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To Accelerate Digital Business, Leading CIOs Act as "COO by Proxy"

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Initiatives: CIO Role Evolution

Accelerating investments in digital products and services must be balanced against risk to existing offerings and customers. CIOs who act as "COO by proxy" evangelize, catalyze and orchestrate such initiatives across the enterprise, shouldering accountability for enterprise digital results.

Overview

Impacts

- CIOs' responsiveness to business challenges triggered by the global pandemic has magnified for C-suite executives the importance of digitalization for enterprise resilience and their entity's ability to drive customer or constituent engagement beyond transactional interactions.

- Heightened understanding of the potential business value from digitalization is prompting C-suite executives to revisit their digital ambition and strategy, and raise expectations for the role of the CIO on the transformation journey.

- To accelerate the journey to digital business, many boards of directors are increasing investments, creating an opportunity for CIOs to have greater influence on the enterprise's digital ambition, strategy and anticipated enterprise performance impact.

- In the absence of a COO with the needed level of digital dexterity, many CIOs are stepping up to orchestrate the rollout of digital products and services across the enterprise, and a small, growing subset are taking *accountability* for net performance gains.

Recommendations

CIOs interested in evolving their role for greater business impact should:

- Evangelize digital business opportunities by collaborating with business leaders to identify promising stories (aka use cases) that can shape, integrate with or benefit the digital business strategy.

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- Catalyze those digital initiatives that, in combination, will accelerate realization of the digital ambition for the enterprise. Build a digital foundation of technologies, platforms, data and talent to support the chosen internal and market-facing digital products and services.

- Build on the credibility earned in the COVID-19 response by fostering architecturally sound, secure and consistent ways of working, sourcing and funding of technologies and tools across multiple fusion teams.

- Orchestrate the rollout of internal and market-facing digital products and services that you recommend to the C-suite, and embrace accountability for net positive impacts to enterprise performance results from those that are chosen.

Strategic Planning Assumption

By 2024, 25% of traditional large enterprise CIOs will be held accountable for digital business operational results, effectively becoming "COO by proxy."

Analysis

The 2021 Gartner 2021 Board of Directors Survey found that 69% of the surveyed boards have accelerated their digital business initiatives. About half claim that COVID-19 disruption has led their organizations to increase investment in digital initiatives. About two-thirds report that they are increasing budgets for IT/technology. [1]

This is a welcome sign that leadership is now advocating for digital business transformation and digital dexterity, not just optimizing business as usual by investing in modern digital technologies.

Unfortunately, just 16% of business leaders have high digital dexterity, which is inadequate to support the acceleration of digital strategies (see Future Paths for Technology Leadership in the C-Suite: How CIOs Are Redefining Their Role for Digital Business). This raises the question of who will lead delivery of this wave of digital transformation.
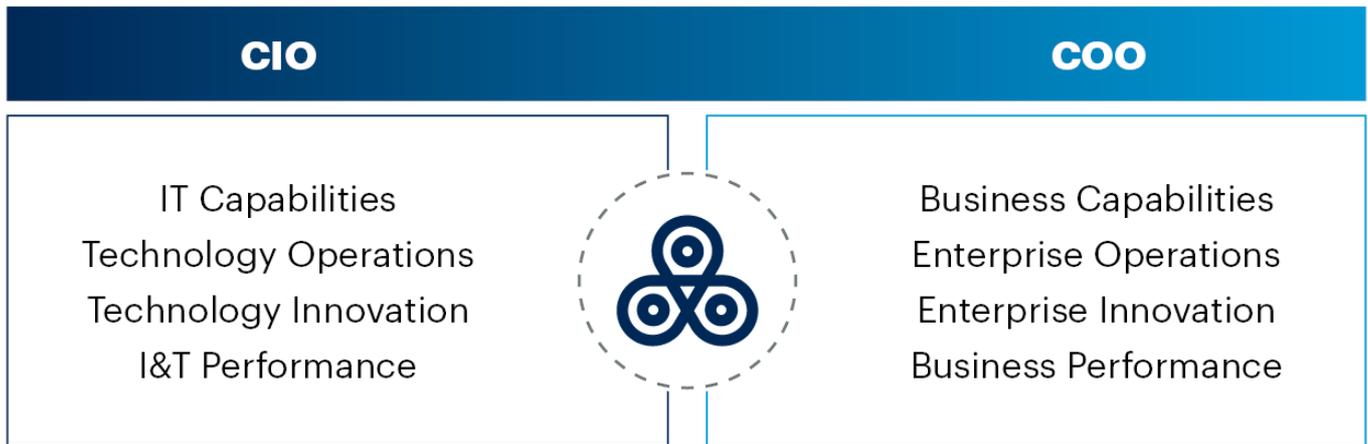
Since 2017, the number of companies with a chief operations officer (COO) position has increased 2%, reversing a 20-year decline in the number of large corporations with COO positions. [2] Along with the renewed focus on the COO comes a shift in the role's traditional responsibilities. In a digital organization, effective COOs are responsible not only for integrating operations *across* all functions of the enterprise but also for managing strategic investments.

