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Enterprise

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# CIOs Earn A Strategic Seat At The Executive Table Through Enterprise Leadership

CIOs' Opportunities Are Expanding As  
Technology Plays A Foundational Role In Digital  
Business



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# Executive Summary

In the age of the customer, companies must be customer obsessed to succeed — understanding and responding to customers' needs through rich customer experience, supported by operational excellence. This transformation depends heavily on technology and data — led by customers' needs and expectations, driven by insights, responding rapidly, and connected across the enterprise and the customers' ecosystems. As a result, IT organizations must evolve to help their firms compete. CIOs and other IT leaders must align and partner with the other business leaders, playing a strategic role in this transformation.

While some CIOs and VPs of IT already have this strategic seat at the table, many others don't. And the challenges both groups face in their firms' transformation requires an ongoing elevation of the CIO's and IT's roles as strategic partners, providing tech-based perspectives and innovations for their peers.

In December 2016, Windstream Enterprise commissioned Forrester Consulting to evaluate the role and perception of CIOs and senior IT management as strategic partners to the C-suite. Forrester conducted quantitative and qualitative research with US CIOs and VPs of IT from midsize companies with between 100 and 20,000 employees in various industries to more closely understand their current and desired relationships with the C-suite in their organization.

This study focuses on two main types of IT leadership in midmarket companies in the US. **Strategic IT** is primarily considered a strategic partner to the customer-facing leadership team, including the CEO and CMO, and weighs in on strategic initiatives. **Order-taker IT** spends most of its time and budget on routine operations and maintenance, and primarily implements technology-driven initiatives determined by the customer-facing leadership team, including the CEO and CMO.



## KEY FINDINGS

- › **Strategic IT aligns with business leaders.** Strategic IT prioritizes improving IT's relationship with the business and creating technology and application teams that are aligned or report to the business.
- › **Improving customer experience is a transformation focus for strategic IT.** More than a third of strategic IT leads initiatives to improve customer experience, compared with only 12% of order-taker IT.
- › **Strategic IT partners must have a strong voice in delivering value to the end customer.** Eighty percent of IT and senior business leaders report that IT leadership has a voice in delivering value to the customer. In addition, 84% state that their IT leadership creates metrics to measure customer value delivery.

# CIOs Must Be Strategic Customer Experience Partners To Earn A Leadership Role

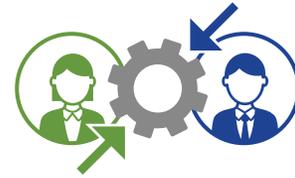
Digitally empowered customers expect ever more from the firms they do business with — B2B and B2C — and these increasing expectations are redefining how firms must compete. To win in this new world, companies strive to be customer obsessed — designing business from the customer’s point-of-view, taking actions driven by customer insights, moving fast to keep pace with customers’ changing needs, and reaching across the enterprise and the customers’ own ecosystem. In customer-obsessed firms:

- › **Customer experience (CX) has a direct correlation to revenue success/growth.** Improved CX drives customer retention, enrichment, and advocacy — increasing a firm’s revenue potential. While this impact varies by industry, Forrester’s models show that a single-point improvement in a firm’s CX index (Forrester’s measure of CX) can drive significant new revenue — as much as \$873 million for mass-market auto manufacturers and \$215 million in auto and home insurance.<sup>1</sup>
- › **Investments target customers’ journeys.** The greater a firm’s customer obsession, the more it focuses on CX and addressing rising customer expectations (see Figure 1). Investments in customer experience include refining internal business processes, delivering a more intuitive, reliable digital experience, or developing channel relationships that impact the customers.<sup>2</sup>
- › **CIOs work closely with other C-level execs — especially CMOs — to drive CX.** Because technology forms the basis of digitally empowered customers’ engagement, CIOs must work closely with the C-suite to use technology investments to create better customer outcomes, leading to increased revenue. This includes enabling changes to company culture, structure, and governance to find ways to meet customers’ needs.

