

TCS 2020 CIO Study Report: Digital Leadership for Business Transformation

Roles & Responsibilities in Digital Business

TCS Business 4.0™ Institute

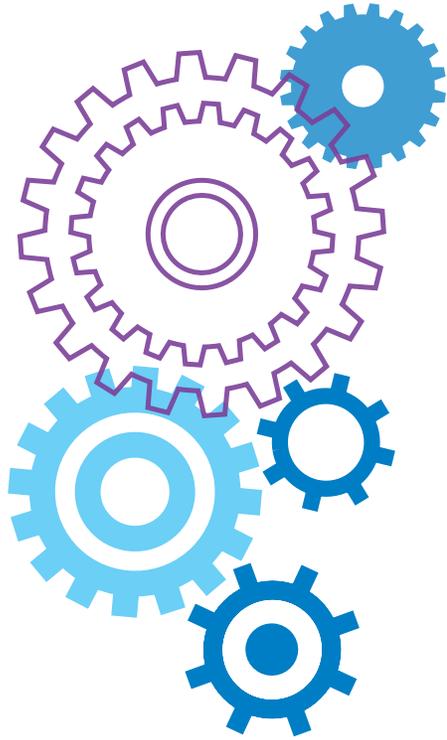


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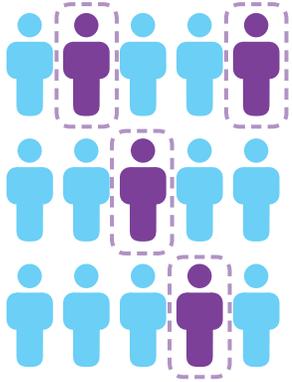
CIOs of Leading Companies Drive Digital Transformation

How are CIOs helping their organizations navigate the complex and fast-evolving digital landscape? What responsibilities do they have in this arena? And which responsibilities have other C-suite members taken on through initiative or necessity?

Findings from the TCS 2020 Chief Information Officer (CIO) Study show that CIO roles and responsibilities have been changing over the last decade, especially at companies that have been leading the way in the digital transformation of their businesses.

Many CIOs at leading companies have evolved their job descriptions and their position's reputation beyond roles like "digital enabler" and "technical operator" to become change agents who champion business model innovation.

But it's important to note this change has not been the case for CIOs in all companies surveyed, or to the same degree. And our study finds that leaders outside the IT organization have often, purposely or necessarily, become the digital leaders for their areas of the business.



How Digital Leaders Are Different: Context in the CIO Study

We analyzed the survey answers of more than 1,000 CIOs and other IT executives to compare and contrast those whose companies have made substantial progress in digital transformation with those whose progress has been lagging.

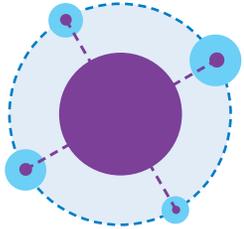
Digital Leader Companies (220 out of 1,010):

- Enterprise-wide digitization initiatives with strong leadership in place, or new digitally enabled business models, products and services, and operating models
- Huge or high success in increasing revenue from those digital businesses and offerings over the decade

Digital Follower Companies (219 out of 1,010):

- Digital initiatives in the pilot phase or limited to a few business units
- No or low success in increasing revenue from their digital efforts this decade

