



DONOVAN
LEADERSHIP

BIG KAHUNA

LEADERSHIP SURVEY 2016

Digital Disruption is a
Leadership Challenge

Conducted by:



on behalf of Donovan Leadership

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INTRODUCTION

There is little dispute that digital disruption driven by technology is changing the game for businesses everywhere. Barely a day goes by without a new report outlining the threat or opportunity of digital disruption. The main conclusion is that businesses need a game-changing digital and technology strategy.

But strategy and leadership go hand in hand. There is little discussion about whether businesses have the game-changing leadership capability they need. Only then can they successfully develop and execute a digital and technology strategy and turn it into an opportunity for business growth.

That is the subject of the latest Big Kahuna Leadership Surveyⁱ, which was conducted by Andrews Group Pty Ltd on behalf of Donovan Leadership. We asked 47 influential leaders how businesses could develop their leadership capability to meet the challenge of digital and technology disruption.

We want to understand how leaders at key levels could be better developed to become activists for technology-led strategic transformation. The objective of the survey is to stimulate a wider conversation on this critical topic.

The threat of digital disruption is very real. Some studies suggest that 40% of top industry incumbents in each sector will not be with us in the next five years, as result of the impact of digital disruption. Despite this forecast, nearly 45% of companies do not believe it warrants board level attention and a third will wait and see what happens.ⁱⁱ

We all have our own stories of companies that adopted a “wait and see” strategy or were reluctant to cannibalise their existing business and are no longer with us. Some examples are Kodak being overtaken by digital photography and DEC by personal computing.

“429 of the original Fortune 500 companies (1955) are no longer in business today. Adapt or Die”

**– [Vala Afshar](#) -
(Chief Digital Evangelist for
Salesforce)**

At the same time, digital disruption provides significant opportunities for growth. For example, evidence suggests that those companies that have their technology leaders actively involved in business strategy outperform their peers by a margin of almost two to one.ⁱⁱⁱ

This is a compelling argument for a more strategic role for CIOs, CTOs and other similar roles. So why isn't it happening more often? A recent global report indicated that a lack of leadership or digital talent tops the list of hurdles to implementing a successful digital program.^{iv}

In the Big Kahuna Leadership Survey, we asked influential business leaders what could be done to build the game-changing leadership capability that leads to growth. We asked them to focus on the following questions:

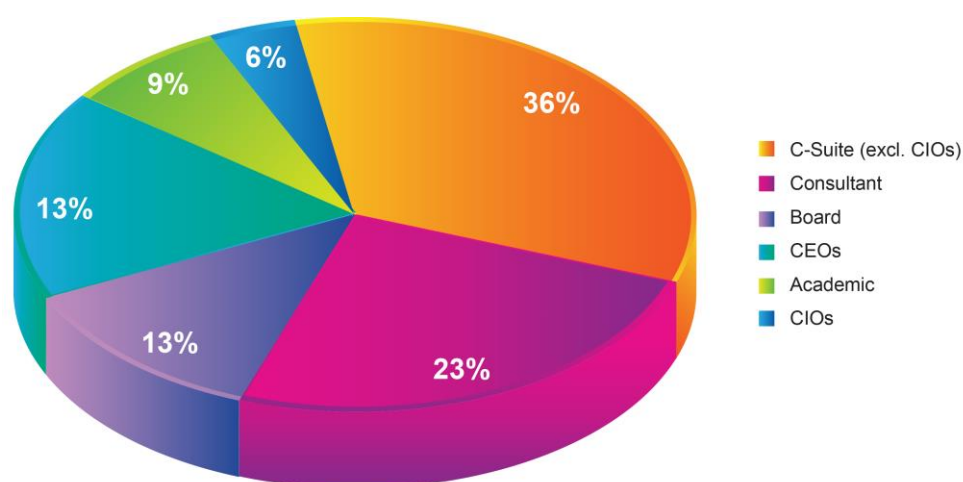
- How could we better develop boards and C-level executives to become activists for technology-driven strategic transformation?
- How could we build greater leadership capability in technology leaders – our CIOs, CTOs, CDOs and other similar positions?

