

Report Brief:
A CIO's Guide To Success In The Global Economy

By: Liz Brady, Senior Analyst, Forrester Leadership Boards, 2008

TABLE OF CONTENTS

Research Background And Methodology 1

A CIO's Guide To Success In The Global Economy: Overview.....2

A CIO's Guide To Success In The Global Economy: Best Practices3

Best Practice 1: Create A Global IT Strategy Aligned With Global Business Needs..... 4

Best Practice 2: Make Global Versus Local Technology Decisions.....5

Best Practice 3: Create A Global Governance Framework6

Best Practice 4: Develop A Global Team Culture.....7

More Information.....8

IT Leadership Boards.....8

RESEARCH BACKGROUND AND METHODOLOGY

This report tackles the challenges and opportunities that CIOs face while operating in a highly competitive global economy. It explores how successful CIOs develop and manage a high-performing global IT organization despite the inherent complexities of the global CIO role. It features eight case studies of CIOs of large public and private institutions who excelled in this global role and created competitive advantage for their employers.

In searching out best practices, we interviewed CIOs who shared lessons learned in a broad spectrum of global scenarios: what to do when an acquisition puts the headquarters on the opposite side of the globe from the core IT team; how to transform a local IT operation into a global machine following a change of direction from the board; how to adjust when the organization's revenue balance tips heavily toward nonlocal markets; and how to manage suppliers in the public sector when they develop and deliver products and services in a globally distributed development model. This report highlights strategies for success in this new global arena.

In compiling this research, we conducted in-depth interviews with leading global organizations including the Gucci Group, Nippon Sheet Glass, Warner Music Group, Aon Corporation, and the UK government. In addition, we interviewed renowned experts on this subject including Erran Carmel, associate professor and chair of the Information Technology Department, Kogod School of Business at American University; Soumitra Dutta, dean of external relations, Roland Berger Professor of Business and Technology, INSEAD; M. Eric Johnson, professor and director of the Center for Digital Strategies, Tuck School of Business, Dartmouth College; and Cyrill Eltschinger, chief executive officer, Softek China.

In addition to the extensive interview process, this research references other Forrester publications and secondary sources related to the topics discussed.

A CIO'S GUIDE TO SUCCESS IN THE GLOBAL ECONOMY: OVERVIEW

All CIOs face opportunities and challenges as they support their organizations' strategies in a new global economy. Whether it's taking advantage of emerging markets, defending against foreign competitors entering local markets, or assembling a team of top global talent, the CIO must take specific actions for the organization to execute successfully within the global arena. CIOs who demonstrate this global understanding and leadership become more instrumental in their organizations' success.

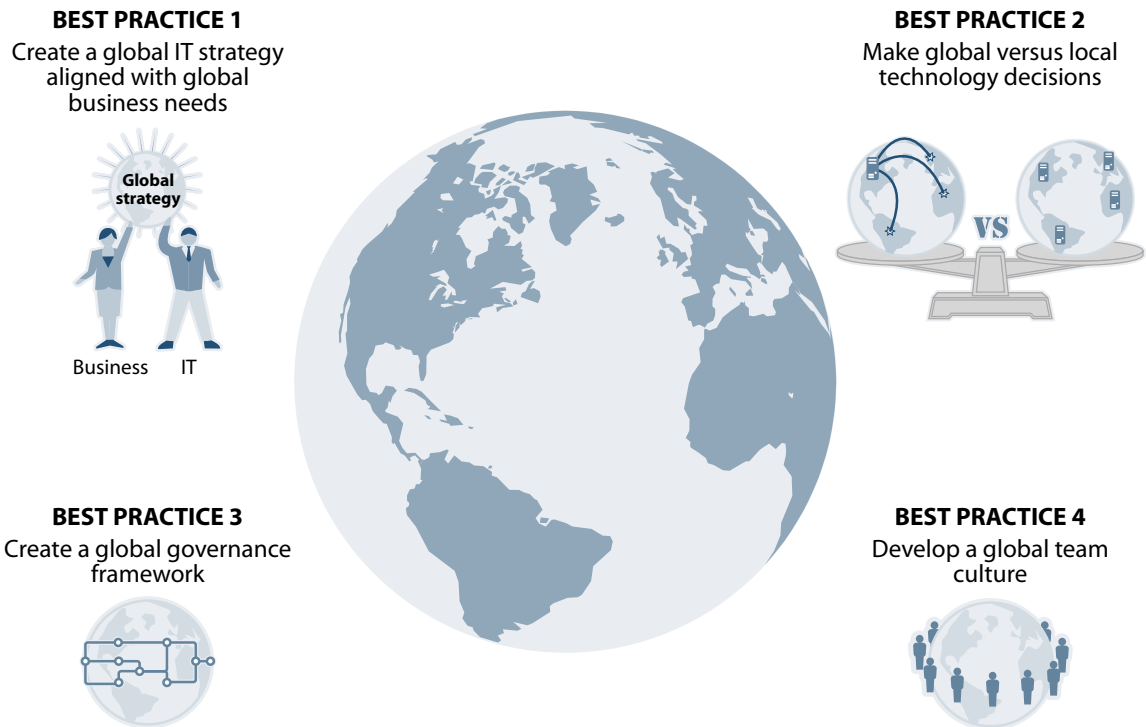
But a global organization faces increased complexity. Often, a CIO finds multiple systems running globally and locally, redundant vendor contracts, risk management challenges, and legal constraints. Successful CIOs make tough technology choices that support the global business strategy. They manage 24 hours a day, leading effective IT teams despite cultural, geographic, and language barriers. They create governance frameworks that empower decision-making at appropriate levels so that the organization can hum while they sleep at night. CIOs who excel in this global role are in high demand because their success creates competitive advantage for their employers, including:

- **Operational efficiency.** The organization can deliver products and services seamlessly to internal and external customers, no matter the location. The technologies powering the company perform as well as the local competition, and customers experience high performance.
- **Balanced portfolio investment.** The CIO invests in technologies and applies IT resources in a way that supports the global business strategy, reflecting the geographic distribution of sales and customer markets. The portfolio management and project selection process follows the business strategy, not the organizational predisposition to feed more resources to dominant regions (e.g., headquarters or high-revenue-generating territories).
- **A diverse IT leadership team.** The CIO ensures that the IT leadership team is distributed across geographies. Team members are rotated throughout the organization and the best talent is accessed across all locations. The team structure is such that employees can share process consistency, innovation, and intellectual capital across the global enterprise.

A CIO'S GUIDE TO SUCCESS IN THE GLOBAL ECONOMY: BEST PRACTICES

CIOs who succeed in the global economy follow a set of best practices (see Figure 1). They play a key role in supporting their organizations' global vision and confront the inevitable challenges to ensure success.

Figure 1 Best Practices For Succeeding In The Global Economy



BEST PRACTICE 1: CREATE A GLOBAL IT STRATEGY ALIGNED WITH GLOBAL BUSINESS NEEDS

Many CIOs have CEOs or executive teams that push a global strategy forward, eager to take advantage of new markets and talent. A best practice shared by successful global CIOs is to create a global IT strategy that is aligned with such business needs and objectives. In many cases, this means preventing the business from rushing headlong into a global strategy without laying the necessary technical groundwork. IT, more than any other function, recognizes that acquisitions, growth in new markets, and a global employee base need the right technology and process to make them efficient. Effective CIOs do the necessary background research and relationship-building to understand the business needs and then build a global IT strategy that supports those needs. They take the time to learn what the organization's goals are with regard to their global strategy and come up with ways to enable that strategy from a technology and organizational perspective.

Several examples from the research illustrate the importance of creating a global IT strategy that is aligned with global business needs. These global CIOs:

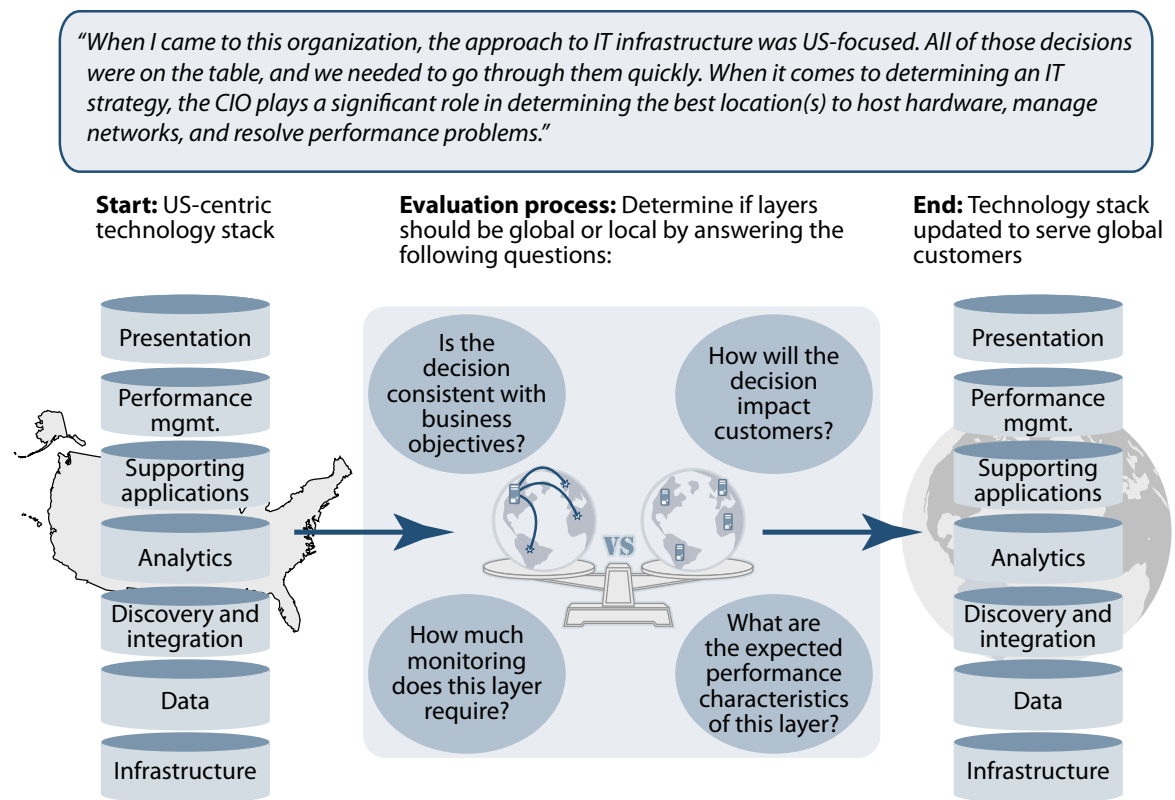
- **Boarded planes to build relationships with executive counterparts in every region.** Several CIOs interviewed for this research got on the road to meet their global boss, team members, or outsource providers immediately following an acquisition or taking on the global CIO role. They realized that strong relationships are built on face-to-face introductions and “breaking bread” together.
- **Conducted research and studies on what is needed to support a global strategy.** Recognizing that the company's business model had changed due to global forces, one CIO interviewed conducted surveys and focus groups to determine how to best support the company's global strategy. Other CIOs described extensive reading and studying about the new markets and cultures their organizations were entering to prepare for global shifts.
- **Created new roles for global management.** CIOs interviewed who were successful in the global economy realized that they couldn't be in all places at all times. So, they created new roles to help them with global management so that the organization could hum while they slept at night.
- **Changed reporting relationships and compensation to reflect the global business strategy.** Many CIOs who faced challenges in aligning their global IT teams realized that the compensation structure was not reflecting their shared global goals. So, they changed both their reporting structure and compensation systems to support the overall global business goals.
- **Created a framework for incorporating new regions or companies (and their technologies) quickly.** Many CIOs, especially those who have gone through many global acquisitions, developed a template to quickly and effectively incorporate new organizations. They created a reusable framework that enabled them to respond in a timely way to their company's growth.

BEST PRACTICE 2: MAKE GLOBAL VERSUS LOCAL TECHNOLOGY DECISIONS

CIOs who find themselves at the helm of a global organization often must go through a tough decision-making process. They must examine the layers of the technology stack to determine what should run locally versus centrally. Depending on their global business strategy, they have to determine when local variation creates competitive advantage and when centralization is preferred to meet business goals or reduce risks. They want to make sure that the performance of technology systems in all regions matches the local competition and that the customer — internal or external — isn't conscious of where their service originates.

One of the CIOs interviewed for this research from a financial services institution described the criteria upon which he makes local versus global decisions (see Figure 2).

