Board can struggle with data puzzle

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Like the companies they run, most corporate executives and senior manages have seen their roles in the business altered, if not transformed, by IT over the past few decades.

In many companies, the chief executive and leaders of core business functions such as finance, human resources, sales and marketing and sometimes the chief information officer, meet regularly as an executive board.

But, as Gartner consultants point out, that does not always mean they pull together as a team on issues including the use and deployment of technology.

Many factors can affect what Gartner calls "the dynamics across the table". For example, only about 38 per cent of CIOs report directly to the chief executive.

"There is more than one successful model for an enterprise," says Val Sribar of Gartner, "but we have generally seen a maturation process of the dynamics across the table."

Initially he says, individual business leaders tend to think in "silo terms" but then business function leaders start to pair up or organise themselves into small groups and work across silos. "The most advanced organisations really do have a set of things that are done collaboratively all the way round the table." Often they are spurred on by a chief executive with a wider vision.

Among the more common pairings are the head of sales and the marketing manager who co-operate to achieve a particular objective, for example to ensure that marketing does a better job handling leads to sales.

Similarly, there is often a natural affinity between the head of procurement and the chief financial officer who want to know what money is being spent on and who the biggest suppliers are, or between the head of customer service and either the heads of sales or marketing or maybe all three.

Liz Miller, a vice-president of the US-based CMO (chief marketing officer) Council, adds that another natural pairing is between the chief marketing officer and the CIO. "There is a great opportunity for companies to increase revenue if CMOs and CIOs partner using digital marketing to improve their focus on the customer," she says.

The Gartner consultants have identified three specific scenarios that can help drive co-operation between business leaders.

First, the introduction of a product or service. This can sometimes drive sales, marketing and the head of manufacturing to work together to get a product to market. Second, mergers and acquisitions often spur co-operation as does the decision to enter a market.

"If a company makes the decision to go into a new geographic market like China, the whole of the top table really needs to be on the same page," says Mr Sribar.

Another way of looking at the development of an organisation and the relationships of the senior management team is to look at the use of information and how they make decisions.

Initially each business function leader turns up at the executive meeting with their own set of spreadsheets and anecdotes, and 90 per cent of the time at the table is spent arguing over who has the most accurate set of numbers or the more compelling set of anecdotes.

"They literally fight about what the real information is," says Mr Sribar.

At the next level of maturity, the executive board agrees one executive should be responsible for collecting each data set, for example sales or customer information.

"Then, instead of 90 per cent of the conversation at the executive level being a fight about what the information is and which anecdote is valid, it moves on to a discussion about what the information says."

After that, the executive board typically begins to spend more time discussing what they are going to do with the information and then assessing whether their actions worked. "The use of technology is very different depending on what level of maturity the company is at," says Mr Sribar.

"At the top level companies are trying to be more predictive ... they are not just trying to be smarter about how they deal with information and make decisions, but they actually want to drive the changes and outcomes."

But the consultants also warn, "business leaders really struggle when it comes to connecting the information side of the puzzle and things like decision making with the profit side of the puzzle and things like outcomes."

One of the problems facing business leaders is that the information systems installed over the past 30 years have led to a "data deluge." To help them sift through this data, IT departments have introduced another layer of technology usually under the banner of "BI" or business intelligence over the past 15 or 20 years.

"What you see is business leaders in meetings holding some of these spreadsheets and reports up to the light and saying 'I wish we could see the patterns in this stuff''," says Gartner. "All of these guys would like to have a better forward looking view and be able to predict what is going to happen both in their own functions and across the table."

Gartner also argues "dynamics across the table" lead to strikingly different ways of getting value from technology. For example, most executives want to reduce costs by adding self- service capabilities for employees and by creating communities where customers help each other – a move they say enables companies to effectively "add people to customer support without paying a dime."

Alexander Drobik of Gartner argues companies have also shifted their IT focus over time. "IT used to be very much aimed at efficiency, reducing costs, accelerating processes and taking people out. What has happened in the past five to 10 years is that technology has moved into front office functions – the things that impact HR, finance, sales and marketing and so on."

Today he says business leaders are trying to understand how IT can take further costs out, but they also want to use information they have access to, and the technologies that they and their customers and suppliers have, to run their functions more effectively.

A lot of IT in the past 30 years has been about efficiency gains, but suddenly business leaders see a new set of IT capabilities becoming available that enable them to become more effective.

For example the HR director can now use IT systems not just for benefits and payroll, but for talent management and recruitment. "You see this duality between efficiency and effectiveness for everyone around the table," says Mr Drobik.

But he also has a warning for CIOs who talk technology rather than business strategy.

"CEOs care very little about the 'cloud' or virtualisation or web 2.0 ... its not a message they understand. They want to understand what technology is available that could help them run their business in a more effective way.

"To a CEO, the cloud is something the CIO should sort out and figure out how it can help.

"CEOs don't generally wake up in the morning and say, 'I have a problem retaining customers, so must go cloud.' They will say, 'I have a big problem retaining customers, what do I know about why customers are leaving? What analytics do I have and what is my marketing guy doing for me?'"

For many business leaders, IT remains a mysterious "black box".

But what everyone agrees on, is that business functions and IT are now totally intertwined and that IT vendors and CIOs need to step up to the new challenges.