The results provide a wake-up call for businesses to better understand their company specific view of their leadership capability.

FINDINGS

Respondent Demographics

The 2015 Big Kahuna Leadership Survey involved conducting qualitative, in-depth interviews with 47 participants with various job titles, including Board members, Chief Executive Officers, C-suite executives, Chief Information Officers, Academics and consultants. See the breakdown of the position titles of respondents below.



The participants also represented a range of industries, including banking, energy, government, recruitment, telecommunications, finance, education and transport. A wide spectrum of business sizes was also represented, from organisations with an annual turnover of \$1.5 billion to self-employed consultants.

Despite the diversity of the respondent group, there was a high degree of unanimity among the respondent group in relation to the lines of enquiry explored in the research. The combined high diversity and high unanimity emphasises that the findings of this study are relevant to all organisations in all sectors.

Technology's Impact on Organisational Strategic Success

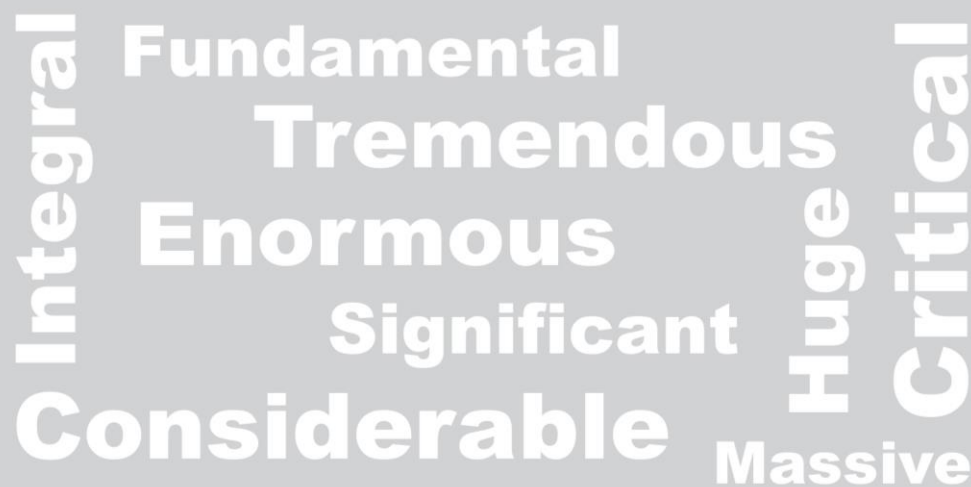
Respondents were asked the extent to which they believe technology impacts on an organisation's strategic success. The answers given were expressed in many different ways, but the sentiment was the same – the large majority of respondents believe technology has a significant impact on an organisation's strategic success:

- *"Technology is the heart of the business."*
- *"It [technology] drives organisations' success."*
- *"In all businesses, it [technology] has changed the way we deploy, train, pay human capital and monitor safety. Technology plays a part in all of it."*
- *"How you use technology determines your competitive advantage."*
- *If you don't have it [technology] in your strategic thinking, you're not doing your strategic duty."*
- *"Technology is a big point. People and culture is the biggest and process is second. Technology is an enabler of these two. It's useless if not coupled with those two. Those that do well couple these three together very well. The technology is the glue."*
- *"All businesses are IT businesses."*
- *"Technology is an enabler, facilitator and accelerator of success."*
- *"Technology can be significant as a strategy enabler, but if not done well it is a dragger."*
- *"If recognised, technology is not just a major potential enabler of new strategic performance, but is also a killer if wielded by others."*
- *"I'd argue all businesses are in the IT industry."*

The large majority of respondents believe technology has a significant impact on an organisation's strategic success

Figure 1 highlights the diversity of responses given by participants.

Figure 1: Key words used by respondents to describe the extent to which they perceive technology to impact on an organisation's strategic success



Twenty-two respondents gave numerical ratings to quantify how important technology is to an organisation's strategic success – the average rating given was 7.3 out of 10.

Several respondents highlighted instances where technology is less important, such as in certain industry types (eg manually-intensive industries), and in certain points of an organisation's life cycle.

