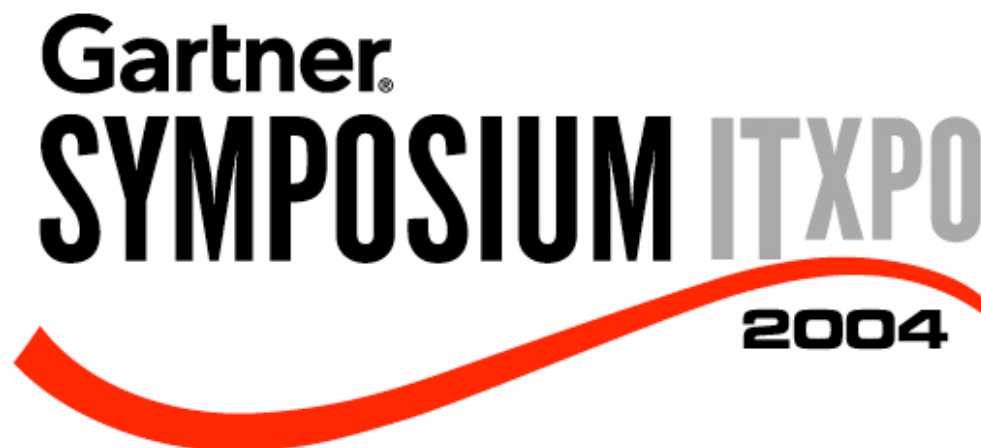


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# The CEO's View of the CIO — Leading With the Senior Executives



Lake Buena Vista, Florida  
17-22 October

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U.S. Symposium/ITxpo

Terry Moore

17–22 October 2004  
Walt Disney World  
Lake Buena Vista, Florida

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## Improving the CEO's View of a CIO

### ■ Client Issues

- How do CEOs view their CIOs?
- How can you understand your CEO-CIO relationship?
- How should you act to improve your CEO-CIO relationship?

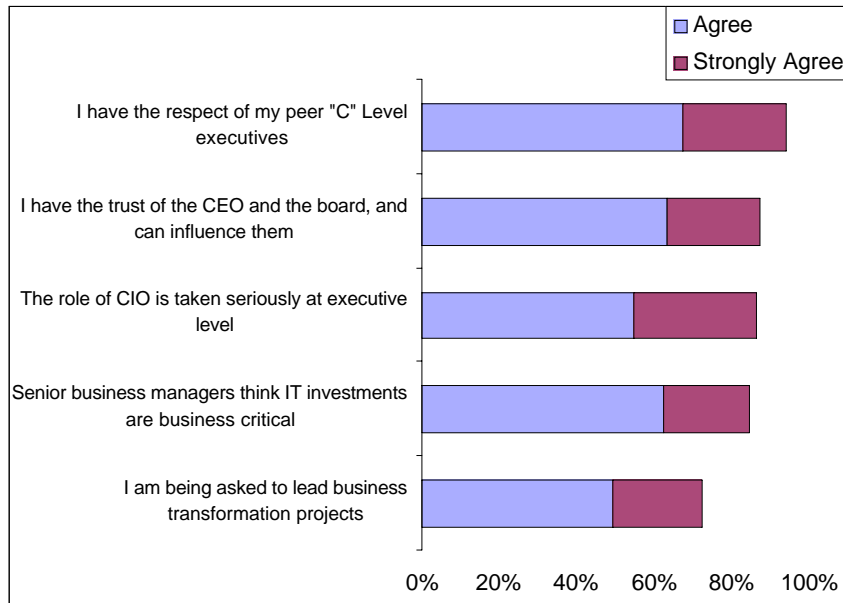
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The CIO's role leading IT in delivering high levels of service to increasingly complex business demands is tough in and of itself. But the CIO's role doesn't stop there — the CIO's role is increasingly evolving into a business leadership position, and brings with it the need for the CIO to be a part of the business leadership team, and perceived as such by the CEO and CxOs.

In this presentation, we present results of our research into the CEO-CIO relationship, and how it is evolving over time.

