CIOs and the Future of IT

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There’s an alarming digital divide within many companies. Marketers are developing nimble software to give customers an engaging, personalized experience, while IT departments remain focused on the legacy infrastructure. The front and back ends aren’t working together, resulting in appealing websites and apps that don’t quite deliver.

We’ve arrived at this misalignment for understandable reasons. Previously, most chief information officers (CIOs) were hired to digitize and bring order to companies’ internal systems and processes. They saw websites as marketing channels and were happy to let chief marketing officers (CMOs) oversee that province of technology. They had, and still have, plenty to do just to keep internal operations running smoothly. Marketers soon got into the habit of developing not just content, but also software programs to better reach and transact with customers. But now that websites and apps are becoming cornerstones of the business, the stakes are too high to allow this division to continue. The two sides of IT need to come together, driven by customer needs.

It’s time to integrate. CIOs need to oversee all of IT — in close collaboration with marketers and the business units. Only then can companies deliver digital experiences that win, serve, and retain increasingly demanding customers.

It won’t be easy to connect back-office infrastructure with customer-facing programs. Each area calls for different habits and skill sets. But the good news is that we’ve found many CIOs who’ve risen to the occasion. By overseeing both agendas, with a customer-oriented mindset, they can ensure that these systems evolve together to support the corporate strategy. That’s the only way for companies to thrive in the emerging “age of the customer.”
Back Office vs. Business Technology

The two kinds of software systems — call them “back office” and “business technology” — have very different implications. Back office involves big, complicated, expensive combinations of hardware and software, epitomized by the enterprise resource planning systems that integrate control and accounting functions. The goal here has always been reliability and affordability, supported by careful planning. It doesn’t need to be flashy; it just has to work all the time and not bust your budget. And since the only users are captive employees, usability is secondary and boring is fine. So we’ve bred a generation of control-minded CIOs who excel at stability and efficiency — and have limited sense of the company’s customers or strategy.

Business technology (BT) focuses on marketing and selling to customers, which puts a premium on user experience: Boring is dangerous. With customer expectations continually rising, BT aims to be flexible and responsive. It aims for a minimally viable product as it learns from the marketplace, and it tolerates occasional service disruptions. BT improves not with planning but with continual experimentation and discovery-driven innovation. Most important, it’s about generating revenue. (See “How Back-Office and Business Technology Differ.”)

How Back Office and Business Technology Differ

Back office says, “We will build it, and you (the employee) will use it.” BT says, “We will sense and in some cases anticipate what you (the customer) want, and we will build it.”

Forrester analysts estimate that back office still captures two-thirds of the $3 trillion technology spending worldwide. But the growth is with BT at 8% annually, compared with only 3% for back office.¹ Meanwhile the back-office trend is to outsource, virtualize, and shift to the cloud, which will free up further funding for BT. With Apple Inc., Amazon.com Inc., and Google LLC raising customer expectations, most companies — B2B as well as B2C — will have little choice but to sharpen their game in BT. Consumers increasingly purchase experiences, not products. User experience will drive competitive advantage.

These rising expectations are also erasing the line between BT and back office. Satisfying and even delighting customers has become such an imperative that leaders are rethinking everything the company does. Even the most operational areas, such as warehouse management and HR systems, are starting to optimize less toward efficiency and more toward customer experience and revenue. Eventually most back-office systems will have to reorient to serve as the staging platform for BT. But that can’t happen as long as separate
executives, with these different mindsets, manage the two areas.

Why CIOs Should Oversee BT

Many companies are aware of the general problem. And because they worry that CIOs will be hindered by their back-office mindset, many of them have looked elsewhere for an integration leader. They rely on the CMO, or newer roles such as the chief data or digital officer (CDO), or even chief of marketing technology. These assignments can be useful in jump-starting an IT organization that’s slow to embrace BT. But they’re a dangerous long-term structural solution.

If the CIO isn’t leading the integration, it’s a recipe for failure. Dueling tech centers end up fighting over data, yielding incomplete systems of engagement. The CMO builds a beautiful app, but the CIO hasn’t made sure the underlying databases are configured to support it. Customers eventually give up and seek a better experience with competitors. After all, almost every customer interaction must ultimately connect to the company’s underlying processes and systems of record.

