



CIO Leadership

Gartner Insights on How Leaders
Innovate for Digital Success

EDITED BY

Alvaro Mello, Gartner Research Vice President

Introduction

It's a digital world, and the CIO role has evolved beyond the traditional definition. Take, for example, this story.

Andrew recently joined a large media company as CIO in the midst of its digital transformation. Although the company was already five years into the execution of its original digital vision, the CEO and board wanted to imagine the future of digital media and possible disruptions to their business. Would it even be a media company in 2025? How might they leverage customer data for new business models?

The C-suite is looking to Andrew to answer these questions, or at least be a part of the discussion. **Like many CIOs, Andrew may need to negotiate his leadership of the company's digital journey with his peers and the CEO while collaborating with business leaders and building an effective team.** He will need to determine what it means to be a digital leader in the company, and how to effectively use his position to take digital to the core of the company.

If, like Andrew, you are a new or aspiring CIO at a company in the midst of a digital transformation, or shifting from an operational to a strategic role, we've created this playbook of Gartner research and CIO examples about how to take digital to the core of your organization, your leadership style and your team.

All of these responsibilities can seem overwhelming, but use the CIO playbook as a primer on how to conquer the new world order. Effective CIOs will rise to the occasion, guiding executives and the business on how to be successful and thrive in a digital world.



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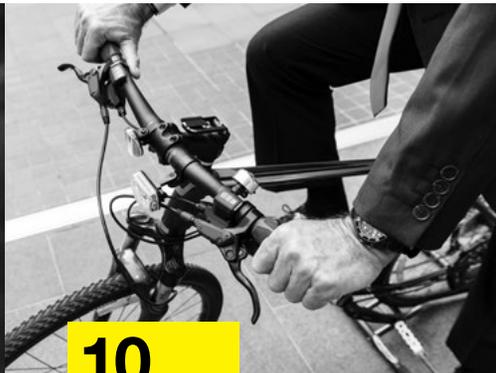
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CHAPTER 1

The CIO's Evolving Role

Digital business gives
CIOs new influence
and power



What inspires a multinational banking group to buy an “anti-bank?” On the surface, the answer is simple — a digital transformation of a traditional industry. But in reality, the purchase was a calculated investment in a long tradition of staying one step ahead.

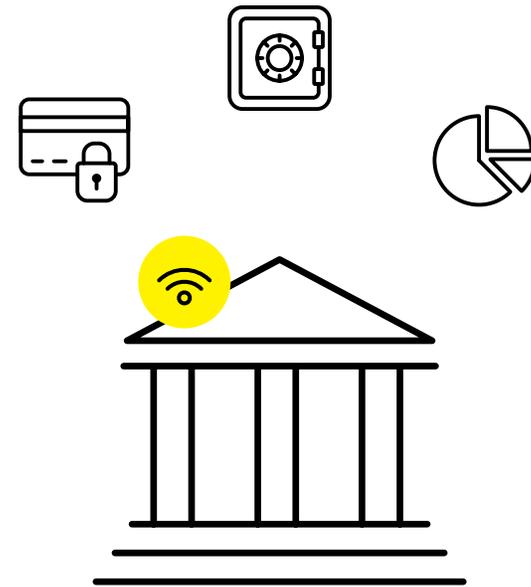
The bank in question is Spain's Banco Bilbao Vizcaya Argentaria (BBVA), a bank that operates in 31 countries with 50 million customers. In 2014, the bank bought Simple, a personal banking startup, but that acquisition turned out to be just one aspect of a long-held devotion to digital banking innovation.

Seven years earlier, the bank set out to create a foundation for its digital transformation, including a vision for the digital bank in 2020, an approach to big data and integrating customer-centric solutions, and considerations for the technological architecture, like real-time platforms.

The team also developed a layered digital banking platform and a set of underlying architecture principles to transform the business.

The initial digital transformation journey was a technological effort, according to Ignacio Bernal, head of IT transformation and deputy to the global CIO. The renovated technology core allowed the group to establish initiatives, including digital innovation centers that explore disruptive banking technology, and partnerships with universities and research institutions, such as MIT and Stanford Research Institute.

“One of the key lessons learned,” Bernal told Gartner research director Tomas Nielsen in a March 2015 interview, “is that we needed to put innovation very close to the business and have objectives that were much more concrete.”



The renovated technology core allowed the group to establish initiatives, including digital innovation centers that explore disruptive banking technology.

A completely different operating model

Once an organization begins its innovation journey, it must often make bold moves to execute the vision. Between 2012 and 2014, BBVA split its technology team into one team concerned with core banking applications and a front-office team concerned with disruptive and transformational technologies such as banking apps and the customer experience. It also spun off a company — BBVA Data and Analytics — to monetize data and analytics to third parties (i.e., business partners such as retailers).

As Bernal said, “We realized that even with a digital technology foundation, we needed a completely different operating model to succeed in the digital space. In other words, business and technology needed to work together in new ways. For example, business needed new and different priorities that would move it away from being focused on the branch network.”

