

Chapter XI

Changing Role of CIO to CEO

Introduction

Both the CIO and the CEO are practicing leadership. One of the defining characteristics of leadership is the ability to develop and implement appropriate responses to a variety of problem situations. Leaders must solve an array of problems including resource allocation, interdepartmental coordination, interpersonal conflict, and subordinate morale to name a few. In order to effectively solve such problems, leaders must draw on a body of knowledge gained from formal education, advice from other leaders, and personal experience (Hedlund et al., 2003).

Sternberg (2003) presented a model of leadership in organizations. According to this model, the three key components of leadership are wisdom, intelligence, and creativity. The basic idea is that one needs these three components working together (synthesized) in order to be a highly effective leader.

Sternberg (2003) argues that one is not born a leader. Rather, wisdom, intelligence, and creativity are, to some extent, forms of developing expertise. One interacts with the environment in ways that utilize to varying degrees one's innate potentials. The environment strongly influences the extent to which leaders are able to utilize and develop whatever genetic potentials they have. Many people with substantial innate potential fail to take much advantage of it; whereas others with lesser potential do take advantage of it.

Practical intelligence is the ability to solve everyday problems by utilizing knowledge gained from experience in order to purposefully adapt to, shape, and select environments. Thus, it involves changing oneself to suit the environment (adaptation), changing the environment to suit oneself (shaping), or finding a new environment within which to work (selection). *Creativity* refers to skill in generating ideas and products that are relatively novel, high in quality, and appropriate to the task at hand. Creativity is important in leadership because it is the component whereby one generates the ideas that others will follow. *Wisdom* consists of reasoning ability, sagacity, learning from ideas and environment, judgment, expeditious use of information, and perspicacity (Sternberg, 2003).

Demand Side CEO Requirements

From the demand side, there is a need for a new CEO. The question we raise is whether or not the CIO is a candidate for the job. Promoting the CIO to the post of CEO represents an inside succession. It can either be a relay or non-relay succession. If the CIO is selected and crowned as an heir apparent, it is a relay succession. An incumbent CEO works with the CIO as an heir apparent and passes the baton of leadership to the heir (Zhang & Rajagopalan, 2004).

To become an heir apparent, the CIO must be identified as a high-potential candidate. As the candidate enters the development pipeline, managers must constantly align education and on-the-job experience with the emerging landscape. They also must rigorously assess the candidate's performance at each development stage (Charan, 2005).

There is a need for a new CEO, is the CIO a candidate? Zhang and Rajagopalan (2004) did shed some interesting light on this question in their studies of inside or outside successions.

If a headhunting firm is involved, the chances of external recruitment might increase, thereby reducing the chances for the internal CIO to be promoted.

If the performance of the firm is poor, the chances of external recruitment increase, thereby reducing the chances for the internal CIO to be promoted.

According to Charan (2005), it is important to be identified as one of those very rare people who might one day be CEO.

The demand side for a new CEO is dependent on firm performance, in general, and initiation of strategic changes in response to poor firm performance, in particular. In the case of poor firm performance, corporate boards might have to initiate strategic changes. Part of the change will often be the departure of the current CEO. However, pluralistic ignorance on corporate boards sometimes prevents CEO suc-

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