As agility becomes critical to the company's growth, decision makers at several companies surveyed now believe that putting a single person in charge of digital transformation may not be the best approach, because it is a strategic priority across the entire business (see Fusion Teams: A New Model for Digital Delivery and Note 1).

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The role of the CIO is becoming tightly integrated with business practices, resulting in a blend of information and technology (I&T) leadership, digital innovation and enterprise operations oversight. Gartner predicts that by 2024, 25% of traditional large enterprise CIOs will be held accountable for digital business operational results, effectively becoming "COO by proxy" (see Figure 1 and Table 1).

Figure 1. A Digital Business Blends the CIO and COO Roles

A Digital Business Blends the CIO and COO Roles

CIO	COO
IT Capabilities Technology Operations Technology Innovation I&T Performance	Business Capabilities Enterprise Operations Enterprise Innovation Business Performance

Source: Gartner

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Table 1: Impacts and Top Recommendations for CIOs

Impacts	Top Recommendations
CIOs' responsiveness to enterprise resilience in the face of the global pandemic has magnified the importance of digitalization for their business's and society's ability to transact and interact.	■ Evangelize digital business by working with business leaders to identify multiple "art of the possible" stories (aka use cases) that can shape or integrate with the digital business strategy. ■ Work with business stakeholders to identify technology, data and talent required for digital initiatives. ■ Modernize technology platforms as needed to support innovative digital pilots of new products, services and experiences.

Table 1: Impacts and Top Recommendations for CIOs (continued)

Impacts	Top Recommendations
Sixty-nine percent of boards of directors have accelerated digital business initiatives, and 48% have increased the investments, with expectations of the CIO serving as a trusted partner.	■ Manage your technology and data platforms and integration capabilities to catalyze the development and integration efforts across multiple fusion teams. ■ Foster architecturally sound, secure and consistent ways of working, sourcing and funding of technologies and tools across the multiple fusion teams.
The traditional role for many CIOs is changing, with new expectations for them to integrate and orchestrate the rollout of digitalized products and services that drive revenue or enhance profit margin for the enterprise.	■ Orchestrate the rollout of internal and market-facing digital products and services that you recommend to the C-suite. ■ Take accountability for net positive impacts to enterprise performance results from the chosen digital offerings.

Source: Gartner

Impacts and Recommendations

CIOs Have Shown the Value of Digitalization, Prompting the C-Suite to Revisit Digital Ambitions and Strategy

CIO responsiveness to enterprise resilience in the face of the global pandemic has magnified the importance of digitalization for their business's and society's ability to transact and interact. Executives' heightened awareness of the criticality of technology to business continuity and growth has prompted many C-suites to revisit their enterprise's digital ambition and strategy. Having demonstrated the ability to quickly shift operations with really high quality and raised their personal credibility for applying technology to drive business value, many CIOs are being asked to take on more responsibility for influencing, if not leading, the digital transformation.

As the role of technology evolves from supporting the business to enabling the business, so will C-suite and board expectations for the CIO role evolve. Eighty-four percent of surveyed boards of directors now view the CIO as either a key partner or a trusted ally for digital business. [1] The remit for a leading CIO will expand outside the traditional, vertical IT function(s). These CIOs will pivot from being the critical decision maker in solutions delivered exclusively by the formal IT organization(s) to being a critical influencer in digital ideation and business innovation driven by business units.

In this initiation phase, leading CIOs will evangelize and promote an updated vision for digital business. They will partner with business leaders and influence potential opportunities for new digital offerings by outlining innovative experiments and initial changes needed within and across business functional domains. Rather than supporting a random set of isolated digital ideas and POCs, leading CIOs will strongly influence digital ideas such that they integrate into the business strategy. By partnering with business leaders on digital experiments and POCs, digital dexterity across business leaders will also be improved.

