

Why Some CIOs Are Ten Times More Effective Than Others

By Harry Joiner, Reliable Growth

Editor's Note: Harry's take on how CIOs can stand out from the pack is the culmination of his thinking about how to integrate tangible, bottom-line results with the "intangibles" of people-driven leadership.

I'm very fortunate in that both my father and my father-in-law were successful businessmen.

In 1972, my father co-founded an international food trading company that last year was the second largest exporter of US poultry—just behind Tyson Foods. At \$400 million in annual sales, his company ships 11,000 truckloads of frozen food to 110 countries each year. And they don't kill anything. With offices around the world, all they do is buy, finance, sell, and ship product. In 30 years, my father and his partner have built an organization where the people, processes, infrastructure, and compensation systems form a self-reinforcing loop of recurring profitability.

Equally successful was my father-in-law—who never went to college, yet rose through the ranks of Citibank to become the CEO of a multi-billion dollar real estate investment subsidiary of a Fortune 20 insurance company. At the pinnacle of his career, he presided over a 450-person organization packed with Ivy League MBAs.

By any measure, both men are at least **ten times** more effective than the average businessperson. How did they do it? Each man has tremendous drive, excellent clarity of thought, a results-driven personality, and managerial

courage. But there's something else. They have the "X factor"—a secret ingredient that allows the direct reports of an Executive to believe in the Executive due to the Executive's magnetism and self-confidence. It's what I call the Great Enabler because it enables managers to accomplish their objectives through other people.

What's the secret

of wealth?

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both said

"Leverage and

Appreciation."

When I think of my father-in-law, sometimes I wonder what motivated Citibank to hire him in the first place. No college degree. No abundance of relevant work experience. Sure, he had some technical knowledge of real estate, but nothing that truly distinguished him from the other applicants. But he had the "X factor" in large enough quantities

to be easily recognized in an interview. And the hiring manager wasn't afraid to surround himself with young lions. That was lucky. For Citibank, that is.

Recently I asked these guys "What's the secret of wealth?" Without hesitation, both said "**Leverage and Appreciation**". In the real estate and financial markets, that means buying an asset that costs \$100 with a 10% down payment. That's leverage. Then if the asset value increases by 10% to \$110, the investor's cash-on-cash return would be 100%. That's appreciation. If you do enough of those deals with enough money, sooner or later you're rich.

Great, you say. What do leverage and appreciation have to do with information technology? Since this article promised to tell you why some CIOs are ten times more effective than others, I'd like to apply these concepts to the management of **human capital**—your company's most under-leveraged asset.

Leveraging Human Capital

As it applies to the management of human capital, "**leverage**" means being able to increase your own capacity by delegating to reliable, high-capacity individuals who know how to effectively execute to the letter and spirit of the assigned task. This assumes that you know what, when, and how to delegate, and that you have a sufficient number of loyal delegates to whom to delegate. It's also incumbent upon you to arrange your team in a way to maximize efficiencies and opportunities for synergy.

Human Capital Appreciation

As it applies to the management of human capital, “appreciation” means having leverageable delegates whose talents improve with time. Simply put, good hires improve with age and appreciate in value.

Now more than ever, CIOs lack the time to micromanage underperformers. The rate of technological and competitive change both inside and outside their companies dictates that the CIO’s direct reports must be able to not only deal with change, but also anticipate it. Accordingly, CIOs need scalable direct reports who are good now and will become even better over time.

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What is “Scalable”? Scalability determines the extent to which you can build a world-class organization around a given employee. It’s what separates the “A players” from everyone else. A company loaded with scalable A players is “Stockholder Nirvana”.

The Three Dimensional Career

I have always believed that every worker’s skill set is three-dimensional: All workers must have technical expertise; industry-specific expertise; and company-specific expertise. The degree to which those areas overlap **evenly** defines the overall expertise of the employee. The evenness of the overlap will determine how well rounded the employee is.

