A series of market insights on CIO issues which impact and drive the growth of client businesses.

CIO *Insights*

Contents

Introductory Message

Leadership ability rather than technical expertise is becoming increasingly important for chief information officers as business processes become streamlined and competitors more agile.

The fundamental challenge for today's CIO, then, is to envision and articulate the role of IT in enabling and driving innovation. It follows that they must also deliver. They also need to be transformational experts.

As the enclosed articles in **CIO Insights** show, CIOs are continuing to re-think their roles and combine technology and business leadership to build powerful relationships with other members of the executive suite.

At Heidrick & Struggles, we expect the demand and competition for CIO talent to further intensify. Organizations that have tolerated weak or mediocre IT leadership are running out of patience.

The strongest executives are those who are prepared for change. They have the ability to shape and manage the expectations of the IT function at all levels of the organization.

How leading CIOs do this is revealed in this edition of **CIO Insights**, where the executives themselves, as well as experienced Heidrick & Struggles partners, share their thoughts and insights about the current CIO talent landscape in Asia Pacific.

Yours sincerely,

Gerry Davis
Managing Partner
CIO Practice, Asia Pacific

Overview

For insight into the rapidly changing role of the CIO, in Asia Pacific, Heidrick & Struggles has reached out to executives throughout the region.

In the following series of articles, they reveal, in their own words their thoughts on such issues as the emergence of the chief technology officer (CTO) and the new skills needed as the sourcing model becomes more complex.

Heidrick & Struggles partners also share their thoughts on cultural transformation and the executive capabilities needed to achieve it. Do you need to replace the top layer of a business, or can you just "change the people" by changing their mindset? We examine the case of a C-level executive with a good reputation who was brought in to fix a problem but left in disgrace 18 months later.

Succession planning is crucial, yet why do so few companies do it? We examine strategies enacted by Australian companies to achieve a smooth leadership transition.

The way forward in the fast-changing role of the CIO requires far more than technical ability. CIOs need to be visionaries, transformation experts, great communicators and possess most of the attributes found in other members of the C-suite.

They will already be managing expectations relating to IT at all levels of the organization. They will have a natural facility for building effective relationships with corporate officers, functional heads, business partners and suppliers.

CIOs should have demonstrable skills in, and knowledge of information management, relationship management and business process improvement.

As the executives we interviewed for these articles testify, CIOs must also enable and drive innovation in their enterprises. This must of course be complemented by their capacity to articulate the case for IT investments in the language of the business.

Agile CIOs must continue to re-think their roles and work hard to build powerful relationships with their peers.

THE EMERGENCE OF THE CTO

Technology is now such an integral part of most companies' business strategy that there is real demand for individuals who can contribute, guide and execute the business strategy from a deep technology competency.

SOURCING SORCERERS

A new breed of C-level IT executive is emerging as the outsourcing industry continues to evolve. The new outsourcing "super exec" is ideally a blend of skilled negotiator, salesperson and strategist.

AGILITY ABILITY

Is "agility" just another buzzword, or is it something a CIO needs to take seriously? The reality is that CIOs need to understand and demonstrate agility, or flexibility, if they are to survive in their role.

SHAPE UP OR SHIP OUT

The C-level executive of a large Australian company had great references, and his competence was beyond question. The runs were on the board for all to see, and his ideas for revitalising and refreshing the tired technology division sounded exciting.

THE NEW POST-DOTCOM CIO

The bursting of the dotcom bubble put a new focus on the bottom line, followed by an increased need for real transformation. The result is that many businesses are looking externally for executives who can help them deliver product and service through multiple channels – and at a competitive pace.

INSIDE THE MIND OF THE TRANSFORMATIONAL CIO

At leading regional and global corporations,

turnaround experts of a different kind have started to take the technology helm as transformed business processes become a competitive advantage – and even a matter of survival.

CHANGE THE CULTURE AND IMPROVE PERFORMANCE

Large corporations are now living or dying according to the speed with which they can change their information technology and systems. But they must also change the culture, and align everyone in the business.

SUCCESSION STRATEGIES

Done properly, succession planning can not only guarantee a corporation's fitness for the future and avoid costly disruption in an age of constant change, but can also build a culture of stability and talent retention.

WHO'S GUARDING YOUR DATA?

Whether privacy breaches are the result of disgruntled employees or deliberate attacks by fraudsters, the reality is that information is a keenly sought and often vulnerable asset. The chief privacy officer must possess the same qualities of leadership and business acumen that boards and CEOs expect of other C-level executives.

EXECUTIVES CONFRONT NEW CHALLENGES IN A VIRTUAL WORLD

Executives are grappling with new ways of managing their staff as the world grows flatter. The old "face-oriented" offices have given way to virtual communities of outsource partners, offshore teams and globally distributed workforces.

The Emergence Of The CTO

Technology is now an integral part of most company's business strategy. The demand is growing for individuals who can contribute to the business strategy from a deep technology competency and in addition guide and execute the IT strategy to achieve the business goals and mission.

Prior to peer-to-peer technologies and the Internet, outside financial services, CTOs were barely on recruiters' radar screens. But since the mid-90s and the realisation of most organizations that they had all become "information intensive", CTOs have become hot targets for companies.

Of course the last four years have also seen a significant change in the landscape with companies being forced to lean more and more on technology for productivity gains and business process streamlining, so with technology being critical to business success or in some cases survival, we have seen the emergence of a different CIO profile.

Furthermore, as the CIO role has become increasingly more process, change and operations management focused, it has broadened significantly. This has been reflected in the need to move the role away from a pure technology focus and has placed a significant accountability on the CIO to produce a clear ROI for what they do. As a result many organizations have decoupled the 'I' from the 'T' and created two separate roles with distinct accountabilities and deliverables. However, there are many different models out there – with variations depending on industry sector, maturity of company and of course the attitude and approach of the executive leadership team to technology as a strategic asset.

From the work that Heidrick & Struggles has engaged in over the past three years in hiring CIOs and CTOs for both leading global organizations and emerging future leaders across the many regions of the world we operate in, it is apparent that CTOs can be categorized into four general models.

The CTO has the freedom to think in the broadest possible ways, but must wait a longer period of trial and incubation to see innovative ideas become reality.

