The new CIO's quick-start manual

Expectations are always high when a new senior executive takes up the reins of a demanding leadership job. But in today's fast-changing business environment, few find themselves more under the gun than the newly hired chief information officer. As they step into that new role, CIOs face often conflicting challenges of daunting depth and breadth. They must labor to keep aging legacy systems running to meet business units' more varied and ever-increasing demands. Meanwhile, all eyes are on them to lead the deployment of a range of new IT capabilities, including social, mobile and cloud technologies.

Typically, greeting the new CIO on day one is an IT environment that is a patchwork of legacy systems and ill-suited technologies. In most companies, the pressure to create new IT-enabled functionality usually takes precedence over fixing what's broken or underperforming. The perverse result of piling new capabilities on top of an increasingly rickety foundation is to add unnecessary complexity and drive up costs, making it harder for IT to serve even basic business requests in a timely manner. The unnecessary complexity of the IT environment plays havoc with IT budgets, with as much as 85% or more of total IT outlays focused on operating and maintaining the existing systems, leaving just 15% free for discretionary spending on new initiatives. Effective CIOs know that legacy systems must be tamed and the cost of operating and maintaining them reduced by 20% to 30% in order to free up resources for new investments.

Needing to bridge this widening gap between the shortcomings of IT's legacy systems on the one hand and the business's emerging needs on the other, most new CIOs yield to pressures to dive into work that is urgent and postpone tackling the bigger issues that are more important. But neither can the new CIO afford to put the pressing immediate requests on hold while he or she attends to addressing underlying issues. From our extensive experience helping new CIOs establish a solid footing, Bain & Company has found that success in the new role requires a CIO to carve out time and resources amid the raging daily storm of requests on the IT organization during the critical initial months on the job. CIOs need to set the tone and direction of their tenure by appraising IT's strengths and weaknesses, opportunities and threats, and developing a balanced plan for fixing old problems and implementing the new business priorities.

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Build the fact base. Large IT environments are sprawling and complex, and the new CIO needs to peer into a lot of dark corners to see where underlying problems are lurking—and identify the hidden assets the organization can bring to bear to fix them. Even before the new CIO first walks on to the server floor, most business users who are dependent on IT services will have formed firm opinions about what is broken in IT and how it needs to be fixed. The new CIO needs to spend a lot of time listening—both for where the sources of frustration with IT are strongest and for the subtle, sometimes unspoken, hints at how IT can truly improve its performance.

The complaint the new CIO usually will hear is the perennial lament that everything about IT costs too much and takes too long to deliver on its promises—a reflection of pent-up demand among business users
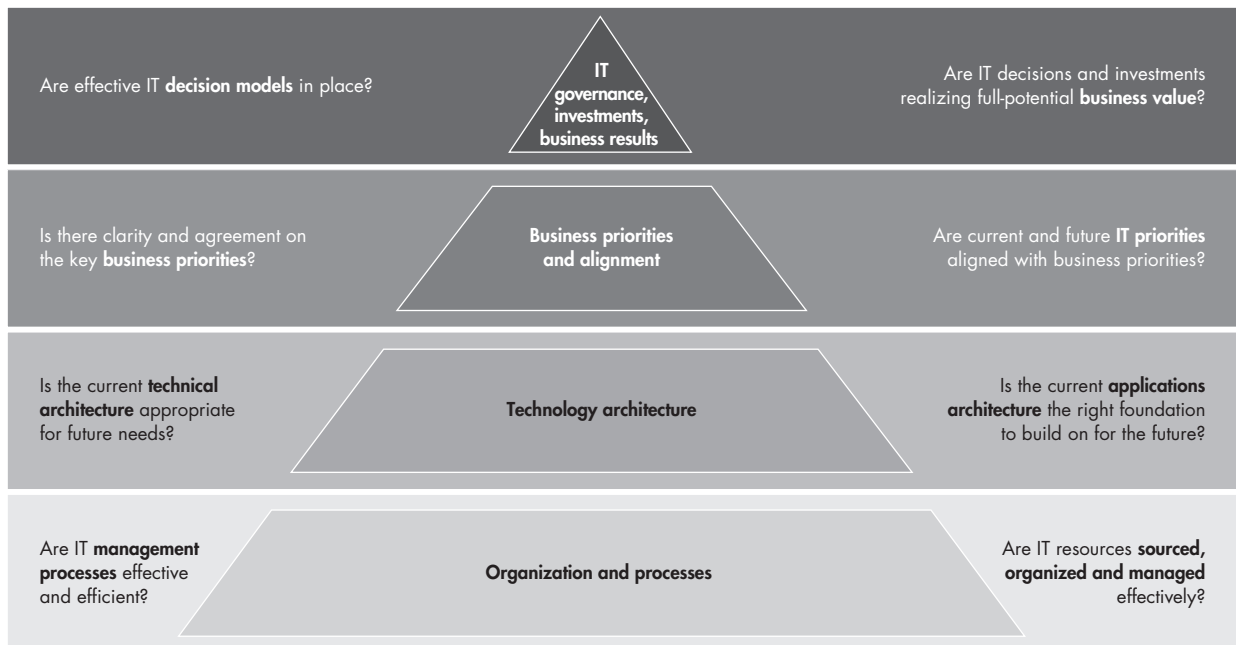
for IT support that is more responsive to their needs. Eager to demonstrate that they understand users' frustrations and share their sense of urgency, many new CIOs are too quick to respond to users' immediate needs without stepping back to understand the underlying strategic business goals. This may help them win small battles by satisfying the current level of demand, but it will not enable them to fundamentally shift the underlying IT paradigm.