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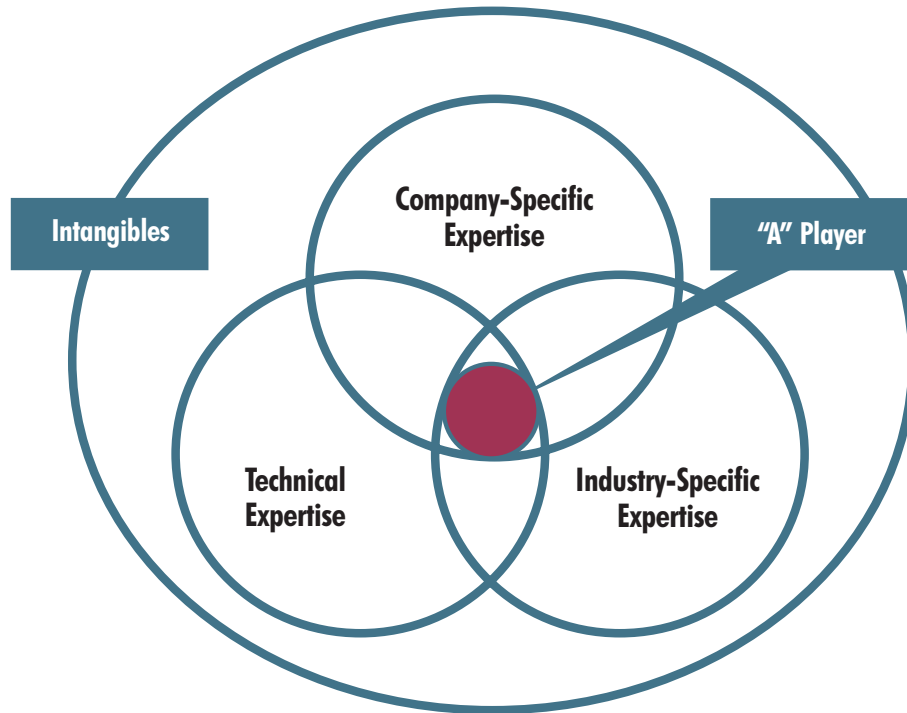


Figure 1: SCALABLE profile with EVEN overlap in TCI attributes

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However, the effectiveness of the employee—and ultimately the employee's scalability—is governed by a set of "intangibles". Figure 1 illustrates the attributes of an "A Player". Sometimes it is just as important to know what not to look for:

Click the following links to see the attributes of:

B players (Figure 2):

www.ReliableGrowth.com/Figure2.bmp

C players (Figure 3):

www.ReliableGrowth.com/Figure3.bmp

D players (Figure 4):

www.ReliableGrowth.com/Figure4.bmp

Let's take a look at each dimension in turn.

Technical Expertise

This is the area with which CIOs are most familiar. Technical ability includes worker attributes such as programming certifications, demonstrated levels of software competency, comfort with all of the technologies and vendors that are on the company's current and future agenda, fluency with technical jargon, and so forth. Since most CIOs know how to interview candidates for these skills, I won't get into this here.

Company Expertise

For a scalable IT staff member, company-specific expertise concerns the application of information technology that can leverage the company's strengths and minimize or correct its weaknesses. A truly outstanding applicant will know how most of the following functional areas can influence

your company's overall performance now—and in the future:

1. Company's image
2. Level of planning/Marketing skills
3. Company's reputation for quality
4. Company's reputation for service
5. Accessibility to raw materials
6. Information availability
7. Familiarity with market
8. Company's market share
9. Market size
10. Market growth
11. Pricing strategy
12. Research and development
13. New product ideas
14. Distribution strategy – domestic
15. Distribution strategy – export
16. Ease of entry
17. Geographical proximity
18. Sales force
19. Advertising and promotion
20. Cost of capital
21. Financial stability
22. Profitability
23. Return on equity
24. Debt to equity ratio
25. Manufacturing facilities
26. Economies of scale
27. Capacity to increase production
28. Ability to deliver on time
29. Technical and manufacturing skills
30. Manufacturing costs
31. Company's leadership
32. Management aspirations for the company
33. Dedication and skill of workers
34. Entrepreneurial orientation
35. Flexibility and adaptability
36. Staff relations/Administration skills
37. Ability to respond to changing conditions
38. Relationship with suppliers, middleperson
39. Language abilities/Professional qualifications
40. Technical qualifications TQM environment
41. Marketing knowledge
42. Information management/Use of it
43. Technology management