## CIOs Have Emerged From the Tough Economic Times as Trusted Operational Leaders



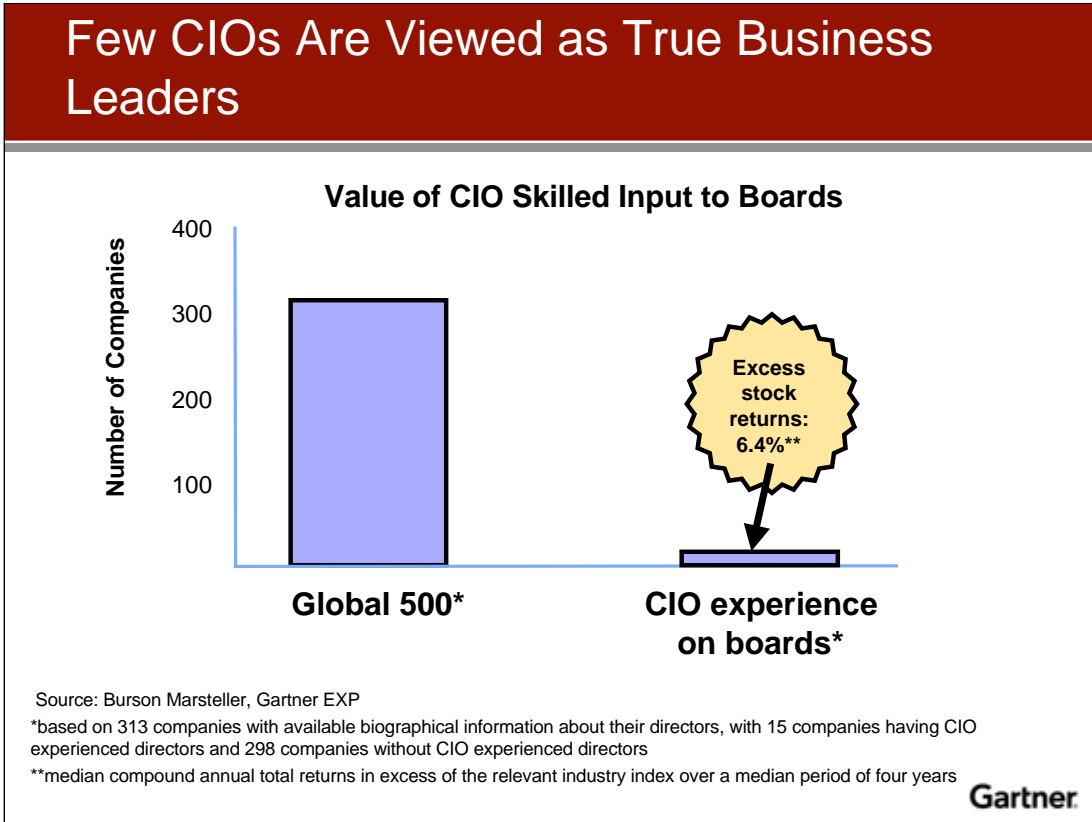
Source: Gartner EXP CIO Survey, 2004



Cost saving has been a major focus for most enterprises during the past few years, and typically CIOs have been strong contributors. For example, when we asked Koni Iten, the CIO of Kuoni (a Swiss travel company) what his greatest achievement in IT was, he said that it was helping his company survive troubled times in the travel industry.

For this reason, CIOs have emerged as trusted operational leaders. This chart, generated from the CIO survey, shows that the vast majority of CIOs believe they are respected by CxOs, trusted by the CEO and board, and are able to influence them.

It is interesting to note that from this self-reported CIO data, the best predictor of trust and respect is the amount of time that the CIO spends with the CEO and senior business leaders.



Despite being highly respected as operational leaders, many CIOs are still executing on the business strategy, as opposed to contributing to it, or co-creating it.

In a recent Gartner G2 survey of 462 non-IT executives, the CIO was viewed as the seventh-most-influential CxO in strategy setting.

However, there is evidence that enterprises with CIO input at the highest level thrive. Burson Marsteller looked at the Global Fortune 500, and found that less than 5 percent of them had someone with CIO experience on their boards. However, the enterprises that had CIO experience on their boards outperformed the relevant industry index by an average of more than 6 percent per year. Those who have a CIO on boards include GUS plc and Tesco (UK), Philips (NL), Canon, Mitsubishi, Sharp and Canon (JP), Wal-Mart, Delphi, Gap and part of DuPont (USA).

Although this is not concrete proof, it indicates that CIO input to the business strategy process, as opposed to the CIO and IT organization simply executing on a pre-determined business strategy, creates a powerful and positive dynamic.

### But Few CIOs Are Viewed as True Business Leaders

"I view the CIO more as IT support than as a business partner. He is a more technical person, spends less time with senior business management. I would prefer a business partner, but I must work with what I have. Also, maybe the business is not mature enough for an 'IT business leader'"

*CEO, European Retail Company*

"He is focused on delivery. He is a functional head. We do need someone like him, as we have such a complex IT shop. He will probably never be a business leader, although he has aspirations. It would be great to have a CIO to assist with the overall business"

*CEO, European Technology Company*

Source: EXP member interviews

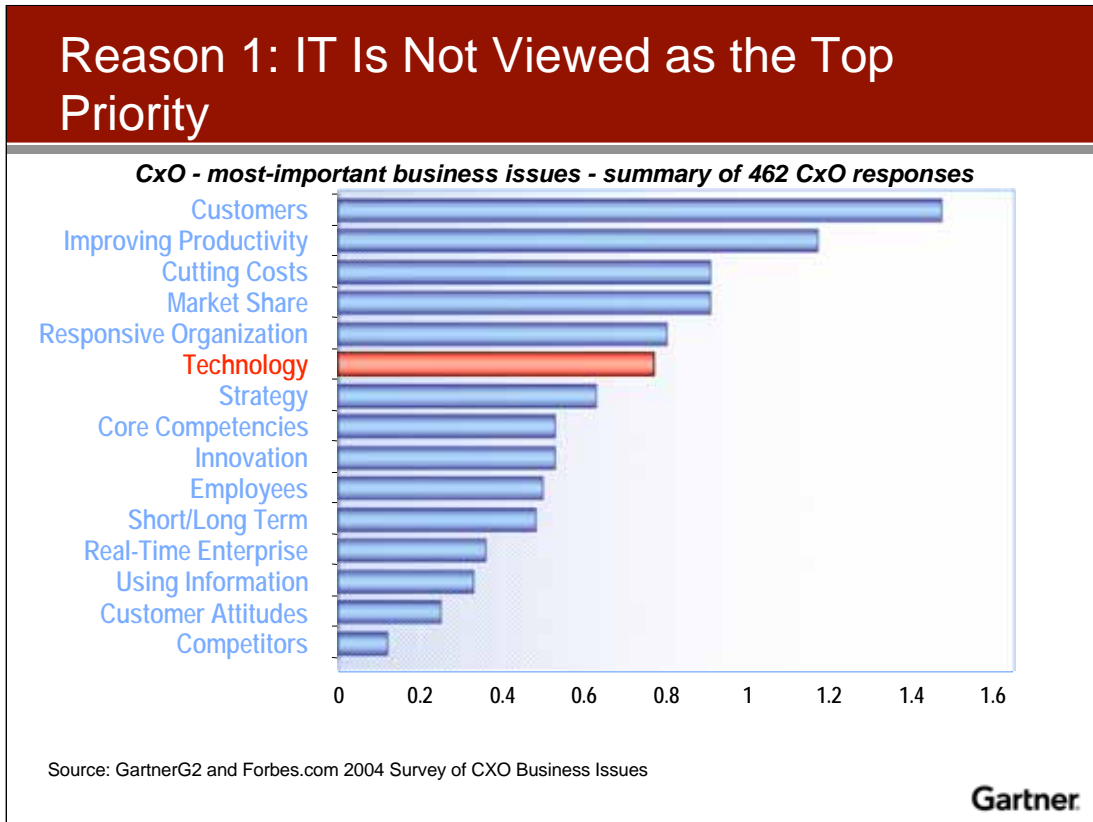
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Operational leaders are described using phrases such as "...IT support..., ...good on delivery...", which dictates a presence of the CIO role being great at execution but not someone who actually contributes to the business strategy and making contributions to setting new enterprise directions.

