IBM

Convergent thinking among the C-suite: why integration and collaboration spell big opportunity for CIOs

Contents

Introduction

In a business environment characterized by constant change and global opportunity, success rides on companies' ability to get comfortable with unpredictability and risk. Today, four C-suite leaders faced with this challenge are zeroing in on enterprisewide integration and collaboration as essential enablers for business growth. Rather than sit idly by and react to change as it occurs, today's highest ranking executives have other plans. According to IBM's landmark Global CEO Study, Chief Executive Officers and other senior business leaders are moving proactively and aggressively toward new business designs, building collaborative energy and delivering a steady stream of differentiating ideas and innovations.

Together, the CEO Study and IBM's companion studies of Chief Financial Officers (CFOs), Chief Human Resource Officers (CHROs) and Chief Information Officers (CIOs) offer a bird's-eye view into the business traits and transformation deemed essential for business growth and success in the years to come. Not only do these studies summarize the sentiments of C-suite leaders in companies of every size, sector and region around the globe, they illustrate the convergent thinking that's occurring at the executive table—and the powerful implications for CIOs (Figure 1).

If you're a CIO, enabling the enterprise for change is likely business as usual. Market and technological changes are rocking every aspect of your world, and you are increasingly being called on to deliver new capabilities that transform how business is done. Moreover, as your role continues to evolve from resident technologist to strategist and visionary, you are being recognized by your peers as the change agent to advance the company's transformational vision. Clearly, the expectations for IT have never been higher. Still, the fact is there isn't another organization better equipped to reshape the enterprise for change. Moreover, you just might be its most important ally in driving the traits that will distinguish the "Enterprise of the Future." And as you have likely surmised, getting on board is not an option.

Figure 1. Today's C-suite leaders are increasingly operating in sync, viewing enterprisewide integration and collaboration as fundamental ingredients for business success.

"Successfully transforming a business is not one individual's, one department's or one entity's work. It requires collaboration across the enterprise, and this is where CIOs have the mandate to lead. We have that end-to-end view of the business to power this type of change."
– 2007 CIO Leadership Survey respondent

The IBM studies present four complementary and compelling perspectives on the future of modern business, but they also identify some significant challenges for CIOs. They provide a valuable bellwether for IT executives looking to stand toe to toe with business leaders and fulfill their strategic charter. Forward-thinking organizations are calling for change, and technology enables change. Perfectly situated, today's CIO will need to be the go-to exec to drive and manage the incredible enterprisewide business transformation that lies ahead:

- *Establishing a change vision and strategy for the enterprise*
- *Leveraging cross-functional synergies to bring holistic value to enterprise initiatives*
- *Overcoming technological, organizational and cultural barriers and managing the IT-enabled business changes that are required.*

Highlights

IBM's studies present a four-way view into the priorities and challenges facing today's top executives.

Getting a pulse on the C-suite

What's on the mind of today's highest ranking executives? What are their most pressing challenges and priorities? How do they do their job? What do they envision for the future? These are the kinds of questions answered by IBM's C-suite studies.

The Global CEO Study 2008

Conversations with more than 1,100 CEOs and public sector leaders worldwide make clear the mounting struggle they face keeping up with the velocity of change being thrust upon their businesses. While virtually all CEOs (98 percent) are adapting their business models to respond more effectively, they recognize that the Enterprise of the Future will need to look decidedly different (Figure 2). Their responses in the Global CEO Study 2008 indicate a bold agenda aimed at seizing global business opportunities through innovation, collaboration and partnerships that know no boundaries.[1] These CEOs know that business success relies on their ability to overturn traditional industry conventions, find value where competitors can't and drive market change rather than react to it.
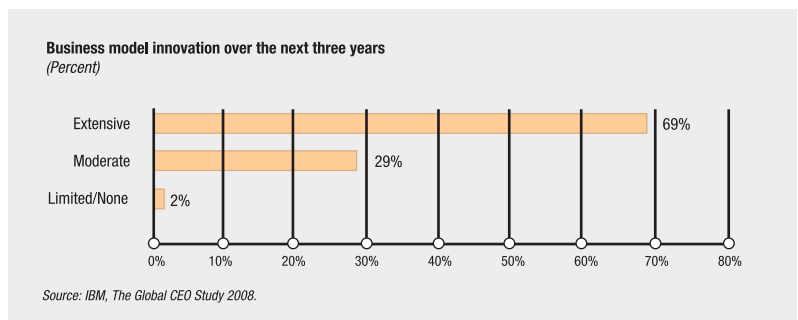
Business model innovation over the next three years
(Percent)

