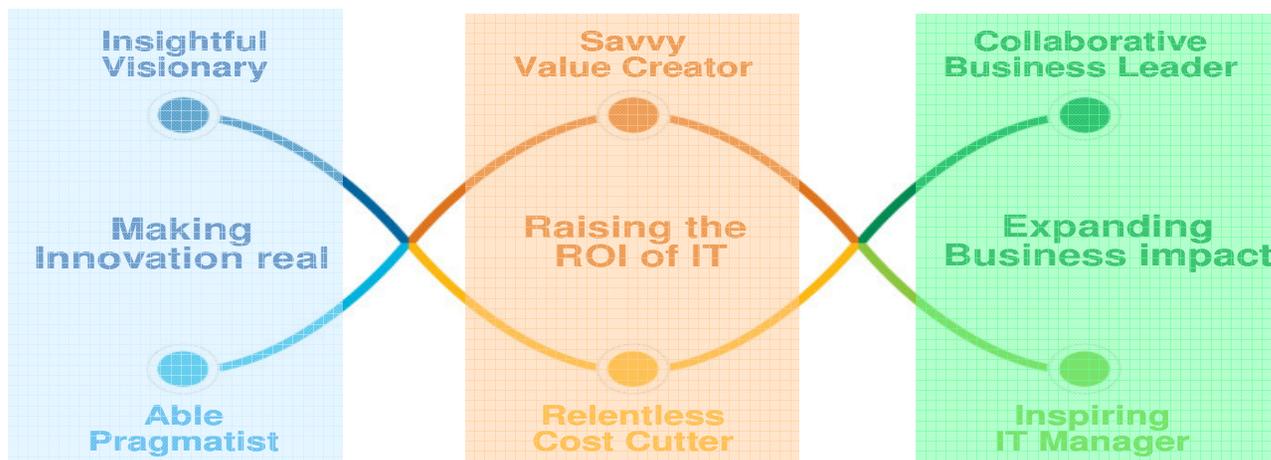
- Drive business and technology integration
- Champion innovation
- Push top technology priorities to enhance business competitiveness

- Transform data into information
- Reach customers in new ways
- Enhance integration and transparency

- Know the business
- Get involved with business in non-IT projects
- Present and measure IT in business terms

The New CIO Paradigm

One foot in the Business....



....and the other foot in Technology.

- Provide the Platform to enable the corporate vision
- Make working together easy
- Concentrate on core competencies

- Standardize to eliminate complexity
- Centralize the infrastructure to maximize economies of scale
- Keep cost reduction a top priority

- Cultivate truly extraordinary IT talent
- Delivery IT Performance
- Enhance the data

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- Background: “Setting the Stage”
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- Three Pairs of CIO Roles: “The New CIO Paradigm”

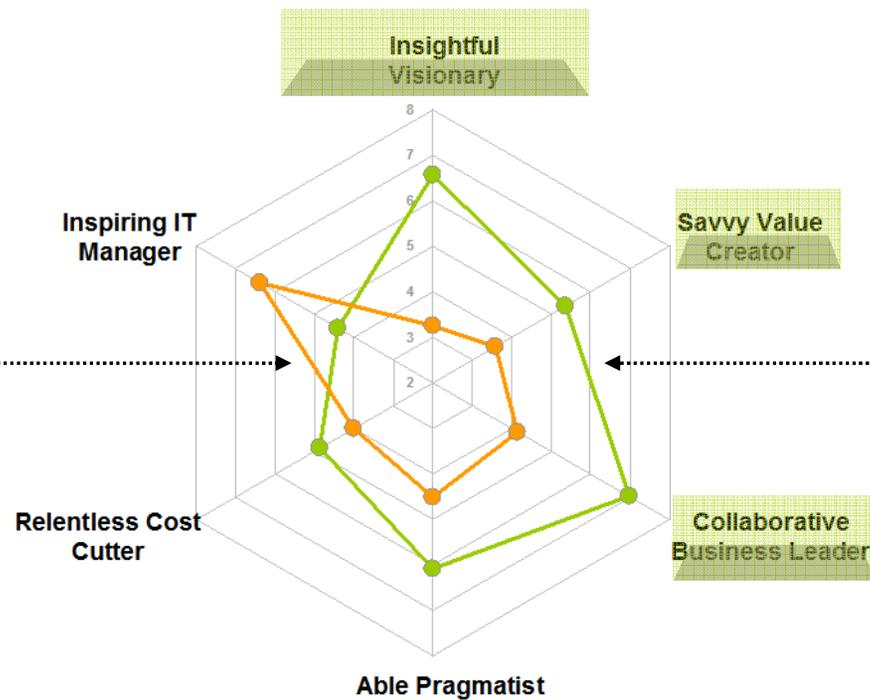


- Implications for CIOs: “How To Get it Done?”
 - **Increasing CIO Success:** Stretching the CIO Roles
 - **Key Enablers**
 - **Going Forward** – the CIO Mandate for 2010