Recommendations:

- Evangelize what digital can mean to functional and line of business (LOB) leaders, and jointly identify digital business opportunities to explore.

- Partner with business leaders to identify potential business capabilities to treat either as internal digital "products" or external, market-facing digital products and services.

- Improve business leader digital dexterity by supporting business leadership of digital innovation pilots.

As Boards Increase Digital Investments, CIOs Are Catalyzing These Funds for Above-the-Line Impacts to Business Outcomes

Partnerships established in the initiation phase enable the CIO to gather business case data about the various pilots and use it to assess the potential impacts to enterprise-performance results. The goal is to ensure that gains in one area are not offset by unanticipated negative impacts in another. The CIO is best positioned to embrace this enterprise perspective and identify the best digital pilots to ultimately deploy at scale.

To accelerate the digital transformation, CIOs need to help business leaders take ownership of promising digital offerings. Ownership means assuming critical responsibilities for the enhancement of the digital pilot, with the intention to ultimately reflect the pilot's business outcomes on the business leader's P&L. Blended business and IT resources will combine and function as a multidisciplinary team, with CIOs often loaning headcount to the functional leader.

CIOs will provide the key technology platforms and integration capabilities to catalyze ongoing development efforts across the multiple multidisciplinary teams. Ongoing business innovation and digital products and services will depend on this support. Use your involvement and "on loan" resources to foster architecturally sound, secure and consistent ways of working across the emerging fusion teams and manage integration across them. Identify business capabilities to be refactored into composable building blocks to be leveraged by multiple initiatives. Gartner data shows that at least 84% of companies and 59% of government entities have set up fusion or multidisciplinary teams that blend technology and other types of domain expertise. A total of 43% of fusion teams already report outside of corporate IT (see Fusion Teams: A New Model for Digital Delivery).

By catalyzing multiple fusion teams' efforts in these ways, CIOs will accelerate the digital transformation and reinforce their ability to meet executives' expectations for value from digital investments.

Recommendations:

- Support innovation and adaptability by modernizing your technology foundations. Identify current technologies and business capabilities to be refactored into composable building blocks to support multiple initiatives and thereby accelerate the updated digital strategy.

- Work with business stakeholders to identify technology, data and talent required to accelerate and potentially scale digital initiatives.

- Update the transformation plan to reflect the need for someone — ideally you — to orchestrate and integrate cross-functional/cross-LOB collaboration across all the digital initiatives for maximum enterprise leverage and value.

CIOs Are Orchestrating Select Digitalized Products and Services to Drive Net Positive Enterprise Performance Results

Growing investment in digital business brings both opportunities and risks. Innovative digital products and services can be new sources of revenue but can also cannibalize existing revenue. Artificial intelligence (AI), machine learning (ML) and advanced analytics solutions often create ethical and societal risks. To manage across multiple independent pilots, both commercial businesses and public entities will need an executive without a vested interest in one digital innovation versus another to select a subset of initiatives to deploy at enterprise scale. This impartial executive will need to reconcile and balance these intricacies to achieve the desired outcomes for the enterprise.

Traditionally, the COO was responsible for overseeing the day-to-day administrative and operational functions of a business, reporting to the CEO and often considered the second in command. With the advent of digitalized business, modern COOs also lead the company's most critical strategic initiatives. In digitally aggressive entities (such as CBS, Starbucks, The Coca-Cola Co., Fedex, Union Pacific, Waste Management and Wells Fargo), functional or line of business (LOB) executives continue to be

responsible for financial impacts of digital investments to their own P&L (see Note 2). However, the new COO is accountable for the net financial impacts to enterprise performance results.

Enterprise digital orchestration focuses on four key areas:

- **Strategic execution** of blended business-led operations. This includes using business successes and failures as an input to adjust the organization's strategic direction.

- **Business innovation.** Building relationships across business and creating new digitalized business capabilities for the digital foundation.

- **Cross-disciplinary teams** are integrated into and are responsible for the coordinated execution of strategic initiatives.

- **Results.** Enterprise objectives are monitored and adjusted based on enterprise business performance— KPIs, objectives and key results (OKR) and outcomes.

Digital business orchestration obscures the lines that traditionally defined the CIO and COO roles. With increasing demand for suitable individuals and a very difficult economy around the world, we predict that savvy CEOs will extend the CIO's remit to be accountable for digital performance results — becoming the "COO by proxy." CIOs, acting as COO by proxy, will focus on balancing the risks and opportunities to enterprise performance driven by innovative digitalized internal and market-facing business capabilities treated as digital products and services.