Extensive	69%
Moderate	29%
Limited/None	2%

0% 10% 20% 30% 40% 50% 60% 70% 80%

Source: IBM, The Global CEO Study 2008.

Figure 2. Virtually all CEOs are changing their business models, with over two-thirds making extensive changes.

The agendas of today's IT, Finance and Human Resources chiefs are in close alignment with those of CEOs.

Not surprisingly, the agendas of today's leading CIOs, CFOs and CHROs are in close alignment. IBM's most recent surveys of these functional heads indicate a new, more strategic posture and appreciation for the volatility affecting their business. And while they may be the stewards of their own organizations, they have become more cross-functional in their thinking. They are integral members of the strategic team, and they are seeking new ways to rise above the tactical level and drive enterprisewide initiatives that deliver holistic value and bottom-line impact to the business.

The 2007 CIO Leadership Survey

The 2007 CIO Leadership Survey finds the CIO's evolution well under way.[2] Of the 175 CIOs interviewed, the survey found the majority (80 percent) elevated to a strategic role on the senior executive team, up significantly from IBM's 2006 findings. Overall, CIOs' greater strategic influence has resulted in more effective collaboration with the business, more IT-enabled innovation and better financial performance. Despite these positive findings, the survey revealed significant gaps in companies' use of IT for competitive advantage. In fact, many judge their companies to be only fairly effective at taking advantage of its transformative potential. They believe that the IT organization can—and should—do more to increase collaboration with the business and drive innovation through external partnerships.

Enterprisewide integration enables organizations like Finance to mobilize information with the speed required in a globalized world.

The Global CFO Study 2008

CFOs interviewed for IBM's Global CFO Study 2008 recognize that the Finance organization has to be extremely agile to adapt to changing corporate priorities and help the company achieve aggressive earnings and performance objectives.[3] Still, most of the 1,200 CFOs studied report that Finance lacks the flexibility and enterprisewide integration necessary to mobilize information and resources quickly enough to capitalize on emerging opportunities. Moreover, nearly 70 percent believe that greater integration would be difficult to achieve even though they feel it is imperative to the future success of the business (Figure 3). The study found enterprisewide integration and globally mandated data and process standards to be the common denominator among the study's top performers. These "Integrated Finance Organizations" have the organizational and operational agility to take better advantage of the globally integrated world. With the availability of more accurate and timely financial insights and business intelligence, their companies are seeing higher revenue and stock price growth, and they are more effective at managing risk.

What is your attitude toward a more integrated infrastructure (integrating processes, data and technology to achieve greater transparency)?
(Percent)

Difficult to execute but the tangible benefits make it an imperitive

Considerable benefit but too difficult to execute

Not a priority

0% 10% 20% 30% 40% 50% 60% 70%
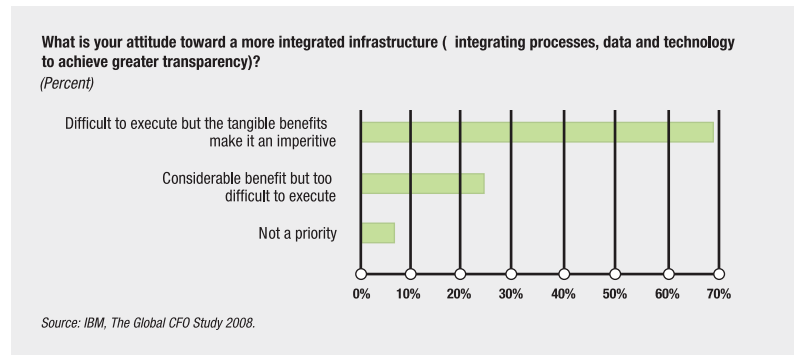
Source: IBM, The Global CFO Study 2008.

