![KPMG]

Positioning the new CIO for success

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# Navigating the early days as CIO

Today's chief information officer (CIO) is expected to serve as a strategic business partner and change leader as well as run effective information technology (IT) operations. The newly appointed CIO's agenda is often built upon a mandate for significant improvements in IT's value proposition. The early days in the role present a significant opportunity to make an impression. However, as business pressures grow, the available time frame to establish credibility is steadily shrinking.

Digital innovation is disrupting business models, and IT leaders must move swiftly to deliver new infrastructure, platforms, and applications to meet fast-evolving customer demands. Amid the changes, CIOs face new opportunities and significant challenges. Some key issues are outlined in the following findings from the *2016 Harvey Nash/KPMG CIO Survey*:

— People and a shortage of technology skills are a pressing concern for CIOs. Almost two-thirds of CIOs believe skills shortages will prevent their organization from keeping up with the pace of change, and nearly 9 out of 10 are concerned about retaining the talent they have.

— The era of digital disruption is here, and more than one-third of organizations have developed enterprise-wide digital strategies. This disruption will create new business models, products, and services that are expected to outperform the old ones.

— Cybersecurity risks are a growing issue, with nearly three out of 10 CIOs reporting they responded to a major IT security threat or cyber-attack at their organization in the last 24 months. Boards and executive teams are progressively becoming aware that cyber-attacks are not only a technology risk but a real business risk, as demonstrated in recent high-profile cases at major global brands.

— Although IT budgets are increasing for 45 percent of CIOs, they face growing pressure to deliver projects that contribute to revenue growth—not just cut back-office costs—for their organization. Many organizations still face the issue of so-called "shadow IT," where the CIO does not control the budget and may not have transparency into IT expenditures of other departments.

We often hear new CIOs asking, "Where should I start?" and "What should I do to ensure my early days are a success?" Naturally, the right answers vary by organization, yet some leading practices are universally applicable. Our experience at KPMG LLP (KPMG) working with successful CIOs reveals that they share an ability to deliver across the following six imperatives:

Exhibit 1: Six imperatives for CIOs
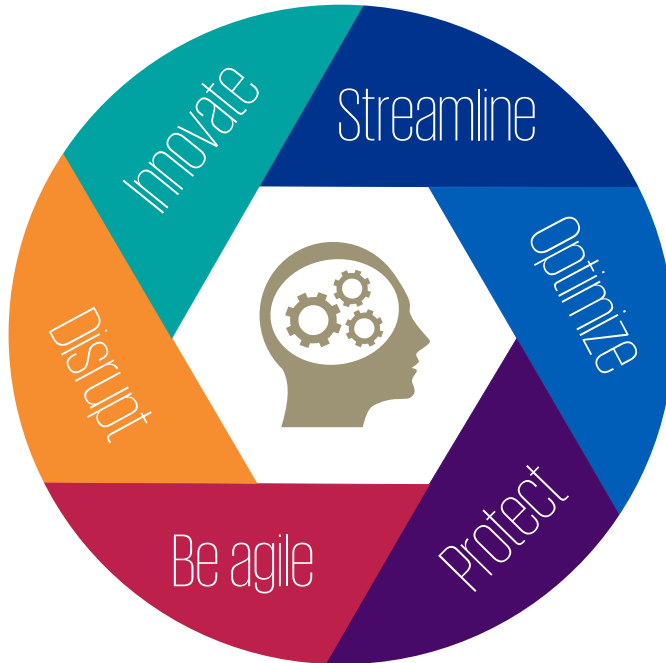
Noted below are several illustrative behaviors and actions related to each of these imperatives.

Innovate to grow
— Drive technology innovation by positioning IT as a value-added business partner that can meet their changing needs.
— Create and incentivize a culture that pushes beyond its comfort zone.
— Invest in experimentation through research and development or incubator-type teams.
— Attract, train, and retain top technology talent.

Embrace disruption
— Enable seamless, frictionless, and personalized omnichannel customer interactions.
— Exploit disruptive technology platforms, such as cloud, internet of things (IoT), digital, mobile, and social, to help drive business transformation.
— Continually renew skills to foster a culture that embraces an ever-changing landscape of technology solutions.