In non-technology intensive companies (though there are less and less of these today), the CTO may work for the CIO as an infrastructure manager, in charge of running the infrastructure and operations of IT: data center operations, network operations, applications development & maintenance, security, and other line functions.

Here the CTO's focus is to keep the IT organization operating efficiently and to see how technology will be used to support the organization. There are relatively few examples of this model, as these tend to be non-progressive organizations where technology is often viewed as a necessary evil.

The second model sees the CTO as the "Big Thinker", who works from a position of influence as opposed to direct control like the line manager. He reports directly to either the CIO or the CEO, and generally has a small, elite staff.

In some cases, they operate alone. Responsibilities often include advanced technology, competitive analysis, and technology assessment and architecture standards.

The CTO has the freedom to think in the broadest possible ways, but must wait a longer period of trial and incubation to see innovative

> CTOs need to be forward thinking but practical (i.e. linked to driving business results). They need to have an expert knowledge of technology, superior communication skills, and be business savvy.

ideas become reality. In companies that earn their bread and butter by selling technological products or services, or those that are trying to use the Internet to gain a strategic advantage, the CTO is more likely to report directly to the top executive and have cross-organizational authority.

The third model is the CTO as the "Visionary Technologist". Here the CTO is critical in determining how technology can be used to implement the business strategy. Here he assumes the role of a "technology visionary", becoming more than just a technical guru. Visionary technologists are successful "managers" of organizations when they understand how technological instruments function in complex contexts, which include relationships among other assets.

This requires an excellent combination of both business and technical skills in order to successfully design the functional and technical aspects of the business strategy and then build the IT organization to execute its components.

The final model sets the CTO as the "Externally Focused Technologist". In this model, the CTO's main role is to develop the strategic technology plan for the organization by identifying, tracking, and experimenting with new and potentially disruptive technologies. Nearly every major IT consulting company implements this CTO role. In consulting companies, the CTO is usually an equal peer of the CIO or may be considered a higher-level executive than the CIO (although the CIO does not usually report to the CTO in this case).

Given the job variations, recruiting for a CTO requires a very divergent search strategy – one must search across multiple disciplines, sectors and geographies to find those that exhibit best practice and have the wealth and richness of experience required for this critical role. The common thread is to look for individuals, who have a broad base of experiences, rather than a narrow focus, as this is the best way to develop the necessary skills.

CTOs need to be forward thinking but practical (i.e. linked to driving business results). They need to have an expert knowledge of technology, superior communication skills, and be business savvy. They've got to be an extrovert, willing to market or sell to the CEO or the investment community the benefits of using technology.

The ability to see the big picture is also critical. Large companies often have divisions or business units, and they have their own goals. The CTO's office is the one that sees across the board and needs to try to look at the goals of the company, as opposed to the goals of an individual group. It's important for organizations to think strategically about the relationship between technology and their leadership needs. In other words, they must assess what kind of technology leadership is required for the growth or stabilization of their company.

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Sourcing Sorcerers

A new breed of C-level IT executive is emerging as the outsourcing industry continues to evolve. Variously called "head of strategic sourcing" or "head of commercial strategy and sourcing," they are executives with an outstanding strategic mindset and particularly strong relationship management skills.

They have the ability to ensure that increasingly complex sourcing arrangements deliver on promised cost-savings and efficiency targets. They also have the change management skills and experiences which are necessary to lead the subsequent business transformation. This new "super exec" is more strategic and commercial than the earlier procurement executive or IT department general manager who managed more straightforward relationships.

There's also a sense that possessing strong legal or purchasing expertise is no longer sufficient. These days, it takes a team approach to deliver benefits from the ever-collapsing supply chain. While the much heralded virtual corporation, where brand is all and most functions are handed off to specialist companies either in-house, outside or offshore, has not yet emerged, we are seeing a splintering of capabilities as the various skills of corporations are systematised and componentised in the ruthless drive for ever-greater efficiencies and results.

So who are these sourcing magicians who are capable of managing the new complexities? Can all the necessary skills reside in one person?

END-TO-END VIEW

EDS vice-president Phil Pryke says that the new super executive needs more business skills than technical skills and a deep curiosity about "other people's business". Technology executives were once "all about technical wizardry," which was often fairly murky and mysterious, he says. "But these days the executives are less the witches in suits and more the polished executive with an end-to-end view of the entire business and a keen focus on the business outcome," Pryke says.

> They must be able to build strong relationships based on trust and confidence, work transparently and communicate effectively with staff, customers and suppliers.

"No longer can this executive go to the CEO and say that unless you do X you will get Y. This was a negative argument and a pretty unsatisfying place to be. We are now heading in the direction of clarity and standardisation.

"Enterprises with bespoke systems are not going to be sustainable in a rapidly changing, competitive landscape."

Commonwealth Bank CIO Bob McKinnon says the key requirement for a sourcing super exec is that they must be strategic and able to see and often define the bigger picture. "They must be able to combine this quality with a strong commercial common sense and experience base to understand the business and source solutions on a sound basis. They will need to be a good negotiator – firm but fair."

McKinnon says these capabilities must be supported by strong inter-personal skills. "They must be able to build strong relationships based on trust and confidence, work transparently and communicate effectively with staff, customers and suppliers."

BANKS GET FOCUSSED

At Commbank, the super exec, or executive general manager of commercial strategy, does not hold

any delivery or service management functions. "Commercial imperatives can often get in the way of the day-to-day delivery functions," McKinnon says. "So it obviously makes more sense to allow the delivery team to focus on the quality and business alignment of service delivery without needing to also deal with all the commercial aspects of the relationship."

His executives sit atop a large team dealing with all aspects of the outsource relationships. Over at Westpac, a team approach is also in evidence, with a strategy and research group working alongside the sourcing, strategy and transactions management teams. That group is headed by strategic sourcing general manager Andrew Carriline, who reports directly to group executive of business and technology solutions Michael Coomer.

Carriline's background is in law, with strong negotiation strengths thrown in. He was the lead negotiator for the major Westpac outsource deals and his current approach is to seed his team with a mix of law firm partners, New York international bankers and accountants, in order to attract a more flexible crew.