Industry Expertise

For a scalable IT staff member, industry-specific expertise concerns the application of informa-

tion technology as it can maximize the company's opportunities and minimize its external threats. A truly outstanding applicant will know how most of the following external factors can influence your company's overall performance now—and in the future:

1. Population trends
2. Age distribution
3. Birth, death, and marriage rates
4. Lifestyle trends
5. Mobility trends
6. Population's level of education
7. Change in buying patterns of typical family
8. Growth of economy
9. Size of market for products, rate of growth
10. Foreign exchange position
11. Stability of currency, convertibility
12. Per capita income, rate of growth
13. Income distribution
14. Balance of economy (industry-agriculture-trade)
15. Rate of inflation
16. Stability of government
17. Tariffs
18. Regulations in competitive practices
19. Product labeling requirements
20. Consumer information requirements
21. Product standards
22. Government controls & legislation regulating business
23. Non tariff barriers
24. Ethnicity of the population
25. Changes in consumer tastes
26. Business ethics
27. Social factors in business
28. Change in cultural values
29. Importance of environmental issues
30. Pace of technological change
31. Innovational opportunities
32. Dominant market players
33. Number of players
34. Production capability
35. Price advantages/Disadvantages
36. Distribution advantages/Disadvantages
37. Market segmentation
38. Product quality
39. Product positioning
40. Supplier power
41. Customer Power
42. Threat of substitution
43. Threat of new entrants

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- 44. Intensity of industry rivalry
- 45. Transportation costs/Availability
- 46. Distribution within market
- 47. Extent and reliability of postal and phone systems

Obviously, it's impossible to cover all these subtopics during a single interview. But detailing these issues helps us to see the scope of the skills we need to see in our "peak performers," both during the interview process and after they're on the job.

The CIO who is ten-times more effective than others will always identify A players who 1.) Understand the technology; 2.) Have a genuine affinity for the company and its markets, and 3.) Can help the CIO understand and deal with the internal and external issues that keep the CEO up at night. All of the issues above—in whole, in part, or in any combination—can keep CEOs awake at night.

The Intangibles

This is the most important area for CIOs who want to leverage their employees, and it's also the one most misunderstood by CIOs. The intangibles have a major role in determining the employee's scalability, and include such traits and abilities as:

- 1. Setting Priorities
- 2. Results Orientation
- 3. Managing Vision
- 4. Understanding Others
- 5. Managing Negotiations
- 6. Decision Quality

Of course, there are dozens of intangible leadership traits, and mainstream Leadership Gurus have begun to invade the IT market with their own definitions. For example, in a recent

issue of CIO Insight magazine, Warren Bennis claimed that there are just four enduring characteristics of leaders: 1.) Adaptive capacity; 2.) Ability to engage others; 3.) Voice; and 4.) Purpose. In my opinion, that's just the tip of the iceberg.

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Regardless, savvy CIOs will know their company's culture and industry before interviewing fresh candidates or promoting from within. For example: The "Success Profile" of a Wal-Mart IT staff member would be very different from that of an IT staff member from a small, high-tech start-up venture. Wal-Mart values hierarchy and has a command-and-control organizational structure. A high-tech start-up venture might insist that every IT staff member play many roles, thereby placing a premium on staff members that can make decisions on the fly.

It's up to every CIO to first **define** the IT department's Success Profile for each position. That means selecting the attrib-

utes and then defining what they mean. For example:

