



Executive Summary

Flipping to Digital
Leadership: The 2015
CIO Agenda

This is an Executive Summary of an Executive Programs member report. Each report covers a relevant and compelling CIO topic and contains tools, templates and case studies members can put to work in their own unique context.

We are confident this summary will demonstrate the unmatched quality of Gartner thought leadership and how our unique CIO research and insight support you and your team as you increase IT's contribution and drive greater business success.



2014 No. 7

FOREWORD

To grasp the digital opportunity, incrementally improving IT performance isn't enough. Enterprises and their CIOs need to “flip” from old to new in terms of information and technology leadership, value leadership and people leadership.

This report addresses the question: *How should CIOs adapt their leadership and management in 2015 and beyond, to ensure that their enterprises survive and thrive in an increasingly digital world?*

“Flipping to Digital Leadership: The 2015 CIO Agenda” was written by members of the CIO & executive leadership research group, led by Dave Aron (vice president and Gartner Fellow), assisted by Graham Waller (vice president, executive partner) and Lee Weldon (director).



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We would like to thank the many organizations and individuals that generously contributed their insights and experiences to the research, including:

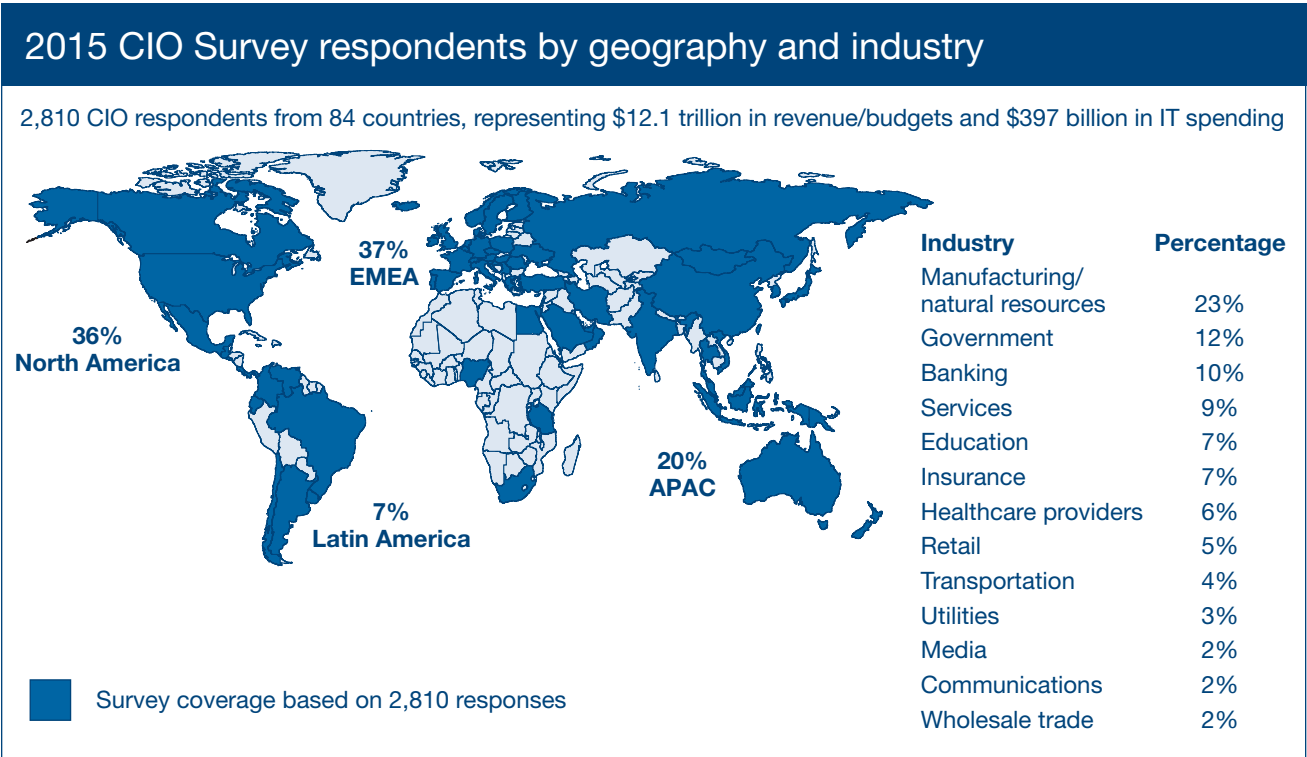
- The 2,810 CIOs who responded to this year’s survey, representing approximately \$397 billion in IT spending across 84 countries.