This very good operational perspective has to evolve to someone who is viewed as a co-architect to the business direction and valued as such because they touch all pieces of an enterprise. We all know this is not easy to do and, for the most part, has been dictated by corporate cultures and organisational structures from the past.

Most CEOs we spoke to supported this view. Many CEOs are satisfied with this position, expecting their CIOs to be operational leaders, although several expressed the desire for the CIO to engage more on business issues. This is consistent with the finding from the 2004 EXP CIO survey that the most-successful CIOs spent more time engaging with senior business leaders, and less time operating within the IT organization.

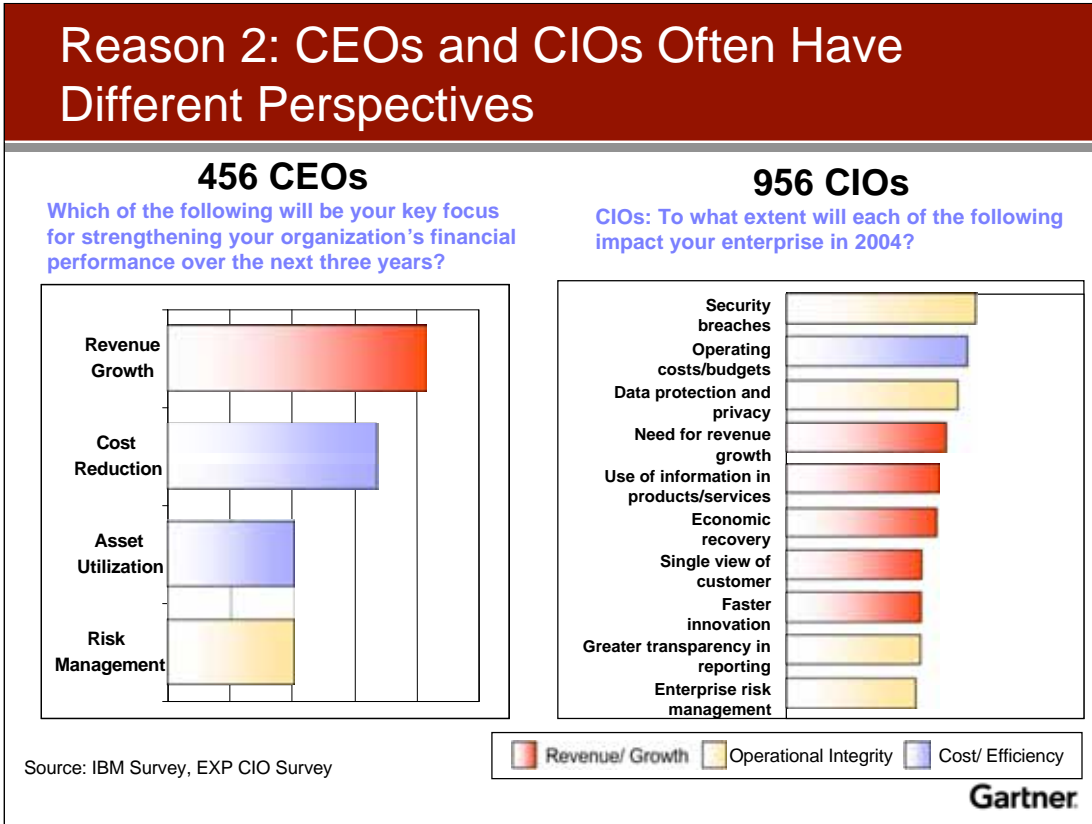


There are three reasons that CIOs tend not to have the “top table” impact they might. The first is that CEOs are extremely busy and pressured, and they don’t typically see IT as a “top-of-mind” issue for them.

The G2 survey shown in this chart indicates that outside the IT organization, technology is seen as fairly low down the list of priorities.

Of course, IT is a key lever in delivering all the other priorities, such as customer retention and increased productivity, but the CEO and CxOs are often not sensitized to that viewpoint.

It is important for CIOs to strive to change the tone of their business conversations with the CxOs, so that discussions are around how IT can be leveraged to further the strategic goals of the enterprise, rather than discuss uptime, upgrade costs, service outages etc.



The second issue is business focus. One can think of business issues and opportunities as arising from three areas:

- (i) business effectiveness — growth of revenues, profits, etc.
- (ii) business efficiency — cost reduction, process automation, etc.
- (iii) operational integrity — keeping the business running, managing security, privacy, business continuity, compliance with requirements such as Sarbanes-Oxley, etc.

Not surprisingly, CIOs are highly sensitized to the efficiency and integrity areas, because the IT department takes the brunt of implementing these challenges. The chart on the right shows top business issues identified in the EXP CIO survey.

However, as we enter an economic turnaround, CEOs are increasingly focused on revenue and growth. The chart on the left, adapted from an IBM consulting survey of 456 CEOs, backs this up. In that survey, more than 80 percent of the CEOs saw revenue growth as their key focus for the next three years.