But two-thirds of the CIOs in the companies we surveyed aren’t fully there yet. While 36% of the CIOs and VPs of IT in our sample report they are already seen as strategic leaders in their companies, another 33% are still working on **transforming** their IT organizations to partner more strategically with other business leaders. Joining them are the other three in 10 who report that their organizations’ IT professionals are still “order takers,” executing strategies and road maps that are handed to them (see Figure 2).

There’s also a significant difference in perception between senior IT and business management leaders, with 42% in IT believing they are considered a strategic partner, compared to only 30% of business management who feel the same way about IT.

**Perception disconnect: 42% of CIOs and VPs of IT believe IT is considered a strategic partner; however, only 30% of business leaders agree.**



**Sixty-nine percent of CIOs and VPs of IT are already seen as strategic partners or are transforming IT toward that goal.**

“What I found is you need to be tightly aligned with your business partners. To me, there is no other important metric when it comes down to IT leadership.”

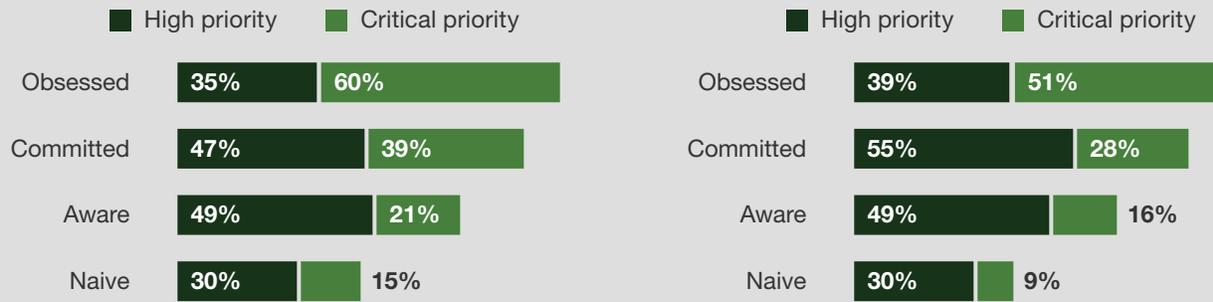
*CIO & VP, US manufacturing company*



**Figure 1 The More Customer Obsessed Firms Focus More On Customer CX And Customer Expectations**

**Improve the experience of our customers**

**Address rising customer expectations**

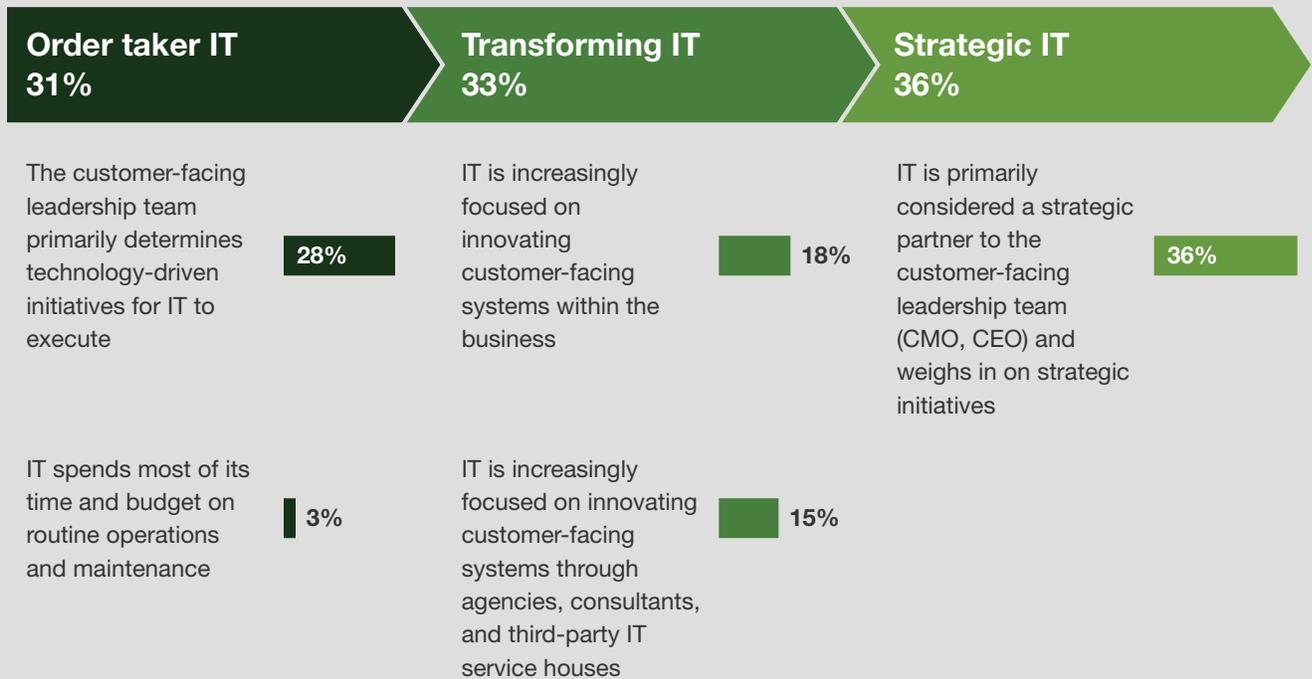


The greater a firm’s customer obsession, the more it focuses on improving CX and addressing rising customer expectations.

Base: 136 obsessed, 236 committed, 419 aware and 233 naive global executives  
 Source: Forrester’s Q3 2016 Customer-Obsessed Operating Model Online Survey

**Figure 2**

“Which of the following statements best describes the perception of IT leadership by the majority of the other business leadership in your organization?”



Base: 160 IT and business management leaders at companies in the US  
 Source: A commissioned study conducted by Forrester Consulting on behalf of Windstream Enterprise, January 2017

# Strategic IT Prioritizes Customer Experience But Face Familiar Challenges

IT priorities and corresponding challenges vary by the level of strategic partnership between CIOs and their colleagues in the C-suite. Our research showed that:

- › **Strategic IT CIOs prioritize direct relationships with business leaders.** The top two IT priorities for strategic IT professionals are creating technology and application teams reporting to the business and improving IT's relationship with the business. Order-taker IT CIOs prioritize tactical "keep the lights on" activities like improving IT project delivery (on time and on budget), migrating data systems or processes to the cloud, and complying with security and regulatory compliance (see Figure 3).
- › **As CIOs work to make their IT organizations more strategic, customer experience provides the transformation focus.** Our survey found that 36% of strategic IT CIOs lead initiatives to improve customer experience and an additional 33% partner or collaborate with business leaders on these initiatives. In contrast, just 12% of order-taker IT CIOs lead CX initiatives, and 31% are most often responsible for executing business leaders' requests for customer experience improvements. Looking forward, 59% of order-taker IT CIOs want to partner or collaborate with business leaders on these initiatives — signaling an understanding of the importance of CX to the business, and even to the IT professionals' own success.
- › **Even strategic IT CIOs struggle to overcome the perception that they are order takers.** Over half (55%) of strategic IT survey respondents and 68% of order-taker IT participants report that their IT departments perform primarily as order takers and fail to proactively propose business initiatives, despite any intention to do otherwise.

While both groups of CIOs face challenges, order-taker IT CIOs have the most to overcome as they try to shift toward a more strategic role in the organization (see Figure 4).

Order-taker IT CIOs:

- › **Lack C-suite support.** Nearly three-quarters of order-taker IT CIOs say they lack C-suite support for their IT strategies and agendas, compared with 39% of strategic IT CIOs.
- › **Struggle communicating the value of IT spending.** Nearly seven out of 10 order-taker IT CIOs report an inability to communicate the ultimate value of their IT spend. This comes, at least in part, from the inability to link IT spend to business strategy and the business outcomes that the C-suite desires. For example, their top 3 priorities include "Migrate data, systems or processes to the cloud," which is highly strategic. The challenge may simply be showing how their actions are aligned with business strategy.
- › **Find it challenging to secure needed budget to pursue the IT agenda.** While most order-taker IT CIOs find it challenging to secure budget, they are not alone. Strategic IT CIOs also list this as a major challenge as they work to implement business strategy.