CIOs' Impact on Organisational Strategic Success

The majority of respondents believe it's a "mixed bag" when it comes to the extent to which CIOs are contributing to an organisation's strategic success. That is, there are some CIOs who are "getting it right", but all respondents agree that this is the minority of CIOs. This is reflected in the quantitative rating given by respondents when asked to quantify their perception of the extent to which CIOs are contributing to an organisation's strategic success – the average rating given was 5.4 out of 10. Most agreed that the ideal figure is at least an 8 out of 10, highlighting that organisations still have a way to go in developing the "game-changing" leadership capability they need:

- *"There's a perception that IT is a cost overhead. It should be defined as a profession. There's a delineation that IT is there to serve industry, rather than be industry."*

Respondents speculate that a number of legacy issues have caused a poor perception of CIOs among their colleagues, which does not place them well to influence strategically.

One respondent in the banking sector told of several large technology projects that have failed to deliver in recent years – *"It is not through a lack of will or effort. They're just large projects that haven't delivered. It has been five-to-seven years of technology projects taking up the lions' share of financial and people resources."*

Further to this, one respondent speculated that if a survey was carried out, IT would be *"the most despised department within most organisations"*. Several respondents perceive IT specialists to have an "elitist attitude", due to their ability to understand IT when many "laypeople" do not. It is unclear whether this is perception or reality, but it is an area where change is needed regardless.

Another reason respondents believe that CIOs have limited impact strategically is because businesses are increasingly focussed on the customer. Respondents see customers as the biggest driver in most organisations. Consequently, a CIO's typical lack of exposure to customers is a crucial weakness:

- *"The more you understand about your customers, the more technology enables you to react in ways you couldn't before."*

- *“Tech heads – they are traditional nerds who play World of Warcraft, who don't grow up and haven't evolved.”*
- *“Technical people have skills, but not leadership skills. That's because the pre-requisite for their role was technical know-how, instead of experience in being a strategically-thinking business person.”*
- *“The CIO role is a bit old and dusty. I don't think of it as dynamic – it is more ‘middle aged white guys’. They're not injecting ‘colour’ into the role. Glitter and flash is left to anyone with digital in their title. ‘Digital’ is seen as forward thinking, when the CIO role isn't. CIOs are not taken as seriously.”*
- *“Organisations need to be mindful of promoting people for technical skill alone.”*
- *“One CIO I knew didn't have a technical background. He brought juniors into meetings as he didn't understand what was being discussed. It significantly impeded strategic success within that organisation. They purchased a warehouse management system for \$400,000, and the cost ended up blowing out to \$700,000. Additionally, the organisation needed to spend over \$1,000,000 on casual staff to sort out the mess.”*
- *“A client of ours upgraded their claims management system several years ago. Call centres needed to have access to the system, and a 1.5 second click-through rate was promised. In reality, it was actually three times that, which would have shut down the system. The cost of the project went from \$600,000 to \$5,000,000 due to the CIO only partially understanding the organisation and partially understanding the provider.”*

Several respondents reported those with a marketing background who understand IT are taking CIO opportunities away from those with a purely IT background, as marketers are more customer-focussed.

However, many still acknowledged the need for technical knowledge in the CIO role. Several respondents described scenarios where a lack of IT knowledge had serious consequences for the organisation:

There is also significant confusion as to the role of CIOs – both from CIOs themselves, and at the CEO and board levels. Is the role of CIOs strategic in nature, or operational, or both?