Figure 3. Most CFOs believe greater integration is difficult to execute, but imperative to achieve.

An agile workforce that can adjust its skills and priorities to evolving business needs is vital to future business success.

The Global Human Capital Study 2008

Winning in a quickly shifting global marketplace requires an agile workforce that can align its skill set and priorities to evolving business needs. IBM's Global Human Capital Study found that in today's uncertain business environment, enhanced workforce performance requires:

- *An adaptable workforce that can rapidly respond to market changes*
- *Continuous development of future leaders who are empowered to guide others through change and deliver results*
- *A talent management model that enables companies to attract, motivate and develop talent wherever it resides*
- *Ability to translate human capital data into key metrics and strategic insight.[4]*

However, of the more than 400 CHROs and senior HR executives interviewed for the study, only 14 percent believe their workforces are "very capable" of adapting to change.

Two common themes emerge

Across the four studies, C-suite leaders are putting greater priority on enterprisewide integration and collaboration.

Across all four IBM studies, C-suite leaders seemed to echo the need for better communication, not just among employees, but with increasingly savvy customers and global business partners as well. Their responses highlight a pressing need for enterprisewide integration, seen as essential to the open information exchanges, business insights and operational efficiencies required for success in a fiercely competitive, globally interconnected marketplace.

Enterprisewide integration gives companies the flexibility to anticipate and manage change more effectively.

They also point to the importance of collaboration across business lines and organizational boundaries as key to unlocking hidden talent, identifying new opportunities and exploiting their companies' innovation potential.

Clearly, the answer to both of these requirements lies in technology and global governance over that technology. As CIOs look to make their strategic mark, delivering solutions that can effectively satisfy their organization's collaboration and integration requirements will not only enable business growth, it will draw them closer to the business, providing a launching pad for their personal growth as well.

Integrating for a globally networked economy

One need only take a look at the habits of highly successful companies to understand the importance of enterprisewide integration. These companies anticipate more change and are better equipped to manage it. Regardless of their size or revenue, they can capitalize on new global opportunities because they have the organizational and infrastructure flexibility to leverage the best capabilities, knowledge and assets from wherever they reside in the networked world. They can rapidly reconfigure their business models to satisfy new customer expectations and operate in new geographies and markets.

The Global CEO Study found global integration to be one of the core traits of financially successful companies. CEOs in these companies enter global partnerships 20 percent more often and are 55 percent more likely to pursue mergers and acquisitions. They see business partners as a source of talent, not just an expanded footprint. They are shifting their workload to its best location, identifying the functions they do profitably and shedding those they don't.

But global integration is not possible without interoperability between people and organizations. It requires an infrastructure that allows information and resources to be shared horizontally across traditional lines of business. But let's face it. Data is typically developed and maintained vertically in siloed systems and organizational lines, despite the redundancy, inefficiencies and inevitable drag on the business.

> *"Information is not readily available at the moment, and there is considerable effort expended in getting it. There are many issues around data accuracy and integrity."*
> – *Global CFO Study 2008 participant*

In the Global CFO Study and Global Human Capital Study, Finance and Human Resources leaders expressed the need to raze the silos of information that limit information exchanges and the quality of insights that feed their organizations' strategic decisions. The majority of CFOs report being unable to provide company leaders with the financial and performance insights needed to make sound investment decisions and manage risk effectively—without considerable manual effort. They blame the lack of integration, and they point to the need for enterprisewide data and process standards, and a global governance framework to oversee those standards.

In contrast, Finance organizations whose data and processes were integrated were able to provide company leaders with a single, enterprise-level view of their business performance. Not only did their companies experience revenue growth nearly double that of their industry peers, they were more effective at preparing for and mitigating major risk events. However, the study found that only one in seven companies have been able to sufficiently integrate their Finance organizations to realize those kinds of results.