"There are several CIOs, vice presidents of IT that have gotten so aligned and so ingrained with their business partners, they start taking on more and more responsibility, even outside the IT realm."

*CIO & VP, US manufacturing company*



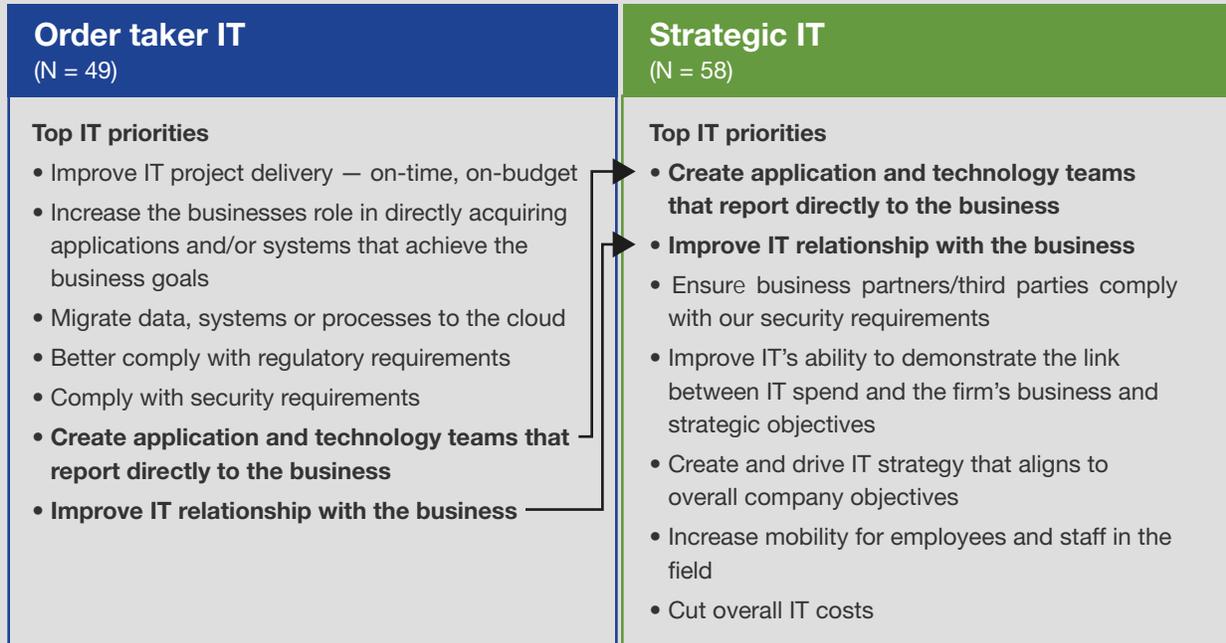
**"What makes the relationship with the business successful?"**

"It's the trust that they have in us based on the experience with the past projects we have done."

*CIO, US financial services company*



**Figure 3 Order Taker And Strategic IT Share Some Of The Same Goals But Not The Same Priorities**



Base: Variable IT and business leaders at companies in the US  
 Source: A commissioned study conducted by Forrester Consulting on behalf of Windstream Enterprise, January 2017

**Figure 4**

**Top challenges**

(completely or somewhat describes)



**Order-taker IT is more likely to lack C-suite support due to challenges around budget and the ability to communicate value of IT spend.**

Base: Variable IT and business leaders at companies in the US  
 Source: A commissioned study conducted by Forrester Consulting on behalf of Windstream Enterprise, January 2017

# Strategic IT CIOs Engage As Partners

Customers' fast-changing, complex needs hold organizations to high standards, and CIOs have a unique opportunity to have a voice in delivering value to the customer. But to do so, IT leaders must be partners in key strategy decisions. By developing partnerships between IT and business leadership, organizations can align more resources to key business priorities — ultimately giving organizations a business advantage.

