

“Fortune 500 CIO” Is Not a Target Market

Smart technology companies drive revenue growth by understanding that CIOs are a heterogeneous group—and the role of the CIO is changing.

Executive Summary

Our accumulated experience has found that treating the CIO buyer as a single, homogeneous demographic is a ridiculously ineffective and costly way to build relationships and drive revenue growth.

- The convergence of several market trends is changing the role of the CIO. Today's CIOs have to be more versatile than in the past and demonstrate a mix of skills and capabilities.
- CIOs are now more attuned to business strategy and seek out innovative ways to leverage emerging technologies and business models in the value chain to improve business performance.

Today's uncertain economic environment means that CIOs value the ability to turn on a dime and provide strong business justification for technology investments.

We have identified four distinct CIO types – each with different problems, motivations, aspirations, and IT environments. Engaging CIOs requires matching the positioning strategy, story and messaging to the particular CIO buyer type, and the way companies position and target these CIOs holds major ramifications for the success of the business strategy.

Market Trends Affecting The Role Of The CIO

The convergence of several recent market trends is changing the role of today's CIO with deep and sudden impact. Changes in business models, technology inflection points, economic uncertainty, and the consumerization of IT are causing CIOs to focus less on IT infrastructure and much more on innovation, end customers, employee productivity and business growth.

1. Changing Business Models

- The traditional model of investment in technology has changed dramatically from the past when CIOs purchased a hardware product or a software license. There are now multiple ways CIOs can invest in technology.

- **Software as a Service (SaaS):** Salesforce is a classic example, where the vendor charges a subscription fee for software delivered as a service (over the cloud). The advent of SaaS has caused IT departments to change their focus from deploying and supporting applications to managing services and service providers.
- **Open Source:** The open source business model relies on shifting the commercial value away from the actual products and generating revenue from the "Product Halo," or ancillary services such as systems integration, support, tutorials and documentation. Open source also cuts down on essential research and development costs while at the same time speeding up delivery of new products. An example of the open source business model is Red Hat.
- **Freemium (or Upsell) –** In the freemium business model, the basic product is offered free of cost, while an enhanced product with all the "bells and whistles" requires a subscription fee or one-time charge. For example, Skype sells its VoIP service free, but charges for SkypeOut or SkypeIn; LinkedIn Basic (free) and Premium (fee) requires a subscription.

These new business models have forced the contemporary CIO to work more closely with the CFO to determine value creation potential of traditional pricing options. And with new purchasing options like SaaS and Open Source, CIOs need even stronger returns on investment to justify investments in packaged or proprietary software. For example, a modern CIO needs to demonstrate that investing in proprietary packaged software creates more value for the enterprise than an open source option.

Another impact is the shift from managing IT infrastructure to managing services and vendors. With third parties taking over the management of server, storage, and network systems in the SaaS model, CIOs need staff adept at sourcing and managing technology vendors instead of installing and maintaining IT systems.

2. Technology Inflection Points

Several paradigm shifts or "inflection points" characterize the technology industry over time, which changes the competitive dynamic. While inflection points provide an opportunity for emerging technology companies, large incumbents are forced to adapt to maintain leadership positions within their segments.

- **Cloud Computing:** The cloud delivers computing (software, server resources, storage etc....) as a service rather than a product. It provides opportunities for organizations of all sizes to shift the risks of computing acquisition, and to move IT from a reactive cost center to being a proactive, value-producing part of the enterprise.

- **Virtualization:** Virtualization technologies allow for server consolidation, which helps reduce capital expenses while preserving SLAs of enterprise applications and accelerating product development cycles.
- **Enterprise Mobility:** The proliferation of mobile technologies within the enterprise is driving development, compressing the distribution channel, and improving employee efficiency.

These technology inflection points serve as a catalyst for CIOs to think of innovative ways to use technologies to improve the customer experience, boost revenue, increase market share and accelerate business growth. In addition, they underscore to CIOs the importance of being early adopters and anticipating trends to prevent a proactive competitor from gaining a strategic advantage.

3. Financial Uncertainty

The overhang of the 2008 credit crisis and the Euro debt crisis have slowed down the economy, creating an environment of business uncertainty. This uncertainty has impacted businesses in the form unpredictable demand and higher borrowing costs, forcing businesses to plan for the near term and preserve investment dollars only for the most compelling projects. In today's economic environment, long-term planning takes a back seat and the focus shifts to short-term justification. Thus CIOs also have to adapt faster by being able to turn on/off new capabilities faster.

4. Consumerization of IT

Today's employees have more powerful technologies at home and in their pockets than those that are provided by IT departments in their workplace. In a recent study by Forrester Research, 34% of "Millennial" respondents said they have better technology at home than they have at work and in just over 8 years they will make up 45% of the workforce.

Clearly, the consumption of IT within the enterprise has proliferated beyond the IT department. Articles in The Wall Street Journal and Forbes openly encourage executives to bypass IT for their sales, CRM, marketing and business intelligence applications. CIOs now need to adapt their mindset from "push" to a "pull." IT departments need to closely monitor the needs and wants of employees and line of business owners, and take measures to ensure satisfaction and improve productivity. Thus, technology adoption by employees will strongly influence IT purchasing decisions going forward.