- *“Chief Information Officers need to also be Chief Innovation Officers, not Chief Infrastructure Officers. Their focus should be on strategy and value creation.”*
- *“The emphasis should not be on the technology, but on the applications. The emphasis is currently on availability, security and the “nuts and bolts” – not on how the technology should be used. It’s on making it work, but we should be past that. The technology is still the master – not the servant!”*
- *“CIOs need to be aware that there’s two forms of technology – ubiquitous (all industries must come to grips with this as it underpins all businesses) and unique. Using both of these can make a player in an industry succeed. Some CIOs and CEOs focus on ubiquitous technology at the expense of unique technology.”*
- *“Currently the CIO manages IT and it’s become very transactional. They are not seen as strategic or innovative.”*
- *“CIOs play a governance role, and have been charged with updating technology and administering training for software.”*
- *“CIOs are currently glorified IT managers, or are at least perceived that way. They are consulted on but are not contributing, as there’s a picture/perception that IT doesn’t get business.”*
- *“CIOs do not operate at a strategic level. They operate in a technical bubble.”*
- *“People with a CIO title are selling technology, not strategy.”*
- *“CIOs have to change. They have to accept accountability and become more business oriented. They are not there to play with technology.”*
- *“[A CIO’s ability to influence] depends on what type of CIO they are. If they are just concentrating on technology, there’s no value. We need CIOs who can assist, and those CIOs are those who understand business and industry, what it is that creates value for our customers, and how to build systems to add value.”*

- *“CIOs should be mouthpieces between the brains trust and the board.”*
- *“We need to change the title. CIO is becoming less and less relevant due to the commoditisation of technology.”*
- *“Good IT leaders are distinguished by being able to sell innovative concepts and build relationships, in addition to doing the fundamentals well.”*
- *“Tech leaders get absorbed and caught up in everyday stuff.”*
- *“We need to acknowledge that ‘CIO’ is a ‘business leadership’ role, not an ‘operational leadership’ role.”*
- *“Role definition is required. As CIO, should I understand technology and bring new technology in? Or should I lead and bring technology to others?”*

The need for change within the CIO role is driven by the degree of growth in the technical space in recent years:

- *“As well as operating in the day to day, technology leaders need to have their focus on the horizon so they can plan for what is happening in the future. The main difference is that it’s happening now at a faster pace. It used to be that you knew who or what your competitors are. But it can now hit you quickly.”*

It is clear that the role of CIOs needs to be clearly defined and then clearly communicated throughout the organisation, starting with the board and CEO. Given the fast-paced nature of today’s technology age, can we expect CIOs to be accountable for strategic IT and operational IT? Do we need to separate out the strategic role from the operational role? One possible option is for CEOs to be responsible for IT strategy, while CIOs are responsible for IT operations. Another option is that CIOs are responsible for both, with two direct reports – one relating to strategy and one relating to technology.

‘CIO’ is a ‘business leadership’ role, not an ‘operational leadership’ role.”

Some organisations have recognised the need for role definition and new terms have been introduced:

- *“The role is changing... Chief Digital Officer, Chief Technology Officer... it’s widening and becoming more strategic. It used to be narrower, and its influence was less.”*

Respondents (both CIOs and non-CIOs) believe the industry needs to develop a position on the role of CIOs, and to communicate that widely so that everyone is “singing the same song”:

- *“As an industry we need to build up credibility.”*
- *“What is the role of CIO? The industry has done a poor job of managing its perception.”*
- *“The technology industry has a lot to answer for. They are fat and lazy. It’s hard for them to articulate what they are going to do. The industry has to step up and fix this.”*

How to Build Leadership Capability – CIOs

When asked why and how the majority of CIOs are not currently “getting it right”, many respondents said that it comes down to a lack of skills of the individual (i.e. CIOs). Respondents acknowledged that *in addition* to getting the basics right (that is, “keeping the lights on” – an “absolute must”), the two most common ways we can build the leadership capability of CIOs is to:

- Invest in their completion of leadership development programs to allow them to build their influence among business colleagues:
- *“For technology experts, technology is easy to manage. It is in building social capital and relationships where the challenge lies.”*

- *“They're up against it as they're not ‘people people’. It [IT] is often a solo vocation, with lots of back room activity. Over time they are promoted, and then have to begin to sell ideas or concepts, cost them and then deliver them.”*
- *“We need to build their [CIOs'] communication skills. It's a rare animal that would have both technology and communication skills.”*
- *“In my experience, the common denominator is that the board and C-suite are interested in dealing with communicative and collaborative IT intellectuals. The board and C-suite like it when they can get the message across easily, and it is easy to digest. If CIOs can communicate a message well then they'll win the day. This is what, historically, ‘geeks’ and ‘nerds’ haven't been able to do.”*
- Ensure that those in CIO roles have “breadth”, in terms of both their background and their understanding of, and exposure to, different parts of the business. Respondents commonly suggested that CIOs should be made to work in other areas within the business (such as marketing).
- They also suggested that we should be looking to promote more people to the CIO role who have a business background (rather than a pure IT background) and experience with technology-led strategic transformation.
 - *“We need to have an umbrella-type view of the company – the CIO needs to know what the whole company does in order to provide cross-functional basic services.”*