By taking digital to the core of the business, Bernal followed a trend of the evolving CIO role. With the dissemination of IT technology across the company, many CIOs are left wondering what their role will look like in the future. Given that even decisions about IT budget are being spread across multiple departments, **CIOs have a unique opportunity to play a more pervasive role and scale their business influence.**

A successful digital journey

BBVA established a digital banking division headed by a chief data officer (CDO) who is on the top-level management committee. Then the company co-located IT and business leadership teams in Madrid to integrate front-office IT with the business units. By working together as one agile team, IT and business leaders developed the same digital objectives.

To lead their organizations on a successful digital journey, CIOs must work closely with their C-level and business-unit colleagues and their CEOs to build a vision for taking digital to the core of the enterprise. In doing so, they renovate IT and their organizations, but they must address their leadership styles as well. The good news is that **CEOs and other senior business leaders think more highly of CIOs' influence and power — even more than CIOs do** — suggesting now is the time to take action and step up to your leadership opportunity to transform the business.



“This difference of perception suggests that CEOs have greater confidence in CIOs than CIOs have in themselves ...”

Diane Morello, Vice President and Gartner Fellow

The CEO/CIO digital partnership

Most companies have come to an understanding that digital change is a macro factor that impacts strategy in their industry and have decided to improve their digital capabilities, says Diane Morello, vice president and Gartner Fellow. They also understand that this undertaking requires a new kind of leadership. The Gartner 2016 CEO and Senior Business Executive Survey found that half of the CEOs surveyed expect to see substantial digital transformation in their industries, or for their industries to be almost unrecognizable within five years.

“It is no longer hard to imagine how every industry will be digitally remastered,” says Mark Raskino, vice president and Gartner Fellow. “There are numerous examples — such as self-driving cars, the rise of blockchain in banking, the e-cigarette revolution in tobacco and the potential impact of the Internet of Things-fueled data science in insurance. CEOs in other industries that have not yet seen the crest of their own digital tsunami are scanning the horizon for it.”

To ensure they stick to their digital business transformation plans, more CEOs are choosing to head up digital change in the business. If they delegate primary responsibility, the next most likely leader is the CIO. How the CIO relates to the C-suite will be an important part of a successful transformation.

According to Gartner CEO research, one third of CEOs and senior executives characterize their CIOs as trusted allies and nearly half see CIOs as partners — a testament to CIOs’ growing credibility and impact.

While that perspective looks to be good news, CIOs themselves have a more tentative view of their own influence and power. The 2016 Gartner CIO Survey reveals that CIOs see themselves more as partners and as transactional than as trusted allies. Interestingly, while 1 in 3 CEOs consider CIOs to be trusted allies, only 1 in 4 CIOs claim the same title. “This difference of perception suggests that CEOs have greater confidence in CIOs than CIOs have in themselves, indicating CIOs need to be more confident in the amount of faith CEOs have in them,” says Morello.

What Kind of CIO Are You?



As trusted allies, CIOs and IT organizations routinely take leadership roles or ownership of business issues and are usually C-level executives reporting to CEOs.



As partners, CIOs and IT organizations often discuss upcoming business opportunities and threats with senior business leaders.



As transactional, CIOs and IT organizations mainly interact with the rest of the business to understand demand and provide IT services.



As at risk, CIOs and IT organizations mainly engage reactively about IT performance.

The Influence and Power of CIOs From Two Perspectives

Q: How would you describe the current levels of influence and power of the CIO and IT?



2016 Gartner CEO and Senior Business Executive Survey, n= 396;
 2016 Gartner CIO Survey, n = 2,743
 Source: Gartner (March 2016)

CIOs act as trusted allies

What are the traits of the trusted ally CIO? When Gartner researchers looked for the one quality that distinguishes CIOs with the most influence, they discovered that the majority of CIOs have it: intuition. Notably, 73% of CIOs are intuitive compared to only 49% of general managers.

Why is this such a critical trait? Because in the era of digital business the density of interactions between people, business and things creates an economics of connections, **CIOs must shift from a culture of control to one of influence to help their organizations build new value**, according to Mary Mesaglio, research vice president at Gartner.

The trusted ally is a C-level leader with responsibility for information and technology across the enterprise. Whether technology ownership for an initiative sits in the IT department, marketing or another department, the trusted ally CIO leads with a digital vision the entire enterprise can get behind. Well over half of trusted ally CIOs lead digital teams across their enterprises, versus only a third of all other CIOs.

“They are masters of the economics of connections,” Mesaglio says.



“CIOs must shift from a culture of control to one of influence to help their organizations build new value.”

Mary Mesaglio, Gartner Research Vice President

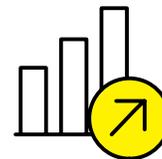
These connections often take the form of forging new partnerships across and outside the business. **Trusted allies, in particular, are focused on the digital business ecosystem more than internal efficiencies.** They are looking for external associations. In interviews with senior IT leaders at Gartner Symposium/ITxpo 2015, attendees said that they are all being asked to partner with the nontechnical community more frequently. “IT is being asked to get involved in new challenges where we can bring not just a technical skill, but a different mindset to problem solving throughout the organization,” commented an attendee.