Like their financial counterparts, most HR executives feel hampered by an inability to aggregate and leverage information. Only 6 percent of those interviewed felt they were "very effective" at using human capital information to make strategic decisions about the workforce. They were simply unable to aggregate the productivity and resource data needed to make these decisions. This lack of integration was considered by many to be a primary obstacle (Figure 4), lessening HR's ability to analyze and predict the company's future workforce requirements and locate the right expertise for specific jobs.

Interestingly, CEOs interviewed for the Global CEO Study also recognize the connection between workforce skills and integration. Noting the need for specific industry, technical and management expertise to support their companies' geographic expansion, they rated insufficient talent as the top barrier to global integration. More and more, CEOs are partnering to correct the skills shortfall and gain needed talent, not just to gain access to new markets.

Which barriers are most likely to prevent your organization fro m using human capital data and information to make workforce decisions?
(Percent)

Barrier	
Human capital systems are poorly integrated	
Human capital systems are not well integrated with other organizational systems (e.g., financial, sales)	
Metrics are not well defined	
Inability to extract information from our HR systems	
HR personnel have lack of experience analyzing data in order to make decisions	
Quality level of human capital data is suspect	
Managers unwilling to access information	
HR personnel not oriented toward using data in decision making	
Lack of executive level support	

0%   10%   20%   30%   40%   50%

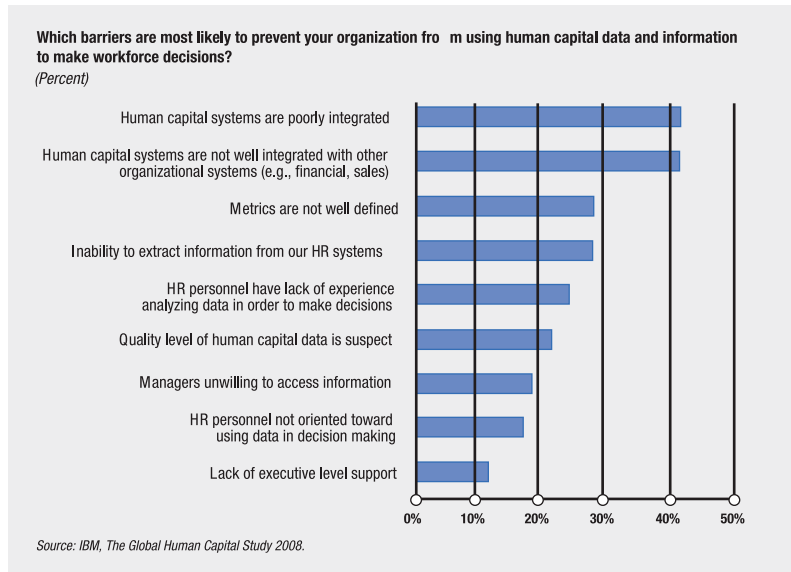Source: IBM, The Global Human Capital Study 2008.

Figure 4. The lack of integration among HR systems and between HR and other business systems is a leading inhibitor to effective workforce decisions.

More than three-quarters of CIOs surveyed saw the need to develop high-potential IT staff as an important priority.

The CIOs studied have workforce concerns as well. In the CIO Leadership Survey, developing high-potential IT staff ranked near the top of their agenda, with 78 percent ranking it as an above average priority and 31 percent ranking it as one of their highest priorities. There is little doubt that IT must have the requisite technical skills to effectively integrate the organization's systems and information for global business.

Exploiting collaboration inside and outside company walls

Executives from all four IBM studies stressed the importance of collaboration for the future of their business. The Global CEO Study found that high-performing companies are using collaboration to explore their innovative potential. These companies aren't just collaborating more extensively across business lines; they're extending their collaborative interactions to global partners and customers who have proven themselves to be a top source of innovative ideas. With collaboration seen as an enabler of business differentiation, it's no wonder the study found more than 71 percent of CEOs pursuing more collaborative business models. These company chiefs are determined to stave off competitive threats and avoid commoditization by creating a new and unique value proposition.