Enable agility at scale
— Adopt continuous delivery to deliver software at the speed of business.
— Respond rapidly to market dynamics.
— Quickly achieve benefits from expansions, mergers, acquisitions, and divestitures.
— Expedite new functionality into production through agile, DevOps, and continuous development.
— Modernize platforms through infrastructure as a service (IaaS) and platform as a service (PaaS) models and software-defined networks and data centers.

Streamline IT for cost and performance

— Simplify and rationalize the IT landscape, with a bias toward moving into cloud-based platforms. Architect systems for integration and sharing.
— Balance the mix of operational and capital expenses.
— Manage vendor relationships and performance across a multisourced ecosystem of service providers.
— Run IT as a business in which transparent, consumption-driven, market-competitive services are delivered to provide a great customer experience.

Optimize through insights

— Manage IT with discipline and transparency.
— Demonstrate to business customers the costs and value of investments and services.
— Leverage data and analytics, predictive modeling, and visualization to develop insights that drive action and help formulate business solutions.
— Pursue opportunities to implement artificial intelligence, robotic process automation, or other forms of digital labor to increase process efficiency and speed.

Protect the enterprise

— Ensure the security, privacy, and availability of the IT enterprise through robust governance, controls, and predictive analytics.
— Proactively protect business assets, intellectual property, and stakeholder information.
— Minimize the impact of disruption, be prepared for cyber threats, and comply with regulatory requirements.

Achieving your objectives in these areas requires understanding your business and the role of IT, prioritizing your efforts, and moving swiftly to execute your agenda. Consider the following insights and practical advice to help build momentum in tackling these challenges.

Gain perspective

An effective course of action requires insight. It is important to obtain a thorough understanding of the organization's business goals and the IT issues it is facing. Gaining clarity on business needs and priorities—including an awareness of the roles, responsibilities, and relationships within the business and the IT function—is essential to align your efforts effectively. Experience shows that successful CIOs are particularly good at achieving a balanced perspective on the state of their organization by communicating frequently and effectively with key business and IT stakeholders.

When evaluating potential areas for improvement, validating perceived issues is critical before taking action. Consider what you have discovered and work to identify root causes. Even when pressured to respond quickly, the decisions you make must be informed and well thought out.

Given that time is of the essence, a structured, targeted approach is necessary to understand the state of IT and aid decision making. This approach can be framed holistically by considering seven major dimensions of IT:

1. **IT strategy and business alignment:** Strategy and plans that align IT efforts to meet business needs.

2. **IT governance:** Organizational frameworks, processes, policies, and procedures governing how IT decisions are made and enforced.

3. **People and change:** Organizational competencies, people and their development, management, and performance.

4. **Resource management and sourcing:** Sourcing strategy and management of vendors and contracts to optimize resources.

5. **Applications and solution delivery:** Development, maintenance, and delivery of IT solutions that achieve expected outcomes.

6. **Infrastructure and operations:** Infrastructure and IT service delivery to support the business.