A Central, Strategic Role for CIOs

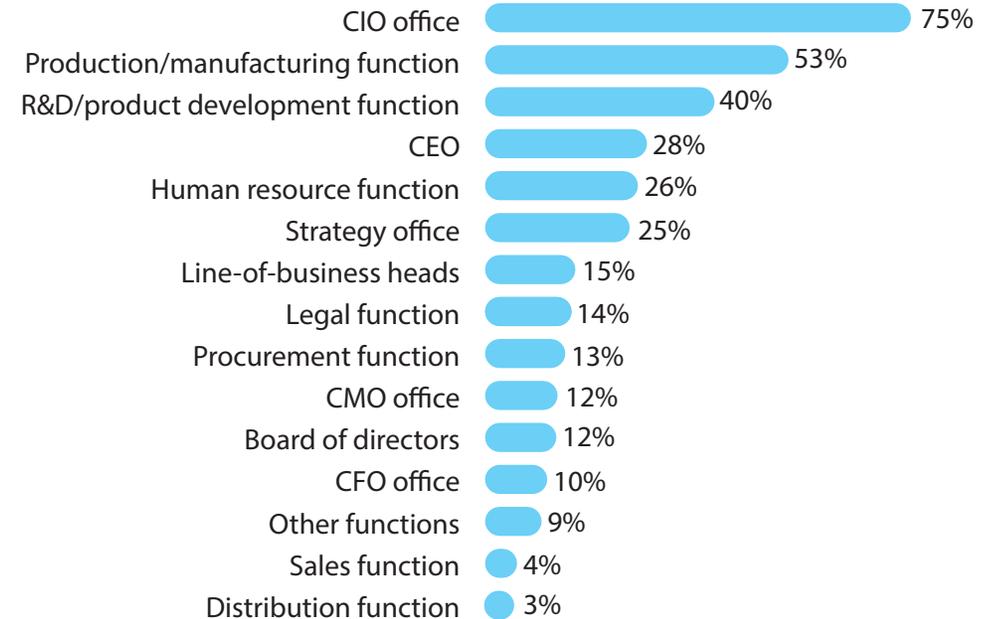


Today, every large company—for those in our study, the annual revenue ranges averaged between \$7.5 billion to \$10 billion or more—is to some degree a technology company, just by nature of how businesses run, report and compete in the global economy.

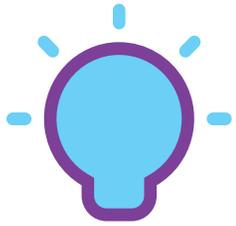
Recognizing the pervasive nature of technology in business today, we designed our CIO Study in part to shed light on what roles different executives in the C-suite have played in their company's digital transformation this decade (since 2010).

What we found was that CIOs are the executives most likely playing a top role in digital transformation, particularly in ideation and strategy. Three-quarters of the survey respondents said the CIOs in their companies participated in the ideation and strategy efforts of their digital initiatives.

Who participates in digital transformation ideation and strategy?



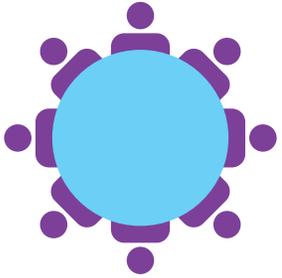
Who Has the Ideas? Who Sets the Strategy?



Interestingly, there was consensus among CIOs in the leader and follower companies: in both groups, 76% of CIOs participate in ideation and strategy for digital transformations. In leading firms, however, line-of-business executives and boards of directors often play a larger role in ideation and strategy than they do for followers. For example, in leading firms, 19% report line-of-business heads are also contributing to ideation and strategy, compared to at 14% of follower firms. In leading firms, 14% of boards of directors are involved in this work, while only 9% of boards of directors at follower firms have a role in digital ideation and strategy.

In Digital Leader companies, line-of-business heads and boards of directors play a larger role in digital ideation and strategy they than do at Digital Follower companies.

Who Brings What to the Table?



CIOs also report they are taking a strong role in the governance and project management aspects of their organizations' digital transformations. Sixty-one percent of CIOs take a leadership role in governance and 54% lead project management.

Budget determinations for digital transformation are most likely to originate from the CEO's office (35% of survey respondents said chief executives are among the participants in setting budgets), CFOs (29%), or the production and manufacturing operations function (20%) than they are to come from the CIO office (18%).

Alliances and partnerships are a critical element of a company's transformation and its participation in a digital ecosystem. As evidence of the growing outsourcing of

Even among CIOs at Digital Leader companies, only 21% have played a role in determining budgets for digital transformation over the past decade.

expertise and capabilities across all parts of the business and functions, the development of alliances and partnerships was most likely to come from the strategy office (51%). Other functions most often involved include production and manufacturing (38%), line-of-business leaders (34%), and the legal department (28%). All were more likely to bring alliances and partnerships to the table for digital initiatives than were the CIO's office (21%).