- The contributors to our interviews and case studies: Steve du Preez, Anglo American (U.K.); Arvind Gupta, Bharatiya Janata Party (India); Jeff Bingaman, Crutchfield Corporation (U.S.); Olivier Crespín, Frances Boon, David Gledhill, David Backley and Choon Boon Tan, DBS (Singapore); Suzanne Bump, Pamela Lomax and Paul McLaughlin, Massachusetts Office of the State Auditor (U.S.); Gilson Manfio and Luiz Malere, Natura Cosmetics (Brazil); Linglong He, Quicken Loans (U.S.); Zheng Liangang, Spring Airlines (China); Charles Nicholson, Ultimate Software (U.S.); and Klas Bendrik, Volvo Cars (Sweden).
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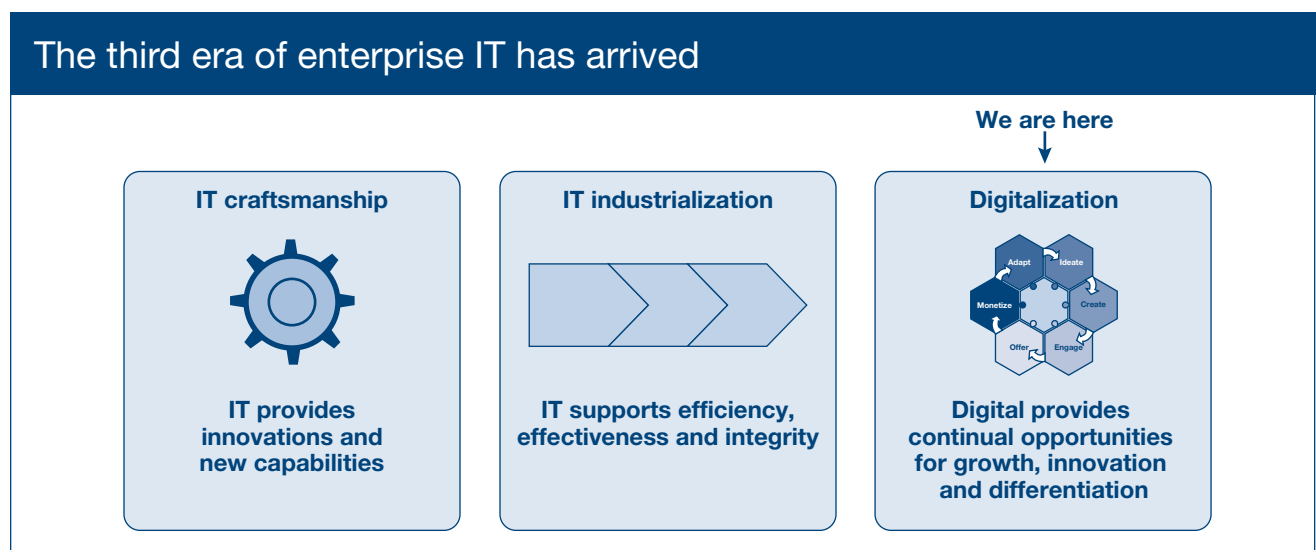
Digitalization is no longer a sideshow — it has moved to center stage and is changing the whole game. CIOs have a unique opportunity, but they must “flip” their information, technology, value and people leadership practices to deliver on the digital promise.

Digital has moved to center stage. Have you?

The 2015 Gartner CIO Survey gathered data from 2,810 CIO respondents in 84 countries and all major industries, representing approximately \$12.1 trillion in revenue/public-sector budgets and \$397 billion in IT spending. For this report, we analyzed this data and supplemented it with interviews of 11 CIOs (or equivalents) who had exciting digital stories to tell.



Last year's CIO Agenda, "Taming the Digital Dragon," explained how we were moving beyond IT craftsmanship (focusing on technology) and IT industrialization (focusing on process efficiency and effectiveness) into a third era of enterprise IT, where digitalization is transforming business models and determining who will win. The third era requires two modes of IT: traditional IT and a more agile, experimental IT (see the discussion on building bimodal capability in section 2 of "Taming the Digital Dragon").