The CIO needs to get beneath superficial impressions to find the IT pain points that will be the core issues of an actionable agenda. One large source of IT dysfunctionality and runaway costs, where the CIO needs to shine a light is on so-called shadow IT—those hidden pockets of improvised IT capabilities and quick-and-dirty IT solutions that spring up across the company outside the purview of the IT organization. Shadow IT adds complexity, often compromises the functionality

of internal systems with which it interfaces and can require heavy supplemental spending to maintain. After a detailed investigation, for example, the CIO at one global contract manufacturer discovered that nearly one-quarter of total IT spending was taking place outside the formal IT budgeting process.

As the new CIO patiently builds the fact base, he or she will dig deep into how the businesses really work to assess where IT capabilities are up to the job and where they need to improve *(see Figure)*. Typically, he or she will find that the root causes of IT underperformance arise in one or more of the following four areas: First, the legacy IT systems are not a sufficiently robust platform to be responsive to business needs. Second, IT governance does not support fast and effective decision making. Third, the priorities in IT are not aligned with the business's most important strategic priorities. And finally, the capabilities of the IT organization are rooted

Figure: Key questions the new CIO should ask in building the fact base

Are effective IT **decision models** in place?	IT governance, investments, business results	Are IT decisions and investments realizing full-potential **business value**?
Is there clarity and agreement on the key **business priorities**?	Business priorities and alignment	Are current and future **IT priorities** aligned with business priorities?
Is the current **technical architecture** appropriate for future needs?	Technology architecture	Is the current **applications architecture** the right foundation to build on for the future?
Are IT **management processes** effective and efficient?	Organization and processes	Are IT resources **sourced, organized and managed** effectively?

Source: Bain & Company

in the legacy environment and not suited to meet the needs of the new environment.

When a new CIO at a major computer manufacturer investigated why his organization was failing to keep up with the business's core strategic objectives, he was startled to discover that fully 60% of servers supporting the company's main product line were obsolete. He learned that his predecessor, faced with a cyclical slump, had slashed costs indiscriminately to meet an arbitrary decision by senior leadership to cut IT spending in half—almost totally eliminating the budget to refresh IT technology.

The last thing most business unit leaders want to hear from an IT organization they already consider to be too expensive and too slow is that the new CIO needs more resources and time to fix old problems.

Set appropriate expectations. Armed with data and actionable insights from his fact-gathering mission, the new CIO's next job is to make a compelling business case to persuade his internal clients to allow him to reposition the IT platform by fixing what's wrong while addressing the most important new initiatives. But he also needs to reassure his business clients that redirecting IT resources and energy creates an IT foundation that will enable IT to be far more responsive to their future needs.

It's a tall order. The last thing most business unit leaders want to hear from an IT organization they already consider to be too expensive and too slow is that the new CIO needs more resources and time to fix old problems. Business leaders need to be convinced that the IT organization shares their sense of urgency to achieve new mission-critical capabilities. Not addressing the IT foundation simply postpones the inevitable.

That's what André Vanden Camp did soon after taking charge in 2011 as CIO at AXA Belgium, a subsidiary of the global financial services company and Belgium's leading insurer. His first 100-day fact-finding mission revealed a fragmented IT organization that was operating dozens of applications running on nearly obsolete technology that needed to be overhauled. To win senior management support for his plan to replace the outdated IT architecture with a streamlined new one that would run open-source applications, Vanden Camp and his team carefully documented the cost overruns, pinpointed the sources of delay in meeting project deadlines and committed to ambitious performance improvement goals to be achieved over the following 18 months.

Vanden Camp also persuaded AXA to redirect IT spending from lower-value projects to free up resources that would allow IT to focus on higher-value initiatives, recruit new talent and build an IT platform that would serve the organization for the next decade.

Tackle the highest-priority initiatives. Based on Bain & Company's research and experience working with scores of IT organizations, a key consideration for selecting initial high-impact projects that achieve alignment with urgent business priorities is they also boost the IT organization's effectiveness.

Focusing on strengthening IT effectiveness, the new CIO needs to find the right balance between the most important near-term and long-term IT goals. Where that fulcrum point is will depend on the quality of the underlying IT systems, team capabilities and readiness to embark on long-term strategic initiatives.

Matthew Oakeley, the head of group IT at Schroders, the UK-based investment management firm, achieved that balance by breaking down functional silos that kept the IT organization from successfully undertaking integrated initiatives. He instilled a service mentality and challenged the IT leadership team to become more involved with the investment management teams. He was quick to replace structures that didn't fit his strategic vision of for IT; but rather than assume that everything must change, he was careful to listen to and learn about the people and teams that remained. Scrapping a failed five-year-old project to outsource back-office processes, Oakeley made the development of a new IT application architecture a "burning platform" for change. Now eight years into the job and running one of the industry's most respected IT teams,

Oakeley is considering the challenge of whether an incumbent CIO can approach his own organization in the same way again—with an open mind and a spirit of renewal as if he had just joined. Becoming one's own successor could prove a difficult playbook to follow.

For a new CIO, learning to strike the right balance between addressing old problems and creating new capabilities is critical not only to survive but also thrive in a tough, big job. But seasoned veterans, too, can benefit by seeing their IT organization through the eyes of the newcomers they once were, to lay a fresh foundation for continued success.

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