Another attendee noted the role will continue to evolve in order to stay current on digital trends. **“My leadership constantly evolves, as it must to keep pace with the business, the market in which it operates and the potential raised by an ever-faster, technically adept world.”** If you do not build it, someone else will. You can no more hold back progress than you can command the tides. Fortune will favor the bold,” the attendee said.

Digital business blurs traditional industry boundaries and can offer vast new territories to conquer. CEOs and CIOs are aware that newborn digital competitors and incumbents from other industries can unexpectedly disrupt the enterprise's own traditional core. While a traditional organization will tolerate, and perhaps even encourage, digital experiments, **it will not succeed in taking digital to the core unless the top decision makers commit themselves to adopting new techniques and leadership behaviors.** The following chapters describe the new rules for leading digital transformation, how to view disruptive forces and innovative methods for bringing top talent into the organization.

CIO Actions

- Look across different industries for examples of successful digital businesses.
- Determine if you're a trusted ally, a partner, a transactional CIO or an at-risk CIO.
- Establish the best way to become a trusted ally of the CEO and lead the digital business.
- Forge new partnerships across the business, including in the nontechnical community.
- Begin the shift from a culture of control to one of influence.



75% of CEOs expect digital industry changes to bring higher profit margins.



CHAPTER 2

Plot Your Digital Leadership

Lead the C-suite on
the digital journey

CIOs continue to play a key role in enterprise initiatives, particularly those with a technology edge. Failed first-time deliveries cost the online shopping industry about \$1.3 billion a year in redelivery costs, and 60% of customers have experienced a delivery problem with online orders. A potential technological solution came in the form of Volvo's Roam Delivery. This was an innovation that provided deliverers with a temporary digital trunk key so deliveries could be made directly to a secure Volvo car trunk. Of the 100 trial participants, 87 said the IT-funded solution saved time and added convenience. Volvo is currently making plans to commercialize the offering.

The idea came from an innovation team formed by Klas Bendik, senior vice president and global CIO of Volvo Cars, who says in a digital world, the IT department should to do more than just take orders and deliver on requests. Instead, IT should have a role in generating ideas and initiating innovation. **Under his leadership, the IT organization has evolved to play a key role in 70% of high-level corporate decisions.**

Bendik also worked to educate senior executives about digital and, more importantly, get them excited about it. Volvo has an IT board that is part of the corporate governance and Bendik reserves 30 minutes at each meeting to talk informally about one or two megatrends.

Nearly 40% of CIOs reported that they are responsible for digital transformation in their enterprises.

Leadership that extends to the C-suite is a platform that CIOs can build on, like any other asset, to drive organizational and personal success.

In fact, nearly 40% of CIOs reported that they are responsible for digital transformation in their enterprises and 34% of CIOs are responsible for innovation. Taking on additional responsibilities like these are an important step in establishing a digital leadership role in the C-suite.



You need to “step up to the plate in digital business leadership, recognize this as a team sport, and bring the business leadership and the IT team with you.”

Lee Weldon, Gartner Research Managing Vice President

As a CIO, to help your enterprise survive and ultimately thrive in a digital business world you need to “step up to the plate in digital business leadership, recognize this as a team sport, and bring the business leadership and the IT team with you,” says Lee Weldon, managing vice president at Gartner.

Make digital leadership a team sport

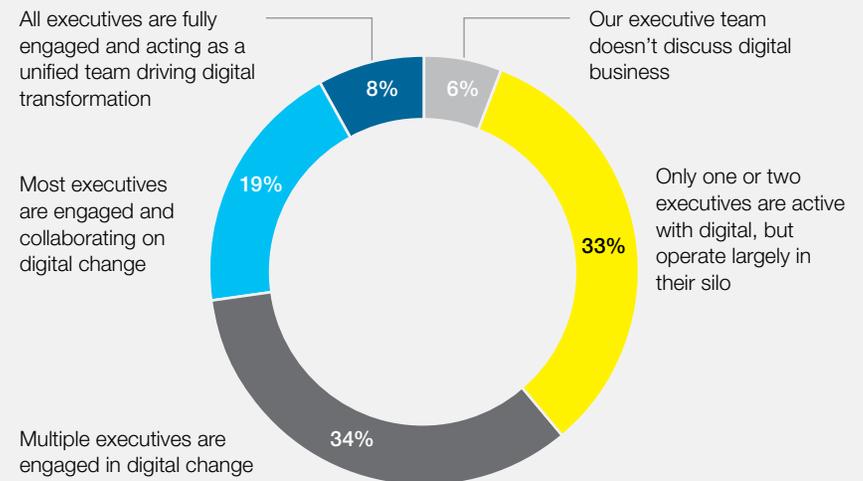
BBVA and Volvo are two examples of how digital business changes customer propositions, business models, industry models, financial models, talent and more. Other examples, such as developments in autonomous vehicles, rely on changes in regulations and culture as well.