In High Growth organizations, the CIO is much more stretched across the **business facing roles**

Low Growth:
emphasis on tactical
and IT focused
activities

High Growth:
considerably wider
“footprint” in
business facing
roles

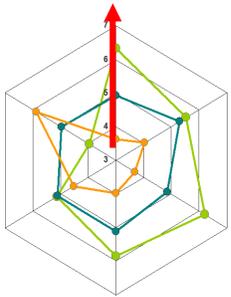


■ Low growth
■ High growth

Notes: n=85 (low growth = 48, high growth = 37)

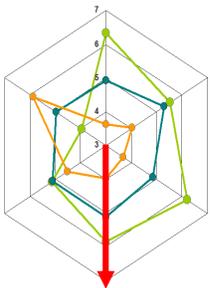
Key practices, behaviors and questions for CIOs pursuing a growth agenda for *Making Innovation Real*

Stretching as an Insightful Visionary



- **Push business and technology integration.** Offer solutions for colleagues' business dilemmas, even when the answer is not directly IT-related
- **Champion innovation.** Explain how new processes and technologies can deliver more value to both internal and external customers
- **Expand CIO influence.** Volunteer to help define the overall business vision and strategy and take on other non-technology leadership roles

Stretching as an Able Pragmatist



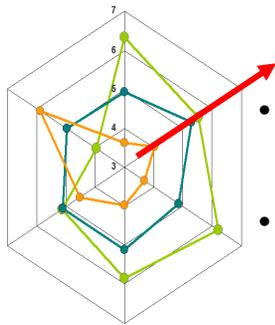
- **Enable the corporate vision.** Increase the flexibility, efficiency of infrastructure and applications of the digital platform to support ongoing business changes
- **Make working together easy.** Provide better partnering and collaboration technologies so internal and external customers stay connected and relationships are more productive
- **Concentrate on core competencies.** Improve business agility by accessing business services, specialty technologies or IT services through third parties

Key Questions

- Are you well-versed in how emerging technologies and innovative processes can address uncovered business needs in your industry?
- In what ways will you partner with third parties to increase the time you devote to driving innovation with the business?
- How can you expand the use of collaborative and communication tools to widen the knowledge networks of employees and partners?
- Do you measure implementation results so that business colleagues not only understand the results, but are convinced and inspired as well?

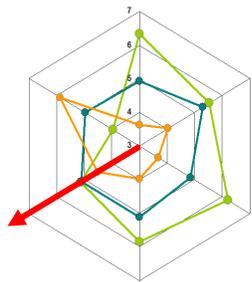
Key practices, behaviors and questions for CIOs pursuing a growth agenda for Raising ROI of IT

Stretching as a Savvy Value Creator



- **Make the data “sing”.** Surprise the business with unexpected ways to meet customer needs and otherwise profit from enterprise data
- **Reach customers in new ways.** Keep looking for more profitable paths to the end-customer
- **Enhance integration and transparency.** Address growing end-customer demands by proposing leading-edge technologies to create “one version of the truth”

Stretching as a Relentless Cost Cutter



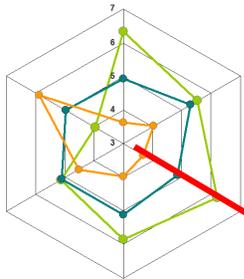
- **Standardize to economize.** Simplify, then standardize those business processes that are deemed necessary—also work to standardize and reuse
- **Centralize the infrastructure.** Consolidate and use third-party services whenever it makes financial and business sense, particularly to gain economies of scale
- **Keep cost reduction a top priority.** Remain diligent and creative in discovering new ways to lower enterprise costs related to technology

Key Questions

- In what ways can you work 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 information and do you suggest new ways it can provide value?
- How can you leverage competitors’ experiences to further optimize 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?