CIOs and VPs of IT must do the following:

- › **Engage across all stages of strategy development.** Partnership requires that VPs and CIOs mature from taking orders from, or coexisting with, other business leadership, to engaging consistently across key phases of the strategy development cycle. Those CIOs that fall into the strategic IT category show higher levels of engagement across strategy development than their peers. Sixty-two percent of strategic IT leaders report that they are engaged in analyzing the current state of the business compared with 43% of order-taker IT CIOs. Our survey data shows that this engagement gap persists in road map development, implementation, and review.
- › **Align personal success measures to business success.** The path to partnership means CIOs must align their personal metrics to business priorities. But they may not be as far off as they might think. A full 91% of IT leaders cite getting more involved in strategic decisions as their #1 measure of personal success. In contrast, 77% of their business counterparts report that IT's top success measure should be improvements to the CX. It is quite possible that for many IT leaders to achieve their objectives involving inclusion, responsibility, compensation and respect, they need to look at things through a different lens (see Figure 5).
- › **Have a strong voice in delivering value to the ultimate customer.** Strategic partnerships do not emerge from the education or tenure of the IT leader. Rather, strategic IT CIOs demonstrate value through non-IT experiences that hyperfocus on the customer. The survey shows confidence that all of our IT survey respondents — even order takers — can deliver on this, with 88% of companies reporting that their IT leadership already has a voice in delivering value to the end customer. In addition, four of five report that their IT leadership demonstrates the importance of ultimate customer value through their own behavior (see Figure 6).

“I would make sure that I had time with each of the key executive team members and try to understand their key pain points, and what they see as the key levers to help them move their business forward.”

*CIO & VP, US manufacturing company*



“I've got to report to the board on a quarterly basis; you will see all these projects enumerated. Many of these projects are aligned with the business unit's strategic priorities.”

*CIO, US service provider*

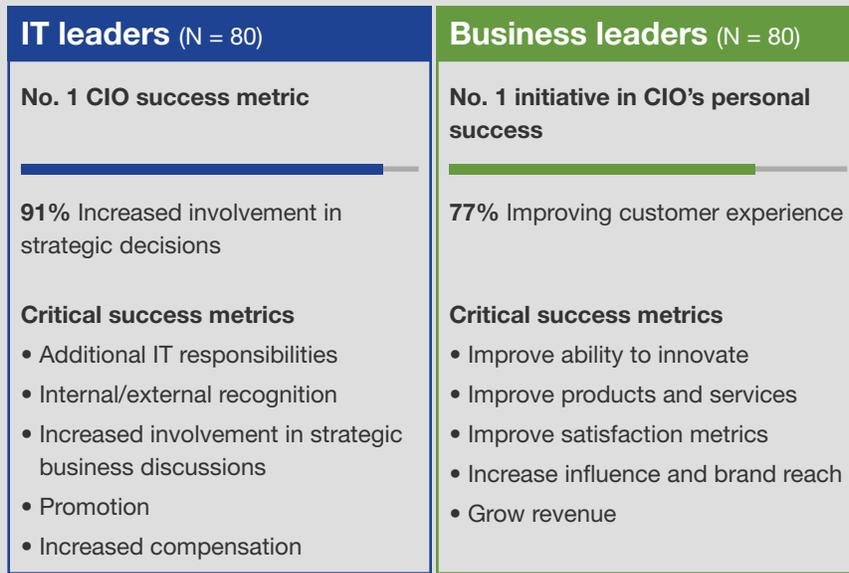


“To get that seat at the table you need to be able to craft a meaningful vision that truly translates to what the company objectives are. You have to be able to communicate and listen to the business. That doesn't mean you do everything they say, but it does mean you at least have to understand from them what's most important to do.”

*CIO, US service provider*



**Figure 5 IT Leaders Must Align Personal Success Metrics With The Business To Achieve Success**



“My success is measured by the fact that IT is viewed as a business partner.”