Everest's Richard Zabow, who often gets called in to assist when the outsourcing "marriage" has broken down, says the rigidity of early deals had led to an adversarial relationship. In the new world, relationships and deals are more collaborative and outcome-driven.

In Singapore, DBS group head of technology and operations Steve Ingram agrees that the role calls for a blend of negotiation and strategic skills, and transcends the merely transactional;

a true partnership needs to develop between customer and supplier. This can only happen where there is an atmosphere of mutual trust and respect, with a focus on outcomes.

"Development of such a partnership between sourcing executive and supplier is made unnecessarily complicated if the sourcing executive also deals with delivery. At DBS we have created separate delivery management and sourcing functions. The latter comprises a mixed team of para-legals, finance people, skilled negotiators and procurement specialists."

Even in the more sophisticated market of North America, well-qualified candidates are scarce. In the emergent outsourcing markets of Asia and Europe they are almost non-existent. The new outsourcing super exec is ideally a blend of skilled negotiator, salesperson and strategist.

In a nutshell, the issues are:

- Organizations need a particular type of leadership talent to deal with the issues around outsourcing – but there just aren't enough people out there who have "already done it successfully", much less people already within the organization.

- If the talent is available, they need to be recruited aggressively.

- The role needs to be made especially attractive for them.

- Organizations need to hang on to them for all they're worth – which is a lot.

It is critical that recruiters understand the competencies required in the role. The opportunity for companies such as Heidrick & Struggles is to assemble and prioritise those competencies – along with the equally as important cultural fit. Both are key ingredients if companies are to hire or promote the right person into the role and ensure that they will be successful.

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Agility
Ability

Is "agility" just the latest buzzword to engulf the IT world, or is it something a CIO needs to take seriously in order to do his or her day-to-day job? Whether you call it "flexibility" or "agility", the concept is crucial to the rapidly changing, revenue-focused enterprise of today.

CIOs need to understand and to demonstrate agility, because if they don't, not only will the bonuses not be forthcoming, but also they are unlikely to survive in their current roles. What is "agility"? From the people perspective, it's a mindset that puts nimbleness and flexibility to the forefront. It is the executive's ability to size up a situation and come up with an innovative solution that works – repeatedly and rapidly.

Agility is the ability to develop solutions that don't rely on large, new packages and then to market those solutions to stakeholders in a way that gets quick and effective buy-in. With globalized competition, we have seen how supply chain experts Dell and Wal-Mart have crushed their competition. They've set new benchmarks to cope with the ever-shorter time-to-market cycles facing their industries.

They have done it by placing an emphasis on encouraging and empowering their people to think innovatively and work cross-functionally. In recruiting agile CIOs, we at Heidrick & Struggles are identifying people with depth not only in technology or in a particular industry, but also a blend of skills such as:

- A deep curiosity about the business's customers – who they are, what they want and more particularly, what they are going to demand in the next few years as a result of technological advances.

- An understanding about what's happening externally. The intellectual content to drive

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massive transformation, to have a "seat at the table" and to push the thinking of the businesses leadership team. The agile CIO must turn "on a dime" and be aware of competitors and marketplace changes.

- The ability to create an agile team around them. The agile CIO has the creativity, the vision, the leadership and the management skills to inspire and motivate others. Their team needs to be flexible, cross-functional and cross-border to lead innovation and drive implementation. This translates into business and development plans that focus on motivating people to think beyond traditional paradigms and come up with new ways of driving productivity and customer satisfaction.

- Financial expertise. In order to work more closely with the CEO and leaders of the business internally, agile CIOs must be laser focussed on financial results and have the requisite financial skills to interpret business outcomes. In order to compete against rivals cranking out new products and services in ever-shorter time cycles, they must know how to align IT priorities with people, customers, and process.

In terms of execution, today's agile CIO needs to be aware of "concurrent engineering". This is all about scenario planning and reducing the design-to-execution cycle. Instead of taking consequential steps that pause and wait for one thing to happen before another can begin, projects can be kicked off with a "rolling start",

where research is already under way as other parts of the build process are being put into place.

A corporation today also needs to be ready to make long-term deals with key suppliers – which naturally implies a long-term commitment to customers. The supplier can then be brought more into line with the company's schedules and supply chain requirements to cut cost and speed up execution.

KEYS TO AGILITY

Westpac group executive of business and technology solutions Michael Coomer likens agility to "changing an engine on a jetliner while it's still in flight". He has talked about the "line of sight" approach across the enterprise, where the executive is able to see all the systems working together as if from a height. There should be no hidden pockets of activity.

> Agility is about timely and cost-effective implementation. Full stop. Planning is nice. Analysis is good. Governance is groovy. But agility means action.

He says three things stop an enterprise from being agile – inflexibility, complexity and lack of visibility. Michael says the ways to overcome these roadblocks, are:

- Make sure your processes are up to speed. Systems design and testing must be flexible: "Fail fast and optimise on the run."

- Build an architecture that allows you to easily drop in best-of-breed CRM components.

- Work to make sure that commodity components are isolated and standardised.

- Enhance the technical and leadership skills of your IT staff, giving them understanding of new "agility-intensive" areas and an increased

ability to be proactive.

A great example of Coomer's "changing the engine while in flight" agility was seen during the GE Money-AGC integration, which followed the sale of the Westpac-owned business to the U.S. company. This was a 24-month undertaking which transferred AGC's systems and data to GE's systems while keeping AGC's business running "as usual".

Key agility techniques carried out by Westpac CIO Simon McNamara included:

- Workshops set up to rapidly resolve issues as they arose.

- GE's Six Sigma toolkits implemented to keep the many parallel projects on track, performing constant health checks.

- Development of a "formal protocol" for escalating issues. According to former CIO and chief operating officer of the loyalty company Pinpoint Frank Liebeskind, you don't succeed by focussing on what's wrong. He says those who frequently call things "broken" may be marked down as operational rather than strategic types.

Liebeskind says that workarounds contain another trap. While they can become "agile solutions" if built on properly, they should not become "Mickey Mouse" fixes that become blockages in the arteries of commerce.