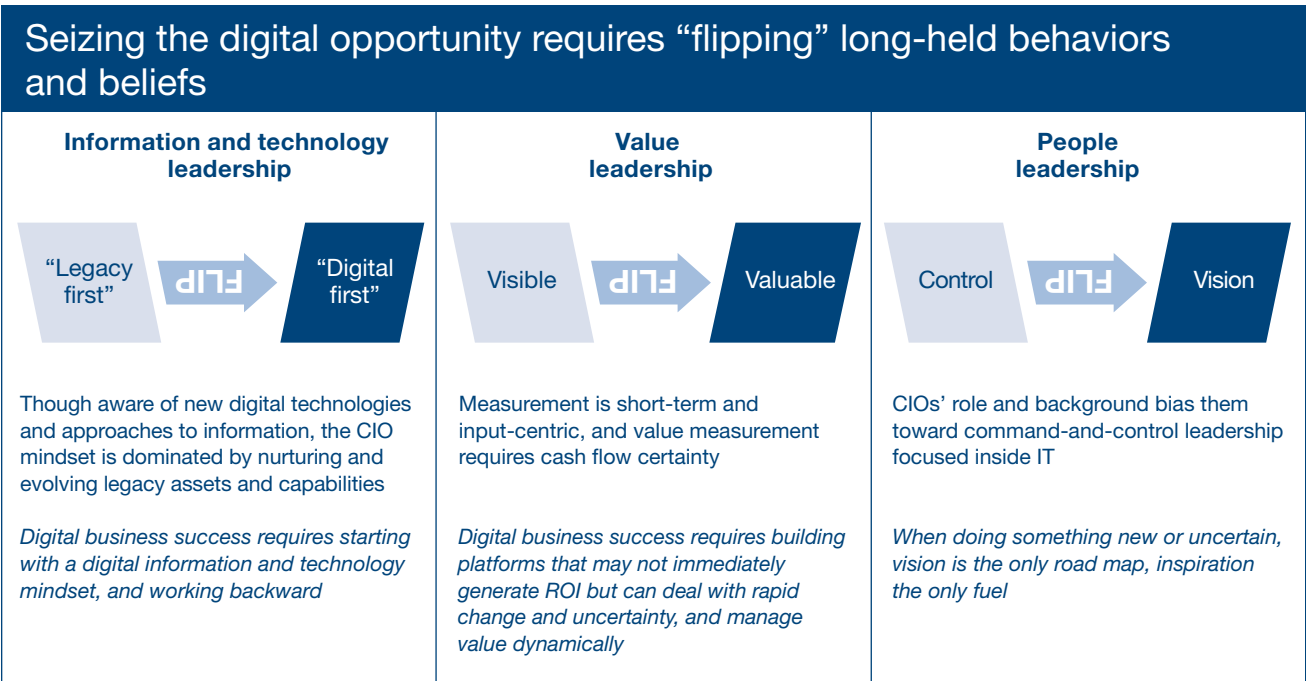


Things have moved on apace, and this year it is clear that the digital world and its ramifications have already moved from the shadows to center stage, creating winners and losers in all industries and geographies. Cloud, mobile, social and big data are already central to business thinking, and the next set of digital technologies, trends, opportunities and threats is creating yet another competitive frontier.

The 2015 CIO Survey and our most recent CEO Survey show that not only do CIOs expect, and aspire to, a leading role in digitalization, CEOs expect them to step up and lead the digital charge. To do so, CIOs must accept this third-era "digital now, digital first" reality, address long-standing challenges in value and risk management that could thwart digitalization, and replace pragmatic command and control with visionary leadership.

In short, to start the "digital cultural revolution" required to seize this opportunity, CIOs must "flip" to digital leadership (see figure on page 4).

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These are not small changes. They demand commitment and focus from the CIO, and support from the CEO and CxO peers. For those who succeed, the prize could not be bigger.

Flip information and technology leadership from “legacy first” to “digital first”

Make space to flip information and technology through simplification

Seizing the digital opportunity requires agility, adaptability and speed. However, existing business processes, business models, information, technology and talent suffer from legacy inertia and “bad complexity.” Even IT planning horizons do not reflect the new era, with its potentially massive disruptions. IT simplification to make space for and enable digital business is a good start, but simplification needs to extend to the entire business stack: business processes, business models and the business ecosystem.

