Born to be digital: how leading CIOs are preparing for a digital transformation

Digital technologies are increasingly disruptive forces in our industries and economies. For CIOs, these technologies represent an enormous opportunity to forge a new role as drivers of transformational change in their organizations. To seize this opportunity, CIOs will need to learn new skills, approaches and attitudes.

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New research from EY[1] identifies the attributes to which digital-ready CIOs should now be aspiring. Based on quantitative and qualitative research conducted with CIOs who are already especially engaged on the strategic elements of their roles, especially at IT-intensive companies, it paints a portrait of the mindset needed by CIOs who are determined to embrace the shift to digital.

The lessons from those CIOs who can justifiably claim to already be digital-ready are clear, and they apply across all organizations, no matter what their level of IT intensity. In particular, these digital-ready CIOs share **six crucial characteristics**:

1. A strategic vision for how technology will transform the business, and a roadmap for implementing that transformation.

Digital-ready CIOs can articulate a vision of how their business needs to develop and the role that new technologies will play in that evolution. They understand what digital means for every area of the business, whether operational or customer-facing, and they make convincing arguments for why their organizations should embrace these opportunities.

In practice, this means that digital-ready CIOs must have a strong grasp of their company's business model — its products and services and how these get to market. In short, says Lars Mathiesen, the CIO of Danish financial services group Nykredit,

they must think like commercial executives who are focused on strategic thinking rather than technologists who are concerned with operations or kit.

"I am not an IT guy," says Mathiesen. "In my younger days, I was a strategic

man and at one stage I was CEO of a real estate agency; I have also been chief of retail business in a company. That makes it much easier for me to combine the business issues with IT and I think we will see more of this in the future."

Part of the strategic challenge facing CIOs is to communicate the vision. Almost 9 in 10 (87%) digital-ready CIOs are especially focused on setting out a vision of how IT can drive business transformation, compared with only 72% of CIOs generally.

Having set out this vision, however, CIOs must also be able to implement it. More than 8 in 10 (82%) digital-ready CIOs stress their focus on the need to design and execute business strategy, compared with only 64% of typical CIOs.

These are exacting demands, says Bruno Ménard, the CIO of French pharmaceutical giant Sanofi. "The core expectation of the CEO will be that their CIO is a good manager who can control costs but, in businesses embracing digital, they also want much more than this — someone who can push change management as a real business partner."

2. A relentless commitment to innovation

Digital-ready CIOs are obsessed with innovation: they are constantly on the look-out for opportunities for IT to cut costs, boost revenues, create efficiencies or facilitate the development of new products and services. They look across the business in order to seek out and grasp as many of these opportunities as possible.

"If I look at the expectations of my board members, they are really around innovation," says Bruno Ménard of Sanofi. "What does digital mean for my business, how can I create competitive strengths, how can I create resource from digital, how do I manage a digital transformation? How do I help my business teams to really shift or integrate digital in what they do?" A CIO able to demonstrate excellence in these areas — and more — will be seen as a crucial agent of change, Ménard suggests.

1. *Born to be digital: how leading CIOs are preparing for a digital transformation*, EY, 2014.

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Digital-ready CIOs understand the need to take charge of the innovation pipeline. More than 7 in 10 digital-ready CIOs (71%) strongly agree that they are responsible for driving the adoption of disruptive technologies within their organizations – particularly in areas such as cloud, mobile and analytics – compared with 51% of CIOs generally.

These CIOs are also notably more comfortable with driving innovation throughout the business, rather than simply in IT itself. Some 65% of digital-ready CIOs devote time to discussing how IT can research and develop new products and services for the business, compared with only 50% of typical CIOs.

Part of the challenge, adds Ménard, is to build organizational structures that ensure IT can go on delivering innovation consistently day after day. "There is still a need to improve the maturity of IT governance as it relates to innovation," he says. "We are currently reorganizing IT to split the roles of delivery and demand – the demand part is about being a business partner and organizing for that. We're trying to prepare, so that IT can be very astute in what it proposes and how it answers questions – we come to the conversation with thought-out proposals in terms of timeline and resources."

3. A close focus on how IT can drive growth – and strong relationships with business partners, such as the front office, that enable this

In the past, CIOs have sometimes acted as gatekeepers, sanctioning projects, or not, on the basis of their technological viability and cost. Today, digital-ready CIOs recognize they need to be the ones pushing the projects – and to work more closely with business partners in order to turn their hopes into reality.