> *"We have to collaborate to survive; there are fewer things that will be cost effective to do on our own. We will continue to do less inside the organization and more with partners and even competitors."*
> – *Global CEO Study 2008 participant*

> *"Culture and mindset are the real inhibitors here. The technology is available, or will be here shortly, but getting people to both understand the importance of collaboration and utilize these tools will take some time."*
> – *Global Human Capital Study 2008 participant*

Yet despite the resounding push from the top office, many HR, financial and technology heads are finding it difficult to collaborate at desired levels. In the Global Human Capital Study, even though more than 70 percent of HR executives see collaboration as a key ingredient in an adaptable workforce, 40 percent did not feel their organizations were particularly effective at enabling it. Citing organizational silos, busy work schedules and misaligned performance measures as top inhibitors, it is clear that many employees lack the enterprise mindset and corporate encouragement to be able to connect across organizational lines, time zones and cultures.

The Global CFO Study calls attention to the need for better collaboration within today's Finance organizations. With financial operating units often scattered horizontally across the enterprise, a company's monthly close, consolidation and reporting cycles can be downright painful for Finance leaders. Better, more consistent collaboration across the enterprise is certainly a big part of the solution. Plus, there's no denying the connection between collaboration and the integrated finance operation that so many financial leaders are seeking. CFOs rated "increased collaboration and communication" as a leading benefit of a more integrated organization (Figure 5).

While CFOs recognize the need to improve collaboration within the Finance organization, they also identified a need to collaborate better with the business as a whole, particularly as Finance looks to move from transactional accounting to a more analytic and strategic role. With increasing emphasis on making earnings targets, delivering solid forecasts and finding innovative ways to raise capital, it's clear that CFOs are operating under tremendous pressure to grow the business. They believe that collaboration with the business will enable them to spot new opportunities faster, make better investment decisions and manage risks more effectively.

A new kind of collaboration on the rise

With customers increasingly probing the Web to express their opinions and make better informed purchase decisions, companies are taking the opportunity to showcase their offerings and gain valuable market insights into customers' needs and preferences. Top performing companies are tapping these individuals to learn what interests and motivates them, and according to the Global CEO Study, they're investing more heavily—36 percent more over the next three years—to serve customers' information and advisory demands.

The study found that interactions with these "collaborative customers" are driving customer loyalty and market share. More importantly, CEOs who expect to capitalize on customers' heightened demand for information will undoubtedly look to their CIOs for the seamless technologies to profile customers, mine their insights and influence their purchase decisions.

Which of the following potential benefits do you consider to be most important when thinking of a more integrated infrastructure? (Select top three choices)
(Percent)
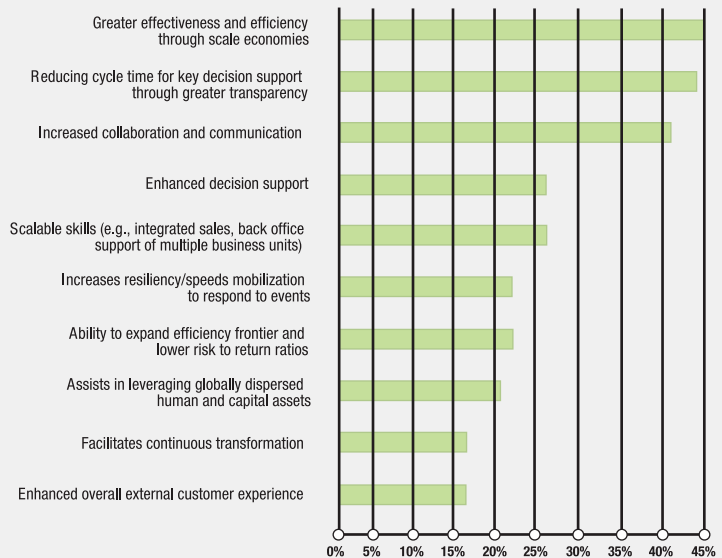
Source: IBM, The Global CFO Study 2008.