1. **Setting Priorities:** Has a bias for action; Spends time on what's important; Can quickly sense what will help or hinder the accomplishment of a goal; Values time; Creates simple improvements and metrics; Creates focus among team members
2. **Results Orientation:** Always beats plan and stretch objectives; Consistently one of the top performers; Very bottom-line oriented; Pushes self for results
3. **Managing Vision:** Sees beyond today; Is future optimistic; Can define their success relative to the long-term; Can inspire and motivate others; Doesn't shirk personal responsibility
4. **Understanding Others:** Listens first; Suspends judgment and assumptions until caller has her say; Accepts diversity in others; Relates well to all kinds of people; Shows diplomacy and tact; Uses callers' emotional balance to close them to their benefit
5. **Managing Negotiations:** Gains trust quickly; Sees conflicts as opportunities; Can settle disputes with a minimum of noise; Good at focused listening and can understand others quickly; Is cool under pressure; Is appropriately funny and can use humor to ease tension
6. **Decision Quality:** Makes good decisions based on a mix of analysis and common sense; Most of the person's decisions turn out to be right over time; May be sought out for advice by others

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For a comprehensive list of 70 intangible leadership attributes and their behavioral definitions like those above, email me at: harry@reliablegrowth.com

Knowing how to attract, identify, interview, hire, measure, manage, and motivate a diverse group of scalable star employees will make a huge difference when the CIO must appoint a Business Lead (for example) to drive and communicate the progress of an ERP implementation to senior executives. If this Lead is not a new hire, then the Lead may come from the CIO's current pool of software developers and system administrators.

Either way, the Lead should be able to explain the benefits of ERP within the context of Company-specific and Industry-specific issues. If the Lead fails to do this credibly, then the senior executives might question the competence of the IT team and the validity of the project itself. And in the trenches, the Lead must be able to inspire adoption, especially when ERP solutions represent a discontinuous innovation for the company.

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Of Jack Welch and .400 Hitters

The cultivating of star employees must be systematic, as it is at General Electric. Throughout his tenure as CEO, Jack Welch understood the baseball axiom that the acquisition of a .400 hitter is always a blessed event unless the team's batting average is already higher than that.

***All GE employees
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basis of the Four E's:
Execution, Energy,
ability to Energize
others, and Edge.***

As a result, Welch mandated yearly "Session C" employee reviews, during which all GE employees are scored on the basis of the Four E's: Execution; Energy; ability to Energize others; and Edge. Welch's objective was to measure each employee's performance and their potential against these criteria. Employees from the same business unit are then rated against each other on a bell curve.

Every year, the top 20% are lavishly rewarded and promoted, the middle 70% are allowed to stay, and the bottom 10% are fired. Yes, fired. Every year. And Session C still exists today.

In his book "Straight from the Gut" Welch recounts how this natural selection process was easy for the first few years. The .150 hitters knew they were bad, and they were summarily asked to leave. But as the collective batting average for the team went up, the process became much more painful. Yet Welch persisted, and the resulting organization became the rave of the Fortune 500.

Welch famously believed that if the rate of change in your company is less than the rate of change outside, you're in big trouble. Knowing that they had to contend with Session C, GE managers would not even consider interviewing a candidate unless they thought the new hire had the characteristics and skill set to create value for at least the next five years.

Lesson #1: To radically increase their **own** leverage, CIOs must manage their organization as nature would, with neither malice nor pity. The business environment is dynamic, and new-hires' skills and characteristics must always "lead" the trends. The ability to make good decisions regarding people represents one of the last reliable sources of competitive advantage since very few organizations are very good at it.

Starting today, begin a systematic process of:

- 1) Proactively searching out and identifying A players (from within or outside of the firm).
- 2) Using the most rigorous selection methods to make fewer mistakes and hire and promote only A players.

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- 3) Improving your department's existing "human capital" by providing employees with developmental training, and/or redeploying low performers into roles in which they can excel.
- 4) Requiring subordinate managers at all levels to embrace a meritocratic approach for the creation of their teams.

Remember, this process should be ongoing and not just a one-time initiative. Manage your team as nature would, and your star employees will love you for it and will want to stick around.

Ways to Identify a Future Star

Over the years I have come to believe that people are a lot like batteries: They are much more powerful when linked together. However, different batteries do different things, and a powerful battery that's a poor fit with the others is useless. Here are several ways to hitch your wagon to a future star:

1. Know what you need, and ask other department heads what they need from your people. Using the form at <http://www.reliable-growth.com/ideal.pdf>, get them to define their ideal first, then a week later, ask them to rate individual staff members with whom they are in regular contact (see <http://www.reliable-growth.com/actual.pdf>). Score the fit between the ideal and the actual. Is the gap trainable? See Figure 1 – 4 to appreciate visually the importance of intangibles.

