

Redefining the Rules of IT Leadership

Simon Mingay, John Mahoney, Mark P. McDonald, Michael A. Bell

Strong, capable IT leadership will differentiate IS organizations that disappear into the back office of utility services from those that capitalize on opportunities during the next two years.

ANALYSIS

Leadership

Leadership is a capability that stands distinct from management. The latter focuses on execution, organization, planning, control, performance and ensuring continual improvement. Leadership involves direction; its specific concerns are vision, strategy, inspiration, motivation, values and culture. The cost focus of the last three years has emphasized management at the expense of leadership. However, for many enterprises, the emphasis has shifted from cost toward growth and innovation. In these enterprises, it is imperative for the IT management team to develop its leadership capability — to lead the IS organization and to assume an active role in leading the enterprise in new directions during the next two years. The next 12 months are key: the IT leadership team must establish its credentials during that period to prove that it is worthy of a leadership role in the company.

This IT Management Spotlight focuses on leadership, which during the next two years will be the most-important capability in determining which IS organizations disappear into the back office of utility services and which ones build companywide credibility and drive business growth and agility. Such leadership must come from the senior IT management team. However, formidable challenges loom in the form of internal leadership deficiencies and senior executives who fail to recognize the need for strong leadership.

The Challenge

The intense focus on cost during the past three years has taken its toll. Although it may have served the business well, it has weakened leadership within the IT leadership team and fostered silo behavior, competing agendas, and a lack of a creative spark and critical dialogue in the IS organization. Few IT management teams are well-positioned, in terms of the breadth and depth of their capabilities as a leadership team, to deal with the challenges of growth, change and innovation. Others suffer from poor motivation, a shortage of passion and a lack of appropriate focus — especially in light of the changes beginning to occur around them.

As a result of these problems, many IT strategic plans in companies with relatively progressive business agendas are overly conservative, risk-averse, frequently introspective and, in some cases, bordering on apologetic. IT leadership teams must take a long, hard look at their capabilities and perspectives relative to the direction of the business, which will require strong leadership.

The Nature of the Change in Leadership

For most IT management teams, the next two years will differ sharply from the previous two. To meet the challenges of this changing environment, they will need to renew their leadership capabilities.

A Shift in Emphasis From Cost to Growth

Many companies will experience significant improvement in their markets throughout 2004. Their IT leadership teams will have to adjust their orientation from a cost-containment orientation to revenue enhancement and growth. Repositioning the IS leadership team in this way will require deft CIO leadership. On one hand, this is a unique opportunity for the CIO to enhance organizational credibility and influence; on the other, such a change could result in organizational dysfunction caused mainly by the failure of IT leadership to understand this shifting environment.

Even if the balance of 2004 is business as usual for some IS leadership teams, they must relentlessly focus on costs and minimize risk to prepare for a change in 2005.

Direct Business Accountability

The return of growth to the business agenda raises the bar for the business accountability of the IS organization. IT leadership will need to demonstrate greater levels of accountability to support business growth than were required when cost cutting was the order of the day. Business leaders must see IT as a direct contributor and accountable partner in growth or they will regard IT as a commodity input. IT leaders gain credibility when they provide options to achieve business growth goals, rather than create technical impediments to implementing business strategies. IT leaders must determine how to reduce product development and launch-cycle times, create better strategic and operational decision making, support increased productivity, and improve customer service. This will be difficult, but the credibility gained by supporting business growth will win the IS organization a larger role in determining the direction of the business.

Business leader skepticism over the value achieved from the installation of enterprise systems, such as enterprise resource planning, customer relationship management and supply chain management, creates an unwillingness to invest before tangible results. Combine this with IS leadership's desire to retain the hard-won management disciplines during the past two years, and the importance of direct business accountability becomes clear. There are no more IT investments — only business investments — and playing a leading role requires that IT leaders have greater direct business accountability to participate in growth initiatives. A significant part of the IT leadership challenge involves more than running a tight IT ship — it requires building business credibility.

Enterprise Transformation

The core value contribution of the IT leader's role centers on strategy, insight, high-level planning and resource control. The strategic outlook for the IS organization calls for significant changes in most aspects of its role and structure, as well as a major increase in complexity. Several trends will drive this change:

- The use of external service providers will continue to grow; strategic sourcing and supply/demand alignment will become critical processes.
- Enterprise partnerships will become a critical focus of IT value.
- The growing business focus of IT value and business transformation requires new leadership styles.
- The scope and importance of IT continue to grow in all industries and geographies, despite threats to its credibility.
- Business pressures for consolidation and federalization increase IT technical and relationship complexity.
- Application integration and architecture are vital inside and outside the enterprise.