For that reason, **digital cannot be owned and executed as a single departmental function**, Raskino notes. An organization's leadership must evolve to accompany digital transformation. "If a car company's legal, finance and engineering leaders are not deeply and intimately involved in digital change, how can it happen?" Raskino asks. If customers fear self-driving cars, the marketing department must focus on helping drivers overcome their trepidation. When the company needs top artificial intelligence (AI) talent, the creative and competitive competency of the HR department becomes essential.

"Winning in digital business will be a team sport," says Graham Waller, Gartner research vice president.

Yet, many companies still struggle to bring their top leaders along on the digital journey. When Raskino and Waller, co-authors of *Digital to the Core, Remastering Leadership for Your Industry, Your Enterprise and Yourself* (Bibliomotion, 2015), held a webinar to discuss the key behaviors, or personas, that are necessary to lead digital business, they asked the audience about the level of digital business engagement across their organizations' C-suite. The audience of business and technology executives across industries responded that while many executives have become involved, only 8% are fully engaged and acting as a unified team driving digital transformation.

Digital Business Engagement Across the C-Suite



Feb 11 2016 N=167 Business & technology senior leaders
Digital to the Core Personas Webinar Poll

Ensure every leader plays on the digital team

It's tempting to think of digital as distinct and separable into specialist enclaves. All organizations have a deep-seated bias toward perpetuating business as usual and repelling forces that try to change conventional and well-honed best practices. Here's how three C-level roles must play together to win at digital.

Chief executive officer

Digital business change can quickly alter the fundamentals of the business, including what customers want, what the product can be, what the industry is, and what the company structure and mission should be. These are matters that only the CEO can deal with, in conjunction with the board of directors, investors, executive team, customers and other major stakeholders.

Leading from the front is essential. "If the CEO does not own and drive the biggest and hardest decisions, then change will be superficial and weak," Raskino says.



"If the CEO does not own and drive the biggest and hardest decisions, then change will be superficial and weak."

Mark Raskino, Vice President and Gartner Fellow



"Winning in digital business will be a team sport."

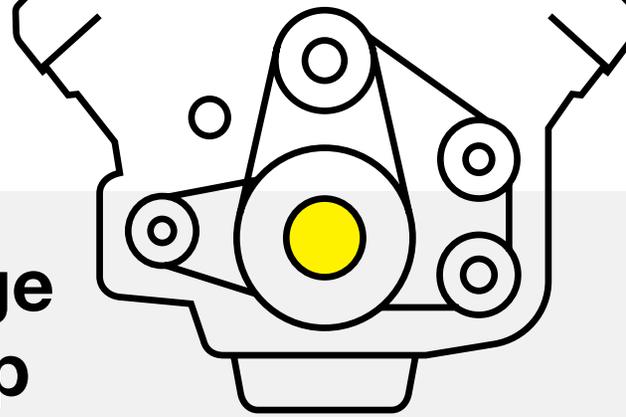
Graham Waller, Gartner Research Vice President

Chief financial officer

The company's CFO must adapt the financial model to the new cash flows that digital brings. Factors like balance sheet structure, capital investment profile, free cash flow, revenue recognition timing, gross operating margins and tax optimizing methods can change radically when digital disruption occurs. As Waller says, "The thing you are monetizing and the way you do it will often change, too, for example, from a product sale to a service subscription or an intellectual property licensing fee. **Only the CFO can make these changes and judge how to time them.**"

Chief operating officer

The COO will have to lead the transformation to new operating models, or perhaps change the nature of what he or she is operating. New competencies will need to be incubated for 3D printing, cloud-based services or digitally enabled products, and these new areas will need to find a home on the organization chart. Existing areas will feel threatened, so **dealing with active and passive resistance will become a key leadership issue for the COO.**



10 Ways to Turbocharge Your Digital Leadership

1.

Take a board member out to breakfast

The opportunities and challenges that you see as CIO need to resonate all the way to the top. Each quarter, invite one or two members of your board of directors (align this action with your CEO) to update them on how technology is impacting your business.

2.

Power map your leadership network

Enterprise CIOs have too many matrixed relationships to try to exert influence and buy-in with everyone. Create a power map of advocates, adversaries and neutral parties, and consider how you might convert the neutrals and neutralize the antagonists.

3.

Link to your CEO and board's top metrics

What is your CEO really focused on? Your IT performance metrics should be tied to those objectives. The promises that your CEO makes to shareholders in the annual report is a good way to identify what's most important.

4.

Revisit your CMO relationship

Marketing departments have made enormous investments in sensors, location awareness and mobility technologies to unlock digital business moments. Collaborate with your chief marketing officer as an information partner, rather than a technology partner, to drive innovation through new data sources.

5.

Develop a business sacrifice list and divest a system every quarter

To get budget for that next big digital initiative, the business might want to take a hard look at selling assets, or shutting down systems or even lines of business that don't fit the long-term strategy. Make a list of assets that could be sold or systems that are a drain on the budget.

6.

Develop a techquisitions list

What if you could buy the digital capabilities that you need instead of developing them on your own? This is a core strategy for Google, Amazon and Facebook, as well as traditional companies like Under Armour, and it's worth a back-of-the-napkin exercise.