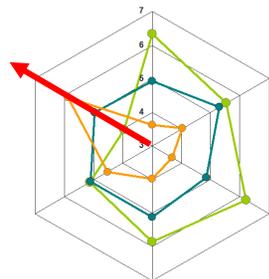
Key practices, behaviors and questions for CIOs pursuing a growth agenda for Expanding Business Impact

Stretching as a Collaborative Business Leader



- **Know the business.** Improve your understanding of the organization’s most pressing business problems
- **Get involved with business peers in non-IT projects.** Capitalize on opportunities to expand responsibilities beyond IT to directly influence the business agenda
- **Present and measure IT in business terms.** Drive shared responsibility for business success through joint performance metrics based on business outcomes

Stretching as an Inspiring IT Manager



- **Cultivate truly extraordinary IT talent.** Identify and grow savvy technologists into thought leaders who can expand the impact of IT
- **Lead the IT forces.** Position yourself as a strong leader who makes attainment of existing IT service commitments the top priority
- **Enhance the data.** Devote as much attention to data accuracy, availability and integration as to data security

Key Questions

- Do you leverage business relationships throughout the enterprise to expand your scope of responsibilities beyond the IT organization?
- How can you start the ongoing dialogue between the business and IT 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 improving the quality of enterprise data?

The most effective CIOs consider the full range of possible influences when evaluating how each pair of roles should be prioritized

Macroeconomic factors

- Stay abreast of market forces

Regional conditions

- Pay attention to geographical and regional particulars
- Know the availability of industry-specific skills

Industry characteristics

- Understand how customer expectations are changing
- Know where competitive threats exist
- Understand how customer relationships are evolving

Organizational influences

- Understand the organization structure and culture
- Evaluate the overall business and IT situation

Personal aspirations

- Request input from end users and IT colleagues to identify areas of strength, as well as improvement opportunities

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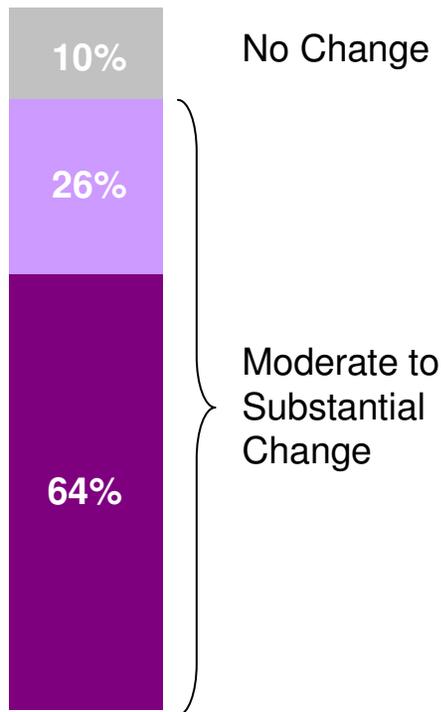
- Implications for CIOs: “How To Get it Done?”
 - **Increasing CIO Success:** Stretching the CIO Roles
 - **Key Enablers:**
 - Manage Change,
 - Right Skills,
 - Right Governance
 - **Going Forward** – the CIO Mandate for 2010



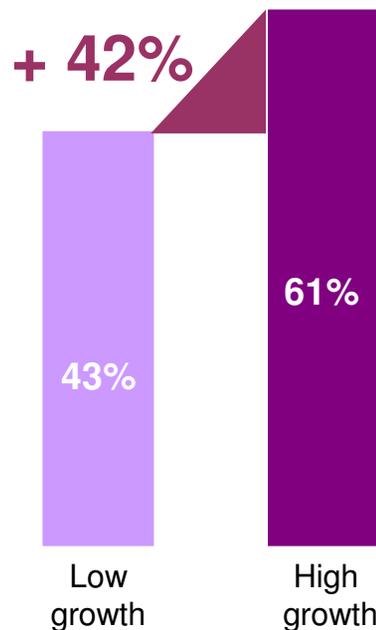
Key Enabler: Managing Change

Significant change is inevitable. CIOs in High Growth organizations report a substantially higher rate of success in making change happen

Most CIOs believe changes in business models, budgets and the economy will greatly impact them in the coming years



CIOs of high growth organisations reported managing change successfully 40% more often than those in low growth organisations



CIOs can learn from the “Change Masters” – part of IBM’s Making Change Work Study in 2008:

1. Consider Change Management as an investment - focus spending to offer the best return
2. Develop and promote a standard change method that can be applied consistently. Focus the change effort on benefits realisation
3. Enable rapid development of internal skills to keep pace with changes in the external environment