Therefore, the role of IS leadership will evolve. IT leaders and business leaders must work in partnership — not as supplier and customer — to achieve enterprise success.

Leadership and management are distinct roles, but they are often confused. Leaders transform organizations and processes. Managers sustain established organizations and processes. Traditional management roles based on "command and check" do not positively differentiate enterprises, while the new content leadership roles in knowledge enterprises do. Not all leaders

have positions in enterprise management hierarchies. This is particularly true in knowledge enterprises, where leadership of the enterprise and leadership of knowledge content often come from different people. Enterprise leaders and knowledge leaders often have different positions in the traditional hierarchy-based structure. The requirements of both types of leader are the same. This is important, particularly in the context of planning IT leadership development, because IT leaders may be undertaking both roles, and they often have knowledge leaders in their own IS organizations.

The most-important outputs of leadership are the identification of external discontinuities; the articulation of goals and vision; and the delivery of drive, guidance and inspiration to achieve success. As enterprises become more dependent on innovation at the same time as the imperative remains to contain and cut costs, these leadership outputs become enterprise differentiators, rather than traditional management competencies. Leaders will need to create vision and leadership strategies to address the tension between cost-cutting and innovation by focusing on purpose, trust and relationships.

Features

"Demands for Business Growth Make CIOs Reallocate Their Time" — CIOs should review their roles and time allocation in line with Gartner's typology for IT leadership to meet the current and future needs of their organizations. **By John Mahoney**

"Keys to IT Leadership: Credibility, Respect and Consistency" — IT leadership credibility requires delivering results, aligning with the business and capturing management attention. **By Mark McDonald and John Bace**

"Four CIO Leadership Tactics Align With 2004 Market Recovery" — CIOs must demonstrate shrewd leadership in guiding the organizational shifts that will occur as businesses begin to recover. **By Michael Bell**

"Building a More Effective IT Leadership Team" — IT leaders must demand a team-based approach that eliminates the silo behavior of individuals focusing on their own domain. **By John Roberts and Simon Mingay**

"IS Leaders Have a Vital Role In Nurturing Strategy-Aligned Change" (www.gartner.com/rpt/rpt-0504-0041.asp) — IS leaders must learn to bridge the disconnection between strategic planning, change management and IT. **By Kraft Bell**

"Moving From Manager to Leader" — IT leaders should develop "creative change" to achieve the highest level of CIO influence. **By Linda Pittenger**

"CIOs: Find Out What Senior Executives Really Think of You" — Most IT managers and CIOs will not always be able to lead major business change programs, but they must identify and support those who can. **By David Flint**

"Senior Executives Don't Always Realize the True Value of IT" — Many IT managers have not understood the limited role that executives see for IT. **By David Flint**

"How WHSmith Makes Leaders of Its IT Managers" — WHSmith has employed methods such as a formal succession and development agenda to support its best talent and nurture future leaders. **By Simon Mingay**

"UPS Delivers Leadership Mentoring" — United Parcel Service uses a successful mentoring program to groom its IT managers to become leaders. **By Diane Morello**

"Nycredit Execs, IS Leaders Face Reality, Debunk Myths, Change" (www.gartner2.com/cas/cas-0504-0002.asp) — IS leaders can develop good change management capabilities by streamlining and integrating priorities. **By Kraft Bell**

"Federated Investors' CIO Leadership Drives IT Business Value" — A financial services provider focused on developing leadership capabilities to increase the business value of IT, and improve alignment and communication with the business units. **By David Furlonger**

REGIONAL HEADQUARTERS

Corporate Headquarters
56 Top Gallant Road
Stamford, CT 06902-7700
U.S.A.
+1 203 964 0096

European Headquarters
Tamesis
The Glanty
Egham
Surrey, TW20 9AW
UNITED KINGDOM
+44 1784 431611

Asia/Pacific Headquarters
Level 7, 40 Miller Street
North Sydney
New South Wales 2060
AUSTRALIA
+61 2 9459 4600

Latin America Headquarters
Av. das Nações Unidas 12.551
9 andar—WTC
04578-903 São Paulo SP
BRAZIL
+55 11 3443 1509