This difference can create a disconnect between the CEO and CIOs. In the current economic climate, CIOs seem much more conservative and detail-oriented than other CxOs.

CIOs must strive to engage with the CEO, CxOs and board on issues that are of most concern to them, while ensuring that the IT organization delivers across the board.

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### Reason 3: CEOs and CIOs May Have Differences in Focus and Style

	CEOs	CIOs	Typical Symptoms
<b>Business Focus</b>	Revenue and growth	Security, cost, integrity	CIO's agenda may be misaligned with CEO's
<b>Personality</b>	Big-picture and expansive	More practical and operational	CIO communications may not engage CEO's attention
<b>Motivation</b>	Power, autonomy, growth	Structure, comfort, belonging	CIO reluctant to operate outside comfort zone
<b>Attitude</b>	Slight optimist	Slight conservative	CIO less likely to behave as expansive business leader
<b>Style</b>	Evangelising, idea-generating	Quieter, closure-oriented	CIO seen less as stereotypical leader

Source: IBM Survey, EXP CIO Survey, G2 Non-IS Exec Survey, CEO Interviews, Robina Chatham, John Hunt



As well as the different business focus, CIOs often have different styles from CEOs. Although the differences are not extreme, CIOs do tend to be less like CEOs than their CxO counterparts, and this may exacerbate the issues of different business focus. Looking at a subset of the popular Myers Briggs Type Indicator (MBTI) tool for examining personality type known as temperament, it has been shown that CEOs tend toward the type "Idealist," and CIOs tend towards the type "Rational." This makes the CEO more big-picture-oriented, comfortable with risk and operating through influence rather than control. CIOs are a little more detail-oriented, and more comfortable operating in areas they can control. Work by John Hunt of London Business School on tens of thousands of business managers over several decades backs this up, suggesting CEOs are motivated more by autonomy and growth, and CIOs are a little more interested in seeking and creating structure. CIOs are also viewed as a little more conservative. A G2 survey of 462 non-IT executives found that the CEO is typically a little optimistic, while the CIO is typically a little conservative. (The heads of sales and marketing were the most optimistic, and the CFO was the most conservative.)

A CEO of a large service company told us: "I am a butterfly. The CIO works things to the end. He is factual, not as strategic as me, a little quieter. I am an evangelist — I get people excited at the possibilities. He delivers on the possibilities — he is disciplined and analytical."

CIOs must be aware of and use these differences to their advantage, by consciously aligning and adapting their style when engaging the CEO and CxOs, but focusing on detail, closure and implementation in managing the IT function.