In the words of Michael Schrage, co-director of the Massachusetts Institute of Technology's eMarkets Initiative: "Agility is about timely and cost-effective implementation. Full stop. Planning is nice. Analysis is good. Governance is groovy. But agility means action. Agility implies both the capacity and capability to act. Now. Immediately. Real-time. That doesn't mean the enterprise has to instantaneously act or react – only that it has the power to do so."

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Shape Up Or Ship Out

The C-level executive of a large Australian company had great references, and his competence was beyond question. The runs were on the board for all to see, and his ideas for revitalising and refreshing the tired technology division sounded exciting.

He strode into the company confident and strong, but left 18 months later a shattered man. And the financial, competitive and reputation damage to the company was significant.

The problem? Culture fit. The executive could engage his peers with big-picture models of what needed to be done, but simply did not have the ability to drive the changes through the enterprise. His background was with large, slower-moving and more bureaucratic cultures, while the company which recruited him was very task-focused.

The executive produced some documents with the kernels of ideas, but didn't know how to engage stakeholders to drop the ideas down into an action plan. What was lacking was a depth of thinking. No implementation plan was ever produced.

While this is a true story, it has other variations, all relating to the hiring company overlooking the importance of culture. Let's look at a couple of other examples:

- A large technology company suddenly experienced high attrition among its sales team. The root cause was hard to understand as all of those hired in had demonstrably strong sales track records with their previous companies. The problem turned out to be not one of competence, but one of culture. The new hires were ego-driven individualists – as salespeople can often be – but their new company had a well-entrenched "teamwork" culture with shared risk and reward.

- A tough, results-driven executive was brought into a company by a CEO who knew him, and knew his style. But there was a serious job to be done and he looked appropriate enough for the task – firm yet fair. Unfortunately, he was also abusive. His failure to treat people with respect resulted in several key contractors leaving, because they could. Many more were damaged. The executive had to be paid out. Again, money and time were wasted.

What it comes down to is that poor fit results in low morale, a gradual descent in productivity and dissatisfied customers.

Companies can prevent these damaging scenarios by careful interviewing, probing deeper for examples of behaviour, and by providing a comprehensive "onboarding" process that accelerates the new executive's sense of inclusion.

Of course, the hiring organization needs to start with a clear understanding of its culture in relation to the position being filled.

Of course the hiring organization needs to start with a clear understanding of its culture in relation to the position being filled.

The hard costs of a mis-fit relate mainly to re-hiring and performance shortfalls, while soft costs are internal "noise", dissonance and distraction, as well as disruption to the executive's role and the jobs of others in the company.

In the view of Heidrick & Struggles, the two steps towards achieving cultural successes are:

1. Define in detail the culture, totems and behaviours expected of executives

2. Rigorously evaluate performance against these

Much of the problem, according to Julie-Anne Tooth, a Melbourne-based executive coach and former HR manager at EDS and UNISYS Australia, is the focus on skills and experience.

"It's the old story of the senior executive who knows someone and it's all done over coffee meetings and teleconferences. The person being hired has done a $400 million-dollar deal and is across the P and Ls and the results seem to be there," she says.

"Companies skim over the issue of culture fit. It's the same everywhere – the relentless focus on results at the expense of the values of the company."

WHEN AN OUTSIDER IS PERFECT FOR THE JOB

An important factor in the complex "culture" difficulties confronting today's corporates is that many of them want to drive transformational change. This point is well made by IBM Business Consulting Services Australia general manager Andrew Stevens.

"You don't want your new executives to be too much of a fit," Stevens says. "You don't want them to be thinking with the same brain as the existing culture. If a business is interested in transformation – and who isn't these days? – then it is more important that the senior executive has leadership abilities to drive change as much as the base competencies or fitting in with the new company."

He says the new executive needs to have enough similarity to the existing culture to be listened to quickly, but also enough leadership to move the new organization forward into a new direction.

Strategy adviser Joseph Crepaldi, of Crescendo Partners in Melbourne, agrees that some level of disruption by incoming "change agents" can be useful where a culture needs to change in order to stay competitive.

"You only have to look at the track record of Ross Wilson of TABCorp," Crepaldi says. "He was fantastic, vibrant and entrepreneurial. He did exactly what he was brought in to do, and injected new life into an old public service-style bureaucracy."

He cited the case of a well-known Australian company which inadvertently destroyed much of its value by not looking to different cultures. "Over a period of a few years they promoted internal people to senior ranks, but unfortunately it didn't rejuvenate the gene pool – which led to lower productivity and loss of market share."

At Heidrick & Struggles, we believe that "gut feeling" is not enough in the recruiting process. While managers and colleagues may share the desire to hire a person who fits the company, they might not necessarily be on the same page about how that can best be determined. Expert advice and recruiting rigour is needed to ensure consistently successful outcomes.

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The New Post-dotcom CIO

The adage "out with the old and in with the new" best describes the new challenges facing CIOs globally. The bursting of the dotcom bubble has not only radically reshaped the IT industry, it has also dramatically transformed the role of CIOs.

The 1990s saw corporations faced with significant challenges brought about by changes in markets and corporate organizations. In many industries, both production and markets have globalized. Companies have experienced major shifts both upward and downward in their scale of operations through significant downsizing and major mergers and acquisitions.

In responding to these dramatic changes, companies have invested vast resources to reengineer their operations. Often the CIO is at the core of many of the most fundamental and costly changes in the life of a corporation. Companies trying to keep ahead of the curve of these rapidly moving business trends clearly need to understand the new challenges facing the CIO.

The paradigm shift in the marketplace means the old way of doing things no longer applies. The conventional wisdom within organizations in the selection and hiring of CIOs has been fundamentally revised. Market volatility coupled with the new reality in which cost cutting is a perennial objective has forever changed the position of the CIO.

Moreover, the increasing complexity of the technology sector, which has seen the transformation of traditional software markets – consolidation of players and services, and the blurring of traditional vendors channels – continues to impact the kind of executive needed to helm an IT organization.

Gartner, the global research group, in a recent survey underlined the need for CIOs to embrace change. It noted recovering economies, globalization and regulatory demands would create an increased business need for IT leadership.

This means IT professionals will have to become more involved with the business side of operations, and make technology decisions that are aligned with the strategies and financial goals of their companies.

> The new CIO has to be a trusted partner and ally of the CEO, deeply involved in shaping the strategic direction of the corporation. They can't be just order takers, accountants or technical advisors.