While investment in leadership development was the most commonly given suggestion for building CIOs' leadership capabilities, respondents were limited in their ability to describe the courses and skills required. It appeared that “training” was an automatic response to the question, without any real evidence that this had worked in the past.

How to Build Leadership Capability – Board and C-Suite

It is important to note that while the two most common reasons for the limited integration of technology with strategy to date relate to building the capability of CIOs – through leadership development and exposure to other parts of the business – both of these solutions are required to be implemented by the CEO and/or the board.

That is, the suggestions cannot actually be implemented by CIOs themselves (or CIOs alone); it is only through the leadership and influence of CEOs and boards that either suggestion can be executed.

Respondents believe organisational culture and the extent to which the culture of the organisation is conducive to CIOs contributing to organisational success, has a significant impact on a CIO's ability to influence strategy. That is, CIOs operating in an environment where they are allowed to have a strategic impact? As one CIO respondent surmised, *"I want to do better but I need to be allowed to do better."*

Boards and the C-suite were identified as areas where change is required:

- *"The extent to which CIOs can influence depends on the organisation and how the rest of the senior leadership team behave. Some CIOs are relegated to manning helpdesks."*
- *"The CEO is critical in changing the perception of the CIO from 'keeping the computers going' to being the Chief Innovation Officer, the driver of disruption."*
- *"CIOs can develop the capability to lead if a) the environment in which they operate allows them to, and b) the senior leadership team has the right attributes."*
- *"The extent to which CIOs can influence is based on the culture of an organisation. A lot of people believe they 'know' technology, but don't have a full understanding of what it takes to 'deliver' technology to you. If an organisation's culture isn't understanding of IT, CIOs may not have a prominent role."*

The most common suggestions for getting boards and the C-suite of organisations to be drivers of strategic technological transformations are:

- Ensuring there is a technology portfolio on the board (that is, someone with technology expertise whose role it is to represent technological interests);
- *“We need technology strategies as opposed to just boards using iPads.”*
- *“Managerial thinking stifles innovation. They don't mean to drive it out but they do by asking things like ‘Prove to me it doesn't lose us money’. ‘I can't do that if it hasn't been done before!’”*
- *“If they can't get an iPad to work, how are they supposed to engage with CIOs? We need a massive churn of who's in there.”*
- *“Boards need diversity and different experiences.”*
- *“44% of boards do not see digital disruption as a risk factor.”*

- Investing in showing members of the board and executive best practice. Respondents gave examples of boards and members of their executive team travelling to Silicon Valley to view the latest in emerging technologies;
- Investing in developing generalist business leaders to be more technology-savvy; and
- Ensuring there is compatibility between CEOs and CIOs:

- *“An organisation can't have a CIO involved in strategy if the CEO is focussing on other areas. It's a case of matching CEOs and CIOs to each other - matching skills, capabilities and priorities.”*
- *“There are still a lot of CEOs who are troglodytes and do not understand digital transformation.”*

Several respondents have worked both in Australia and internationally, and as such were able to offer a perspective on how Australia compares to the rest of the world in embracing technology. Respondents generally feel that Australian companies have been “slow to react”, especially compared to countries such as the United States, Israel, Korea and Nordic countries:

- *“Technology has tremendous impact at the strategic level, but only if leadership sees the value of this impact and works to drive this through the organisation. In Australia, there’s a vast amount of missed opportunities. There are a lot of digital deniers and digital ditherers.”*
- *“In Korea, I [as CIO] was an equal leader on the leadership team. I was in the CEO’s inner circle. There was no two-tier management like there often is here [in Australia]. My CEO in Korea saw a lot of value in IT.”*
- *“The sense of conservatism in Australia is enormous. The tech game has gotten too hard for them, so they’re just sticking to knitting.”*
- *“We are too conservative – we are not bold enough.”*
- *“The central issue is that business leadership in Australia is five-to-ten years behind on educating on what is needed to run a successful business. We are staying with the past, which is a cultural issue that is being exhibited at the top. Leaders here often say ‘Let’s see how it goes overseas’.”*

- *“Boards are not good in Australia. Not as au fait with technology. The old boys’ network is alive and well.”*

The changes at the board and C-Suite level, if/when implemented, are predicted to have a significant impact:

- *“When a board gets tech training, it will mean that when they’re reading a document in a board meeting they can have their own understanding, rather than just relying on the CIO to explain it in simple terms. Therefore, they are not just rubber stamping with moderate levels of enthusiasm.”*
- *“Boards need to understand what causes failures with big IT projects. IT is a strategic enabler, so they are actually business projects, not IT projects. They just involve technology. The C-suite, therefore, has to be accountable too.”*

Technology has tremendous impact at the strategic level, but only if leadership sees the value of this impact and works to drive this through the organisation.

Respondents believe that because boards don't "get it", they are conservative with spending, and so give less dollars than is required to actually do the project properly: *"Often it's poor investment in a project, yet we end up getting the blame. We asked for \$55 million, got \$20 million."* With education, respondents believe this will change.

Another suggestion as to how organisations can better utilise technology strategically is to be aware of world's best practice:

- *"We look at the industry, what's going on externally. Bring other organisations in and see what's been done in the technology space, including what's digitally relevant. We look at banking and non-banking – such as health industry in the US and UK – and how they're using technology and how it applies to us. We need to learn from those who do it well. We need to expose our leaders to the latest thinking."*

CONCLUSIONS AND RECOMMENDATIONS

The main conclusion of the Big Kahuna Leadership Survey is that companies that develop game-changing leadership capability will be better equipped to capture the growth opportunities of digital and technology disruption.

This report finds that there is broad agreement that the current level of leadership is insufficient for the challenge.

It is a dilemma worth addressing because the evidence suggests that those companies that have their technology leaders actively involved in business strategy, [outperform their peers by a margin of almost two to one](#).

The challenge and opportunity of digital disruption is real. But how it might affect your business is hard to predict and hard to plan for.

Current leaders are often ill equipped to handle, or think about, digital disruption. The key therefore is to develop the leadership capability to embrace complexity and respond creatively while still being grounded in today's business disciplines.

Our first recommendation to address the issues identified in the survey responses is to undertake a critical evaluation of the current level of leadership capability in your own organisation. A diagnostic will indicate areas for improvement.

A company specific assessment needs to be based on two key factors to drive the success of your business in the challenging times ahead.

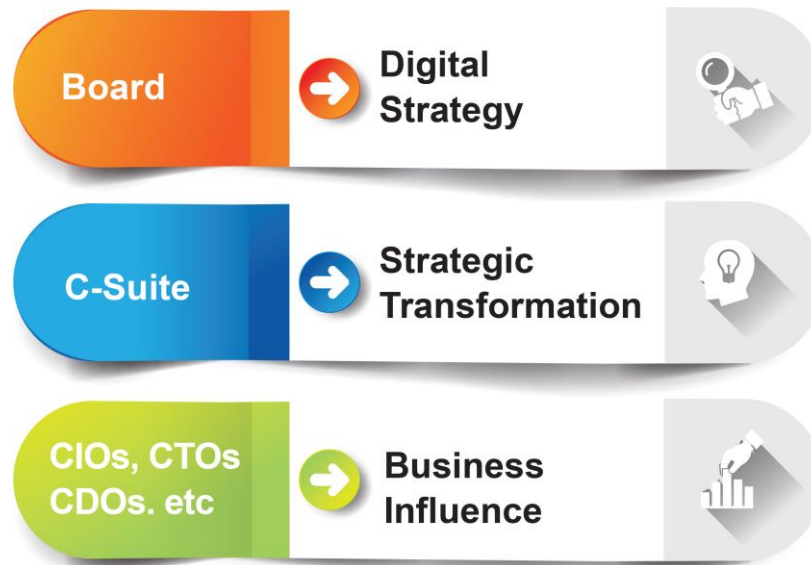
The first is whether your leaders are actively generating a vision of what is possible for the business through technology-led strategic transformation.