Leading Companies Let CIOs Lead

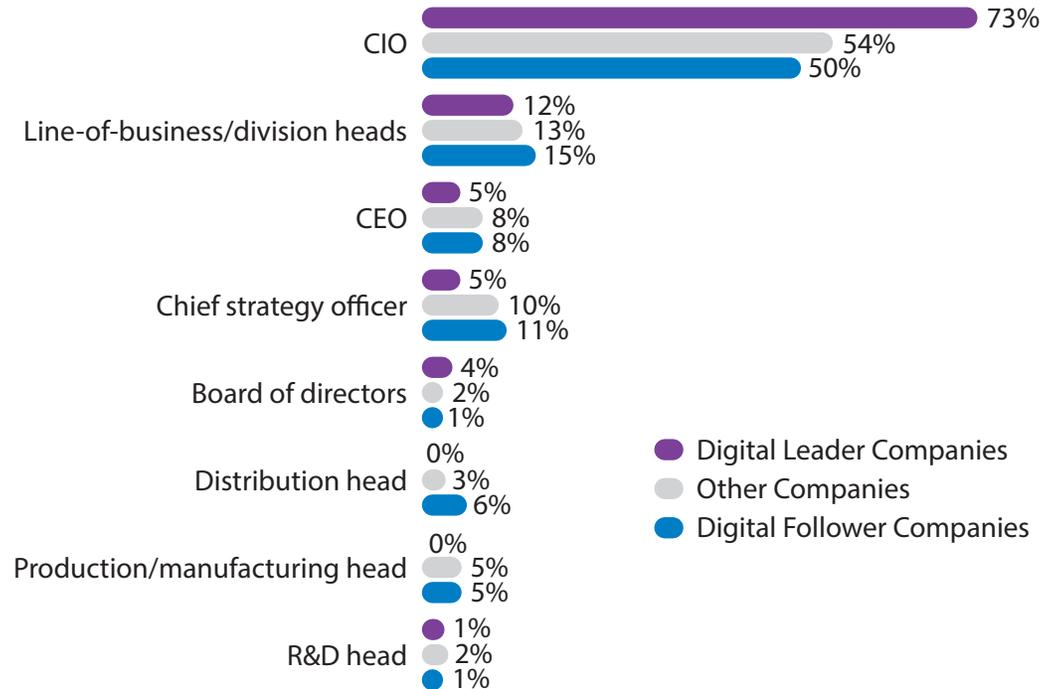


The study also asked the CIOs: *“Which one person or function has been driving digital transformation this decade?”* The CIOs said such overall leadership is more often

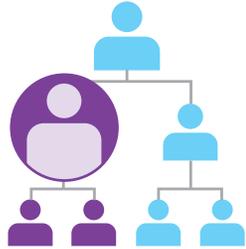
coming from their office (58% say this is the case) than from other executives.

The difference between leader and follower companies on this issue is more pronounced than with participation rates in areas like strategy and ideation. CIOs at leader companies direct digital transformations nearly three-quarters (73%) of the time, whereas CIOs at follower firms are in charge of these projects 50% of the time.

Who’s really been in charge of digital transformation?



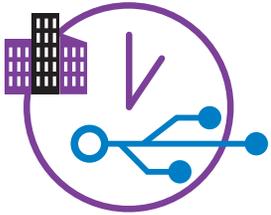
Industry-Flavored Leadership



Leadership of digital transformations by positions other than the CIO follows logical industry expectations. For example, the head of production and manufacturing is more likely to drive transformation efforts at automotive firms (where 17% do) and industrial manufacturing companies (18%)—much higher than the 4% of companies overall that have these roles leading the transformations at their companies. In the retail and consumer packaged goods industries, digital leadership is more likely to come from the head of distribution: 12% vs. 3% across all industries.

In the insurance industry, one in five CIOs surveyed said that line-of-business or division heads are leading the charge for digital transformation.

Leaders Model. Followers Maintain.



CIOs at leading firms spend their time much differently than those at follower firms.