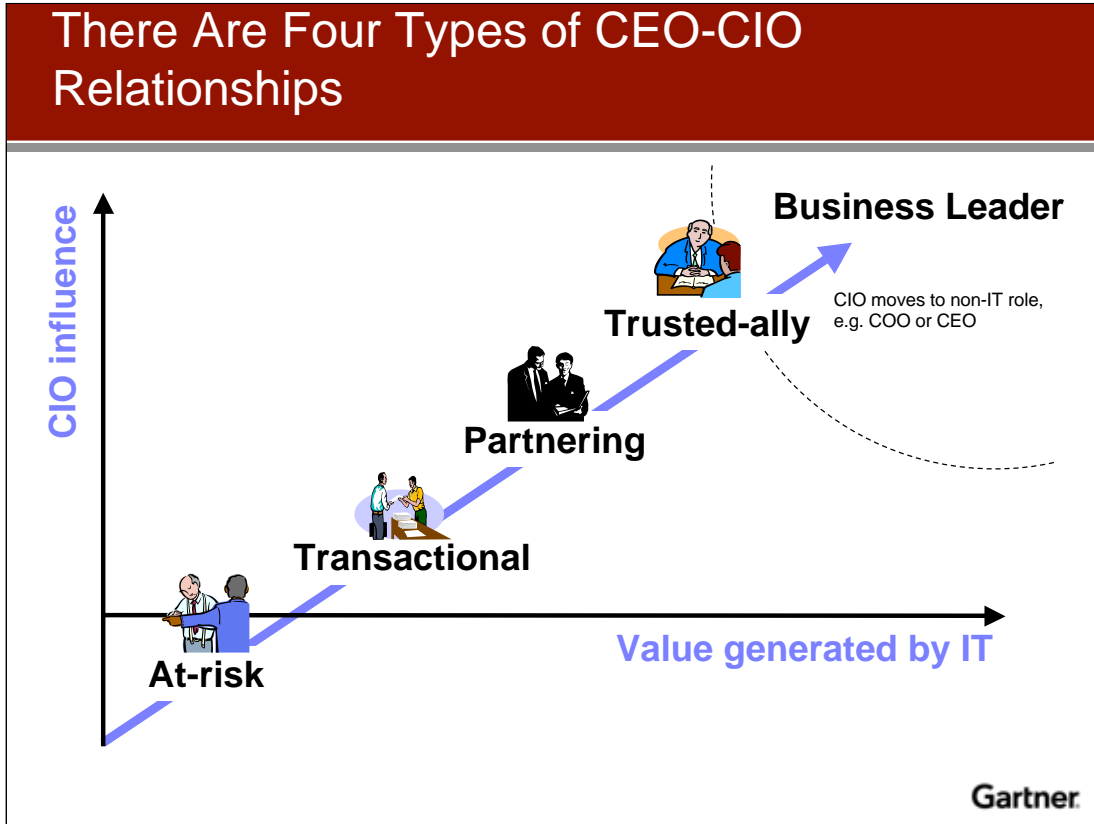


## Improving the CEO's View of a CIO

### ■ Client Issues

- How do CEOs view their CIOs?
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Clearly, all CEO-CIO relationships aren't equal. They range from arms-length transactional relationships to close partnerships. When we examined our interviewees on CEO-CIO relationships in detail, we found that four types typically existed: **At-risk**: where the CIO and IT organization are delivering below CEO expectations. In this situation, credibility and trust are very low, and the only focus is improving IT service delivery to achieve satisfaction. This relationship type is not sustainable. **Transactional**: where the CIO is viewed as delivering to enterprise needs, with the CEO and CIO engaging mostly on functional issues related to the delivery of IT services that help the business run. Most CEO-CIO relationships are here. European manufacturing CEO: "The CIO is basically delivering — we have very few systems issues day to day. But I view the CIO more as IT support than as a business partner. I would prefer a business partner, but I must work with what I have." **Partnering**: where the CIO has achieved a credibility platform of IT service delivery, engages the CEO and CxOs on business issues, and leads some business initiatives, such as enterprisewide program management, or Sarbanes-Oxley compliance. **Trusted ally**: where the CIO behaves as, and is viewed as, a true business leader, leading significant proportions of the business. This relationship type is still relatively rare. Several CIO recruitment agents we spoke to described the latter two categories as "chief process Officer." They see the CIO role moving in this direction, with CIOs becoming more and more business champions of process implementation, with a specialty in IT.

## These Relationships Are Characterized by Different Behaviors

	CEO EXPECTATIONS	CEO-CIO INTERACTIONS	CONTENT OF INTERACTIONS	CIO Role
<b>Trusted Ally</b>	Information Technology enables competitive advantage	Executive co-creation	Entrust the CIO with the enterprise future direction.	Deliver business results beyond IT
<b>Partnering</b>	Information technology enables business strategy	Strategic engagement	Incorporate the CIO and IT capabilities into strategic plans	Lead in executing the strategy
<b>Transactional</b>	Information Technology enables business operations.	Tactical planning and operations	Ensure IT support for business processes	Leader the IT Organization
<b>At Risk</b>	Information Technology provides basic services	Issue Resolution	Address IT performance or service issues.	Manage the IT department

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In these four relationship types, CEO-CIO interactions tend to differ.

At-risk interactions typically focus on resolving IT issues, like service availability and IT cost management.

Transactional interactions are often around the tactical issues required to implement strategic business requirements.

In partnering relationships, CEOs and CIOs engage on IT issues and business strategy. The CIO has more of a role of helping set the agenda for the enterprise.

Trusted ally: CIOs co-create the strategy. The Capricorn Society is a great example of this.

The Capricorn Society is an Australia-headquartered, membership-based automotive industry collective, aggregating buyer power and providing suppliers with guaranteed payment. CEO: “I spend more time with the CIO than other senior team managers. She enjoys the trust and respect of the board because of her track record. She engages the business unit managers proactively, and they seek her counsel.”

“Recently, members were unhappy with our insurance supplier, so we did an extensive due diligence. In the early phase, it was just me and the CIO, because of her oversight of the business.”

### CIOs Are Increasingly Hired to Grow

“The CIO was less respected but has turned that feeling right around. I have been mentoring him, and he has a personal coach. He is now more likely to engage me on business topics. IT now adds more value.”

*David White, CEO*



“When CEOs become aware of the need to change – sometimes they change the relationship, sometimes they change the CIO.”

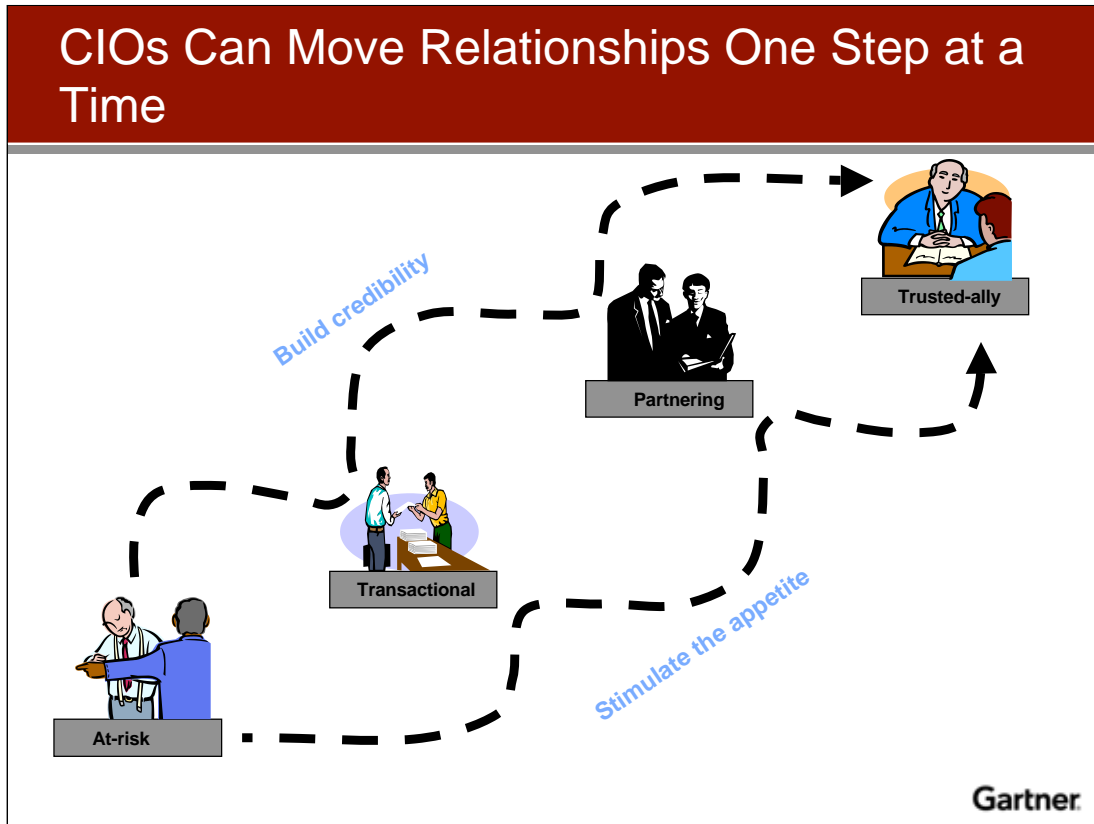
*Mark Polansky, Korn Ferry*

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We saw examples of transitions at all levels, with many different triggers. Sometimes a change in CEO, sometimes a change in CIO, sometimes through the emergence of an initiative that puts IT under the spotlight. Although most transitions were to more-impactful relationships, sometimes they move the other way.