Chief executives are no longer interested in hiring someone offering technical solutions to the companies. They are demanding more. The new CIO has to be a trusted partner and ally of the CEO, deeply involved in shaping the strategic direction of the corporation. They can't be just order takers, accountants or technical advisors.

"In much of the CIO recruitment we do today, our clients are often going to the outside to bring in 'transformational CIOs' to drive massive change in their organizations to include how these companies deliver products and services through multiple channels of distribution across the globe," according to Jory Marino, Managing Partner, Global CIO Practice, Heidrick & Struggles.

The role has become more multidimensional. IT leaders have had to shift their focus from simply managing technology toward the management of business information, processes and relationships. This makes the CIO more

accountable to the business, in terms of proving the case for return on IT investments. In addition, CIOs must possess the communication skills necessary to translate IT investments, first into business concepts, and then into ROI. They must be skilled communicators who are able to clearly articulate their vision to other group managers within an organization.

The skills or qualifications for the CIO are changing as the IT function becomes more central to business planning. Searching for the ideal CIO has become harder, since it's no longer a case of looking at the traditional sources of talent. One has to look across industries and geographies to identify and recruit the right candidate. For example, we recently conducted a CIO search for a global financial institution in the early stages of re-thinking their consumer strategy and rather than source candidates in their peer group, we looked at a number of world-class retailers and ultimately selected a CIO with deep expertise in the consumer product and service market segments.

The resumé of the CIO frequently includes technical/engineering qualifications, plus a background in finance, marketing and strategic planning. New types of people are moving into the CIO office. Executives with consulting skills and broader business and finance industry experiences are being recruited. There are very few CEOs today who are not financially astute. We are seeing more and more who are equally technically astute. As the role of the CFO has evolved into a business partner and potential successor to the CEO, we are seeing the same pressure on the CIO role. This naturally demands a different talent to that traditionally sought in the head of IT role. It requires a true senior executive with well-rounded business management skills, a strong grasp of business strategy and an ability to step in and lead any business function when required.

"As technology leadership becomes a competency required for any senior executive at the management table, so the traditional CIO role disappears and the role of 'head of manufacturing' in financial services and the hybrid supply chain technology role in consumer goods emerge. The source of these executives is diverse and more difficult to source. The CIO role is becoming a viable stepping stone to the CEO role. CIO experience will become as valuable as that of CFO," according to Kelvin Thompson, co-head of the Global CIO Practice.

At the end of the day, job security depends on staying relevant. And this is fundamentally the CIOs' challenge – to remain relevant to changing circumstances and respond proactively to the demands of the global economy. As more companies continue to slash their IT budgets by outsourcing functions and reducing internal IT staff, should IT professionals fail to show their usefulness in the boardroom as well as in the glass house, their demise will be certain.

In fact, Gartner predicts by 2008 most IT departments will employ half as many staff as they do now. Markets are moving very fast, and CEOs and board directors have become far less forgiving of mistakes. Everybody wants to see results, and they want to see them quickly.

The harsh reality is that in order flourish in this new IT world, executives will have to make some really tough decisions.

Searching for the ideal CIO has become harder since it's no longer a case of looking at the traditional sources of talent. One has to look across industries and geographies to identify and recruit the right candidate.

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Inside The Mind Of The Transformational CIO

At leading regional and global corporations, turnaround experts of a different kind have started to take the technology helm as transformed business processes become a competitive advantage – and even a matter of survival. Such transformational chief technology officers are usually charged with leading cultural change to enable re-engineering of business processes across the enterprise. They typically have a strategic technology vision as well as a deep understanding of the various businesses within the business, and of the competitive landscape outside the business.

Frequently these transformational executives have been brought into a company that may have been blindsided by new technologies adopted by rivals. They may be seeking a competitive edge, entering new markets, or addressing technology problems.

Early harbingers of the transformation in information technology were enterprise resource planning (ERP) solutions, which were customised to mimic internal processes. Applications were adapted and a "sort of " solution achieved.

But, inevitably, one size didn't fit all, and so the need arose for leaders who not only understood technology, but who also understood the way the business functioned. With the addition of leaders who possessed a deep understanding of the business and the competitive environment, true technological change became possible. But who are such transformational executives, how do they do it, and where can they be found?

A common theme is that they are a curious breed that has had experience either in different businesses entirely, or in different aspects of the same industry. In addition, successful transformers enjoy the confidence of their CEO and the support of their peers.

Westpac group executive of business and technology solutions Michael Coomer believes the qualities that make up a successful change leader are mostly innate and intuitive – but they can be bred within companies when CIOs have the ability to spot and nurture talent. At Westpac, for example, "there are people I've been mentoring over several years, and some areready to step into the role now," Coomer says. "Many organizations have tried to manufacture such executives by teaching business skills to technologists or vice versa. But they have usually failed," he says. "The ideal person is not a pure technologist or a pure business person. They are usually not stellar at business, so are not necessarily CEO material, but also not necessarily CIO material in the old sense of being an IT person."

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CEO support is key, he adds. "You don't want someone who has outsourced the problem without understanding the issues. It comes back to bite them. There have been examples in Australia of companies that have rushed to India with disastrous results, and others that have been there for some years and done well." He likes walking into a general manager's office within the bank and having a dialogue about the business – "not necessarily about business outcomes" he says, adding, "if you can't do it (bring about change) by listening to and influencing your peers, it's going to be well-nigh impossible to transform the business."

Coomer says he consults on IT strategy and transformation outside of Westpac through informal networks, advisory boards and committees, as well as by reading up to 80 emails a day on topics relating to the financial services industry.

He likes a "line of sight" view across the bank, as well as across competitors. He believes effective communication, integrity and resilience are vital. Perceptions of hidden agenda or politics must be avoided. "Change is inevitable, but you have to communicate softly, without arrogance," he says. "Yet there are times you need to dig your heels in and tell your managers you're not going to blink on this one. You can't falter at the first hurdle. If it was easy, we would have done it years ago!"

Danny Dale, senior vice president, Boston Consulting Group, lists several attributes of transformational CIOs:

- Credibility with the CEO. "They need to be joined at the head rather than the hip – of one mind," says Dale.