Figure 5. CFOs see increased collaboration and communication as a top benefit of integration.

CIOs agree that forging a tighter connection to the business is important. In the CIO Leadership Survey, they ranked "promoting collaboration between IT and the business" as their highest priority (Figure 6). Moreover, CIOs view collaboration with external partners as a significant opportunity for innovative thinking and competitive advantage. Collaboration is seen not only as prerequisite to IT's ability to enable and transform the business, but also as a means of enhancing CIOs' strategic role and their career. Still, CIOs admit to only limited effectiveness in this area, recognizing there is lot more IT can do to improve collaboration internally and externally.
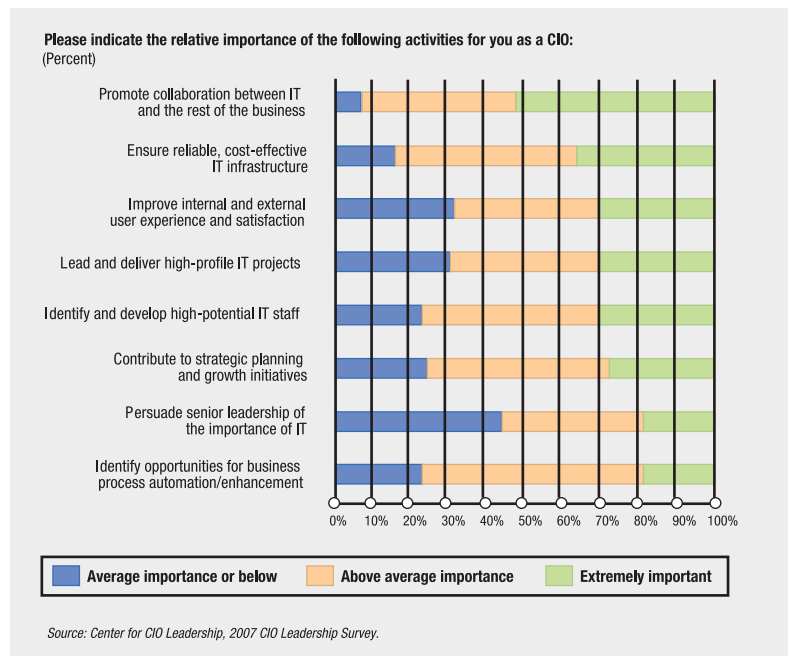
Please indicate the relative importance of the following activities for you as a CIO:
(Percent)

Promote collaboration between IT and the rest of the business	
Ensure reliable, cost-effective IT infrastructure	
Improve internal and external user experience and satisfaction	
Lead and deliver high-profile IT projects	
Identify and develop high-potential IT staff	
Contribute to strategic planning and growth initiatives	
Persuade senior leadership of the importance of IT	
Identify opportunities for business process automation/enhancement	

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

■ Average importance or below   ■ Above average importance   ■ Extremely important

Source: Center for CIO Leadership, 2007 CIO Leadership Survey.

Figure 6. CIOs rank "promoting collaboration between IT and the business" as their highest priority.

CIOs' horizontal view of the enterprise enables them to leverage cross-enterprise synergies and lend an unbiased, informed voice to their companies' strategic decisions.

A catalyst for change—and the Enterprise of the Future

Strategically positioned to drive the changes that will drive the Enterprise of the Future, today's CIOs have every reason to feel in control of their destiny. Their big-picture view enables them to identify and leverage cross-enterprise synergies. They can focus on bringing value to the organization as a whole, lending an unbiased, informed voice to their company's strategic decisions. As technology boss, CIOs are used to dealing with change and the resource challenges that go along with it. They know what it's like to take existing systems and reengineer them for new technology, competitive forces and unforeseeable risks.

These skills and perspectives are critical to bringing integration and collaboration up to the global and pervasive levels described in IBM's CEO, CFO, CHRO and CIO studies. The Enterprise of the Future needs to have mastered both of these capabilities, and CIOs will be instrumental in making that happen. Who better to establish a change vision and strategy, or oversee the sweeping technological, organizational and cultural changes that will be required?