7.

Exploit crowdsourcing more widely

No single person drives innovation — it takes a crowd, and the crowd extends far outside the leadership team and IT organization. Some of the best ideas come from unexpected places. Resolve to determine how social media or some other collaborative mechanism can help unearth competitive advantage.

8.

Deliberately cross an organizational boundary

Digital business is fluid and dynamic. Enterprise organizational structures are not. Stake your claim to innovation by initiating experiments and incubating talent. If the competency that you develop is a success and winds up in a different department, that's still a success for you.

9.

Shift your IT thinking from "how, and what skills," to "why, and which competencies"

Talent is the core of innovation. "Hard" skills alone shouldn't guide where your talent fits into the purpose of a project or program. Assess a continuum of behavioral characteristics, which include a knack for being attuned to business levers, instigating new solutions and educating others on what is possible.

10.

Write three to five digital behavior maxims and make them wallpaper

Think about your objectives for the year. What are the most important behaviors that will drive success? Now, express them in two- to five-word slogans (for example, "iterate wildly" or "show the thing"), and place them everywhere so everyone sees them every day.

Play the same game

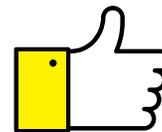
All leaders must be involved in the same digital sport. As Raskino says, “R&D can’t beta-test digital products that Legal isn’t ready to sign off on. Sales can’t confidently sell online services that IT can’t quickly evolve and properly maintain, and **the CEO can’t promise customers a bright new tomorrow if the team can’t deliver.** Importantly, the board can’t convince investors to stay loyal if the company looks like it’s on the victim list in the next wave of industry disruption.”

For example, Volvo Cars uses technology in vehicles, manufacturing processes, sales channels and internal operations, so integrated leadership of technology is vital to business success. Stakeholders in digital leadership reside in marketing, product management, corporate communications, planning and strategy, dealerships, R&D and HR — not to mention the customer realm.

In essence, the new digital business leader creates an innovative journey that starts at the top to take digital to the core of the business. The journey begins by understanding the key disruptive forces you can harness to disrupt your industry or your own organization.

CIO Actions

- Play a highly proactive role in leading the digital transformation and innovation among the C-suite.
- Set a goal of transforming IT from back-office function to a source of innovation providing future revenue streams.
- Learn what roles the CEO, CFO and COO must play for digital success.
- Create a roadmap — starting at C-level — that begins the digital journey.



CEOs expect 46% of customer-perceived value in their products to be digital by 2019.



CHAPTER 3

Take Digital to the Core

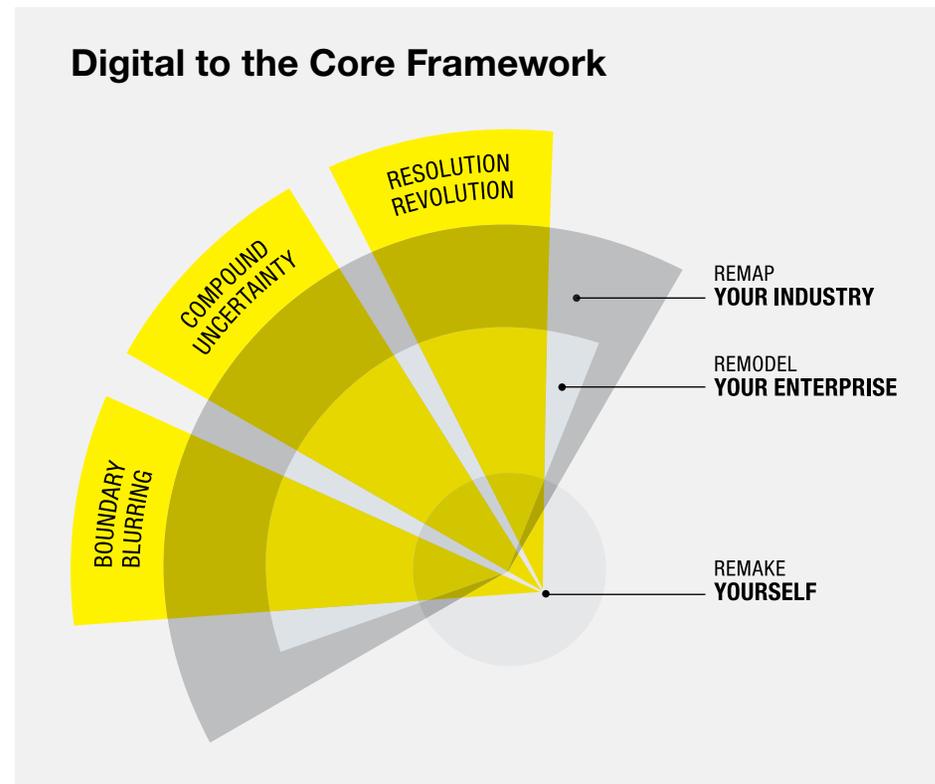
Harness disruptive forces
for your advantage

To compete in the digital era, CEOs, CIOs and other leaders must extend digital business from isolated pockets to the core of products, strategy and business models. Many enterprises have made a start with digital business by digitalizing physical products or turning data of interest to customers into a service. In this phase, digitalization occurs in pockets of the enterprise; for example, in product development or marketing. Now enterprises find themselves at an inflection point:

They need to take digital to the core of strategy and products.

