

BEYOND THE BUDGET

The CIO Who Became a Cost Centre Manager — How Leadership Lost Strategic Influence

A Practitioner's Perspective on the Marginalisation of Technology Leadership



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Leadership · No. 33

Originally written September 2006 | Re-edited and re-rendered for the WhereBeyond Edition, 2025

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1. The Seat That Vanished

There was a brief moment, around the turn of the millennium, when the Chief Information Officer was the most important person in the boardroom. The internet was rewriting business models. E-commerce was creating new revenue channels. Enterprise resource planning was promising operational transformation. Technology was not a cost to be managed — it was the engine of strategic reinvention.

That moment has passed. In the six years since the dot-com collapse, the CIO's position has undergone a quiet but profound demotion. The title remains. The reporting line may still run to the chief executive. But the substance of the role has shifted decisively — from strategic leadership to operational stewardship, from shaping the organisation's future to managing its infrastructure costs.

This essay examines how that shift happened, why it persists, and what it means for organisations that are increasingly dependent on technology to compete — even as they treat the people who lead it as cost managers.

2. How the Demotion Happened

2.1 The Dot-Com Hangover

The collapse of the technology bubble did more than destroy shareholder value. It destroyed the credibility of technology leadership in the eyes of boards and chief executives. The promises of the late 1990s — that technology investment would transform every industry, that first-mover advantage was everything, that the rules of business had permanently changed — proved catastrophically wrong for many organisations.

The backlash was swift and enduring. Boards that had approved ambitious technology strategies with minimal scrutiny swung to the opposite extreme. Technology investment became something to be contained, justified, and — above all — reduced. The CFO, not the CIO, became the arbiter of technology spending. Business cases that would have been waved through in 1999 now required months of financial analysis and multiple rounds of approval.

The CIO's credibility was collateral damage. Rightly or wrongly, technology leaders were associated with the excess. The strategic ambitions they had championed were reframed as reckless spending. The lesson boards took from the dot-com collapse was not that

technology strategy needed to be better — it was that technology spending needed to be less.

2.2 The Outsourcing Revolution

Into this environment came the outsourcing proposition, and it completed the CIO's marginalisation. The argument was simple and, to a cost-focused board, irresistible: technology operations are a commodity; commodities should be sourced at the lowest cost; India and the Philippines can provide the same services at a fraction of the price.

The strategic implications of this argument were rarely examined. When an organisation outsources its technology operations, it does not merely move work to a cheaper location. It transfers knowledge, capability, and — critically — the ability to respond quickly to changing business needs. The organisation gains cost reduction and loses agility. But agility is hard to measure and cost reduction appears immediately on the income statement, so the trade-off was made — overwhelmingly, repeatedly, across every sector.

Outsourcing did not just move technology work offshore. It moved the CIO's power base. A technology leader whose team has been transferred to a third party is no longer a leader of capability — they are a manager of contracts.

The CIO who once commanded an organisation of hundreds of technologists — architects, developers, engineers, analysts — now manages a set of service-level agreements with suppliers whose commercial interests do not always align with the organisation's strategic needs. The role has shifted from building capability to procuring services. That is not leadership. That is vendor management.

2.3 Nicholas Carr and the Commodity Thesis

The intellectual framework for the CIO's demotion was provided, whether fairly or not, by Nicholas Carr's 2003 Harvard Business Review article "IT Doesn't Matter." Carr's argument — that information technology had become a commodity infrastructure, like electricity or rail transport, that conferred no competitive advantage — gave boards and chief executives the conceptual permission to treat technology as a utility.

The argument was more nuanced than its title suggested, and Carr himself acknowledged that the management of technology still mattered. But the nuance was lost. What survived in boardrooms was the headline: IT does not matter. And if IT does not matter, then the person who leads IT does not matter either — or at least, does not matter strategically.

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The irony is that Carr's thesis was published at precisely the moment when technology was becoming more central to competitive advantage, not less. The organisations that are winning in 2006 — the ones growing fastest, capturing market share, and disrupting incumbents — are the ones that treat technology as a strategic weapon. But the commodity thesis gave traditional organisations an excuse to do the opposite, and most of

them took it.

