

Evolution of the CIO

Focus shifts from delivery of solutions to delivery of business outcomes



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Information technology has become central to the ability of a financial services company to serve customers, earn revenue, manage risk, conduct operations, and drive bottom-line results.

As a result, IT no longer serves solely as a tactical enabler—a function considered only after a business strategy has been conceived elsewhere in the organization. Rather, in the most successful financial firms, senior executives responsible for allocating the firm's scarce capital recognize that well-managed

technology can produce a superior customer experience, more distinctive branding, and, consequently, better business performance.

IT executives in the leading firms are trusted stewards of 4% to 10% of the firm's gross revenue—funds best used to drive long-term shareholder returns. As technology plays an increasingly important part in successful execution of business strategy, the role of the chief information officer (CIO) as a C-level executive will evolve as well.

As we observe the evolution of the CIO and the broader technology function, we see their focus shifting from the day-to-day oversight

of operations and delivery of solutions to the delivery of *business outcomes*. For some firms, this means instituting new titles and responsibilities that raise the level of attention directed to “the five I’s”: information, infrastructure, innovation, investment, and integration.

How an organization addresses these factors will determine whether the top IT executive holds an established seat in the C-suite and whether the emergence of new roles for IT executives will result in a new distribution of authority.

A new seat in the C-suite

Many leading financial institutions have introduced a new C-level role to provide ultimate oversight of the firm’s technology—the head of technology and operations. While the scope of authority given to such officers varies widely, institutions have recognized that consolidating responsibility for the firm’s operations, technology, and shared services under a single individual creates greater opportunities for optimizing investments, efficiencies, and economies of scale.

Unlike a traditional CIO, the head of technology and operations is responsible for, among other things, finding and eliminating inefficiencies in front- to back-office processes and helping drive sustainable, long-term improvements to profits. Leadership expects such executives to think holistically about the businesses they are supporting; have a keen understanding of enterprise and line-of-business strategies; and offer solutions that recapture value that was historically trapped within fragmented or siloed business processes, systems, and data.

The advent of the head of technology and operations designation demonstrates that the financial industry is placing greater value on delivering quantifiable results aligned with the company’s goals and objectives. One of the world’s top investment banks, for example, recently promoted the head of operations to head of technology and operations, while eliminating the enterprise CIO role altogether. When employees of the firm are asked about what makes this individual uniquely qualified for the position, the two attributes most

commonly identified are:

- Persistent focus on measuring outcomes
- Ability to drive accountability through all levels of the organization.

These abilities, combined with business acumen, technology know-how, and operating discipline, enable the head of technology and operations to deliver high-value outcomes to business unit leaders, the CEO, and the board.

The I’s have it

Today, there is no single IT management model in the banking industry. Companies must consider the size, global scale, and complexity of their businesses when determining what roles and actions will yield the desired business outcomes.

While the role of the CIO is evolving, so too are the roles of several key IT executives who have ownership and responsibility for the business outcomes associated with the “five I’s.”

Information—*Critical as it is to financial businesses, timely data often reside in the most fragmented of IT domains, with poor data quality often stemming from a lack of end-to-end ownership and accountability.*

In response, many firms are now appointing a formal head of enterprise data—a “data czar”—who reports to the CIO, the head of technology and operations, or the business they support. This executive is responsible for delivering data quality and consistency; educating the business side about the need for data ownership and management to be a shared by business and IT; and quantifying the value yielded by data investments from financial, risk, and customer standpoints.

This executive will not own all company data. However, with a focus on outcomes, the executive will make sure that the enterprise data team is integrally involved with each critical business transformation initiative by driving architectural discipline, common standards, and data governance. For example, a large banking and asset management firm recently named a head

of shared enterprise data responsible for responding to the reporting requirements of global regulatory reform, including those of the Dodd-Frank Act.

Regional banks may not have the resources to appoint a dedicated data czar. But they are still establishing programs designed to improve the quality of enterprise information, both for and beyond impending regulatory requirements.

Infrastructure—*The financial industry faces a paradox. After several years of limited infrastructure spending, many firms are embarking upon transformation programs to achieve top-line growth, streamline end-to-end business processes, or both. Yet at the same time the industry keeps working to drive down costs in a sustainable way, mostly through re-engineering.*

The chief technology officer (CTO), therefore, owns the difficult task of supporting growth while reducing costs—two seemingly divergent goals.

To succeed, CTOs must combine a business mindset with the financial and operating acumen to oversee the infrastructure budget, which is typically the largest portion of the total IT budget. This takes a focus on cost measurement and the ability to build and deliver compelling business cases that articulate business outcomes to senior leadership.

By making smart investments in infrastructure, coupled with those in underlying operational discipline, the CTO can grow capabilities without proportional cost increases. Once again, success is measured by aligning IT metrics with those of the business.

The CTO at one of the largest banks in the U.S., for instance, recently made a strong case to management for infrastructure investment by quantifying the benefits on a cost-per-transaction basis. The officer successfully demonstrated the increased efficiency, scalability, and performance of the planned infrastructure to meet both growth and cost-optimization needs.

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Investment & Integration—*To support the business as it contemplates spending on technology, CTOs must possess thorough knowledge of the business and strong analytical discipline. They must work like their front-office portfolio management counterparts by balancing risk with anticipated returns in order to inform business decisions on capital allocation for technology.*

The question is where in the organization this responsibility is going to be managed. Will it be through the enterprise CIO or the head of technology and operations? Or will it be through technology executives who are aligned to specific business units?

In the case of either choice, success in this role requires business savvy in making the best use of capital and diligent monitoring and measurement of impacts of decisions. Able executives will build an IT business office to measure and publish results; drive accountability throughout all levels of the organization; and gain the appreciation of their business partners by working toward a common goal.

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Innovation—*Several banks have devised a new and different role charged with exploring and implementing innovative uses of technology to expand client-facing services, improve service quality and enhance efficiency. These new heads of IT innovation are often the ones working with business leadership to create a forward-looking portfolio of ideas or bets that can change the game. And they often take on a role similar to a venture capitalist's—managing a pool of investment dollars that fund pilot projects.*

While this position has yet to become an industry standard, it is likely to be perceived as a key differentiator for companies seeking to gain competitive advantage through the use of technology.

Future of the CIO

As the financial landscape changes, so too will the roles of the chief technology executive

and the other key IT executives who help the organization achieve tactical and strategic business objectives.

The concept of a head of technology and operations will be widely adopted. Smaller firms and regional banks that have yet to take this approach may find themselves reconsidering their delay, as pressure to expand their product portfolios and services adds to operational complexity.

IT executives will be evaluated according to their ability to drive business value, not merely their capacity for keeping operations

running and delivering technology solutions. This will accelerate an ongoing evolution of the IT executive ranks toward roles and leaders that are integrally involved in making business decisions, executing business strategy, and demonstrating the quantifiable return on technology investment. ■

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