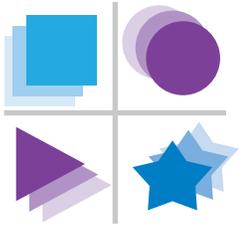
Overall, CIOs spend about half their time on digital business model innovation and half their time managing existing or legacy

IT systems. But In leading companies, CIOs use 63% of their time to pursue digital business model innovation; they allot the remaining 37% to manage the existing IT infrastructure. At follower companies, CIOs allocate more than half their time to legacy IT (57%) and only 43% to digitally innovating the business model.

At Digital Follower companies, CIOs spend more than half their time on old technology.

Analyzing the responses to this question by industry reveals a different mix. CIOs in high-tech and telecommunications focus more on digital business innovation (56%) than on current IT systems (44%). Most likely to have their CIOs focused on current IT issues are the industrial manufacturing, consumer packaged goods, and the media, entertainment and information services industries (CIOs in each spend 53% of their time on existing IT versus 47% on digital innovation).

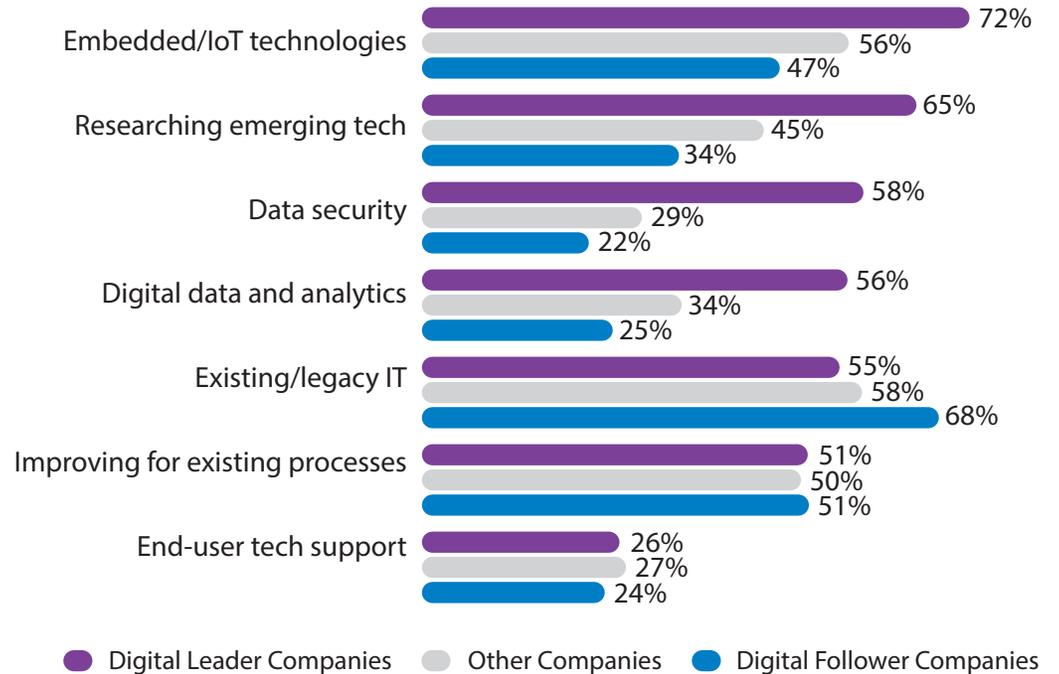
All in a Day's Work



When asked which activities they oversee, CIOs overall identified a range of systems under their purview. Existing IT infrastructure and legacy information systems was the top

response, cited by 60%, followed by Internet of Things-related systems (57%), development of new systems to support existing business processes (51%), and research on emerging technologies (47%). There are some marked differences between CIOs at Digital Leader companies and those at Digital Follower companies.

What aspects of IT do CIOs manage?



