How’s Your Executive Quotient?
How CIOs Score in C-Level Competencies

By Carrie Mathews & Richard Pastore

Do you know what your “EQ” is? It stands for Executive Quotient, and it is a way to tell how well positioned you are to be the strategy-oriented CIO that businesses are starting to demand. EQ is a performance score across a set of executive leadership competencies that are essential for any well-rounded c-level executive. That includes IT leaders who want to move beyond the limits of function head and its focus on operations, alignment and order-taking, and spend more time driving strategy for competitive advantage.

Advancing the profession to fulfill its ultimate strategic value is the reason the CIO Executive Council developed the EQ concept as part of its Future-State CIO program. The Council, an international professional association of more than 400 CIOs, partnered with global executive recruiting company Egon Zehnder International to adapt its competencies and assessment model to gauge CIO EQ. In 30 years of assessing executive talent, Egon Zehnder chose this set of competencies due to its predictive value in identifying top-performing executives. These are the behaviors that differentiate good executives from the great executives, says Stephen Kelner, global knowledge leader of Egon Zehnder’s talent management and appraisal practice group. (See sidebar “C-Level Competencies Defined” for a list of these competencies.)

Kelner describes the competency of Market Knowledge in detail to illustrate the range in measured performance levels. This competency determines how well an executive understands the marketplace, including customers, suppliers, competitors and regulators. Level 1 CIOs know the basics of the market the company serves. “As they move to Level 2, CIOs can now describe what the industry is doing and the basic forces of the market including typical customers and obvious competitors,” says Kelner. At the higher levels, CIOs know the market well enough to spot, anticipate and capitalize on trends. The highest performers make an impact on the marketplace by creating new business or new products through their understanding of technology, customer needs and market trends.

International applicability
CIOs from Germany, the United Kingdom and North America agree that the competencies are broadly applicable to different countries and business sectors—like the position itself. There is no such thing as an American, German or Japanese CIO, there is simply CIO, says Thomas Henkel, vice president of global IT at sporting goods company Amer Sports. “IT integration and the processes supported by IT are a language or a functionality that no longer sees any national borders,” and therefore CIOs are global officers, says Henkel, who is based in Neuried, Germany, and works for a Finnish company that derives half of its sales from the United States.

“What I like about the framework is that it is a broad overarching set of competencies that could be applicable in different organizational contexts,” adds Darin Brumby, CIO of transportation services
company FirstGroup PLC in Aberdeen, Scotland. “There’s too much in the UK of “Are you a paratrooper CIO or this type of a CIO or that type. The reality is you had better be a combination of all of those types.” Brumby notes that all companies go through cycles, shifting from cost management to growth mode, from innovation to acquisition. To provide successful, flexible leadership in these shifting sands, CIOs need well-rounded skills as well as their main functional expertise, he stresses.

Naturally, there are some competencies on the list that the CIO profession has had more exposure to and reason to cultivate. In Germany, CIOs are well regarded as change and team leaders, and also for their results orientation, notes Henkel. “If you ask a C-level executive today about a CIO’s competencies, they would give these as examples.” But mention the competencies of External Customer Focus or Market Knowledge, and they are likely to say these are for sales executives, not for a CIO.

In fact, Henkel’s own scores on the Council’s Future-State CIO competencies self-assessment survey were relatively low for market knowledge and external customer focus, he admits. One reason for this, he says, is that they are not part of his current job description. But more importantly, in many cases the external customers aren’t ready to accept the CIO as a business strategist.. “How can you become more involved with external customers and their strategy if they won’t speak to you? It takes two to tango—only one of us is in dancing mode, it’s difficult,” Henkel concedes. But he is confident that this will change in three to five years. “You will really need to speak the language of your customer. The CIO has to be seen [by external customers] as a consultant and friend, not just a CIO from a different company,” he says.

**CIOs vs. CEOs**

CEOs set the benchmark for EQ across all competencies. Because of this, they have a stronger c-level leadership “brand” than do CIOs. Notes Brumby, “The CEO stands for a high level of strategy, execution and trust from day one. What does the CIO brand stand for? Our customers look at us and say, ‘Are you one of those top five percent CIOs that are the real deal, or are you mediocre and will cost us a lot of money and do a lot of failed projects?’ That’s not good for us as a brand.” Brumby says the key to improving the brand is improving performance across the competencies. “There is no role with greater freedom to influence the business agenda than the CIO—if you’ve got the skills to do it. If you haven’t, you should bugger off and get them.”

