



## **CIO role: Is IT facing a leadership crisis?**

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David Reynolds wants to be a CIO, and the 35-year-old systems manager for the Rhode Island Blood Center may well be on his way.

Reynolds began his career in finance in the late 1990s, while he was earning his bachelor's degree in accounting and computer science from Rhode Island College. He worked as an internal auditor for Vector Healthsystems and had performed just about every function in accounting including general ledger, accounts payable and accounts receivable. But the work bored him. So in 1999 he moved into IT in a help desk support position. Four years later he landed his current role, in which he manages two people and oversees the blood center's IT systems.

Reynolds says he wouldn't trade his financial background "for anything in the world." He views the understanding it gave him of business, budgeting, return on investment, and cost/benefit analyses as invaluable preparation for the CIO role.

"When you come from the financial world, you can better explain to executives what a new technology will bring as far as costs and benefits," he says. "I find I have a lot more respect from that group because I worked in their profession. They don't just look at me as the IT nerd."

Reynolds, who comes off more like a sales guy than a staid bean counter due to his charismatic personality, understands that to be a CIO today he has to speak the language of business; he has to anticipate his users' needs; and he has to build relationships--with his team members, with colleagues and executives in other business functions, and with vendors.

But is that enough to be a successful CIO today and in the future? Certainly, it's a good start, but aspiring CIOs need even more experience and capabilities to excel in IT leadership positions, according to CIOs, executive recruiters and IT analysts.

They agree that the CIO role is undergoing a significant shift, brought about by the recession, globalization, the advent of cloud computing, the explosion of big data, shifting business demands, and the omnipresence of consumer technology. To compete today and in the future, companies need CIOs who understand the businesses and can think of innovative ways to use technology to improve the customer experience, boost revenue, increase market share and accelerate business growth. This business imperative requires a different mix of capabilities than was necessary to be a successful CIO in the past. The CIOs of tomorrow need to focus much more on innovation, end customers and business growth, and much less on IT infrastructure.

Khalid Kark, a vice president and research director at Forrester Research, estimates that less than 10 percent of today's CIOs operate in this business-focused manner.

"We're starting to see a definite change in businesses' expectations of their CIOs and a lack of real competency in terms of CIOs' ability to meet those needs," says Kark.

As evidence, he notes that the ways companies assess the performance of their CIOs are changing. "Some CIOs are measured on business outcomes, such as end user or end customer satisfaction, revenue growth, whether they're bringing in a new revenue stream. They're not measured on uptime or on-time delivery of projects," says Kark.

He also points to turnover Forrester has observed in its client base, which in some cases is a result of companies looking for a different type of CIO, he says.

### **Is IT Facing a Leadership Crisis?**

Despite Forrester's grim observations, the answer to the question, Is IT facing a leadership crisis?, is a resounding no.

"The talent exists in the market," says Aaron Cowan, who heads up recruitment firm Marlin Hawk's commerce, industry and technology search practice. "I am absolutely not concerned about the pipeline drying up. The world creates the leaders it needs. I don't think we're anywhere near a crisis point."

Chuck Pappalardo, managing director of executive search firm Trilogy Search Non+Profit, agrees: "There's plenty of really talented, wonderfully capable people in IT in this country that are capable of being CIOs," he says.

Pappalardo has one concern, though. He wonders whether there are enough IT leaders today who are capable of being global CIOs. He notes that global business experience is critical now because U.S.-based companies are looking to foreign markets, like China, for business growth while consumer demand in the U.S. remains weak. However, Pappalardo is confident that executives across all functions will get the global business experience they need, and that in 10 years, lack of global business experience will no longer be a concern.

Even Kark believes that in five years, close to half of all CIOs will operate in the customer- and business-innovation-focused capacity that leading edge companies require today.

### **Where Will Next Generation CIOs Come From?**

Most of the sources interviewed for this article agree that a solid understanding of technology remains required to succeed in this emerging CIO role. That doesn't mean aspiring CIOs need a computer science degree. Nor does it mean they have to have spent their entire careers in IT. But the CIOs of tomorrow, whether they rise up the ranks in IT or begin their careers in other business functions, need to understand how technology can help their enterprises connect with customers, grow revenue and increase market share.

Today, some executives holding CIO positions possess no IT background. Whether this trend will continue is debatable. Those who think more business people will take over the CIO role point to outsourcing and shifting demographic trends to support their positions.

"We're starting to see more and more CIOs who are not traditional technologists," says Forrester's Kark. "We estimate anywhere from 60 to 65 percent of CIOs still have a strong technology background, but that number has been decreasing over the years."

Kark believes the number of CIOs who have a traditional technology background is decreasing because it's no longer necessary in an era when third parties are taking over management of IT infrastructure.