2. Develop leading and lagging indicators of leadership success. Going back to GE's example, how would you know on the **front end** if an employee had the ability to energize others? What would be the leading indicators of that? What would be the **back end** effects of such an increase in energy levels? How can you quantify these leading- and lagging-indicators such that they are Measurable, Objective, Relevant, and Controllable (MORC) *by the employee*? Assuming all metrics are MORC, link pay to performance wherever possible. You might need to be creative: One CIO gave poker chips to all department heads that his IT staff members served. The department heads were told to give a poker chip to the IT staff member whenever the staff member went "above-and-beyond" the call of duty to serve them. The poker chips could later be redeemed for cash or time off.

400 CIOs were asked

"What are the three

most important

personal attributes

required for success?

3. Hire opportunistically. Post job openings always, not just when you actually need people. You can't hurry love, nor can you hurry a star hire. You've always got to be in the market for talent, able to recognize it, and able to bid aggressively for it before your competitors drive up the price for it.

4. Look outside of your industry. Worry about scalability first, because you can't coach that. You can train all of the other attributes, and you might be very refreshed by having someone on your team with a perspective that's completely new to your team.

5. Interview for leadership attributes using the EAR technique:

- Example – Find an example of a situation where the person has the opportunity to demonstrate the desired behavior. Then use probing questions to drill down on the situation in which the behavior was used.
- Action – Ask the candidate to walk you through what they did to handle the situation.
- Results – What was the result of the behavior?

Understand that leadership development in IT is not a theoretical issue. In a recent CIO Insight poll, 400 CIOs were asked "What are the three most important personal attributes required for success in your current position?" 43% said "leadership" was required, yet only 40% said

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that leadership was one of their top three strongest abilities. That means that this frequently required attribute isn't even in the top three strongest suits of 60% of CIOs. Which brings us to ...

Lesson 2: CIOs who lack the god-given command presence to lead an organization must inject this element into their team by surrounding themselves with talented young lions. And don't worry about being eaten alive. The skills required of a lion tamer differ from those required of lions.

Care and Feeding of Young Lions

On a final note, realize that attracting young lions is only half the battle. The other half of the battle is keeping them motivated. Here are ten ways to deal with young lions:

1. Provide autonomy for them, allowing them to make decisions that affect their jobs.
2. Actively involve them in making business decisions and having a say in what course of action the organization takes.
3. Honestly and openly communicate business realities and changes to them in a timely manner.
4. Do not make them wait for information they need to get the job done.
5. Create a variety of challenges for them.
6. Give them multiple responsibilities to accomplish.

Attracting young lions is only half the battle

7. Do not bog them down with outdated technology and excessive reliance on paper.
8. Ask them how they would like to be recognized when they exceed expectations, and how they would like to convey recognition for others.
9. Provide recognition in the form of meaningful rewards and incentives that have been requested by them.
10. Conduct business in such a way that people can achieve a sense of balance in their lives by pursuing flexible work schedules, telecommuting, providing alternative scheduling, etc.

A happy lion is an effective lion. All the better to do your bidding.

To take your company's IT function to the next level, you'll need to be able to get things done **through** your people. Hopefully, when you delegate to them, how they handle themselves will be a positive reflection on you. Character and values matter a great deal more than superficial skills and attributes, as anyone who's been married for more than five years can attest.

In conclusion, consider this: In a recent study of manufacturing firms with \$1 billion-plus in revenue, Forrester found that companies planned to spend \$35 billion on supply chain investments, but that most of that amount would go toward improving supply chain processes internally and with external partners. In fact, technology was not considered a major obstacle to supply chain performance—only 19% of the respondents ranked it as a significant impediment. A sizable 46% named difficulty in *changing processes* and people behavior as their main roadblock to better supply chain planning.

Forrester's statistic offers a final reminder of the importance of human "intangibles" to your company's viability. Learning how to leverage your human assets is the greatest single thing CIOs can do to improve their own "professional net worth."

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