The second factor to assess is whether leaders can elicit strong ownership of the future from within the organisation. In other words, whether they are bringing people along with the vision and strategy. This supports the point made at the outset of this report that strategy and leadership go hand-in-hand.

The model below illustrates the game-changing outcome of getting those two ingredients to match. It also highlights the consequences of falling short on one or both of those two factors.



We also recommend that a review should address leadership capability at the following three levels:



Board level – Is the board asking the right questions about technology strategy?^v Does the board need to enhance their technology input to be better able to influence digital strategy? For example, ANZ Banking Group has established an international technology and digital business advisory panel, which will advise the board on "strategic application of new technologies."^{vi}

C-Suite – What is the level of technology literacy of your CEO and C-suite executives and do they have the appetite for technology-led strategic transformation? Do they have the game-changing leadership capability to share their vision and gain organisational ownership for its adoption?

Technology Leaders such as CIOs, CTOs, CDOs – Are your technology leaders shifting from an IT operational focus to a customer and business focus? Are they merely an order taker or a futurist? Are they stepping up the influence curve to champion technology led strategic transformation.

Need help?

If you need help interpreting the findings in this report or establishing your own company-specific view of your leadership capability to meet the leadership challenge of digital disruption, please don't hesitate to contact us.



Donovan Leadership transforms technical experts into leaders.

Under our guidance, countless technical experts have developed the skills and behaviours to drive their teams and their organisations to unimagined success.

Technical expertise and business knowledge don't guarantee great leadership skills. Great leaders innovate, inspire and excite. They reshape relationships to exceed expectations. They motivate their teams and deal practically with obstacles. They commit themselves to something bigger and move others to do the same. They change the game.

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Established in 1986, [Andrews Group](#) is a boutique research and strategy consultancy that specialises in providing our clients with evidence, insight and direction to enable strategic decision-making that delivers sustained success.

For approaching 30 years, we have helped organisations across the private, public and not-for-profit sectors to adapt and thrive. We do this by working in partnership with our clients. We invest in developing a thorough understanding of our clients' businesses and seek to add value wherever possible.

In everything we do, we strive to exceed our clients' expectations and support them in achieving their goals.

We employ robust market and social research methods to gather reliable evidence on the issues and questions confronting our clients. We are accredited to the industry standard for research and analysis, ISO 20252. This allows us to undertake high-quality research that is tailored to each of our clients' needs.

We use this evidence to provide our clients with a new and different way of looking at their challenges. Through our analysis and insight, we help clients to reconceptualise their problems and opportunities, and we make plain the real issues.

From this insight, we deliver actionable recommendations that provide a clear direction on how to enact the change needed to achieve sustained success. We then work with our clients to plan the way forward, utilising proven strategic frameworks deployed by a senior team led by our Managing Director, Ray Andrews.

The Andrews Group approach ensures that our strategic thinking and recommendations are informed by reliable research and evidence that is specific to the issues in question.

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ⁱ **Kahuna** is a [Hawaiian](#) word, defined in the [Pukui & Elbert \(1986\)](#) as a "priest, sorcerer, magician, wizard, minister, expert in any profession". (See also [Ancient Hawaii](#).)

<http://en.wikipedia.org/wiki/Kahuna>

ⁱⁱ [Digital Vortex - How Digital Disruption Is Redefining Industries](#)

ⁱⁱⁱ [Economist Research: Big Changes for IT, Larger Roles for CIOs](#)

^{iv} [Cracking the digital code: McKinsey Global Survey results](#)

^v [The do-or-die questions boards should ask about technology](#)

^{vi} [ANZ Banking Group sets up a tech panel to teach the board about IT disruption](#)