Six Trends Affecting the Innovation-Led CIO

How CIO Responsibilities Transformed in 2018

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EXECUTIVE SUMMARY

This report identifies six ways in which the CIO role has changed in 2018. Key factors include a focus on increased innovation, cybersecurity, a lengthening tenure that may allow more long-term investment, distraction by M&A activity and the combined issue of growing customer experience and enterprise data leadership and foundation. CIOs will need to look toward new ways to balance and scale their efforts on the business growth side of IT while remaining successful with the operational side.

Business Theme

New C-Suite
SIX TRENDS AFFECTING THE INNOVATION-LED CIO

There is a new leader in the C-suite. This person is innovation-minded, has a holistic view of the business and is integral to the successful production and delivery of products. This leader’s success is measured by emerging new measures such as stakeholder happiness. As a result, we are now in the era of the innovation-led CIO.

Although the CIO has been called upon to take ownership and assist digital initiatives in the past, 2018 marks the point where Constellation sees a widespread movement for CIOs to be the principal leader of digital initiatives. It’s now the norm for CIOs to lead digital initiatives that go well beyond the traditional focus on operational IT such as enterprise resource planning and human capital management, and into revenue-driving functions such as customer experience and digital business.

### 2018 CIO Trends

1. CIOs confront identity crisis as they take on digital responsibilities.
2. Cybersecurity remains a top priority for CIOs.
3. Tenure increasing from 3+ years to 4.5 years.
4. Global CIOs now handling more regulatory compliance.
5. Customer experience emerges as a top priority.

THE CIO IDENTITY CRISIS

For the last five years, the chief digital officer (CDO) was the primary leader of digital initiatives. Today, however, an increasing number of CIOs find themselves responsible for digital and innovation initiatives. The reasons are straightforward: The CIO has an entrenched technology footprint across the organization, understands and has control of most enterprise data today, and has the largest and best-staffed organization to deliver on digital initiatives.
Yet while the CIO has many strategic resources to deliver on digital innovation, they often lack the budget, with so-called “greenfield” spending limited to 10–20 percent per year of the IT budget. Most of it is already spoken for by existing initiatives.

Recently, to focus on rapidly proliferating digital change efforts, many enterprises have been retrenching digital leadership under one executive umbrella. As a result, we’ve witnessed the addition of the CDO’s digital and innovation initiatives to the CIO’s responsibilities. This is resulting in an identity crisis for CIOs. In addition to leading digital and innovation initiatives, CIOs still find themselves responsible for maintaining IT operations and performance, business continuity and security. CIOs are now forced to divide their attention much more evenly between their legacy portfolio and driving innovation.

The budget allocated for innovation further complicates the confusion. While the board and the organization at large put an emphasis on digital and innovation initiatives, until recently the chief marketing officer (CMO) and CDO have been receiving most of the funding used for digital innovation.

Complicating the responsibilities further is the fact that CIOs often find themselves preoccupied with mergers and acquisitions—2018 is turning into one of the most active M&A seasons on record, with dollar volume up 124 percent over last year.1 The sheer scale of the resulting IT systems that must be reconciled and merged during these activities further detracts from an innovation focus.

Overall, a widespread shift has taken place in 2018, with more CIOs taking on the responsibilities of CDOs. However, CIOs struggle to prioritize their focus away from managing a vast portfolio of legacy technology and instead must find new strategies to get past limitations on management bandwidth and budgets and access fresh new sources of capacity and capability to drive innovation and transformation.

To deliver on operational concerns as well as make more progress against innovation, CIOs will have to put new organizational structures in place for digital transformation that have aggregate C-level control across multiple silos of function, data, technology and budget in order to break through the cultural, political and technical barriers to change.

CIOs will also need to tap into wellsprings of execution in the lines of business that can more broadly experiment and find the way forward with innovation and digital transformation efforts at
scale, yet remain coordinated with the master plan. It’s this latter component that will allow more management and execution capacity to be tapped into across the organization and allow the CIO to help drive more innovation.

**CYBERSECURITY REMAINS A TOP PRIORITY**

For many CIOs right now, cybersecurity is the most important job. At no time in the past have organizations faced the number, scale and sophistication of security threats that they do in 2018. Spending in cybersecurity, which has steadily outpaced the growth of the overall IT budget the last 10 years at least, will reach $43.5 billion in the U.S. alone in 2018. Consequently, some smart CIOs have taken advantage of cybersecurity budgets to pay for other infrastructure needs in digital, trying to fit certainly new projects and digital transformation work in while they have significant budget growth for cybersecurity.

**CIO TENURE INCREASING**

Constellation has seen average CIO tenure increasing from an average of 3.5 years to 4.5 years over the last 5 years. The increasing complexity of the CIO’s job is primarily responsible for this trend. This means not only an increased timeline to accomplish projects but also more time to learn the job.