There is some good news. The best CIOs stand up well against their CEO bosses, according to data from Egon Zehnder’s 25,000 executive assessments. They even outperform CEOs in some competencies. The bad news is CIOs significantly underperform against CEOs in competencies that are unique to strategic business leadership. The differences represent development goals for IT leaders (and strengths to leverage) to advance their individual EQ, their careers and the CIO profession as a whole.

Key findings include:

- Outstanding CIOs (those scoring in top 15th percentile) rank highest in Results Orientation, Strategic Orientation and Change Leadership.
- Outstanding CIOs perform significantly better than good CIOs (50th to 85th percentile) in all competencies except for People and Organizational Development, where they are equivalent.
People and Organizational Development scores are relatively low for all types of executives assessed, particularly CFOs. Outstanding CIO scores slightly surpass good CEO scores on most competencies. Outstanding CEOs – the most well-rounded strategic leader – perform significantly better than outstanding CIOs only in Market Knowledge and External Customer Focus.

**Competency Performance Index**

Improving your EQ

CIOs who want to devote more of their time and energy to driving business strategy and innovation should focus on developing and leveraging those competencies that are most unique to the business strategist. These are Market Knowledge, External Customer Focus and Commercial Orientation. (See Future-State CIO Model to learn how all competencies match up with aspects of the CIO role.) However, to even get a chance to be a business strategist, CIOs must be strong in foundational competencies such as Change Leadership, Collaboration & Influence and Function Expertise. Without these, a CIO is unlikely to even get a seat at the table, and may in reality be a CIO only in title.
Kerrie Hoffman, CIO, Global Supply Chain at Johnson & Johnson, wasn’t surprised by the relatively low scores for CIOs in Market Knowledge and External Customer Focus. Hoffman rose through the sales ranks of Johnson & Johnson before joining the IT department and becoming a CIO. She knows how important the market and customers are to a business. But, as CIO, she finds she has to make a concerted effort to focus on these areas. “The day-to-day job of a CIO doesn’t really require you to spend time doing customer and market visits, but it should require it,” says Hoffman.

Hoffman is leading IT’s efforts to formulate and execute business strategy for the emerging markets in low-income areas of the Asia-Pacific region, where products have been sold in mom and pop stores. Hoffman travels frequently to the region to size up the market. “Before I leave for these visits, I do my homework and get an overview of the specific business segment and market I am going to that day. That way, I can tailor my questions to really understand their challenges and the resulting technology and business capabilities needed. My ultimate goal is have a rich and collaborative conversation with customers that takes us into a new direction – to really change the game,” Hoffman says.

CEOs, who often rise from the ranks of sales, have a heritage of external customer focus, and often form close relationships with key customers. CIOs in most industries concentrate on the internal stakeholder and have not had much need to interact with external customers in their careers. An exception is George Chappelle, senior vice president and CIO at Sara Lee Foods. He credits his external customer skills to his 20+ year career in the consumer packaged goods (CPG) industry. “CPG is all about the external
customer. I have to have these skills as CIO because I am so involved with customers – from market research, new product innovation and throughout the supply chain,” says Chappelle. For CIOs in any industry who want to connect to the external customer, Chappelle suggests getting involved with new product or sales information initiatives. “Both require heavy IS support and will get any CIO linked externally.”

Commercial Orientation—the ability to find and capitalize on opportunities for new revenue or competitive advantage—has not been measured long enough by Egon Zehnder to provide reliable benchmark data. But this is a competency that must be part of the CIO’s tool kit as the role evolves strategically and business expectations increase. “Commercial Orientation is one of the competencies I want to get better at,” says Brumby. The keys, he says, are a willingness to keep a more open mind about risk, and to develop and pitch business cases for ideas that don’t necessarily satisfy the traditional financial hurdles such as net present value. “The great CIOs like Paul Colby of British Airways create a different approach for considering innovative ideas from the standard governance and metrics that apply to business-as usual ideas. I think some of the great ideas are sitting on the shelf because people aren’t willing to take an approach that’s outside their normal comfort zone.”

People Power Vacuum
When it comes to People and Organizational Development, c-level executives are relatively poor performers, right from the top. Dr. Rajinder ‘Raj’ Gupta, Adjunct Professor and executive director of the CEO Perspective Program at the Kellogg School of Management at Northwestern University in Chicago, has interviewed more than a dozen CEOs from U.S. companies including Walgreen’s, AON and Northern Trust about the competencies data. “In general, I found that the premium for CEOs as they rise through the ranks is on a deep understanding of the business and customers, not necessarily on how they manage their people. The CEOs I spoke with are definitely aware of the need to focus more of their attention on people development,” says Gupta.