7. **Risk and compliance:** Protected information assets, managed risks, and regulatory compliance.
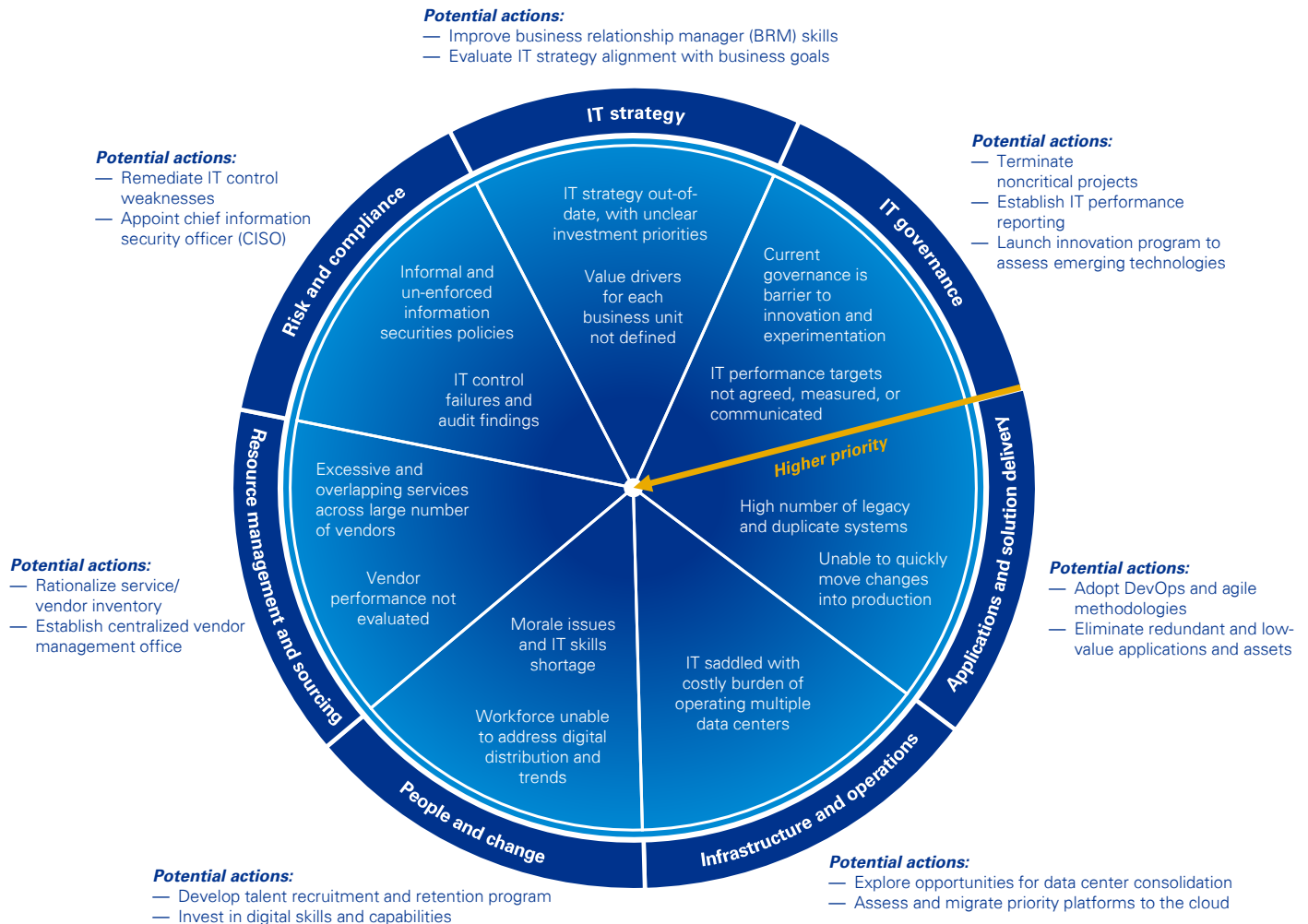
Keep priorities in focus

Developing a broad, fact-based perspective will better equip you to address pressing issues, keep IT running smoothly, and maintain a strategic focus in the face of inevitable distractions that will threaten to derail your efforts.

Based on our experience working with CIOs, KPMG has developed a graphical radar that groups priorities according to seven dimensions of IT and relative urgency. KPMG has found the radar paradigm to be a helpful aid for CIOs, especially those challenged with demands for their time and competition for resources to support key initiatives to help CIOs clearly outline the priorities on his/her agenda.

As depicted in the radar, below (this image is populated with sample issues), the CIO can initially focus on urgent issues—indicated near the center of the radar—that can be addressed in a relatively short time frame. As these objectives are achieved, the CIO can move further out on the radar to address important but lower-urgency objectives, executing on key actions noted outside of the radar. The priorities on a CIO's radar will naturally shift over time as existing ones are addressed and new ones are identified. As a visual aid, the radar paradigm can enable CIOs to keep efforts consistently focused and also serve as an effective tool for communicating priorities both inside and outside of IT.

Exhibit 2: Example CIO radar

Potential actions:
— Improve business relationship manager (BRM) skills
— Evaluate IT strategy alignment with business goals

Potential actions:
— Remediate IT control weaknesses
— Appoint chief information security officer (CISO)

Potential actions:
— Terminate noncritical projects
— Establish IT performance reporting
— Launch innovation program to assess emerging technologies

Potential actions:
— Rationalize service/vendor inventory
— Establish centralized vendor management office

Potential actions:
— Adopt DevOps and agile methodologies
— Eliminate redundant and low-value applications and assets

Potential actions:
— Develop talent recruitment and retention program
— Invest in digital skills and capabilities

Potential actions:
— Explore opportunities for data center consolidation
— Assess and migrate priority platforms to the cloud

Radar segments and content:

IT strategy
- IT strategy out-of-date, with unclear investment priorities
- Value drivers for each business unit not defined