Enterprises that are digital at the core started their transformation by taking an outside-in perspective. According to the Gartner CEO survey, 50% of CEOs expect their industry will undergo a substantial transformation or be unrecognizable by 2020. According to Raskino and Waller, three macroforces will fuel waves of deep disruption across all industries and should spur leaders to rethink fundamental industry paradigms to give the enterprise a competitive advantage:

- **Resolution revolution:** The ability to see in detail the physical and digital worlds and to precisely control things, events and outcomes
- **Compound uncertainty:** The three interrelated tipping points of technology performance, regulatory change and cultural acceptance
- **Boundary blurring:** Alterations in the scope and purpose of industries and organizational structures, caused by the merging of the digital and physical worlds



Source: Digital to the Core (Bibliomotion, 2015)

Leaders take digital to the core of their products by harnessing these three forces to their advantage. In April 2012, Eric Babolat, CEO of Babolat, the French sports equipment company, revitalized the tennis racquet with a sensor that digitally captured a player's swings to serve and communicate rich data to a smartphone or tablet application, an example of the resolution revolution. In doing so, Babolat became, in essence, a technology company, blurring the boundaries of its industry. With the successful petition for the thirty-first rule of tennis to allow the use of a connected racket during match play, **the company literally changed the game of tennis.** Despite the compound uncertainty, Babolat timed the release to when consumer and regulatory acceptance of sensor-enabled devices and "things" reached a tipping point.

Leaders who fail to acknowledge and attend to all three forces may miss opportunities, or watch their industries or enterprises subsumed by competitors or startups. Babolat became an early mover in the tennis industry by making a strategic bet and potentially risking the company reputation on a major shift to digital business.

Master the bimodal journey

For any organization faced with a need to innovate in a digital world, a bimodal approach is essential. Bimodal recognizes that some areas of the enterprise have more certainty, clear objectives, and understandable cause and effect. Here, we can predict and plan using a Mode 1 approach. In other areas, requirements are unclear and changing, the relationship between action and outcome is uncertain, and things are less well-understood at the start — all of which require a Mode 2 approach.

Bimodal is the practice of managing two separate but coherent styles of work: one focused on predictability; the other on exploration. Mode 1 is optimized for areas that are more predictable and well-understood. It focuses on exploiting what is known, while renovating the legacy environment into a state that is fit for a digital world. Mode 2 is exploratory, experimenting to solve new problems and optimized for areas of uncertainty.

This strategy is particularly necessary for those enterprises not used to innovating their business and business model with technology, according to Simon Mingay, research vice president at Gartner. Gartner's annual 2016 CIO Survey indicated that 40% of CIOs are on the bimodal journey.

"However, many organizations aren't using bimodal strategies to the fullest," says Mingay. "Of the organizations already using a bimodal strategy, there are three main roadblocks that prevent them from becoming more bimodal: Culture, priority and legacy."



**40% of CIOs are on the
bimodal journey.**

Challenge: Break Down the Barriers to Bimodal

Culture:

Cultural change is a complex and long-term undertaking, and bimodal is about culture change across the enterprise, not just within the IT organization.



Solution:

Celebrate the value and contribution of both modes, and ensure equity in terms of reward, recognition, development and remuneration. Don't allow Mode 2 to act or be perceived as the "cool kids."

Priority:

Of organizations currently adopting a bimodal approach, 13% say that they are constrained in their ability to expand the use of bimodal because they have competing priorities, with other important and/or more urgent things gaining their attention.



Solution:

To keep bimodal development moving, it's important to create a two- to three-year vision about what capability the organization will need in the longer term.

Legacy:

Ten percent of organizations cite the constraints of their legacy environment as the primary limitation to them being able to further expand bimodal.



Solution:

The renovation of the legacy environment unleashes the full potential of bimodal. This renovation activity, and the opening up of the legacy environment, are not trivial activities. They are at the heart of why bimodal is about the investment in, and development of, both modes.



“Of the organizations already using a bimodal strategy, **there are three main roadblocks** that prevent them from becoming more bimodal: Culture, priority and legacy.”

Simon Mingay, Gartner Research Vice President

Practice disruption

One of the most surprising findings in the 2016 CEO and Business Executive Survey is that **CEOs appear to see digitalization as a positive force, not a destructive one.** They have a “glass half-full” view of its “disruption” when measured in the most important currency of business: profits.

“It would be naive to believe that every company can disintermediate every other as digital methods simultaneously redefine how markets and ecosystems operate. Digitally mature industries do not feel inherently more profitable for the majority of market participants, even if a few platform owners do very well from the change,” says Raskino.

“On the other hand, digital business does not have to be a zero-sum game. When we take digital to the core of every product and service, there is the possibility of moving many more industries toward a Moore’s Law pace of advancement and increasing the total of value created,” says Raskino. “Simply put, the pie should get bigger.”