Speaking to a leading expert on CIO recruitment in the United States, we heard that CIOs are typically hired to grow with the business, with recognition that the role will change. “Nowadays, enterprises hire CIOs that are able to grow with the company, not just fulfill today’s needs.”

In the Children’s Mutual, a United Kingdom financial services company, when the CEO was put in place, there had been a really poor IT initiative. He put a CIO in place who was from a project management background. Some of the business people were not confident of this choice. The CEO also decided to mentor the CIO, and introduced him to a personal coach. After two years, the CIO is much less technology-focused, and most senior executives now recognize him as a business leader.

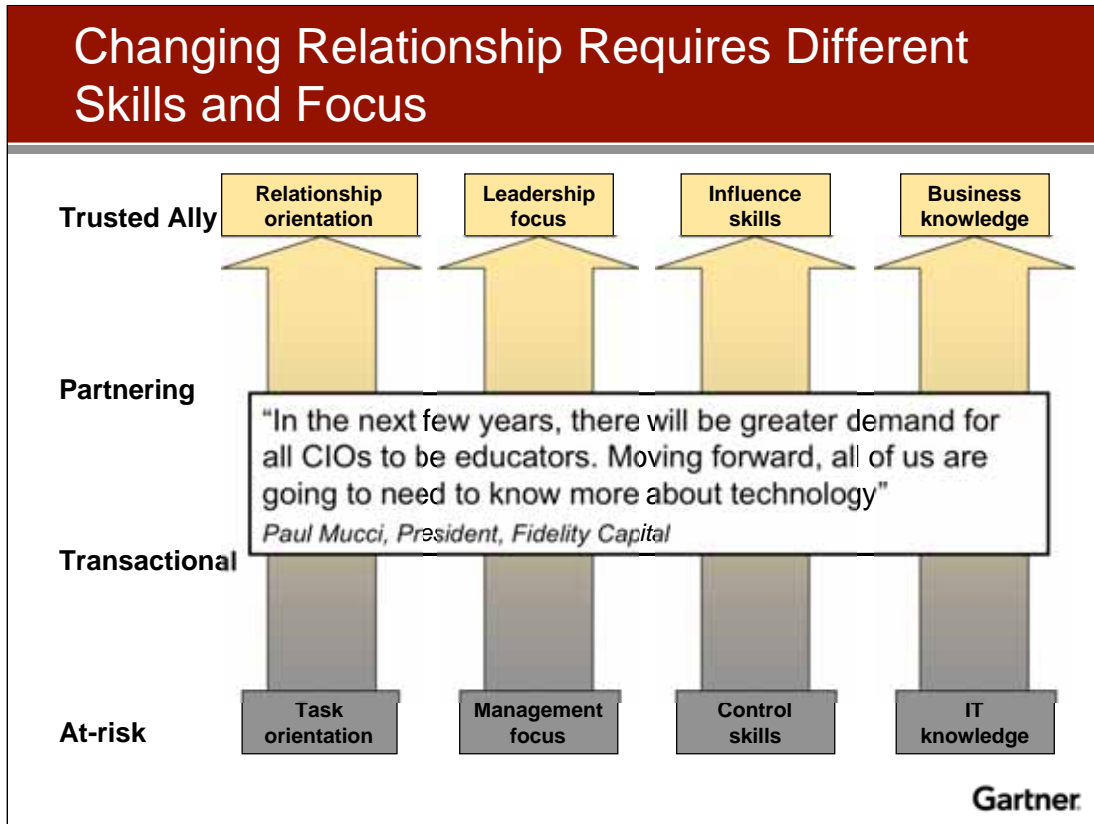


Looking at CIOs who have successfully transitioned their relationships, a key factor is taking one step at a time.

CIOs in at-risk relationships who attempt to spend significant time engaging on business strategy, while not delivering a robust level of IT service, are likely to fail in relationship building, and possibly even put their jobs in jeopardy.

It is essential to cement credibility and trust, and stimulate the enterprise's appetite, at each level.

Experience shows that these steps typically take 12 to 24 months.



More powerful CEO-CIO relationships increase CIO influence and potential value generated by IT, but they create risk for the CIO. CIOs must step out of their comfort zones into the area of business leader.

This requires a shift in skills. To hold up their end of the trusted ally relationship, CIOs must shift to a strong relationship orientation, an external and internal leadership focus, influencing rather than controlling and using business knowledge more than IT knowledge.

Successful CIOs are already senior leaders, so this change is only a matter of degree; all of them are performing in this way already — it is a matter of stepping up these skills and behaviors to true C-level.

Deryl Wright — CEO of CNI, a diversified U.S. enterprise, is an ex-CIO:

“I have always viewed the CIO position as a business position, not a technical position. I have studied how the enablement of process and greater transparencies through the use of technology could enhance an organization’s ability to deliver on the goods and services it offers. Most of my counterparts in the CIO role tended to behave as technologists, not business people. The subtleties of business are not the black-and-white world of IT. I will often say that I am a business person who understands the use of technology. I don’t recall ever saying that I was a technologist who understands business.”