Ellen Barry, the former CIO of Chicago's Metropolitan Pier & Exposition Authority, thinks more CIOs may come from other business functions in the future because those individuals will have had more life experience--and thus greater comfort--with technology than previous generations of executives. She points to the omnipresence of technology in the lives of middle- and upper-class kids. Having grown up with technology, they understand its capabilities and will be able to envision innovative ways to use it in business. "They're not intimidated by technology," she says. "If that's the case, we may see more people from the business side coming over."

There are plenty of executive recruiters who see CIOs without IT backgrounds as an aberration.

"There are some non-IT people who become CIOs. They are examples of where IT is broken and needs to be connected to the business, and they help bridge the gap," says Mark Polansky, managing director of Korn/Ferry International's North America Information Technology Officers Center of Expertise. "They are the exceptions and not the rule."

Pappalardo doesn't believe a business executive can simply replace a CIO. "CIOs are facilitating business every day," he says. "Real products, real ideas are going around the globe because of IT, not because of finance or anything else. That's a special talent, and we need more of it."

What's more, Pappalardo doesn't think appointing a CFO or any other business executive into a CIO role is a sound long-term strategy. "I understand why companies do it," he says. "In an economy like this, it may be a good [short-term] strategy for companies that are specifically looking at saving money, are being bought out, or experienced some hiccup in their performance. It's cheaper, but it's not the most creative thing. They're not getting the best technical thinking."

Perhaps not surprisingly, Pappalardo, Polansky and others are confident that the next generation of IT leaders will continue to come out of IT.

### **IT Departments Will Remain a Breeding Ground for New CIOs**

The changes IT departments are currently undergoing--spurred by outsourcing, cloud computing, shifting business demands and consumer technologies in the enterprise--are giving IT professionals the experiences they need today to be great CIOs tomorrow.

Consider the IT professionals at Ministry Health Care, a system of hospitals and clinics in Wisc. CIO Will Weider says a large pipeline of future IT leaders exists in his 250-person IT organization. If an IT leadership position were to open up inside his shop tomorrow, he says he has people "who could step in right away and be very effective."

Weider says the changes that have taken place inside healthcare IT departments over the past 16 years have helped groom ambitious IT professionals for CIO roles. He notes that when he first became a healthcare CIO, IT's mission was running billing and registration systems. Today, IT's on the front lines, providing effective, high-touch healthcare to patients.

"The skills [IT] people had before are no longer sufficient," says Weider. "You can't just support a system anymore. You have to lead a project, and if you're leading a project, you're essentially a manager of a team."

Some members of Weider's IT staff are also getting plenty of experience working with Ministry Health Care executives. "The people in my division sit down with executives every day and explain things to them, offer them options, report on how we're doing in support of them. We have people two levels deep who have no problem sitting down with executives and working with them," says Weider. "That's an absolute requirement in IT now. They understand the business we're running and our strategic direction. They know how to communicate effectively, and they can explain our direction to their peers and the folks who report to them."

While a career in IT remains a stepping-stone to the CIO role, the specific path people take within IT is changing. Marlin Hawk's Cowan says that in the past, CIOs largely came up through the IT infrastructure ranks. That's happening less now because so many companies are outsourcing infrastructure.

Today, he says, the CIOs who rise through the ranks in IT are increasingly coming from business-facing IT functions, such as enterprise shared services, enterprise architecture, business relationship management, advanced product development, and sales and marketing IT. Part of the reason individuals in business-facing functions are increasingly moving into CIO positions is because they have the relationships with the executives who select the next CIOs. They're also getting the exposure to the business that's critical to be successful in the role.

Getting out of IT and into a business function, even just as a temporary stint before returning to IT, is beneficial for this next generation of CIOs. For example, says Cowan, IT professionals working in telecom companies can benefit from experience working in product development or product marketing, since telecom companies are so focused on engineering new products and services. IT professionals working in the banking industry would be wise to work in one of the service or product departments, such as front office trading or sales, he adds.

Another career path that will breed successful CIOs is to start out in a business function, such as finance, manufacturing or supply chain, and move into IT through a project like an SAP implementation. Some people make that move, stay in IT and eventually become CIO. This could very well be the path the Rhode Island Blood Center's Reynolds is on.

Reynolds says he plans to continue to hone his technical, financial, business and soft skills with the goal of someday becoming a great CIO. "The ability to work with other managers, truly understand their daily activities and anticipate their needs is an invaluable skill for an IT professional," he says.

What exactly about the CIO role appeals to him? "When you're at that level, you're every bit as influential as any other member of the company," says Reynolds. "What project doesn't run through the IT department?"

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