IT governance
- Current governance is barrier to innovation and experimentation
- IT performance targets not agreed, measured, or communicated

Risk and compliance
- Informal and un-enforced information securities policies
- IT control failures and audit findings

Applications and solution delivery
- High number of legacy and duplicate systems
- Unable to quickly move changes into production

Resource management and sourcing
- Excessive and overlapping services across large number of vendors
- Vendor performance not evaluated

Infrastructure and operations
- IT saddled with costly burden of operating multiple data centers

People and change
- Morale issues and IT skills shortage
- Workforce unable to address digital distribution and trends

Higher priority

Create your agenda

Once your priorities are clear, develop a plan and agenda to achieve your vision for the future. Consider the following suggestions when devising your agenda:

Assess IT's relationship with the business Establish credibility early as a trusted adviser seeking to partner with the business to achieve goals together.	**Examine IT financials** Understand, optimize, and provide transparency of the underlying costs and of IT services—this is one critical aspect of running IT as a business.
Identify pain points Find out what is not working well. Determine what areas of IT are causing dissatisfaction with business customers and IT personnel.	**Explore disruptive technologies** Demonstrate knowledge of how digital, mobile, social, or other disruptive technologies can be exploited for competitive advantage to help establish your reputation as an innovator, not just a traditional IT leader.

Asking the right questions will help you prioritize your agenda by pinpointing urgent issues as well as areas that can be slated for improvement over the long term. It can also help uncover patterns that reveal the root causes of problems. For example, if multiple projects are in trouble, there may be a larger program management issue. Therefore, while it may seem urgent to address failing projects, addressing the root cause of those issues should also be a priority. More broadly, if you notice many issues across a number of dimensions, it may indicate a reactive culture, in which stronger planning, governance, and control are needed to prevent future problems. Consider asking the following questions to help gain perspective on the state of your IT organization.

Exhibit 3: Seeking answers

IT strategy	— Does my management team clearly understand the goals of the business and the drivers of business value? — Are our current and planned IT investments adequately aligned to business priorities? What percentage of our budget goes toward building and improving IT solutions versus running and maintaining IT infrastructure? — Do we have a culture of collaboration where my team proactively brings ideas and recommended strategies to the business? — Is our IT organization researching and evaluating technology trends in the industry? Are our business stakeholders supportive of experimentation? — Are we deploying any innovative technologies to better utilize IT resources, increase profitability, and provide competitive business advantage?
IT governance	— Is IT performance measured and reported using measures that are meaningful to the business and clearly demonstrate value? — Is our budget being wasted on redundant applications, unused licenses, or underutilized infrastructure? Do business unit leads know what they are spending on IT? — Is our IT governance model effective, with clear accountability and decision-making processes? — Do we have adequate investment review processes and procedures in place for evaluating and approving proposed investments?
Applications and solution delivery	— How effective is our current framework for delivering IT services? What opportunities exist to improve service delivery? — Has my IT organization adopted continuous delivery principles and tools? — Do we have market-leading skills available in-house to enable agile and collaborative approaches to project delivery (e.g., DevOps)? — Are projects managed by my team not delivering expected benefits?

Infrastructure and operations	— Where do we have potential opportunities to rationalize and simplify IT infrastructure and related assets or move systems to the cloud? — What significant operational issues with performance or service levels exist? Is root cause analysis performed for incidents or issues? — Are there instances of "shadow IT" where business groups are making technology investments or decisions without involvement from my team?
People and change	— Do we have any issues with reporting structures or related processes? — Are there skills gaps or challenges attracting and retaining top talent in our team? — Have there been any recent departures from the IT management group or other key personnel holes that need to be addressed in the short term? — Does everyone in our department have access to quality training that is relevant to their role and level of experience?
Resource management and sourcing	— Are there opportunities to better define or improve our current sourcing strategy (e.g., consolidating vendors, addressing service gaps, or redundancies)? — Can our resource capabilities be strengthened or better leveraged through a more variable external workforce model? — How effective are our existing vendor and contract management processes? — How well are our service providers meeting service levels and contractual obligations?
Risk and compliance	— Are there significant findings revealed by audits or reviews for our department that need to be remediated? — What processes and tools does our team use to govern information life cycle management? Are they effective? — How do we identify IT-related risks and issues and proactively manage or mitigate them?