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## Assess Your CEO Relationship

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
<b>Transactional Aspects (T)</b>					
CEO perceives IS systems deliver well to current needs	-5	-3	0	3	5
CEO perceives IS performance is clearly measured and communicated	-5	-3	0	3	5
CEO perceives IT projects generate good value	-5	-3	0	3	5
CEO perceives IS pipeline is aligned with enterprise needs	-5	-3	0	3	5
CEO perceives IS department has needed skills for the future	-5	-3	0	3	5
<b>T</b>					
<b>Business Leadership Aspects (B)</b>					
CEO perceives I understand the business well	-5	-3	0	3	5
CEO and stakeholders understand the possibilities IT represents	-5	-3	0	3	5
CEO perceives I engage him/her frequently on business issues	-5	-3	0	3	5
CEO believes I lead significant business initiatives	-5	-3	0	3	5
CEO seeks my counsel on important business issues	-5	-3	0	3	5
<b>B</b>					

<b>Score</b>	<b>Interpretation</b>
T less than 12	-> At-Risk
T at least 12, B less than 12	-> Transactional
T at least 19, B between 12 and 18	-> Partnering
T at least 19, B at least 19	-> Trusted Ally





### Engage Your CEO in Dialogue

#### **At-Risk and Transactional topics**

- Where does our use of IT lie on the range from competitive disadvantage to competitive advantage?
- How much visibility do you have of what IT is doing?
- How well are the current IT systems delivering to the enterprise's needs?
- What is your impression of the return on investment of IT projects?
- How confident are you that the development pipeline will deliver to future needs?
- Are IT's activities aligned with the enterprise agenda?

#### **Partnering and Trusted-Ally Topics**

- What are the biggest opportunities you see for IT to drive the enterprise forward?
- How do you see my role evolving?
- How can I contribute more to business initiatives?
- How can I contribute more to enterprise strategy?
- Where should I be improving my knowledge and skills?
- How could I be more impactful by changing my style?
- If major business changes are coming, engage the CEO on how those may affect all of the above?

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The bottom line is that most CIOs have the opportunity to build more-impactful relationships with their CEOs and other stakeholders. This is beneficial to the CIO and to the value generated from IT in the enterprise.

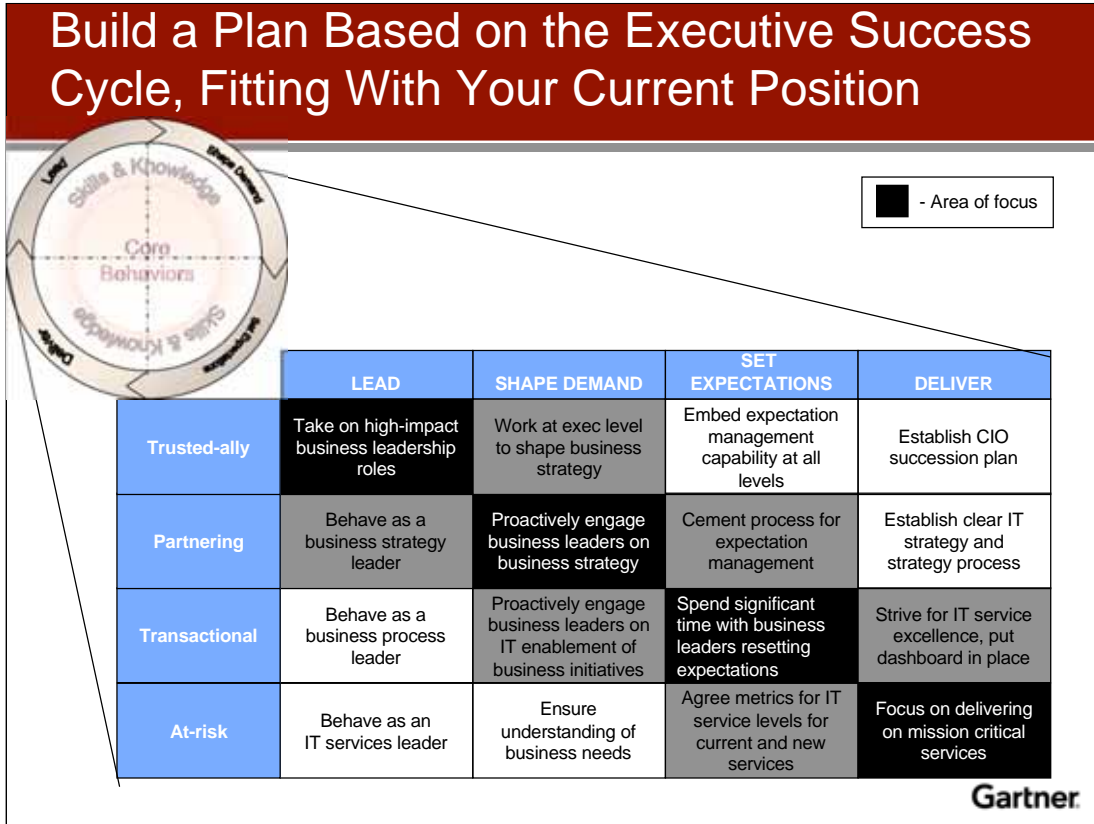
The key is to first understand where you are at currently, what the CEO is open to, and what your personal goals are. Then you are able to build an action plan — cognizant of the current situation and possibilities, as well as the executive success cycle.

Successful CIOs move their relationships one step at a time, cementing credibility and stimulating demand at each level. Steps between types take between 12 and 24 months.

Importantly, there is no "right" CEO-CIO relationship. Every CIO must work with their CEOs and other stakeholders to find the most-productive relationship for them.