Aiming to disrupt its own business is the norm at online-only grocery retailer Ocado. Paul Clarke, director of technology, explains, “We are trying to disrupt ourselves before someone else disrupts us. **The only way to sleep at night is to be your own worst enemy and force yourself to solve problems before somebody else does.**”

To succeed with innovation and “self-disruption,” Clarke adds that “you must have humility and realize that you won’t know it all, that you are on a continual journey of learning, as an individual as well as part of an organization. You need to maintain a high level of curiosity, and a willingness to learn and question yourself. That willingness to innovate

the innovation factory entails constant self-examination and tuning within the organization. Organizations that think they have achieved mastery — well, that’s usually the pride before the fall.”

The key is having a team that supports this initiative of innovation and self-disruption. Although Ocado’s main focus is on executing the platform vision, the company also has to make sure that the structure can evolve as new elements of the business strategy and vision arise. Its 10x, Ocado’s advanced research department, looks much further out and works on game-changing solutions similar to Google’s X division (though obviously on a smaller scale). “Everybody needs to get up in the morning and be thinking that it’s part of their day job. Everybody has to be disrupting themselves all the time. It needs to be a part of our core,” Clarke says.

Ocado has developed a team of people who are capable of supporting the digital to the core mission, but finding and recruiting top talent can be a challenge for CIOs.

CIO Actions

- Extend digital business from isolated pockets to the entire business.
- Understand how the three macroforces will disrupt the business and look for opportunities.
- Establish a plan to operate at industry, enterprise and personal levels.
- Consider whether to disrupt your own business and ways to create an environment to support innovation.

CHAPTER 4

Cultivate Your Digital Team

Attract and manage top talent



With a population of 850,000, Ventura County in Southern California is the 11th most populous county in the state.

Despite being the second-largest employer in the area, Mike Pettit, CIO of Ventura County, admits he struggles to find “exceptionally talented individuals.”

As a public sector entity, Pettit found that working within the classification system restricted how the county was able to hire people. Plus, with a dwindling pool of IT talent and an increasing need for IT, finding the right hire was a challenge.

Recognizing the value of bringing in high performers, Pettit focused on what unique perks working for Ventura County would offer — mainly a Southern California lifestyle in an area with 42 miles of coastline and Los Padres National Forest. **Pettit also adjusted the physical office environment to be more reflective of a software company than a government office.**

Working for the county has one more unique benefit — the opportunity to make a difference in the community. For example, working with a contractor, the IT team once created an app to match pet owners who have lost pets with animals that have been found to create a no-kill system for a local animal shelter. Pettit pointed to the unique opportunity to contribute to the county as a good way to attract talent.

Ventura County identified what high performers were looking for and coupled that with the natural location of the business to create an atmosphere that would attract and retain top talent.

The challenge of top talent

Finding top talent is an ongoing and increasing challenge for most CIOs as companies move into the digital age. Never has this selective group of employees been so elusive or so important to a company’s success. Not only is top talent highly sought after, it has a far greater impact on the enterprise, especially in terms of innovation, says Richard Hunter, vice president and Gartner Fellow in the Gartner CEO Research Group.



66% of CIOs believe there is a talent crisis.

Although 66% of CIOs believe there is a talent crisis, few have taken steps to adapt their recruiting and retention strategies to acclimate to the digital world. In fact, **CIO respondents to the 2016 survey ranked personnel/workforce as one of their most hated duties.** It’s unclear whether the dislike is a result of the challenge or if the challenge is a result of the dislike.

“Talent issues are, in fact, difficult at both personal and corporate levels,” says Hunter. “As the world goes digital, it is increasingly clear that the quality of IT talent is more important than ever to enterprises, and that the balance of power between the enterprise and top talent has shifted to the latter. CIOs can and must engage with talent in ways that go beyond what was sufficient in the mid- to late-20th century.”

Why top talent is different

Not only is top talent the people who will impact the company more than any other group, they have different expectations of what an employer should provide. **They are highly coveted employees with a wide range of options for their next assignment or employer.** Top talent also expects outside pay for outside performance.

The employees who will make a successful business don't necessarily fit the traditional skill set idea. Ocado's Clarke shared that he is always looking for people who are smarter than him, who ask the right questions, who challenge and refuse to take no for an answer. He is not afraid to hire "the odd-shaped rocks needed to build structures that you cannot build out of regular blocks."

Build a talent platform

Many companies have been reluctant to overhaul traditional recruiting techniques, but **by creating a "talent platform," CIOs can increase their ability to identify and attract the best employees.** The talent platform enables executives, HR representatives and potential employees to create and maintain engagement and evolving relationships, much as a marketing platform performs similar functions for marketers and customers. Like other digital business platforms, the talent platform includes tools and functions for these various "customer" segments. A key function is to capture data and analysis about employees — current or potential — and talented individuals.

"The talent platform specifically supports an approach to talent that recognizes and leverages the 'customer decision life cycle' of explore, evaluate and engage," says Hunter. "Treating talent as a customer whose relationship with the enterprise includes a mix of exploration, evaluation and engagement over time is more realistic and fruitful for all involved than treating the acquisition of talent as a transaction."