Source: IBM Global CIO Study 2009

Key Enabler: Right Skills

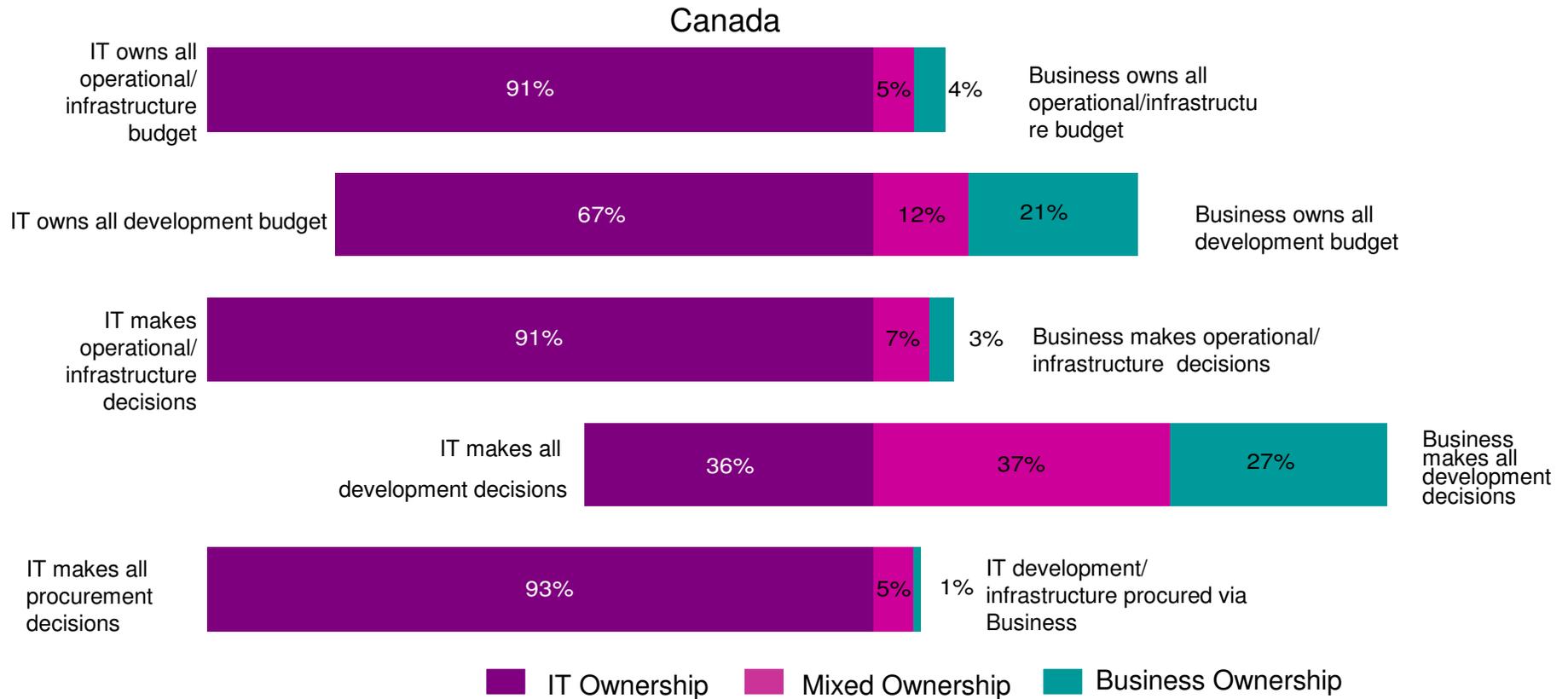
Now more than ever, the right blend of skills is required to deliver across the three role pairs highlighted by the survey. For a CIO, talent management around non-technical skills assumes new significance



Source: IBM Making Change Work 2008

Key Enabler: Right Governance

The survey reveals that Business actively participates in governance over IT development and expects IT to be accountable for the underlying delivery of services



“Development decisions : the what by the business and the how by IT”

General Business sector CIO, Canada

Sample Size: N = 151

Looking ahead – The CIO Mandate for 2010

Select the right mix of roles in the New CIO Paradigm to suit the situation-- focusing on capabilities and behaviors that enhance the CIO function.

Making Innovation Real

- Embrace a transformational IT strategy and architectural vision aligned with the evolving business model.
- Create robust end-to-end business processes to leverage across the enterprise.

Raising the ROI of IT

- Leverage the value of internal and external data through improved business analytics and optimization
- Maintain the relentless focus on IT Operational Effectiveness & Performance Management
- Leverage standardization, scale economies in the digital platform and strategic vendor relationships

Expanding Business Impact

- Get involved in the Business
- Cultivate truly extraordinary IT Talent

Have Your Key Enablers in Place

- Managing Change
- The Right Skills
- The Right Governance



Continue the conversation at www.ibm.com/voiceofthecio
or contact pbellack@ca.ibm.com 416 988 2068