- Superior communication skills.

- Ability to look right across the business and into the future. He adds: "They have to look at the enterprise, create a five-year horizon and then ask, 'What innovations do we need to make now that in five years will be driving this business?'"

Dale says the CIO is not a technology visionary in the dotcom sense, but rather is someone who delivers on a strategy. National Australia Bank CIO Michelle Tredenick agrees. "I don't like the word visionary," she says. "You need someone who has a clear understanding of where the business is moving, and how technology can assist. But you also want someone who challenges the status quo."

Tredenick, formerly the CIO of the MLC, says transformational CIOs need to learn to bounce back when they're not immediately successful. "You need resilience and discipline to keep painting the picture and enrolling people. I spend a lot of time talking to people, listening, and understanding where they want to head. It's all about leveraging the people around you."

She says transformational CIOs have an intense curiosity, widespread experience in a range of businesses, and an ability to live in the future. "You're always thinking and learning," Tredenick says. "You need good insights as to what the competition is up to. You also need to follow the trends and realise what's going to happen so you can harness technology to support your business."

Coles Myer CIO Peter Mahler says he had given many speeches and consulted widely in his role. "It's all about relationships and alliances. You need to show you are listening, and not be arrogant. You simply have to take the politics out of it all and communicate and listen." The biggest issues are not related to technology, Mahler says, but rather are about changing enterprise processes.

Mahler agrees with Dale that the transformational CIO and the CEO need to be of one mind about the need for change and for winning and cultivating the support of the senior management team. "My message to the board is, 'If this fails, what will happen?' And the answer usually is that I'll go down, but they will also go down with me! So success is the only option. You always have to be selling senior management so they are behind it and take ownership of the change."

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Change The Culture And Improve Performance

Large corporations are now living or dying according to the speed with which they can change their information technology and systems. If they don't get their supply chain working right, and fast, you can bet that their closest competitor will soon be eating their lunch. Failing to take advantage of major technological advances or opportunities may result in being blindsided, going out of business or scrambling – expensively – to catch up.

But it's not just about the technology. The challenge today is to re-engineer the entire culture of an organization before its systems can be streamlined to enable it to compete effectively. As Peter Senge says in his book "The Fifth Discipline", everyone in the company has to be on-board with the need for change and willing to participate in a new way of doing business. "People want change, they don't want to be changed," he says.

He gives three criteria for success: management commitment, universal approval, and appropriate measures and rewards. For "universal approval", read "culture change."

At Heidrick & Struggles, we have found that successful change agents move quickly to outline the need for change, define the culture that will work best, and then set about getting the key teams on board. "On-boarding", as it is called, is critical to helping the new team and its members find traction and early momentum.

Specific values and cultural norms needed to be debated and defined and set right at the outset to guide recruitment and team behaviours. Recruitment decisions must focus on the "new culture" fit as well as on experience and competency.

Also critical is highly visible and wide-ranging executive change. In other words, changing the behaviours and values almost always requires rapidly changing the people. A new team is therefore needed. This usually comprises the best internal and external recruits.

Coles Myer CIO Peter Mahler says that of the 50 at the top of the IT tree when he took over in October 2002, only 11 are still in place today. "I had to spill the top three layers," he recalls. "Everyone could re-apply. Then we attacked the next layers down. We removed hundreds of people. Creating a new culture is more important than retaining the experience of the people in the company. The IT experience in telcos, retail and banking is very similar. You don't need to be a retailer to do IT in retailing. But you do need people with the right behaviours and values."

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Mahler needed to hit the ground running. Just months earlier, his CEO, John Fletcher, himself a newcomer (previously with Brambles), had announced high-risk plans for a logistics and supply chain-led recovery operation for the retailer whose processes were highly fragmented, to say the least.

"I'm a strong believer that you cannot achieve technological change unless you also bring about cultural change," Mahler says. "At Coles Myer, we have been able to achieve a breakthrough in leadership. I haven't had the time to do this in other companies."

"Culture change is of prime importance. It's tough, and takes a long period of time. But you have to change the symbols and the behaviours of the leaders. The values have to be visible," says National Australia Bank CIO, Michelle Tredenick.

Mahler, a Canadian, was hired with a track record of success in turning around IT systems in customer-focused corporations, notably the Canadian media conglomerate Western International Communications and major Belgian telco Belgacom.

"At Coles Myer, we are successfully teaching people how to become leaders," Mahler says. "Managers can be the best technology people but have no experience in motivating others or demonstrating vision. We have developed our own training program and put about 200 people through training programs. We are very serious about change."

NEW BLOOD, NEW VALUES

National Australia Bank CIO, Michelle Tredenick, agrees that new blood is needed to bring about cultural transformation. "Culture change is of prime importance," she says. "It's tough, and takes a long period of time. But you have to change the symbols and the behaviours of the leaders. The values have to be visible."

She cites some examples of out-dated values:

- People who are promoted because they've been there a long time

- Your voice is heard in the company because you have power

"The CIO needs to personify the new values. People who perform should be promoted and rewarded. People should feel able to contribute regardless of their place in the organization," Tredenick says. "If you say you have an open door policy and are encouraging diversity, you have to mean it – and demonstrate it."

Accenture Asia Pacific managing director,

Jane Hemstritch agrees that a new team at the top is critical if dramatic and impactful change is to be achieved in an IT organization.

"The definition of stupidity is to do things the way you always did them and then to expect a different result," she says. "You can't expect people to suddenly do things in a different way. "And while religious conversions such as Saul on the road to Damascus are not unknown, they are rare. You usually do need to bring in someone new."

Hemstritch says there are two stages to cultural transformation:

- Outline the vision

- Work out who will support you in achieving it

"The incoming or transformational CIO needs to look at the enterprise and what they need to achieve, consult widely and develop the vision and supporting set of values," she says. "They then need to hire new senior executives and quickly let go of others. If you don't, some of the people you don't want will wait you out."

VISIBILITY AND ACCOUNTABILITY

Follow-through is also critical, according to Hemstritch. "It's no good saying 'things are going to be different' and 'this is what I want' and then not holding them to it. Often CIOs can hang on to the wrong people simply because they have great technical skills. Those people will try to convince you that they are the only people who can do it. IT is especially vulnerable to not letting go of those people with the wrong behaviours.