There’s an opportunity here to fill the people development void, if only CIOs could rise to the challenge. Michael Pilkington, managing director of corporate technology at Euroclear SA in Belgium, believes CIOs, like CEOs, have not focused enough on this area. “As executives, we are tasked with spending a lot of our time focusing on how to serve our clients; I think we should spend just as much time thinking about ways to motivate and develop our people,” says Pilkington.

When he took over IT at Euroclear, Pilkington made it a priority to respond to the general corporate feeling that the IT department was insensitive to its users. He felt that his whole team could benefit from further development of internal customer awareness, not just those in customer-facing positions. Each member of his non-customer facing team went through a half-day customer- focus training session (customer-facing staff went for a full day) to drive home the importance of customer awareness. The development effort didn’t stop at IT. Pilkington also ran a number of sessions targeted for business users to educate them about IT.
What do CEOs want?
Gupta’s group of CEOs definitely want strategic-minded CIOs today and going forward, he says. The biggest deficits they see in the current crop of IT chiefs are a deep understanding of business opportunities and the ability to communicate strategically with high-level internal and external stakeholders. The competencies of Market Knowledge, Commercial Orientation and Customer Focus definitely apply here. In its executive recruitment business, Egon Zehnder is also seeing a growing demand for CIOs with strategic and transformational skills. “In specific industries where business is closely intertwined with technology or where it can be used as a competitive advantage, that is where CEOs are looking for a CIO candidate with high EQ,” says Reynold Lewke, Egon Zehnder’s North American CIO practice leader.

Adds Brumby, “The more progressive CEOs in the UK are asking for all those competencies in combination with a good interpersonal tool kit. They are looking not necessarily for a CEO in waiting, but for a person who can look up, down and across the enterprise.”

This need was personified at the spring CIO Leadership Conference in Huntington Beach, Calif., by Deryk King, Chairman and CEO of energy company Centrica North America, which operates Canadian-based subsidiary Direct Energy. King specifically recruited a new CIO for his EQ, shifting the previous technically-oriented CIO into a CTO position with the company. “I took great care to recruit someone with a good track record of operational excellence, strategic thinking, experience in customer service and a diverse career background,” King told the audience at this conference co-produced by CIO magazine U.S. and the CIO Executive Council. “I expect a much broader contribution from my CIO–he has to be prepared to talk about issues outside of his immediate responsibility.” Direct Energy CIO Kumud Kalia concurs: “The role of the CIO is more than just keeping things running; we’ve had to acquire a lot of the skills of a traditional general manager.” In other words, a higher EQ.

The CIO Executive Council has developed online self and 360-degree competency tools for members to measure heir executive quotient. A simplified version of the self-assessment tool is available to all at http://www.cio.com/cec/strategic_cio/

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The C-Level Competencies Defined
The competencies and their highest level performance characteristics are defined below. See the competencies performance benchmark radar graphs for scores of CIOs and CEOs.
Market Knowledge - understanding the market in which a business operates. This business context can include the competition, the suppliers, the customer base and the regulatory environment.
> High performers develop deep market knowledge that enables them to see how to transform the industry landscape.

External Customer Impact - serving and building value-added relationships with customers or clients.
> High performers cultivate deep external customer relationships and are dedicated to creating enduring mutual benefit.

Commercial Orientation - identifying and moving towards business opportunities, seizing chances to increase profit and revenue.
> High performers change the rules of the game, creating sustainable competitive advantage.

Strategic Orientation - having the ability to think long-term, integratively, and beyond one’s own area. It involves three key dimensions: business awareness, critical analysis and integration of information, and the ability to develop an action-oriented plan.
> High performers develop cross-enterprise, breakthrough strategy in complex environments.

Change Leadership - transforming and aligning an organization through its people to drive for improvement in a new and challenging direction. It is about energizing a whole organization to want to change in the same direction.
> High performers embed a culture of change and drive coordinated change through complex organizations.

Collaboration and Influence - working effectively with, and influencing those outside of, your functional area for positive impact on business performance.
> High performance is characterized by forging transformational partnerships.

Results Orientation - being focused on improvement of business results.
> High performance is characterized by transforming processes and creating new business models in search of results.

People & Organizational Development - developing the long-term capabilities of others and the organization as a whole, and finding satisfaction in influencing or even transforming someone’s life or career.
> High performance is characterized by building and sustaining a talent management culture in the organization as a whole.

Team Leadership - focusing, aligning, and building effective groups in one’s immediate organization. It is not limited to formal management roles, however, and could apply to a virtual project team or a cross-functional team, whether there is a formal leader or not.
> High performance is building high-performance, high morale, self-managing teams that function well in complex situations.
Function Expertise - the ability to lead one’s own functional area or unit to achieve operational excellence.
> High performers have achieved operational excellence and have freed themselves up from time-consuming hands-on management of functional areas.