¹ Source: Forrester Research - Forrsights Workforce Employee Survey, Q3 2010, Bureau of Labor Statistics.

Four Distinct CIO Types

Based on our research we've identified four distinct CIO personas:



"Ken"
Maintainer

- Risk-averse organizations
- Looking for value-IT from legacy technology vendors
- Motivated to keep IT operational at lowest cost
- Reports to CFO



"Stan"
Change agent

- Large, complex organizations
- Values IT agility and shared risk
- Looking to support high pace of change
- Motivated to transform IT organization
- Reports to CEO



"Miriam"
Early adopter

- Innovative, entrepreneurial organizations
- Values technology superiority and first to market
- Looking to develop competitive advantage through IT
- Reports to Line of Business (LoB) owner



"James"
Strategist

- Large multi-national organizations
- Values business performance
- Looking to use technology as means for competitive differentiation
- Motivated to make outcome-driven IT decisions
- Reports to CEO or CSO

Maintainer "Ken"

The Maintainer is the most risk averse among CIO personas. The Maintainer views IT as a cost center and is motivated to support business needs at the lowest cost possible. He values cost control and IT operational excellence. The Maintainer places trust in legacy technology providers and looks for references among large companies before adopting new technologies or vendors. The Maintainer typically reports to the CFO.

Change Agent "Stan"

This persona is typically found in large, complex organizations experiencing rapid growth. He values IT agility and sharing technology risk with vendors. The Change Agent's challenge is to support revenue growth and increase productivity while lowering cost. He is motivated to transform the IT organization using better systems, people and processes into a better functioning organization within a short span of time. The Change Agent typically reports to the CEO.

Early Adopter "Miriam"

The Early Adopter persona can be found in organizations with a culture of risk-taking or innovation. She values technical superiority, has an appetite for risk, and likes to be the first to experiment or sand-box new technologies. She actively seeks out new "bleeding-edge" technologies that could enable the company to obtain new competitive advantages in the market. The Early Adopter is motivated to modernize IT operations.

Strategist "James"

The Strategist is typically found in large multi-national organizations. He views IT as part of the business and has an outcome-based IT orientation. The Strategist is motivated to use technology investments as a means of competitive differentiation and to move the needle on key business drivers. He seeks alignment with business, cultivates partnerships with line-of-business owners, and drives business innovation. He values IT as a service, business performance, and business owner service levels. The Strategist typically comes from a business background and speaks the language of the CEO and board members. He usually reports to the CEO or CSO.

Positioning To The Various CIO Personas

Engaging CIOs requires matching the positioning strategy and messaging to the particular CIO buyer type. Here are our suggestions to successfully engage the different personas.

CIO	Problem/Need	Key Positioning Messages
 <p>"Ken" <i>Maintainer</i></p>	<ul style="list-style-type: none"> ▪ Increase productivity ▪ Streamline operational processes 	<ul style="list-style-type: none"> ▪ "Best value" ▪ "Highest ROI" ▪ "Get more out of current IT investments" ▪ "Proven technology" ▪ "Used by industry leaders, competitors, Fortune 50, etc."
 <p>"Stan" <i>Change agent</i></p>	<ul style="list-style-type: none"> ▪ Support revenue growth ▪ Lower IT costs 	<ul style="list-style-type: none"> ▪ "Drive change or transformation" ▪ "IT agility and shared risk" ▪ "IT simplification" ▪ "Operational dexterity" ▪ "Speed to result"
 <p>"Miriam" <i>Early Adopter</i></p>	<ul style="list-style-type: none"> ▪ Find and adopt "bleeding edge" technologies earlier than competitors 	<ul style="list-style-type: none"> ▪ "First to market" ▪ "Highest performance" ▪ "Latest and greatest" ▪ "Years ahead of the competition" ▪ "Works with what you have"
 <p>"James" <i>Strategist</i></p>	<ul style="list-style-type: none"> ▪ Use technology to provide competitive advantage to business (e.g. the ability to offer new services, obtain actionable insights from IT systems, etc.) 	<ul style="list-style-type: none"> ▪ "Empowers you to be a strategic advisor" ▪ "Move the business forward" ▪ "IT simplification"

Conclusion

We have seen that the convergence of several market trends requires CIOs to be more versatile than they were in the past. The modern CIO needs to be comfortable tying IT with business strategy and should constantly seek innovative ways to leverage emerging technologies and business models for improving the bottom line. CIOs also need to be nimble and adaptable and provide strong cases for technology investments in today's uncertain economic climate. We saw that the CIO buyer is a diverse group and introduced four distinct CIO types, each with different problems, motivations, aspirations, and IT environments: the Change Agent, the Early Adopter, the Maintainer and the Strategist. Since there are major ramifications on how we position and target these CIOs, technology suppliers need to match the positioning strategy and messaging to the particular CIO persona.

About Firebrick Consulting

Firebrick is a consulting firm devoted to helping technology companies drive revenue growth. We are for technology executives making a big bet on a change in strategy. Our consultants focus on the pressing challenge of driving strategy to the point of revenue. For more information, please visit [.](#)

Or contact us: info@firebk.com \ +1-415-314-7579