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The move from CIO to CEO

The evolution, challenges, and experience needed to become an effective CEO

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A new generation of chief technology and chief information officers are breaking out of their technology silos and targeting the coveted CEO position.

A number of former CIOs have become CEOs, including Greg Carmichael of Fifth Third Bank, Stephen Gillett who was CIO of Starbucks and is now CEO of Chronicle, Philip Clarke who was promoted from CIO to CEO of Tesco PLC, and Dawn Lepore who went from CIO of Charles Schwab Co. to CEO of drugstore.com. Tim Campos, former CIO of Facebook, founded an AI-powered startup, Pulsra.

As technology's role in business has grown, the CTO and CIO positions have become vastly more important, touching virtually every department and often playing a central role in executing strategy and transforming organizations.

For ambitious CIOs, the CEO job has never been more attainable. The game-changing technologies of social media, mobile apps, and big data analytics have transformed the CIO role from an inward-looking service provider to an outward-looking generator of market insights and critical customer data. In many organizations, CIOs are on the leading edge of innovation and business model development – giving them experiences that place them in prime position for CEO position.

Traditionally, CTOs (sometimes called Chief Technologists) were responsible for developing technologies to produce better products and to grow the business. With technical innovation now the primary growth vehicle at many organizations, the CTO role has become vastly more important.

But while CIOs and CTOs are moving into the CEO role at an increasing pace, barriers to promotion remain, most prominently:

- Many technology executives have little or no P&L experience and a lack of exposure to revenue-producing functions.
- Insufficient leadership experience: While CIOs and CTOs often participate in important cross-departmental initiatives, some have never led any of these efforts.
- Lack of success in forging strong relationships and developing leadership credibility among other C-suite executives and board members.

This white paper will discuss how the CIO role have evolved; the challenges CIOs and CTOs face in aspiring to a CEO role; and how CIOs and CTOs can develop the skills and experiences to become effective CEOs.

The Evolution of the CIO Role

The CIO role emerged in the 1980s as companies sought to create stronger management systems around a variety of projects that involved automating back room processes and creating PC-linked office networks.

While the CIO role always entailed a strategic element, it was viewed largely as a service function within most organizations. CIOs typically allocated technology resources across a variety of departments, but the broad priorities were established by higher level executives. In many cases, the CIO reported into the chief operations officer or chief financial officer – not the CEO.

In addition to the CIO, many organizations also had a chief technology officer position (CTO). Typically, the CTO was charged with creating and implementing technology solutions to support the company's strategic direction and growth. In contrast to the CIO who was more internally focused, the CTO was involved in product development and understanding and responding to the needs of the marketplace.

Until the internet came along, the main responsibility of the CIO was to deliver new IT systems on time and on budget and run existing systems with a high level of reliability. As the internet pushed organizations into developing new technology-based strategies and processes, the role of the CIO expanded and the lines between the CIO and CTO became blurred.

Today's CIO owns and directs technology applications that are at the core of the products and services delivered to customers. As a result, many organizations have now combined the CTO role into a much larger and more complex CIO role.

Now, at a minimum, CIOs must develop and implement technology strategies to achieve organizational goals, update and optimize business processes, and keep their organization's technologically competitive in the face of non-stop innovation and new business models from both established organizations and upstarts.

Rather than a service provider, today's CIOs are expected to be innovative thinkers and change leaders. They must determine how new technologies such as the Cloud, Big Data, artificial intelligence, robotics, and mobile apps can be used to improve overall financial performance, operational efficiency, employee productivity, and customer service.

While the specifics of the CIO role vary among organizations, the widespread adoption of digital technologies across the entire economy has increased the level of CIO responsibilities to unprecedented levels in a variety of industries.

In the retail sector, for example, many CIOs are leading large-scale technology-driven transformations that include expanding e-commerce sales, improving the online shopping experience, entering new markets, and utilizing big data to gain operational and market insights. Given the competitive forces, it's not an exaggeration to say that CIO performance is critical to the very survival of some of these organizations.

In traditional manufacturing industries, CIOs are charged with digitizing the entire supply chain, from the input of raw materials, to factory production, to the logistics of moving product from plants to customers. CIOs are expected to analyze the big data produced via digitization and identify areas to improve efficiencies and profitability throughout the chain. In essence, every aspect of the business falls under the CIO purview.

As the breadth and depth of the CIO role has expanded, IT departments have grown much larger and a variety of sub-roles reporting into the CIO have emerged, such as chief innovation officers, cybersecurity directors, and digital analytics managers – thus placing a much larger management burden on CIOs than in the past.

With the increase in responsibilities, CIOs have had to develop a broad knowledge of financial and revenue drivers in all business units, strong communication and leadership skills, and an ability to partner effectively with other top executives on highly challenging projects.

In many organizations, CIOs are trusted advisors to CEOs and influential shapers of their organizations' business and growth strategies. Sixty-two percent of CIOs are now members of executive committees, compared with only 38% in 2005. And more than 75% of CIOs attended a board meeting in the last 12 months, a testament to their increasing importance to organizational performance.

CIO to CEO Transition

A small number of very effective CIOs blazed the path from CIO to CEO in the early 2000s.

Dawn Lepore was CIO of Charles Schwab Co. in the early days of the internet and was instrumental in building the firm's very successful e-commerce business. She became CEO of Drugstore.com in 2004 and held the post until the company was sold in 2011. John Boushy established himself as a highly strategic CIO of Harrah's Entertainment and later became CEO of Ameristar Casinos in 2006. Maynard Webb was CIO at PC vendor Gateway, before becoming chief operating officer at eBay, and then CEO at LiveOps.