But the CIO recruitment agents we talked to believe that increasingly, CIOs are hired to grow in their roles, and that the CIO role is maturing into a "chief process officer" role, much as the CFO role matured from the "chief accountant" role 10 years ago.

Setting your leadership agenda is a dynamic process that follows a success cycle



The October 2001 EXP report “Creating the Executive Success Cycle” proposed a model for CIO success, based on four interlocking behaviors: leading, shaping demand, setting expectations and delivering on those expectations.

Looking at how CIOs are succeeding with the four CEO-CIO relationship types, it is clear that all CIOs are following this success cycle, but they have different focuses. At-risk CIOs are spending the majority of their time on delivery to secure a sound IT services platform and build credibility.

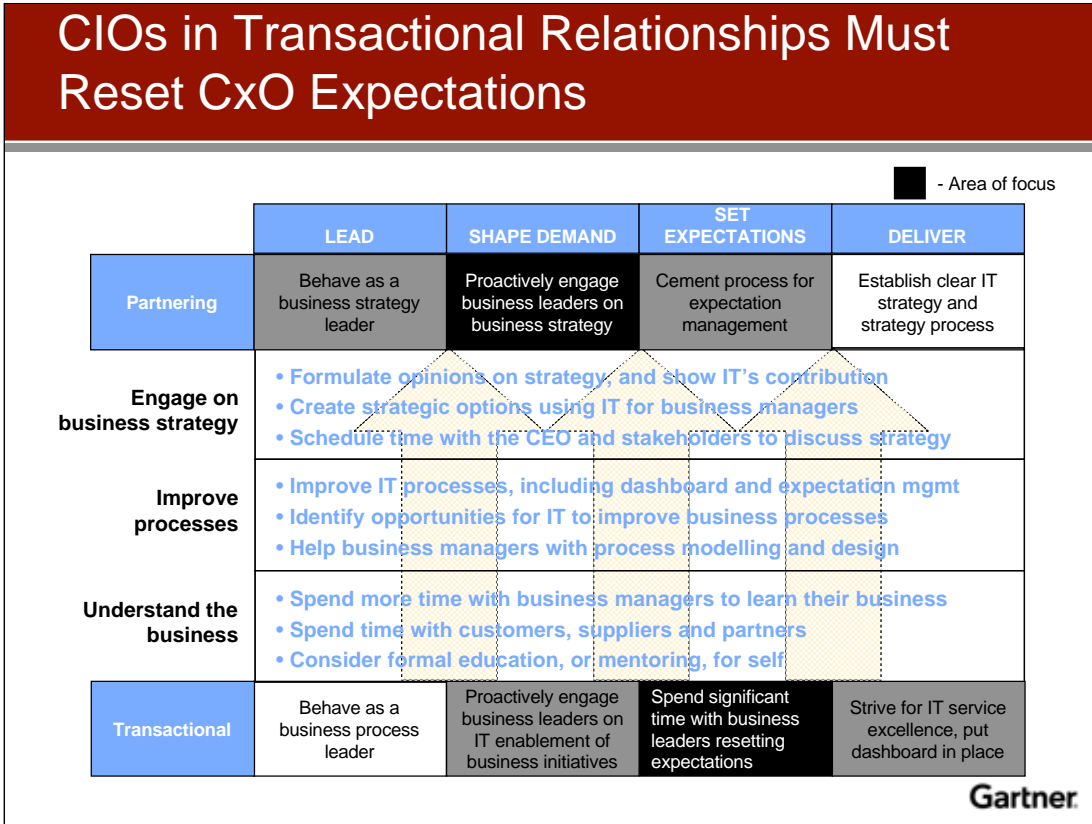
Transactional CIOs are spending more time setting CEO, CxO and business unit manager expectations.

Partnering CIOs work off a sound credibility platform to help shape demand for IT and define the role of IT in the enterprise by proactively engaging the CEO, executive committee and board on business strategy issues.

Trusted ally CIOs focus on business leadership issues, taking on more and more impactful business leadership roles. This serves to increase the knowledge and credibility of the CIO and IT.

CIO of a U.S. healthcare company: “I believe one of my biggest successes is my business relationships. The CIO is the ambassador for IT, and how I am viewed affects the IT function. If the CIO is respected, then IT is respected.”

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## Recommendations: Use Six Powerful, Complementary Techniques to IMPROVE

Understand your relationship type and build an action plan based on the executive success cycle. Build skills and creditability to show business potential incorporating six proven practices.



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Every enterprise, every CEO, every CIO and every relationship is different. But successful patterns emerged from our research of how CIOs elevated their CEO-CIO relationship. Six behaviors were common: (1) Getting mentoring/coaching. The CEO of The Children's Mutual had been exposed early in his career to professional coaching, and offered it to all his senior executives, including his CIO. This has increased his CIO's awareness of business issues significantly. (2) Ring-fencing time for business/strategy issues. The CIO of a U.S. university told us that he reserved every Friday for business and strategy issues. (3) Building the strength of deputies. When asked how he could ring-fence time, the U.S. university CIO stated that he had built a solid set of deputies who could handle any operational issue at least as well as him. (4) Taking on non-IT responsibilities. Doreen Wright, the CIO of Campbell's views business issues like Sarbanes-Oxley as opportunities for the CIO to take on more-impactful roles, and demonstrate the value of the CIO and IT "beyond the bits and bytes." Areas such as program management, compliance and security as common non-IT areas for the CIO to lead in. (5) Educating yourself and your IT team in general business skills, industry knowledge, enterprise knowledge, finance skills, deep functional knowledge within your business. (6) Educating stakeholders. One U.S. CIO was frustrated with the level of discussion, and elevated the tone by providing his executives with a list of 10 questions they should be asking him. Use of scorecards was also frequently used here.

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