Figure 2 Global Versus Local Evaluation Process



BEST PRACTICE 3: CREATE A GLOBAL GOVERNANCE FRAMEWORK

CIOs running global IT organizations cannot be in all places at the same time, managing 24x7. They must create a global governance framework that defines the global policies, standards, processes, and architecture that IT employees around the globe can follow. They have to strike the right governance balance that creates consistency while not inhibiting innovation. One CIO interviewed for this research from the chemical industry balances governance between global and local needs through his team structure:

- **Global core team.** The core team designs and leverages common solutions across the geographies. The team members are often multilingual, and they work with non-IT colleagues in expertise centers to ensure that they are getting the solution right (expertise centers include functions such as finance, tax, accounting, supply chain, science, and manufacturing). “If the business in Spain needs something, we leverage the solution we have in Germany to build it. If Argentina wants one next, we use the Spain model,” says this CIO.
- **Regional teams.** To balance standardization with localization, regional IT managers bring regional requests to the table for global consideration. For example, a country may need a new manufacturing or engineering process because it has to adjust to a new regulation. IT leadership considers the need in a global context and makes a decision based on what is good for the enterprise. Regional IT leaders often play a role in several business teams but report to the CIO. Regional teams take projects the “last mile” by working in the local geography in a program management capacity, identifying issues and opportunities, and determining if an implementation is successful.

BEST PRACTICE 4: DEVELOP A GLOBAL TEAM CULTURE

CIOs who operate a well-oiled global IT organization are very conscious of developing a global team culture. They make sure that their IT leadership team is made up of people from different geographies. At the time of an acquisition, they keep the best person for the job in place, creating a blend of employees from the headquarters and the new geographies. This includes creating job rotation and talent management programs that give IT employees from all regions the opportunity to play a leadership role in the organization. Because communication among team members is critical for CIOs to foster, they strive to create a “virtual water cooler” through collaboration tools or by providing the opportunity for team members to meet face-to-face on a regular basis. Managing global communications is a high priority for CIOs, and they follow some shared guidelines to do this well (see Figure 3).

Figure 3 Managing Global Communications

Managing global communications



1. Match the type of meeting to the objective at hand.

- **Videoconferencing.** This is especially useful for relaying important messages that are better delivered with a personal touch.
- **In-person meeting.** Never underestimate the power and importance of a physical, eye-to-eye interaction (e.g., first introductions or a major announcement).
- **WebEx and teleconference.** This everyday form of communication works well for large groups that are globally dispersed going through a presentation or exercise together.

2. Integrate work-related tasks with cultural and personal connections.

- **Working lunches (or dinners).** Meals offer a more relaxed environment to discuss important issues while encouraging unity and personal connections.
- **Off-sites and team outings.** If the goals of these outings are well-defined and team-oriented, they can provide a great base for a new quarter or year kickoff, or the launch of a new key company initiative.

3. Use collaborative technologies to facilitate daily communication.

- **Instant messenger (IM).** A global IM system can encourage cross-cultural conversation. It is a fast and casual way to discuss projects and other work-related tasks and is a nice alternative to more formal and arranged phone calls or teleconferences.
- **SharePoint or intranet site.** This is an easy-to-get-to, 24x7, central place for team members around the world to access the same information.
- **Wiki/blog.** These provide a fun and easy way to see what is occurring with your IT teammates. It also is a good way for team members to pick up on cultural subtleties and improve their conversation skills.

4. Provide incentives to promote team unity.

- **Bonus structure.** A global compensation structure will push team members to communicate with one another to meet shared objectives and will encourage employees to bridge cultural or language gaps.
- **Travel and rotations.** Reward employees who enjoy traveling with opportunities to visit worldwide offices and possibly spend a few months in a job rotation.

MORE INFORMATION

The full report “A CIO’s Guide To Success In The Global Economy” is only available to the members of The CIO Group, one of the Forrester Leadership Boards programs. The CIO Group is an executive-level peer knowledge community for CIOs and senior IT executives. Under the guidance of a set of dedicated advisors, The CIO Group strives to make its members more effective through a combination of research, member collaboration, and interaction with Forrester’s analysts.

As part of The CIO Group program, Forrester provides exclusive research on best practices covering topics that members determine to be the most important and relevant. Our next upcoming report is titled “Leveraging Collaboration Tools For Strategic Advantage.”

For more information on this report or future research, or to learn more about The CIO Group, please contact Anton Hios, vice president, The CIO Group, at ahios@forrester.com or +1 203.221.2854

IT LEADERSHIP BOARDS

The CIO Group

The Applications & Program Management Council

The Enterprise Architecture Council

The Information & Knowledge Management Council

The Infrastructure & Operations Council

The Security & Risk Management Council

The Sourcing & Vendor Management Council

Details on Forrester Leadership Boards for marketing executives and technology companies can be found at www.forrester.com/LeadershipBoards/.