Unlike many CIOs at the time, these trailblazers saw themselves as business people first – not technologists. Focusing on the overall organizational strategy, they forged partnerships with other executives and constantly expanded their experiences and skill sets.

John Boushy, for example, had a strong background in marketing, as well as technology, and for a time served simultaneously as CIO and chief marketing officer of Harrah's.

“As unusual as that might seem, it made a lot of sense to our company,” Boushy said. “This was all big value. Translating marketing opportunities into IT solutions delivered a sizable value proposition to customers and franchisees, thereby fueling company growth.”

Communicating technical material to other executives in a clear manner and using technology to effectively address business issues was critical for these executives to gain acceptance as business strategists and to establish positive relationships.

Dawn Lepore had a degree in music and learned IT from the ground up at Schwab. As CIO, she was drawn to the business side of technology issues, embraced tough assignments, led business transformation initiatives, and dealt with difficult personnel matters as the company transitioned to new technologies and had to let go of a number of employees.

While the Schwab CIO experience prepared Lepore well for the CEO position of Drugstore.com, she struggled early on in communicating effectively with firm's public investors.

“You've got all sorts of things going on in the company” Lepore said, in an interview with *The Wall Street Journal*. “Some of them are going better. Some are going worse. How do you communicate that? You can't be overly optimistic. But if you're too pessimistic, then your stock goes down. That piece of it was difficult, especially the first year.”

Many of the first wave of CIO-minted CEOs did not have business unit P&L experience -- and that remains the case for most of today's CIOs who hope to ascend to the CEO position.

Kevin Horner was responsible for a \$500 million IT budget at Alcoa Corp. before becoming CEO of Mastech, an IT staffing company with about \$100 million in revenue. While he charged business units for services provided at Alcoa and monitored costs closely, he had no exposure to the revenue side. "It wasn't a real P&L with real customers," Horner said. At Alcoa, he essentially had captive customers; at Mastech, unhappy customers could find another provider.

But despite these gaps, the skills and experiences that these pioneering executives developed as CIOs served them well as CEOs. With technology and digitization more central to business today, the current generation of CIOs are much better positioned to take on the CEO role than their predecessors.

Greg Carmichael, CEO of Fifth Third Bank and a former CIO, expressed it well:

"The skills CIOs hone, which include problem-solving, the ability to multitask, being innovative and forward thinking, being able to give clear, concise information and communications to the organization, and knowing how to execute and deliver solutions that meet the businesses needs in the most effective way, are highly applicable to the CEO job."

How a CIOs and CTOs Can Prepare for CEO Role

As the pace of CIO-to-CEO appointments has increased in recent years, CIOs have become more ambitious. At a recent conference sponsored by Forbes Magazine, 70% of CIOs indicated that they hope to grow beyond their current role.

To develop the skills, experiences, and credibility to become a CEO, technology executives should do the following:

Seek broad exposure to the business organization: CIOs and CTOs interact with every business unit. They should endeavor to understand the financial drivers and performance metrics of each unit and how they relate to the overall business. Partner with key people and identify how technology can be better used to achieve their operational and financial goals. Think about taking an overseas post.

Consider lateral moves that involve P&L management: Growing the profitability of a business unit is a strong qualification for the CEO role. Playing it safe and staying within the confines of the IT department will make it difficult to rise to the CEO level.

Head high-level, cross-functional projects: Embrace challenging projects that are important to the organization and involve individuals and departments that may have diverging interests. Be a leader. Confront and solve problems.

Develop a participative, rather than task-oriented, command-and-control leadership style: Effective leaders are able to positively influence others and to modify their positions or approach to an issue in response to insightful feedback and new data.

Cultivate a strong and thoughtful voice: CIOs and CTOs have to work with a variety of departments that often have competing priorities. Sometimes you have to say no. Learn how to be both diplomatic and how to stand your ground when you're confident that your decision is in the best interests of the organization.

Forge relationships with other organizational leaders: The ability to work well with other key leaders is an absolute essential for a CEO. Develop a reputation for following through on commitments, going the extra mile to deliver results, and showing resourcefulness in solving problems and pursuing opportunities.

Work on your communication and leadership skills: Effective communication is one of the most important attributes of a CEO. Good enough is probably not good enough to become CEO. Take courses. Practice. Develop a leadership style that is authentic to your personality and values. Not all leaders are alike. Within your group, create an environment that supports high performance and a positive culture.

Focus on developing other employees and preparing a successor for your position: Great leaders get the best out of other people and help them to achieve their ambitions. Jack Welch, the legendary GE CEO, compared his work to gardening, saying that his main job was developing talent. "I was a gardener providing water and nourishment to our top 750 people. Of course, I had to pull out some weeds too."

Hire Great People: A large percentage of business problems are actually people problems in disguise. Hiring is a vitally important, but often underappreciated, executive skill. Too many executives trust their gut instincts when hiring rather than developing skills to objectively assess candidates and spot potential problems. If you become great at hiring, your group will shine and your reputation will soar.

Think like a CEO: Establish a vision and direction for your department that's in concert with the vision and direction of the organization. Focus on creating value, growing the business, and creating a high performance culture.

The demands on technology executives have never been greater and their futures have never been brighter. CIOs and CTOs are at the center the ongoing technological revolution. They are in the ideal place to develop the experiences and skills necessary to lead organizations into the future.



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