"Visibility and accountability are the two key behaviours in successful transformations," Hemstritch says.

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Succession Strategies

On the day Carmel Gray announced her retirement as CIO of the Australian financial services company Suncorp, her successor was announced.

He was an internal candidate. He had good experience and came from a strong pool of credible candidates, all of whom had been screened and nurtured by CEO John Mulcahy. Interestingly, Suncorp had also conducted a search to help benchmark the strongest internal candidates.

Done properly, succession planning can not only guarantee a corporation's fitness for the future and avoid costly disruption in an age of constant change, it can also build a culture of stability and talent retention.

According to Gray, the secret to her "painless" executive transition was constant scanning of the gene pool for potential leaders.

"The top team met frequently for the purpose of reviewing the succession program," she says. "We discussed the progress of potential leaders and their development needs – for example, job rotation, mentoring, special training and other strategies were tailored to each individual.

"Their managers had to learn to take risks and make short-term sacrifices in the longer-term interests of the company."

Gray says that managers were made accountable for the results of the program and encouraged to develop a strategic focus on the company's business.

STAFF MORALE BOOST

"Our CEO, John Mulcahy, was good at

Done properly, succession planning can not only guarantee a corporation's fitness for the future and avoid costly disruption in an age of constant change, but can also build a culture of stability and talent retention.

simultaneously focussing on short- and long-term needs and actions," she says. "The elevation of potential leaders into more senior positions also allowed others to step up. Good succession planning is great for staff morale."

Gray says that even if companies have well-developed internal candidates, they should check in the market to guard against the risk of in-breeding. "You should never be afraid to look outside," she says.

TEAM-BUILDING THE SECRET

MBF Australia CIO Warwick Foster, formerly global CIO for Prudential and CIO of AMP, says the key to succession is to build a good team.

"You can waste a lot of time if you don't focus on your people," he says. "I usually start with the basics – go through the titles and functions, the grading and the training, capability frameworks and career planning programs. Then I will merge the more generic functions and work through the competencies."

Foster says it is difficult in times of constant change to maintain a constant succession model – the world is changing too fast, with frequent re-organization and acquisition/divestment.

"But if you have a strong team under you, it's easy to build up obvious successors. You're looking for people who are doing extra-curricular

activities beyond their day-to-day work, and who have three main areas of expertise – operational, technical as well as strategic business linkage skills."

Foster admits it is not always possible to find candidates with all three competencies. If one competency is poorly developed, he says that it is more desirable to develop people who have a good IT understanding rather than those with pure business skills and little IT understanding.

INTERIM TO THE RESCUE

Railcorp CIO Vicki Coleman agrees with Carmel Gray that a good succession plan needs to be in place before a CIO moves on. Before leaving her previous role with Sydney Water, Coleman put together a high-level plan which involved hiring an interim CIO and then conducting a search for her replacement.

"My view is that it is important for someone to move on quickly once they have made the decision to go, regardless of what position they hold in the organization. There is no benefit for either party if you stay longer than you need to hand over or put in place an appropriate transition plan.

"However, it is not appropriate to leave without having put a plan in place or taking steps to ensure there is a smooth handover."

Coleman says that at Sydney Water she had a good senior management team, and they were all working on projects that were mission-critical to the business. "To disrupt any of the projects and ask one of them to fill my position in a caretaker role would not have been beneficial to the organization as a whole."

An interim executive was appointed and was able to finish off the ongoing projects ahead of the new CIO's arrival.

At Heidrick & Struggles, we believe that good succession planning is not solely about how you replace your star performers. It is also about how you build your team so you are flexible and reasonably shock-proof.

Effective succession requires at least five steps:

1. Identify future leaders

2. Assess the talent against current and emerging needs

3. Address their development needs by training, job rotation or mentoring/coaching

4. Monitor candidate progress

5. Constantly benchmark candidates against the external hires

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Who's Guarding Your Data?

"Civilisation is the progress towards a society of privacy. The savage's whole existence is public, ruled by his tribe. Civilisation is the process of setting man free from men."
– Ayn Rand, "The Fountainhead"

When an Australian Internet service provider had details of customers' credit cards published on the Internet by a hacker, it faced a serious crisis. Within months the ISP was out of business. The fact that the computer thief got three years in jail was cold comfort for a company left with debts in the tens of millions of dollars.

Whether privacy breaches are the result of disgruntled employees or deliberate attacks by fraudsters, today's reality is that information is a keenly sought and often vulnerable asset.

Privacy management is complicated by widely differing legislative frameworks. For example, in Australia, state legislation – particularly around health information – was written in the late 1980s and early 1990s before computer databases were aggregated.

THE CHIEF PRIVACY OFFICER

At Heidrick & Struggles, we believe that privacy executives must be proactive. We see privacy not just as a tactical matter but a strategic issue. By leading the way in privacy protection, businesses can enhance their reputations with customers and consumers and ultimately grow market share. As Australian federal privacy commissioner Karen Curtis told a conference in New Zealand recently, "Good privacy is good business.".

Westpac group executive, People and Performance Ilana Atlas says the company is "very alive" to the issue of privacy and has a chief risk officer reporting directly to the CEO.

"Because we're a financial services company, where security of information is paramount not only for our customers but for our involvement in the wider financial community, privacy has been a huge task for us for a number of years," she says.

Privacy expert Philip Argy of the law firm Mallesons Stephen Jaques, says the data protection role is generally undertaken by a more generic compliance person.

"It could be the company secretary or someone who's almost the general counsel or the chief information officer," he says.

Argy says that while a strong knowledge of legal requirements is important, "If you just did the bare minimum to meet legislative requirements you would frequently breach what the public expects you to do. The person in the role needs to have a feel for the values of the society in which your business is operating."

He says the commonsense factor cannot be over-stated and a privacy officer relying on the law alone can cause serious reputational damage to a business.

"For example, if a person flies back home to Australia from overseas with, say, a case of bird flu, you don't want the airline privacy officer refusing to give out passenger names. You want to vaccinate everyone who was on the flight as quickly as possible."