*CIO, US manufacturing/retail company*



Base: 80 IT and 80 business leaders at companies in the US  
 Source: A commissioned study conducted by Forrester Consulting on behalf of Windstream Enterprise, January 2017

**Figure 6 IT Leaders Are Making Progress Being Perceived As Contributing To Customer Value**

“Thinking about your IT leadership, to what extent do you agree with the following?”



“One of the nice things about being a CIO is you have a helicopter view of the organization. Many other executives understand their division, their group, and they may know a little bit about the other divisions, the other groups, but they don't have the view that you have of all of them, and that's one of the benefits that you can bring to them. When they see that, they start to include you in those discussions.”

*CIO, US manufacturing/retail company*



Base: 160 IT and business management leaders at companies in the US  
 Source: A commissioned study conducted by Forrester Consulting on behalf of Windstream Enterprise, January 2017

# Key Recommendations

Few CIOs — if any — begin their careers seeking to be order-takers, yet they make up nearly a third of the CIOs in the companies we surveyed. And despite their objectives, just 36% currently report being in the category of Strategic IT. So what must an IT leader do to develop a strategic IT role and, further, to ensure that his/her strategic contribution is recognized by the other leaders in the business?

**Forrester's in-depth survey of CIOs, VPs of IT, and senior corporate business management yielded three key recommendations:**



**Prioritize establishing and fostering a partnership with the other business leaders.** CIOs seeking a strategic IT role must align personal metrics with the business leaders' objectives — assuring that they both focus on the same business goals as the other C-level execs as well as providing a measure of their success in doing so.



**Pay special attention to customer experience (CX).** As customers' expectations change — driven by their increasing digital prowess — would-be strategic IT CIOs must engage: from planning, through design and delivery, into ongoing operations. CX is now a primary focus for leaders across the organization. Since technology forms the foundation for delivering these customers experiences, it is incumbent on IT not simply to align with their metrics, but to take equal ownership of the CX, as well.

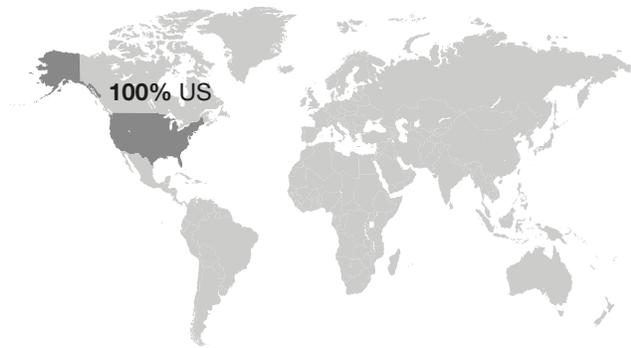


**Participate in all aspects of business strategy development.** Delivery and operations continue as foundational activities for strategic IT CIOs, but their strategic seat at the executive table comes from engaging with their peers and partners in setting the corporate strategic objectives — and in identifying the road map of initiatives that will help realize those objectives.

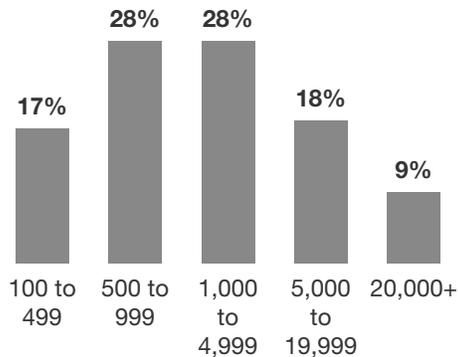
# Appendix A: Methodology

In this study, Forrester conducted an online survey of 160 midmarket organizations in the US to evaluate the role and perception of CIOs and senior IT management as strategic partners to the C-suite. In addition, Forrester conducted six interviews with CIOs and VPs of IT from various industries to more closely understand their current and desired relationships with the C-suite in their organization. The study began in December 2016 and was completed in January 2017.