The changing nature of the CIO role is also increasing CIO tenure. As discussed earlier, more CIOs are leading strategic initiatives such as digital transformation rather than project-based initiatives with a distinct starting and stopping point.

Today’s CIO is also becoming much more focused on stakeholder impact, where in years past the successful rollout of a project was often cause enough to declare success. Given today’s much more competitive and data-driven focus on ensuring that customers, both internal and external, are having their needs met, the CIO is now beholden much more to softer, human-factor measures of what could best be termed “stakeholder happiness.”
CIOS NOW HANDLE MORE REGULATORY COMPLIANCE

The enactment of the European Union’s GDPR (General Data Protection Regulation) earlier in 2018 revealed the significant role CIOs now play in regulatory compliance. Constellation sees today’s CIO navigating the requirements of privacy and regulation while delivering the data requirements of the business mission.

In addition, the digitally minded CIO must stay aware of regulatory measures lest new ones undo their innovation progress.

CUSTOMER EXPERIENCE EMERGES AS A TOP PRIORITY

For the first time, the customer experience is a top priority for market-leading and early-adopting CIOs.

A tighter CIO focus on customer experience is also in line with what the business side of the enterprise is seeking to achieve: to satisfy and delight customers in order to more easily acquire and retain them. With data consistently showing that customer experience leaders outperform the markets as a whole, the CIO has emerged on the front line of customer-facing digital experiences. The CIO is in the role best positioned to enable better customer experience because they can easily marshal digital resources, such as data from the customer-related IT systems that they oversee. This can be used to enable effective techniques such as just-in-time personalization or enabling sales teams to quickly see and leverage everything there is to know about prospects and existing customers.

What’s more, today’s CIO—by virtue of corporate growth priorities drilled into the C-suite by the board and today’s markets—now tends to better understand the value proposition of enabling highly competitive customer-facing systems and, what’s more, is increasingly measured on it.

WEAK DATA FOUNDATION HINDERS DIGITAL TRANSFORMATION

Most of the data that exists in the world today has been created in just the last two years, and most companies don’t have the resources and expertise to make use of this massive reservoir of data. As
discussed earlier, CIOs are increasingly responsible for digital transformation initiatives. Until the CIO can establish a strong data foundation, digital transformation efforts will founder.

Whether this foundation is master data management, customer data profiles or data lakes, CIOs must focus on crafting the correct data strategy for a global organization. As data continues to be thrown off by more applications and devices than ever before, CIOs are struggling to prevent data lakes from turning into data swamps.

This requires a relentless focus on rationalizing data control, data access and data silos so that enterprise data gets from wherever it is to wherever it needs to be to better service the business and the customer. In fact, Constellation sees that many of the most successful digital transformation efforts have taken special care to ensure proactive investments in preparing their increasingly vital corporate data strategies and systems for growth, new opportunities, and digital change. Leading examples of this include Nordstrom’s five-year digital transformation effort and Starbucks’ mobile-based digital customer experience initiative, which focused on a strong common data foundation.

**CONCLUSION**

The twin roles of operational IT continuity/safety while building a brand-new digital future for the business continues to be at odds in the job of today’s CIO. Still, effective CIOs are finding solutions, from subsuming the CDO role into the CIO’s role and empowering change agents to enable innovation in a more loosely coupled fashion, to relentlessly automating IT processes and operations and fixing technical debt so that data silos don’t hold back the company from future progress. Today’s CIO is moving beyond traditional views of IT as a back-office cost-center function and instead using technology itself—plus innovative new techniques of marshaling fresh resources—to overhaul and transform in potent new ways.
ENDNOTES


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Dion Hinchcliffe is an internationally recognized digital thought leader, industry analyst, business strategist, enterprise architect, transformation consultant and keynote speaker. He is widely regarded as one of the most influential figures in enterprise IT.

Currently the VP and Principal Analyst of Constellation Research, Dion is a well-known industry expert on the topics of digital transformation, CIO issues, digital workplace, ecosystem strategy, digital business and next-generation enterprises. His thought leadership can be found on ZDNet, ebizQ, On Digital Strategy and the Enterprise Irregulars. He is co-author of the bestselling Social Business by Design (John Wiley & Sons).

Dion is an Executive Fellow at the Tuck Center for Digital Strategies and was recently identified as one of the top 3 people most mentioned by IT leaders. Industry analytics firm Onalytica ranks Dion as the #2 influencer globally on the subject of digital transformation. He has keynoted or spoken at hundreds of leading industry conferences including CeBIT, KMWorld, IT Roadmap, Dreamforce, CIO Perspectives, AIIM Conference, IBM Connect and other industry events.
ABOUT CONSTELLATION RESEARCH

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Organizational Highlights

- Experienced research team with an average of 25 years of practitioner, management and industry experience.
- Organizers of the Constellation Connected Enterprise—an innovation summit and best practices knowledge-sharing retreat for business leaders.
- Founders of Constellation Executive Network, a membership organization for digital leaders seeking to learn from market leaders and fast followers.

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