It may sound like a large undertaking, and it is, but consider some of these platform-inspired initiatives:

- Seeking talent from the rest of the business by establishing mutually beneficial developmental and rotational plans
- Tapping relationships with educational institutions for more internships and junior hires, and research partnerships focused on key digital era capabilities
- Considering acquisitions of small tech companies as a way of capturing talent ("techquisitions")
- Unlocking innovation across the business via bimodal delivery, including co-located multidisciplinary teams
- Leveraging startups, SMBs and new service providers as an extension of your internal talent community or the holacracy

Talent is a customer before it is an employee

Talent, like customers, makes a decision to “buy” what the company offers. Whether that is flexibility, prestige, a mission or increased compensation, employers need to treat potential employees like potential customers. **The nature of the work top talent will perform is one of the most important factors in talent’s “buy” decision.**

For many people the Volvo brand is synonymous with safety and innovation, the perfect combination for those in the talent marketplace. The company believes that the reputation for roadworthiness creates an impression of a strong, innovative employer that attracts top talent. While the brand reputation does some work in attracting candidates, the company is also innovating ways to attract top talent. **Volvo taps talent from all industries — including people who don’t even drive cars** — and all parts of the process, from startups to universities. The company will even hire people who work part-time while maintaining their own businesses. This flexibility, combined with the ability to offer higher compensation, has enabled Volvo to attract a higher level of talent and evolve the business into the future.

Look inside your house

Top talent may not always come from outside the company. Look inside the business or institution for talented people — many hidden from view — who possess relevant knowledge, insights and expertise. This is not for the IT organization alone. CIOs should enlist people from across the enterprise to build digital business dream teams, including people who have a blend of business and technology leadership.

At Zappos, the holacracy design means that employees are not assigned to one position, but can try out a few different areas. **For example, a recruiter with a background in marketing might only spend 20% of total work time in marketing,** with dedicated time during the day to explore outside of the main job assignment.

As the team progresses, continue to draft new employees with a different balance of skills and behaviors as required to meet the objectives.



“CIOs can and must engage with talent in ways that go beyond what was sufficient in the mid- to late-20th century.”

Richard Hunter, Vice President and Gartner Fellow

Lead the team

To assemble a team, CIOs should deliberately select who to place based on skills, mindsets and mission. Teams composed of high performers randomly thrown together may not perform as well as carefully crafted groups. Once the team is assembled, focus on five team qualities.

1. **Clarity of purpose:** With a clear sense of purpose, members feel personal goals align closely with the overall team direction and take pride in being a member. This empowers decision making.
2. **Clarity of roles and contributions:** Members have been chosen for particular skills and strengths they offer, and work well together because they complement each other.
3. **Clarity of communication:** High-performing teams are great at communicating with each other openly and honestly, tackling even potentially sensitive topics head-on, while being encouraging and supportive.
4. **Clarity of ownership:** A clear understanding of ownership and delegation is important when relying on each other to complete complex tasks. This avoid gaps and overlaps that would diminish the team's effectiveness and create uncertainty and tension.
5. **Celebration of success:** High-performing teams take time to celebrate their successes, to emphasize the teamwork and reflect on the collective achievement.

The CIO's position within the team should be to advocate and represent the team within the political arena. This means **a leader who argues for resources, promotes recognition and removes barriers to the group's success.**

"The attributes of high-performing teams do not arise by accident, nor do they appear overnight. It takes time, effort and attention to create the right conditions, to form the team, to set the conditions for the right culture to emerge, and for the team to develop the shared belief system and behaviors they need to excel," says Bard Papegaaij, research director in the Gartner Office of the CIO group. "You can be the focal point of this development and lead your team on the road to high performance."



"You can be the focal point of this development and lead your team on the road to high performance."

Bard Papegaaij, Gartner Research Director

Top talent is essential for innovation and driving digital to the core of the business. Creating a team of top talent takes a deliberate movement toward an evolved and innovative recruiting technique, and an understanding of what attracts and retains top talent. CIOs should understand that top talent will enable the company to innovate and succeed, but is often elusive and difficult to hire. Establishing a talent platform and utilizing the brand to attract talent will be key factors.

CIO Actions

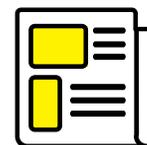
- Recognize the challenges in obtaining top talent, which is key to innovation and digital success.
- Create a talent platform.
- Establish creative ways to attract candidates with nontraditional requirements.
- Create a team framework that emphasizes clarity by focusing on the five team qualities.

Conclusion

The CIO's rapidly evolving role will continue to affect each aspect of the responsibilities and goals of the job. As the enterprise moves toward a digital business, CIOs are becoming trusted allies to the C-suite.

With this responsibility comes an opportunity to drive change in the organization and expand innovation beyond the IT department.

Harnessing top talent will be essential, especially as CIOs become leaders in mapping the blueprint for the future of the company and ensuring that business units are driving digital to the core to increase revenue and business opportunities.



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