Information and technology flip 1: From “legacy first” to “digital first”

Beyond simplification, cloud and mobile are now valuable options, if not necessities. New and replacement services need to be architected, starting with the assumption that a public cloud solution will deliver services consumed in a mobile setting having a high level of contextualization. This requires flipping from an inside-out “legacy-first” to an outside-in “digital-first” leadership mindset.

Information and technology flip 2: From passive reporting to an active search for insight

Backward-looking reporting is insufficient in a rapidly changing digital business world. To create the future and be the disrupter rather than the disrupted, businesses need forward-looking predictive analytics combined with data-led experimentation (see figure below).

The analytics game is flipping		
From	To	Percentage of CIOs who agree
Backward-looking reporting	➡ Forward-looking predictive analytics	80%
Passive analysis of data	➡ Active experimentation informed by data	80%
Structured information	➡ New types of information, including social and multimedia	65%
Separate analytics	➡ Embedded analytics	62%

Information and technology flip 3: From the nexus to the next horizon

Cloud, mobile, social and information — the Nexus of Forces — are no longer exotic options; they are table stakes for digital business. This report’s case study enterprises are already exploring new digital technologies and trends. And experimentation with post-nexus technologies is creating the next disruption horizon.

Flip value leadership from what’s visible to what’s valuable

Expose three types of investments: Fear, fact and faith

Not all IT-intensive investments are the same, and they should be separated into categories based on what motivates them: fear (keep the business running), fact (extend the business within its business model, markets and tools) or faith (transform the business beyond the known). The digital business opportunity requires faith-based investments and management capable of dealing with them.

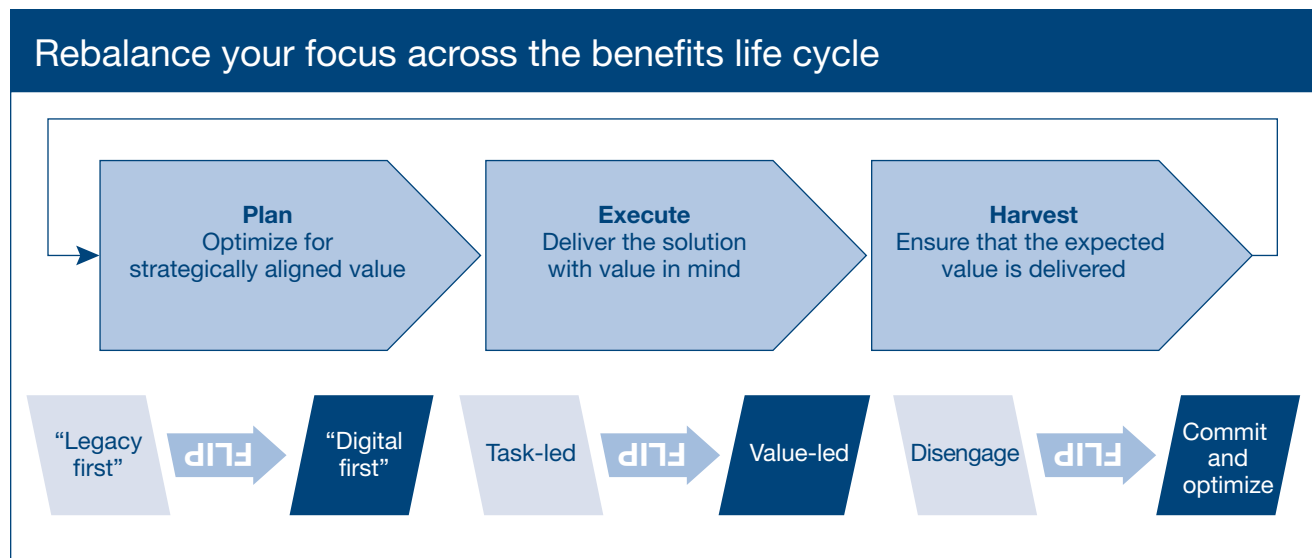
Value flip 1: From IT efficiency to value creation

Flipping from “legacy first” to “digital first” also entails flipping from IT efficiency to value creation. Value is not mainly created by reducing the cost of IT per dollar of revenue, but by increasing revenue per dollar of IT cost (see figure below).

Invert IT value metrics to emphasize value	
<div><div>x</div><div><div>IT cost</div><div>Revenue</div></div></div>	<div><div>✓</div><div><div>Revenue</div><div>IT cost</div></div></div>

Value flip 2: From business case to benefits life cycle

As digital business projects dynamically pivot with experimentation, innovation and learning, business cases may change dramatically. Benefits realization becomes increasingly important as digitalization takes hold. CIOs and their enterprises need to focus on all three phases of the benefits life cycle: plan, execute and harvest (see figure below).