Back office and BT must work closely together, led by the CIO. While a CDO may be in charge of the data generated by the company’s systems, that’s just the end product. It’s the CIOs who build and control the databases of record and the contextual data that is the raw material of customer experiences. Only they have the deep architectural knowledge and technical reach to bring these systems together. To truly manage data for maximum commercial benefit, you need authority over the foundational systems themselves — which only the CIO has.

That integration is especially important now, to prevent gaps that compromise cybersecurity. Marketers want to make customer interactions as easy and informative as possible, but that leaves companies vulnerable to attacks. In the wake of massive leaks that undermine customer trust, the CIO needs full authority to ensure a tight interface.

Some companies have put the CIO in charge of both areas, but without enough integration. In “bimodal IT,” the CIO oversees two separate groups: One that builds up BT, and another that maintains back-office systems on a limited budget. The idea makes intuitive sense, but it creates a two-class system. The back-office group feels marginalized and reduces cooperation with their BT counterparts. Infrastructure is gradually starved of investment and talent, and fails to evolve with and support BT. And because one is moving quickly and the other plods along, it’s akin to trying to win a race with a bicycle with a round front wheel and a square rear wheel.

The best approach is to keep BT and back-office within the CIO’s purview, but with a new perspective. Instead of seeing them as separate areas, CIOs can look ahead to their convergence and work on developing them together. The mindset of customer-driven BT will eventually pervade back-office, albeit tempered by the practical demands of maintaining legacy information systems.
A Road Map for Escaping Back-Office Gravity

The solution, therefore, is for CIOs to lead the integration but with a BT mindset. This is not the first argument for combining the technologies equally under the CIO. But those calls ignore the mindset differences that prevent proper integration. It isn’t enough to give CIOs a broad mandate. Nor is it about hiring the right person. CIOs need new kinds of organizational support.

In order to escape what could be called “back-office gravity,” companies may be inclined toward a new leader without the biases of a conventional CIO background. While understandable, in most cases that would be a mistake. For one thing, digital managerial talent is already too scarce to expect a new round of hiring.

More important, the looming convergence of the two technology agendas means that joint management is not as daunting as it sounds. Just think of how chief financial officers have increasingly gone beyond budgeting and financial control and taken on relations with activist investors. As long as they’re given expanded structural support, existing CIOs can make the leap.

How do I know this? My colleagues and I have talked to over a hundred CIOs in the past year, and studied hundreds more from a distance. We’ve assessed their companies using Forrester’s Customer Experience Index (CX), a proxy for strong BT. If legacy CIOs weren’t up to the job, then you’d expect companies with high CX scores to have shorter-serving CIOs than the lower-scoring companies. But on average, the opposite is true. Successful organizations have pivoted their CIOs toward the BT agenda and given them more power. It doesn’t require a housecleaning to construct successful and customer-pleasing technologies — many legacy CIOs can make the transition.

Digging deeper into the CIO interviews and CX results, we found a few more imperatives for leaders:

**Remember your external customers.** It’s easy for legacy CIOs to forget about the “end” customers. They get so caught up in serving internal customers, ensuring reliability and efficiency, that they forget the actual purpose of the business: creating and satisfying the paying customers outside.

New performance metrics, that reflect external service rather than technology speeds and feeds, can help. Jeff Henderson, the CIO of high-scoring TD Bank Group, says he’s learned to “measure technology outages not in terms of time but in terms of customer impact: How many customers were affected and how?” He and his IT colleagues are joining with business unit leaders and the CMO in continuous discussions with live customers.

From there, these newly enlightened CIOs can develop metrics that connect back office and BT directly to business success. Janet Zelenka, the CIO at Essendant Inc., a large wholesale office supplier based in Deerfield, Illinois, also has her teams listen to customer service calls and watch customers interact with the website and mobile apps. The goal is to build their appreciation of customer journeys, reveal the pain points, and suggest where technology can create a more compelling experience.