Highlights

CIOs' big-picture view enables them to identify and leverage cross-enterprise synergies in dealing with and managing change.

The CIO Leadership Survey found that the more involved CIOs are in strategic decision-making, the more likely they are to deliver technologies and capabilities that facilitate integration and collaboration, including a shared, centralized IT infrastructure and services (Figure 7). But that's not to say that CIOs aspiring for a more strategic role cannot have a significant impact as well. In fact, these aspiring strategists may have more to gain by equipping the enterprise for change. Setting the plan in motion for enterprisewide integration or a more collaborative workforce may just be the best way to call attention to CIOs' evolving business role and their ability to work at a strategic level.
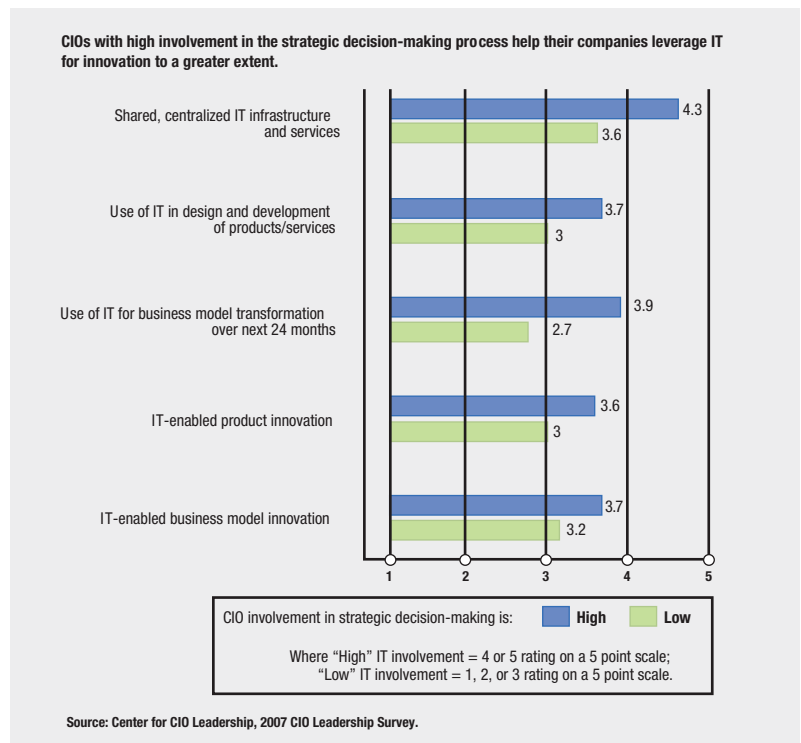
CIOs with high involvement in the strategic decision-making process help their companies leverage IT for innovation to a greater extent.

Shared, centralized IT infrastructure and services	High: 4.3	Low: 3.6
Use of IT in design and development of products/services	High: 3.7	Low: 3
Use of IT for business model transformation over next 24 months	High: 3.9	Low: 2.7
IT-enabled product innovation	High: 3.6	Low: 3
IT-enabled business model innovation	High: 3.7	Low: 3.2

CIO involvement in strategic decision-making is: ▉ **High** ▉ **Low**

Where "High" IT involvement = 4 or 5 rating on a 5 point scale;
"Low" IT involvement = 1, 2, or 3 rating on a 5 point scale.

Source: Center for CIO Leadership, 2007 CIO Leadership Survey.

Figure 7. Strategic CIOs are better able to deliver the technologies and capabilities that enable integration and collaboration.

CIOs who take on this mission can begin by eliminating the technological barriers that limit their companies' agility and responsiveness to change. Designing and managing the IT infrastructure in alignment with business priorities is a crucial first step. Modularizing the infrastructure with capabilities like service-oriented architecture can enable the business to rapidly respond to market opportunities and simplify integration with new global partners. Data warehousing, shared service centers and Web 2.0 interfaces facilitate the consolidation of data silos and help companies turn fragmented information into valuable insights and better prepare for risk. After all, good risk management depends on the availability of good, high-quality information. It also depends on good governance to facilitate enterprisewide decision making as business conditions change.