Value flip 3: From “hit and hope” to platform value

Transformative, faith-based investments in digital capabilities, platforms and the like entail a high degree of uncertainty, making it difficult to put together a credible cash-flow-based business case. Techniques such as “real option valuation” enable digital leaders to assess platform and capability investments as options for the future.

Flip people leadership from control to vision

Make time to flip leadership

Being a powerful digital leader and influencer takes time. While CIOs are, on average, spending more time running the IT shop, high-performing CIOs are spending less, making extra time to engage their board and senior leadership. Having a deputy, a “COO of IT,” a CTO or equivalent, reduces the time a CIO spends running IT by 5%, or about a day per month.

People leadership flip 1: From “control first” to “vision first”

Command-and-control leadership does not suit the high-speed, uncertain digital world; in fact, it can be an obstacle. Vision and inspiration are typically the most powerful attributes of digital leaders. Though visionary leadership is not generally part of their “gene pool,” CIOs looking to become digital leaders can take concrete action toward achieving it.

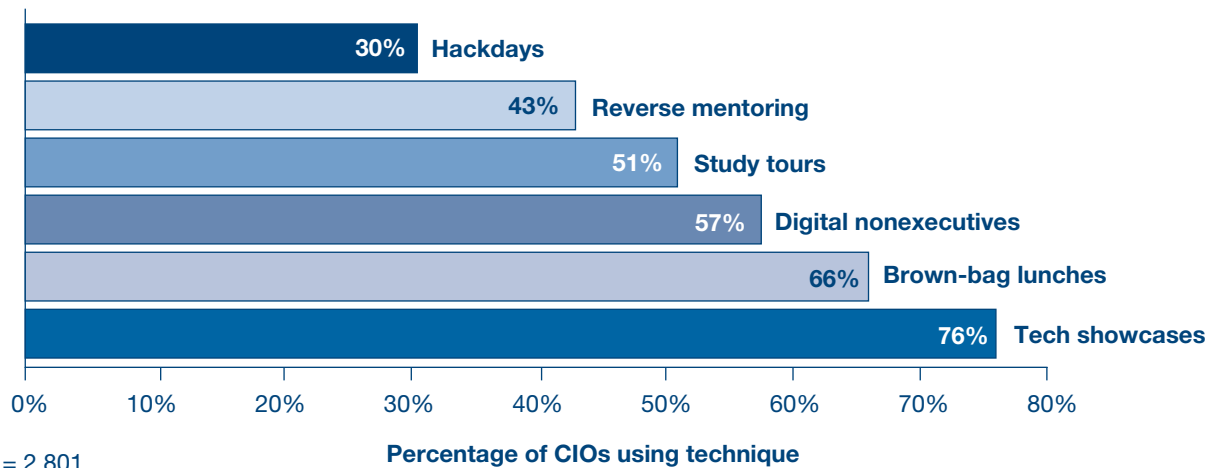
People leadership flip 2: From aligning with corporate culture to building a digital culture

A traditional, risk-averse corporate culture that views IT only as an infrastructural enabler of transactions will devour even the most innovative digital business strategy like a small snack! To avoid this fate, CIOs and other leaders need to lead a digital cultural revolution across their businesses, possibly their ecosystems.

People leadership flip 3: From IT management to digital inspiration

To seize the digital opportunity, CIOs need to help the enterprise understand and get excited about where digitalization can take the business. Education and inspiration are central tasks for CIOs determined to be digital leaders. In addition to developing a shared understanding of digitalization and what it means to the business, CIOs and other IT leaders need to increase the digital savvy of their enterprises using techniques shown in the figure opposite.

The use of digital-savvy techniques is highly variable



It's not enough to admire the problem — it's time to act. CIOs need to proactively flip their leadership approach (and by extension, that of their enterprise) to information and technology, value measurement and management, and people. The mapping exercise at the end of the report is designed to help CIOs understand and enhance their leadership flip capabilities for the digital world.

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GARTNER EXECUTIVE PROGRAMS REPORTS are created from a yearly research agenda developed from member feedback and the Gartner CIO Agenda report (informed by the world's largest annual CIO survey). From that agenda, regular reports are produced throughout the year and sent out to members, as well as published on the member portal.

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