"All this talk that 'the CIO is dead' is sort of silly, but the role is going to change – I can sit here and say 'you have to ask me' but, if I say no too often, I am not going to be asked," says Philipp Erler, the CIO of the German retailer Zalando. "Vice versa, I have to provide solutions and act proactively."

In particular, digital-ready CIOs are notably more determined to forge close relationships with the CMO – 59% cite this as very strong, compared with 37% of CIOs generally. As CIOs and CMOs move closer together, their shared expertise can be a powerful voice for monetizing customer insights.

4. An ability to communicate the potential of IT to key business partners

Nine out of 10 digital-ready CIOs say that skills, such as communication and the ability to influence people, are especially important in their role, compared with 79% of CIOs generally. No wonder: it is one thing to have a vision of what digital technologies might offer the company, but quite another to set out that vision to colleagues – many of whom may be less IT-literate – in such a compelling way that they are willing to sanction investment in it.

> **82% digital-ready CIOs stress their focus on the need to design and execute business strategy, compared with only 64% of typical CIOs.**

Lars Mathiesen of Nykredit says that CIOs have to learn how to inspire both those around them and the key decision-makers at the business. "Closer collaboration with the business and its management is going to become more important for IT in the future," he says. "We've got to get into the front office and we've got to get to the management team – inspiring the whole management group is going to be a vital role for CIOs in the future."

Part of the challenge will be to learn how to speak the language of the rest of the business – and to become more familiar with the politics that operate within all organizations. "It's the area where I have to develop most," says Philipp Erler of Zalando. "It's not necessarily a matter of social competence but about how to reach political understandings and to forge alliances."

CIOs who establish their credibility will find they are more likely to be listened to, Erler adds. "At our company, leadership and acceptance derive from competence," he says. "So that's about the

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projects that I have done and completed successfully on the one hand, but on the other hand, it's also about the way you are able to participate in discussions with the business."

5. A determination to move beyond the operational elements of the CIO role

EY's survey results reveal that digital-ready CIOs are far less likely to report that they have increased their prioritization of basic IT operations. Instead, issues such as change management and process improvements are more likely to be consuming their time. This reflects an important characteristic of digital-ready CIOs: they see their role as being much wider than delivering operational excellence.

This is not to say that digital-ready CIOs do not understand the importance of "keeping the lights on." Instead, the key is how they prioritize their responsibilities. Many have appointed key lieutenants in

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order to free up their own time for more strategic concerns.

Philipp Erler of Zalando says that he would not have been interested in the CIO role if it did not encompass this strategic element. "I was not the kind of person who did, for example, office networking projects – that seemed relatively unexciting to me," he says. "Much of what I did in the past was really product development, and now I see my role as strategic – how do I structure my platform so that it supports the goals of the company, how do I actively drive it forward, and how do I ensure that IT is in a position to help enable new business models?"

Sanofi's Bruno Ménard also believes that this broader responsibility is what makes the CIO role so attractive. "It is a great position because you need to have an understanding of the entire company – on the one hand, you must supply the services, so it's very operational, but on the other, it's increasingly strategic and innovative, and

it's also about people management."

Digital-ready CIOs are comfortable looking outwards from the summit of IT, rather than at what lies beneath them. They recognize that, while incremental improvements within their own departments will deliver benefits to the business, the more valuable prizes are to be found in using disruptive technologies to develop better business models throughout the organization.

6. The courage to take calculated risks

Making the leap to become a digital-ready CIO requires courage. There is a need to step out of established comfort zones, learn new skills, forge new relationships and try to take advantage of opportunities that simply did not exist when most CIOs began their careers. For these reasons, digital-ready CIOs are more likely to be risk-takers – and that is important, since many of the technologies they are now exploring are relatively untested. There are risks involved in adopting them – both for the business and for CIOs themselves, who put their credibility on the line by making the case for these technologies.

Herman de Prins, CIO of Belgium pharmaceutical company UCB, says that too many CIOs are risk-averse. "I talk to my colleagues at other companies and they don't even dare to set up a small pilot study within IT to establish whether something works," he says. "I work in financial services, which is highly regulated, so I have to be cautious, but all CIOs have to be prepared to experiment more."

Digital-ready CIOs do not have different concerns from their colleagues – indeed, EY's research shows that they share the same anxieties as their peers about issues ranging from resources to innovation. The difference is that they are more willing to try out different solutions. With initiatives such as small-scale pilot studies, they take calculated risks. Sometimes those projects fail, but that is part of the learning process. Digital-ready CIOs accept that, without these setbacks, they will never reach the transformational targets they have set for themselves. ∎