The key to success as the COO by proxy is working beyond your vertical IT function and managing horizontally for net positive impacts to enterprise business operational results. The COO by proxy must manage the risks to existing products and services from investments in digital business opportunities, finding the optimal balance of digitalized business and traditional business. In other words, they must find "techquilibrium" (see Techquilibrium: Traversing the Balance Between Traditional and Digital Business).

For aspiring CIOs who want to act as the COO by proxy, review each orchestrator focus area using an enterprise lens and ask:

- **Does my current strategy and strategic plan address the enterprise?** If they are focused on the formal IT function, you are still an evangelist. Determine what is needed to elevate the strategy and strategic plan to address broader enterprise impacts and results.

- **Is my solution delivery focus just within formal IT, or have I developed broader I&T delivery practices and teams?** Multidisciplinary teams have a clear focus within a product, project or program. Fusion team members are not split across multiple projects; they are dedicated to a digital offering. Does

your structure encourage and enforce this type of delivery? Do you look at resource management across enterprise operations?

- **Are you partnering to create new business services and products?** Orchestrating CIOs influence business-leader decisions to optimize both internal business capabilities and external, market-facing capabilities as true digital products. Innovation is not just offering up technologies. The focus must be on how you are helping to lead business transformation through innovation.

- **How do you measure business value and performance?** Do your metrics focus only on IT operations? Measurement and performance systems must provide leadership transparency into strategic outcomes or value. CIOs must establish performance measures that address how integrated technology/business operations impact overall business performance.

Prioritize these items based on where your organization is on its digital journey. When you think about the broader enterprise, where are the most significant issues?

The CIO transformation plan sets mid- and long-term objectives that you will need to revisit as you progress on your orchestrator journey. Continuously review and refine the plan as objectives are addressed or changed.

Recommendations:

- Reinforce continuing adoption of digital as part of the organization's culture within business operations by establishing indicators to monitor strategic initiatives and measure business performance. Identify opportunities to support changes within the enterprise operating models.

- Refine your career plan by determining where you want to be in a future role. In addition to the organizational direction, leaders must consider their own progress within the organization.

- Accept accountability for a net positive impact to enterprise performance results from select digital initiatives that you recommend to the C-suite.

Evidence

[1] Survey Analysis: Board Directors Say Pandemic Drives Increased Investments in IT. The 2021 Gartner View from the Board of Directors Survey was conducted to understand how board of directors view digital-business-driven business model evolution on their enterprises. It also helps understand the expectations of BoDs from executive leaders and how BoDs translate their board focus to actual executive action and overall corporate performance. The primary research was conducted online May through June 2020 among 265 respondents from the U.S., EMEA and APAC. Companies were screened to be midsize, large or global enterprises. Respondents were required to be a "board of director" or "member of corporate board of directors." If they serve on multiple boards, respondents answered for the

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largest company, defined by its annual revenue, for which they are a board member. The study was developed collaboratively by Gartner analysts and the Research Data and Analytics team.

[2] Crist|Kolder Associates Volatility Report 2020.

Note 1. CxO Trends

Each year in our CEO and board of directors surveys, we ask questions to discover the prevalence or not of particular executive roles related to technology. The trend we observe is that when a company, board and CEO become concerned about a hot technology trend, they implement a chief x officer (CxO), as a change provoker. Once that change is underway and self-propelling, the role is closed down or diluted and merged into another role. We are seeing this rolling wave across industries and geographies related to the "chief digital officer" and "chief data officer." The one C-level, technology-initiated role that has become a stable title is chief information security officer (CISO).

Note 2. COO Examples at Digitally Aggressive Companies

We continue to find case examples of traditional entities transforming to a more digitalized business and establishing a COO role or promoting the CIO to COO. For example:

- ViacomCBS appointed former Viacom Digital Studios President Kelly Day as COO of its international networks division and for "accelerating the digital transformation" of VCNI's business following the ViacomCBS merger in March 2020.

- Liz O'Neill recently became COO to build on the strength of the operational backbone of Levi Strauss & Co. global supply chain by driving digitization, sustainability and agility, including the ongoing rollout of the company's F.L.X. technology.

- IG group's CIO Jon Noble was promoted to COO in June 2019.

- Mike Capone's Journey From CIO To COO To CEO, Forbes.

- AUL Promotes Fleites to Dual Executive Role as CIO and COO, SubPrime Auto Finance News.

Recommended by the Authors

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