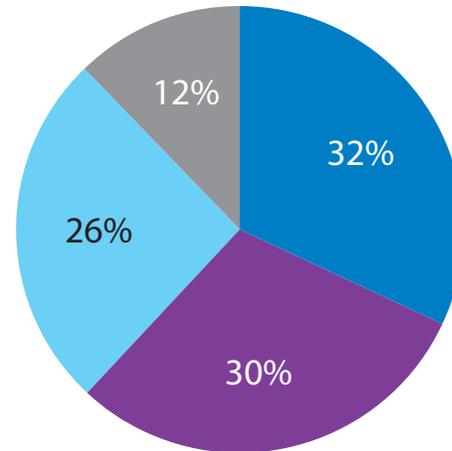
Where Does Innovation Happen?



We asked CIOs where their companies conduct activities for developing new digital businesses and new digital products and service offerings. Does this work operate within the IT function?

In a separate business unit? In a business function like marketing or R&D?

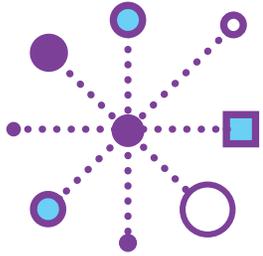
Where do companies do the work of digital transformation?



- In a separate business unit that reports to the head of our company or division
- In the IT function
- In a business function(s)—e.g., marketing, sales, R&D, etc.
- Elsewhere

Percent of total answers; multiple answers permitted

Innovate Anywhere. (But Especially in IT.)



In leading firms, a much higher percent said they developed new digital business, products, and services inside the IT function. Sixty-three percent of these CIOs said digital business development work occurs in the IT function, versus the 36% who said so at all other companies.

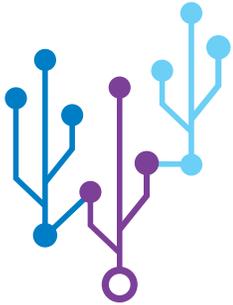
Thirty-two percent of these leader firm CIOs said such activities may also occur in a business function, and 30% said it happens in a separate business unit reporting to the CEO or division head. Digital innovation may be spread throughout a Digital Leader company, but it's centered in the IT organization.

Digital Leader companies are more than twice as likely to have digital business developed by the IT department than at Digital Follower companies

**63% Digital Leader companies vs
28% Digital Follower companies**

Viewed by industry, CIOs in consumer-packaged goods (53%) and industrial manufacturing (51%) are most likely to conduct digital business development in the IT function, followed by retail (45%). Insurance firms, as well as media and entertainment companies, are more likely to conduct business development in a separate business unit, with CIOs in each industry reporting 57% do so.

Leader Firms Develop Digital Consensus



Driving a company's digital transformation activities in the same direction is crucial if business functions are to share data, provide a cohesive customer experience, and accomplish other key mandates for a digital era. A CIO's ability to drive consensus

and shared purpose among top executives for a vision of the company's digital future is vital.

Across all companies surveyed, C-suite members largely appear to agree with the CIO's vision of digital-related growth opportunities. The estimates range from 71% of the time for agreement between CIOs and CEOs and 73% of the time for agreement with boards of directors and other corporate function heads, to 76% of the line-of-business (LOB) executives.

Is everyone on the same page?

CIOs' vision for digital strategy at Digital Leader companies aligns with the...

- Board's, CEO's, and C-Suite's 86% of the time
- And LOB executives' 92% of the time

At digital follower companies, not so much:



About This Research

The TCS Business 4.0 Institute's 2020 CIO Study seeks answers to central questions facing information and technology executives across industries in North America and Europe. We surveyed more than 1,010 CIOs and are conducting follow-up interviews with several to find out the current state of digital affairs for these business leaders and their companies. Our focus is in three key areas:

- The role and responsibilities of CIOs on digital transformation matters, now and in the years ahead;
- How they view opportunities and competitive threats in the context of their industry and the emerging digital ecosystem; and
- How their companies use data strategically and for what purposes.

The survey respondents work in 11 industries with headquarters in the United States, Canada, the United Kingdom, Germany and The Netherlands. About three quarters of the respondents work in enterprises with revenue that top \$1 billion. Seventy-two percent have IT budgets that are \$50 million a year or more, and 45% top \$100 million.

Future reports in this series will examine revenue growth from digital initiatives; the technology, data, and work CIOs expect to drive that growth; and the culture and focus that determines where a firm looks for threats and opportunities.

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