3. The Cost of Strategic Marginalisation

3.1 Decisions Made Without Technical Understanding

When the CIO is excluded from strategic conversations, technology decisions are made by people who do not understand technology. This does not mean they are incompetent — it means they lack the domain expertise to assess feasibility, risk, and the second-order consequences of their choices.

The result is a pattern I have observed repeatedly: business leaders commit to strategic initiatives — mergers, market entries, product launches, regulatory programmes — without understanding the technology implications until it is too late to influence them. The technology function is then handed a mandate it was not consulted on, a timeline it cannot meet, and a budget that reflects the board's aspiration rather than the programme's reality.

The CIO, positioned as a cost centre manager, has neither the authority nor the credibility to push back. They are expected to deliver, not to advise. The strategic decision has been made. Technology is an implementation detail.

3.2 The Capability Erosion Spiral

Marginalisation creates a self-reinforcing cycle. As the CIO's role is reduced to cost management, the most talented technology leaders leave for organisations that value strategic thinking. The remaining team focuses on operational delivery and cost reduction — because that is what they are measured on. The organisation's technology capability declines. The board, observing that the technology function delivers little strategic value, confirms its view that technology is a commodity. The cycle continues.

Stage	What Happens	What the Board Sees
Cost pressure	CIO mandate narrowed to cost reduction	Savings delivered, confirming technology is a cost line
Outsourcing	Internal capability transferred to suppliers	Further savings, confirming commodity thesis
Talent flight	Senior technologists leave for strategic roles elsewhere	"We can always hire more" — talent is seen as interchangeable
Capability gap	Organisation cannot execute strategic technology initiatives	"Technology always fails" — confirming CIO is not strategic
Further marginalisation	CIO excluded from strategy; reports to CFO	Cycle reinforced

3.3 The Innovation Deficit

Organisations that treat technology as a cost centre do not innovate with technology. They cannot — because innovation requires investment, experimentation, and tolerance for failure, and cost centres are measured on efficiency, not experimentation.

This matters more than most boards yet realise. The competitive landscape of the next decade will be shaped by organisations that use technology to create new business models, new customer experiences, and new operational capabilities. The organisations that have spent the last six years cutting technology costs and outsourcing technology capability will find themselves structurally unable to compete — not because they lack ideas, but because they have dismantled the internal capability needed to turn ideas into reality.

4. Reclaiming the Strategic Role

The path back to strategic relevance for the CIO is not through better cost management or more compelling business cases. It is through demonstrating, visibly and repeatedly, that technology decisions are business decisions — and that making them without technology leadership produces worse outcomes.

This requires three things.

First, the CIO must speak the language of business outcomes, not technology inputs. The board does not care about server uptime, network bandwidth, or application availability. It cares about revenue, risk, customer experience, and competitive positioning. Every technology conversation must begin and end with business impact.

Second, the CIO must own the relationship between technology capability and business strategy. This means being present when strategy is formed, not after it is decided. It means understanding the business deeply enough to identify where technology creates advantage — and being credible enough to be heard.

Third, the CIO must rebuild internal capability. An organisation that has outsourced its technology function cannot innovate. It can operate. It can maintain. It can implement what others have designed. But it cannot lead. The CIO who wants a strategic seat must first rebuild the team that makes strategic contribution possible.

5. The Deeper Question

The marginalisation of the CIO is, ultimately, a symptom of a deeper organisational failure: the inability to think clearly about the relationship between technology and business value. Organisations that treat technology as a cost to be minimised will always marginalise their technology leaders. Organisations that understand technology as a capability to be cultivated will always find a strategic role for the person who leads it.

The question is not whether the CIO matters. It is whether the organisation has the maturity to recognise that the question was never really about the CIO at all — it was about whether the board understands what technology is for.

Most, I would argue, still do not. And the cost of that misunderstanding grows larger every year.