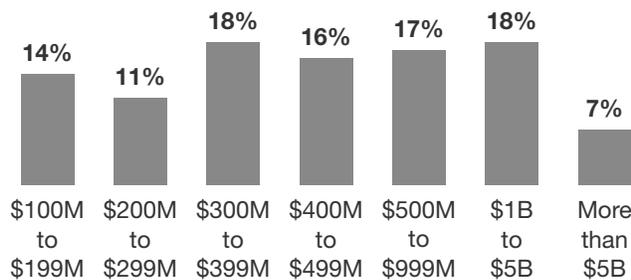
# Appendix B: Demographics/Data



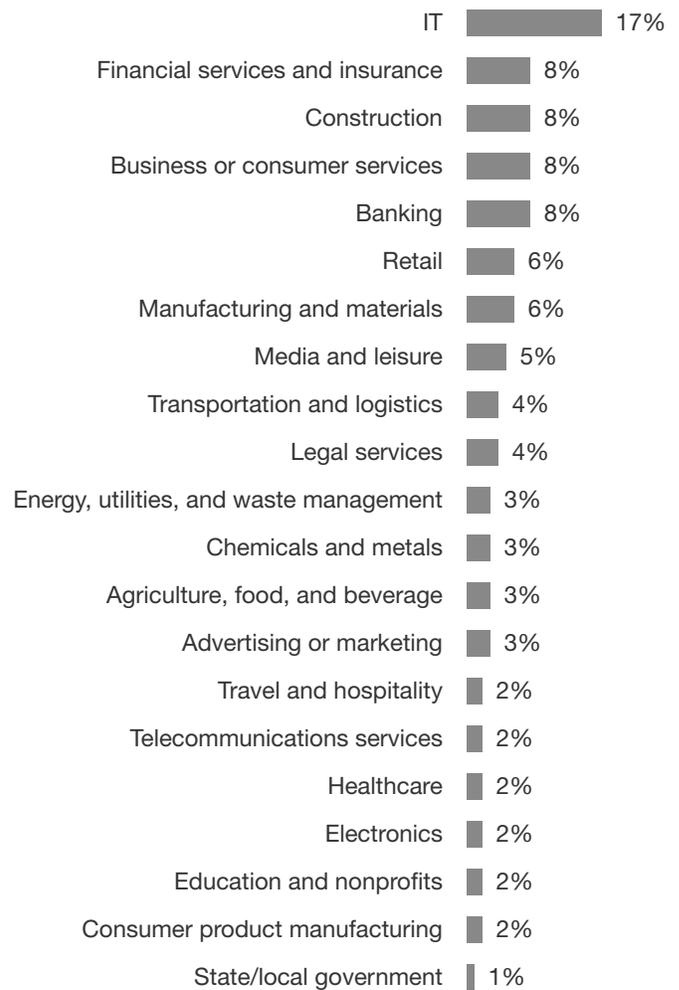
## NUMBER OF EMPLOYEES IN ORGANIZATION



## ANNUAL REVENUE



## INDUSTRY



Base: 160 IT and business management leaders at companies in the US

Source: A commissioned study conducted by Forrester Consulting on behalf of Windstream Enterprise, January 2017

# Appendix C: Supplemental Material

## RELATED FORRESTER RESEARCH

“CIOs: Position Yourself As The Business Innovation Leader In The C-Suite,” Forrester Research, Inc., January 12, 2017.

“A Customer-Obsessed Operating Model Demands A Close Partnership With Your CIO,” Forrester Research, Inc., May 20, 2016.

“The Business Technology Strategy Starts With Customer Obsession,” Forrester Research, Inc., January 5, 2017.

“The CIO Mandate: Engaging Customers With Business Technology,” Forrester Research, Inc., February 27, 2016.

# Appendix D

## ENDNOTES

<sup>1</sup> See “Drive Revenue With Great Customer Experience, 2017,” Forrester Research, Inc., January 23, 2017.

<sup>2</sup> See “Customer-Obsessed Leaders Prioritize Customer Value Leveraging A BT Strategy,” Forrester Research, Inc., March 9, 2017.