How KPMG can help

KPMG recognizes the increasing demands and complex tasks facing organizations today. We can help ease your path to success and assist you in achieving your goals by offering an experienced viewpoint and objective advice. KPMG has dedicated professionals who work closely with IT executives to provide candid assessments and recommendations, as well as valuable support to help meet your objectives. Our experienced professionals draw from established practices in the field as well as a wide-ranging set of methodologies and toolkits to facilitate a thorough, yet efficient, review.

We also understand that a CIO's challenges may be diverse, and no two organizations are alike. KPMG offers a wide range of services to help CIOs, technology leaders, and business executives exploit the constantly changing technology ecosystem to deliver value, agility, and efficiency to the business. We improve the strategic value of our clients' IT investments, helping IT organizations become sources of innovation and business growth. These services are outlined in Exhibit 4 below.

Exhibit 4: Representative IT services

KPMG offers integrated services, helping IT executives to:
Align IT investments and capabilities with business priorities and needs
— IT strategy and target operating model — Digital transformation — IT cost optimization — Application rationalization
Design, integrate, and deliver IT services to the business
— Service management transformation — IT service catalog — IT asset management
Manage IT with sound business and operational disciplines
— IT financial management — Technology business management — IT analytics and performance management
Design and provision technology environments
— Cloud solutions — Data center and network infrastructure — Resilience, recovery, and contingency

Thought leadership

From white papers and articles that present new perspectives on critical issues, to surveys and research that track emerging trends, KPMG's thought leadership can help keep you informed. Below is a sample of recent points of view on business and technology issues:

CIO Survey 2016

The 2016 Harvey Nash/KPMG CIO Survey received more responses than any other IT leadership survey in the world. More than 3,300 CIOs and technology leaders across 82 countries shared their views and experiences between December 2015 and April 2016.

Moving Agility to the CIO Agenda

CIOs are inherently positioned to facilitate the transition to new digital business models based on agile processes and structures and supported by digital innovation. But the reality is that many senior IT executives have difficulty working out where to begin and how to proceed. Learn how to turn agile knowledge into powerful approaches for delivering effective results.

The Visionary CIO: Leading Technology from Disruption to Innovation

If organizations are to exploit technology to deliver real business value, they need to take brisk and purposeful action, because competition is fierce. However, it needs to be the right action and in the right direction. Creative CIOs are visionary—inspired by the potential opportunities of new technology, but also maintain a firm grip on the realities of the big business picture.

Digital Business: It's Time for the CIO to Lead or Get Out Of the Way

KPMG recommends that CIOs take some immediate pragmatic steps to actively facilitate the development of a digital vision and strategy, prepare the IT function to be a valued partner with the business, and help navigate a successful transition to digital.

Six habits of TBM success: Technology Business Management Proficiency Assessment Global Report 2016

Technology Business Management (TBM) improves visibility of IT at the levels of cost and performance, allowing the CIO and IT organization as well as the business as a whole to make better technology decisions.

Enabling the Digital Enterprise: A CIO Checklist for Digital Transformation

It would be easy to dismiss the current shift to smartphones and tablets as just the next step in the evolution of technology, similar to all others before it. At KPMG, we think that things are profoundly different this time. Digital disruption is much more than just new technology.

Next-Gen IT Operating Model

There was a time when the business was at the mercy of the Information Technology department (IT) for all of its technology-enabled solutions. That time has passed. Today, IT needs a new operating model.

The Creative CIO's Agenda: Six Big Bets for Digital Transformation

The fourth industrial revolution is here, driven by the rapid introduction of diverse and disruptive technologies, creating enormous opportunities for businesses to create competitive advantages with innovative products, services, business models and ways of engaging with customers.

For more insights and publications, please visit **www.kpmginfo.com/cioagenda**.

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Core values

Our vision and strategy

At KPMG, we are passionate about the work we do and committed to the industries we serve. We work side-by-side with our clients and possess a thorough understanding of their businesses. We focus on providing innovative and integrated approaches that help clients seize new opportunities and overcome challenges against a backdrop of rapid change. Our deep expertise enables us to provide our clients with a strategic point of view and deliver real results. This is made possible by our highly talented people, who collaborate globally with each other in order to provide consistent, multidisciplinary capabilities and bring our best to clients every day.