Implementing social networking and real-time collaboration tools can make it easier for people to connect, regardless of their location. Expertise identification systems and centers of excellence can enable companies to access specialized skills and capabilities from their best location. CIOs should also be actively exploring the business potential of emerging technologies, like virtual worlds that enable companies to simulate classroom training and other face-to-face collaborations, and consumer technologies that enable businesses to react dynamically to changes in consumer behavior and capitalize on emerging preferences before competitors do.

But CIOs must bring more than technology to the Enterprise of the Future. CFOs cited resistance to change and lack of executive sponsorship as top obstacles to integrating the data needed for risk management. CHROs concurred, pointing to organizational rigidity and a non-supportive environment as more pressing barriers to collaboration than the lack of technology. Clearly, corporate culture and mindset are viewed as real inhibitors, and CIOs can do a lot to help the company overcome them.

Sitting squarely at the crossroads of technology and business, CIOs can spearhead communities of practice and online forums to increase the flow of knowledge, establish enterprisewide standards, reward collaborative contributions and help weave collaboration into the fabric of the organization. This includes helping the company develop an enterprisewide risk strategy

and integrate risk management into current performance management methods. With their intrinsic understanding of the technological requirements and transformational benefits of integration and collaboration, CIOs are in the best position to address fellow members of the C-suite and drive the changes needed to shore up and reshape the enterprise for future success.

Conclusion

Across the C-suite, senior executives agree that the most successful organizations are those that see change coming and can adapt their business accordingly. With candid responses from today's leading CEOs, CHROs, CFOs and CIOs, IBM's executive studies offer a four-way perspective into the priorities and challenges that top-ranking leaders face as they look to meet change head on. While their tactical agendas are understandably different, their strategic agendas point to some important synergies and major growth opportunities for CIOs.

For these executives, enterprisewide integration and collaboration are not merely a matter of doing what's best for the business—they're essential traits for the Enterprise of the Future. CIOs must take the lead in striving to achieve this new reality, to create an enterprise that can adapt dynamically to the intensifying velocity and barrage of change. CIOs can accomplish this objective by:

- *Establishing a change vision and strategy for the enterprise*
- *Leveraging cross-functional synergies to bring holistic value to enterprise initiatives*
- *Overcoming technological, organizational and cultural barriers and managing the IT-enabled business changes that are required.*

CIOs who embrace these responsibilities and come to the executive table as a true business partner will sow the seeds for exceptional and sustainable business results.

For more information

To learn more about IBM's C-suite studies and the implications for CIOs, please contact your IBM marketing representative or IBM Business Partner, or visit the following Web site:

ibm.com/cio

[1] IBM, *The Enterprise of the Future: The Global CEO Study 2008*, June 2008. www.ibm.com/ibm/ideasfromibm/us/ceo/20080505/index.shtml

[2] Center for CIO Leadership, *The CIO profession: driving innovation and competitive advantage*, October 2007. www.ibm.com/services/us/cio/pdf/2007_cio_leadership_survey_white_paper.pdf

The 2007 CIO Leadership Survey was conducted by the Center for CIO Leadership in collaboration with Harvard Business School and the MIT Sloan Center for Information Systems Research (CISR). The Center for CIO Leadership is a focal point for thought leadership, research, education and outreach designed to advance the global CIO profession. www.cioleadershipcenter.com

[3] IBM, *Balancing Risk and Performance with an Integrated Finance Organization: The Global CFO Study 2008*, October 2007. www.ibm.com/gbs/2008cfostudy

The Global CFO Study 2008 was developed in cooperation with The Wharton School at the University of Pennsylvania and the Economist Intelligence Unit.

[4] IBM, *Unlocking the DNA of the Adaptable Workforce: The Global Human Capital Study 2008*, September 2007. www.ibm.com/cy/pdfs/HR_Study_2008.pdf