**Embrace agile development.** BT is not just a choice; it also requires skills. Especially important is agile development — building software quickly and collaboratively in
response to the fast-moving customer. CEOs can give “permission” here by de-emphasizing back-office perfection and by valuing speed. Leaders must accept and welcome a modicum of chaos to achieve the agility required in the BT world.

To take an extreme example, Capital One Financial Corp. sent CIO Rob Alexander to training in design thinking. A method for boosting creativity to meet the needs of end users, design thinking helped his group make better use of the bank's data and analytics on their customers. From there, they built Capital One Wallet, the first banking app with Android tap-to-pay, in under nine months.

**Engage in strategy discussions.** Many CIOs, if they're on the senior team at all, play a secondary role. They react to others' proposals, defend their budget requests, and explain when and why their systems go wrong. But already we're finding many companies, not just those with high CX scores, expecting more from the CIO — particularly around strategy.

Jeff Henderson at TD Bank Group says in the past, he let others handle the “what” while he and the tech team focused on the “how.” He focused on new technologies and how these would affect IT operations. But lately, he's been chartered to drive change throughout the company and help the senior team identify the future state of the customer experience. He's also deciding whether certain investments are truly strategic and differentiating. IT is no longer just working for the business. Now Henderson and his colleagues are working with the business. ³

**Establish a tight partnership with the CMO.** High-scoring companies also engender close collaboration between the CIO and the CMO. That's because CIOs rely on the customer knowledge in marketing and the operating units. Effective CIOs and CMOs often reside in the same office, and their physical distance was half of what we found in the low scorers. They also share one-third to one-half of their performance metrics. And CMOs are willing to collaborate: A recent Forrester survey suggested that half of them see their relationship with the CIO as crucial, up from 30% five years ago. ⁴

In many companies, we observe a troika on business technology: the CIO, CMO, and the relevant business head. The more the CIO collaborates outside the IT organization, the more he or she will develop a BT mindset.

For General Electric Co.’s CIO, Jim Fowler, that's come directly from close ties with CMO Linda Boff. Their partnership has taught him to go beyond better user interfaces and work on helping customers become more profitable. His team is now busy developing digital solutions for improved service and lower costs for buyers of GE’s products. They “start with customer outcomes, not products,” and work jointly to teach business leaders the power of technology and how it could change their markets.

**Create full oversight for all BT.** Many companies have “shadow IT” left over from when business leaders developed BT for their own units. These programs often connect poorly with infrastructure and prevent the senior team from having a unified view of all the company’s customers. It's essential to move oversight of all digital technology to the CIO, including cloud-based applications. That doesn’t mean CIOs become the czars of BT — see below — but it does ensure the best possible integration.
This universal responsibility for BT by itself can prompt many CIOs to take it seriously. On a practical basis, that means gradually harmonizing the more innovative programs with corporate systems.

Unlike at Capital One, many high-scoring CIOs outsource much of the development of their BT. But they know they’re responsible for making everything work. Business units can propose applications and even take the lead in developing them, but CIOs have to be closely involved to ensure proper integration and strategic fit.

The buck stops with them, and that’s a powerful inducement to change. Mark Boxer, the CIO of Cigna Corp., says, “My role is at an articulation point. The customer is now at the center of all we do. We are no longer tech managers; we are general managers. Think of us as the prime contractor managing many subcontractors, with myself as the chief integration officer. I do both agendas by giving the company what it needs at the right time: Sometimes it’s customers, sometimes infrastructure, and at all times with cybersecurity as a primary consideration.”

Each of these steps by themselves may not free CIOs from the gravitational pull of back office. But together they will drive CIOs to shift their mindset and embrace the future of corporate technology: BT.

The Existential Challenge to Companies and CIOs

CIOs have adeptly navigated a number of revolutions over the last 30 years, from mainframes to personal computers to the cloud. The age of the customer represents a very different challenge, and for the first time requires substantial support from the rest of the C-suite. And as they work to change their companies, they must undertake their own digital journeys.

This critical transformation is an extraordinary moment for current CIOs. As Zack Hicks, the CIO of Toyota Motor North America Inc., observes: “There has never been a better opportunity to have a seat at the table.”

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References


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