Our values

KPMG's global values define who we are, what we do, and how we do it. They also help us attract and keep qualified people, develop relationships with the right clients, and protect and enhance our reputation. We aim to incorporate our values into our professional relationships with clients and colleagues so they are reflected in the work we do every day.

KPMG's global values include:

— Leading by example.

— Working together.

— Respecting individuals.

— Seeking the facts and providing insight.

— Being open and honest in our communication.

— Demonstrating our commitment to our communities.

— Acting with integrity.
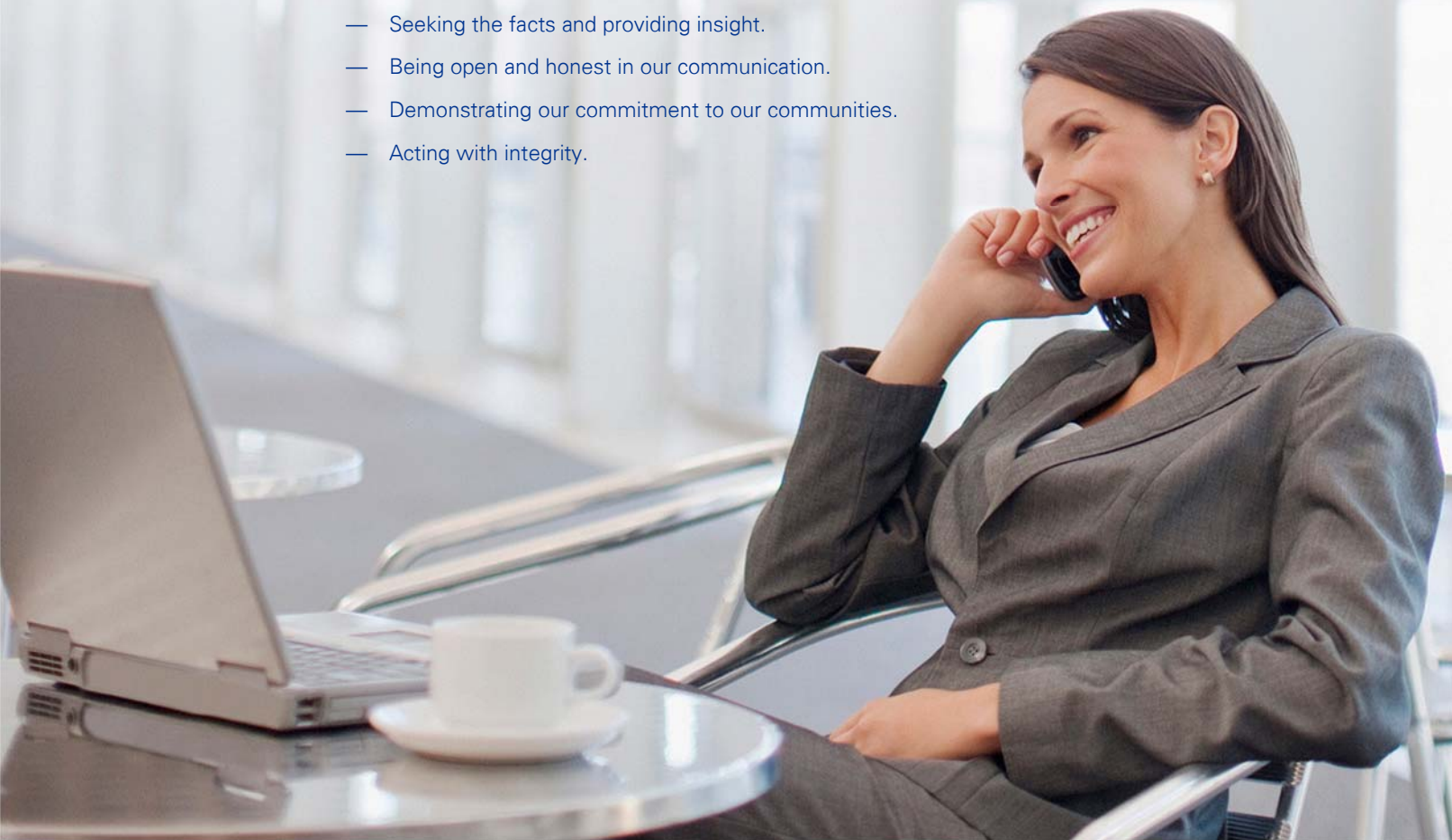
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