Privacy commissioner Curtis says legal training

helps, "But it's more important that the person is senior enough to have access to the board or a board committee. You need to be able to embed it into business practice and into the culture."

She says that privacy officers need to strike the right balance between employee and company rights. In Australia, employers are deemed to have a right and responsibility to monitor employee activities.

> At Heidrick & Struggles, we feel that the privacy and compliance role needs similar skills to those present in the top team – good business vision, communication skills, authoritative presence and ability to influence.

Curtis says that privacy legislation doesn't prevent employee monitoring as employee records are exempt – "but most businesses accept that you have to use emails and have personal phone calls because if you need to deal with another business, you have to do it during working hours."

A MATURE SOCIETY

Curtis is gratified that Australian businesses are not calling for changes to the current law. "It is accepted now that privacy laws are part of a mature society and in line with community expectations."

Mallesons' Argy says that in a post-9/11 environment, people are prepared to tolerate more intrusion.

"The general view is that if you've got nothing to hide you shouldn't complain. While I partly agree with that, even if I don't have anything to hide I don't see any public benefit, for example, if my medical or financial records are available – not because I'm obsessive, but because I simply don't think it's anyone's business."

He offers the humorous-but-serious scenario of a possible future Orwellian world where a customer phones to order a pizza, only to be told that their unique identifier number has been matched to a medical database revealing that he has high cholesterol.

"The operator says that in order to safeguard his company from a lawsuit he must suggest the customer does not have pizza!"

Argy says the best protection for a business is to have an extremely competent person at a senior level with responsibility for privacy and compliance across every facet of the business.

At Heidrick & Struggles, we feel that the privacy and compliance role needs similar skills to those present in the top team – good business vision, communication skills, authoritative presence and ability to influence.

Candidates who combine the requisite business acumen, ethical ballast and skills relevant to the intricacies of privacy might be hard to come by, but recovering your company's reputation can be even harder.

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Executives Confront New Challenges In A Virtual World

Executives are grappling with new ways of managing their staff as the world grows flatter and leadership teams are decentralised and virtualised. The old "face-oriented" offices have given way to virtual communities of outsource partners, offshore teams and globally distributed workforces.

On any given day, 42 per cent of IBM's workforce of 330,000 workers does not report to the location where they are based. The company's human resources head Randy Macdonald says the past 10 years will be characterised by historians as the period when traditional business empires transformed into global, collaborative and virtual empires.

The change has been enabled by the proliferation of communications technologies, broadband and changing business models. In a faster-paced, more competitive world, executives must be more flexible and agile, and must acquire new communication and management skills.

Paradoxically, a virtual world calls for greater relationship-building efforts than in traditional teams or organizations.

Macdonald says that many millions of dollars have been spent on teaching employees oral communication skills. "In this new world of virtualisation, and visualisation, we haven't taught these skills. Going back to some of the basics in this evolving world of work will be critical."

Eric Lesser, head of human capital research for IBM's consulting practice, agrees. "You need to pay more attention to relationships," he says. He gives three keys to communication for executives in the new, disembodied organizations:

- Connections

- Relationships

- Common context

"It's more important to maintain your network and your connections by having regular face-to-face meetings and then to build a relationship of trust, and to understand the context in which you find your distributed workers."

Paradoxically, a virtual world calls for greater relationship-building efforts than in traditional teams or organizations.

While flexibility is valued and technology enables flexibility, he says executives must take care to maintain work-life balance. Boundaries should be set and respected.

"Technology by itself is not enough," Lesser says. "If you have key sites or project teams located away from the main office you have to give people the opportunity to meet face-to-face at least once. You need to build up a trust which comes only from a deep understanding of what people do, their values and motivations."

TRUTH THROUGH TRUST

Mark Allaby, a Toronto-based financial services partner for Accenture, says that the first rule for virtual workforces is that relationships need to be established ahead of the virtualisation.

This is particularly important with large offshore project teams.

"When running large project teams in India and

Manila, we didn't just pick up the phone and say 'Right guys, we're a team, let's get to it'," he says. "We had to go and build relationships. We sent people at all levels from the onshore teams and had some of the offshore guys come onshore. If you don't do this you just get a lot of talking but no real communication."

According to Allaby, email is the biggest relationship-killer man has ever invented. "Some of the disciplines around good meeting habit disciplines need to be re-learned in the virtual environment. You need to really try to understand what they're getting at, as opposed to just pushing your own topic."

Cap Gemini Australia technology services head Bradley Freeman says that he has noticed younger workers are starting to create face-to-face communities in response to the virtualisation of their workplaces. "There's something in that human touch that they are re-inventing," he says.

"There's an equilibrium point where you seem to revert to an old-style community," he says. "I've seen that with the 20 to 25-year-olds joining our industry. They're tech-savvy and comfortable in a virtual workforce, but are now starting to cluster around home base and the home and office community are starting to gravitate together."

PUSHING ON ALL CYLINDERS

One of the archetypal virtual corporations is Yahoo!, and Marc Ketzel, the vice president of human resources for Asia Pacific, says the secret for managers is balance.

"We push on all cylinders, using our internal systems, email and lots of instant messaging. We're more electronic-oriented than voice-oriented. But what makes it all work is the fact that it's balanced out with a lot of face-to-face meetings, team interactions and lots of travel. You absolutely need to develop those relationships before virtual communication can be successful."

At Heidrick & Struggles, we believe that the executives of the 21st century need to be both more flexible and more aware of staff slipping into technology and out of communication. Inter-personal skills such as team-building, collaboration and relationship focus are key to powerful and effective leadership in a virtual world.

Leaders need to propel their teams into face-to-face relationships and avoid the situation that one executive described to us, where a group of people – occupying three different floors of the same building – regularly communicated via teleconference!

Inter-personal skills such as team-building, collaboration and relationship focus are key to powerful and effective leadership in a virtual world.

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Heidrick & Struggles International, Inc. is the world's premier provider of senior-level executive search and leadership consulting services, including talent management, board building, executive on-boarding and M&A effectiveness. For more than 50 years, we have focused on quality service and built strong leadership teams through our relationships with clients and individuals worldwide. Today, Heidrick & Struggles leadership experts operate from principal business centers in the Asia Pacific, Europe, Latin America and North America.

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