

CIO Succession: Are you overlooking this critical strategic imperative?



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Introduction

Succession planning remains a key priority on the Board agenda, and while this often centres on more traditional Senior Executive Team (SET) roles such as the CEO and CFO, Nominations Committees also want to be assured that plans are in place for other roles critical to an organisation's success.

With the CIO firmly established as an essential member of the Senior Executive Team, succession planning for this position should be top-of-mind for organisations.



How critical is the CIO role?

More so than for any other SET role, the expectations and requirements of the CIO have evolved dramatically in recent years.

Historically held by deep technology experts who acted as IT operators, today the CIO is an integral contributor to, and key enabler of, corporate strategy, and the criticality of this role will only continue to grow.

Investment in Technology is growing and is organisation-critical

The CIO, through leading the development, execution and delivery of IT and digital strategy, plays a crucial role in shaping and driving the Group's overall strategy. They command a significant proportion of an organisation's cost-budget, and drive major investment projects which, by their nature, cannot easily be halted or re-directed once launched.

Following a rapid increase in technological adoption during the pandemic, businesses have accelerated their digital capabilities, with many repositioning technology at the heart of innovation, developing new products, services and customer engagement models. Boards are increasingly hiring tech leaders to support with the monetisation of dataⁱ, often by directly selling data-based products or services as an additional growth lever and lucrative revenue-stream. This trend is not slowing down; worldwide IT spending is projected to increase 5.1% in 2023, even in the face of current volatility with inflation and exchange ratesⁱⁱ. With this increased investment, it is crucial to have a tech-literate voice present during C-level discussions and decision-making.

Cyber and Digital risks are on the rise

Some of the most critical threats to organisations relate to technology and digitalisation, and these risks are increasing:

- The average number of cyber-attacks and data breaches on companies increased by 15% in 2021.ⁱⁱⁱ
- Since the start of the Russia/Ukraine war, Russian-based phishing attacks against European and US-based businesses have increased 8-fold.^{iv}
- The global average cost of data breaches reached an all-time high of \$4.35 million in 2022 (compared with \$4.24 million in 2021).^v

Senior leaders are taking note; a study on Global Executive perspectives^{vi} identified cyber threats, adapting to new technologies, competing against disruptive innovations, and the utilisation of data analytics and "big data" among the top 10 biggest short-term and long-term risks to businesses. Equally, our own Odgers Berndtson Leadership Confidence index^{vii} found 70% of senior leaders expect disruption to continue at the same level or increase compared to the pandemic, with two of the top 5 biggest anticipated disruptors directly relating to advances in technology.

SOURCES

ⁱ <https://www.odgersberndtson.com/en-ae/insights/why-boards-are-hiring-more-tech-leaders>

ⁱⁱ <https://www.gartner.com/en/newsroom/press-releases/2022-10-19-gartner-forecasts-worldwide-it-spending-to-grow-5-percent-in-2023>

ⁱⁱⁱ <https://www.forbes.com/sites/chuckbrooks/2022/06/03/alarmed-cyber-statistics-for-mid-year-2022-that-you-need-to-know/?sh=ac0192b7864a>

^{iv} <https://aag-it.com/the-latest-2022-cyber-crime-statistics/#:~:text=Since%20the%20start%20of%20the,increase%20quarter%20Don%20quarter>

^v <https://www.csoonline.com/article/3668655/average-cost-of-data-breaches-hits-record-high-of-435-million-ibm.html>

^{vi} https://www.protiviti.com/sites/default/files/2022-06/infographic-nc-state-protiviti-survey-top-risks-2022_0.pdf

^{vii} <https://www.odgersberndtson.com/media/11688/confidence-report-2022-canada-en.pdf>

Other SET leaders are not equipped to make these decisions

Our Leadership Confidence Index found most senior executives do not have confidence in their leaders to make effective decisions and investments relating to technology:

- **75%** were not confident their senior leadership team could deploy digital at scale.
- **73%** were not confident their executive team had sufficient digital acumen or data analytical skills.
- **80%** lacked confidence their senior leadership team would be able to adopt emerging technologies such as AI or automation, or prioritise breakthrough innovation.

The SET therefore remains reliant on the CIO's technical expertise to inform their IT/digital strategy and decision-making (a crucial element of overall strategy).



Do you have CIO-ready successors?

Today's CIO is a strategic business leader

Coping with the aforementioned demands poses an enormous challenge for CIOs. They must be highly adaptable, constantly straddling the line between strategy and operations. They must have broad strategic overview, insight and awareness, the credibility and communicative capability to influence with impact at Board-level, and the emotional capacity to retain, inspire and raise the collective performance of the technology function, while remaining more tech-aware than ever. However, developing these broad strategic leadership capabilities may require more effort for an emerging CIO leader than for other SET roles given the innate makeup of the IT talent pool and the typical development opportunities made available to them over the course of their career.

The CIO successor and talent pipeline may not be ready

While most successful CIOs still emerge from an IT background, there can be inherent challenges to identifying a successor in a pool largely comprised of deep technical experts. At a recent OB event, the CIO of a value retailer said, "Some people who are technically very strong, may never develop the softer skills and capabilities required to be a CIO because they have distinct profiles that make them good at what they do".

This challenge is compounded by the fact that organisations haven't adapted their talent development or succession planning processes to keep up with the increased demands on the CIO role. At a recent OB event, the CIO of a travel and transport business, said "In many companies I've experienced highly governed HR processes that are great at defining 'top talent' but then fail to create the opportunities to allow the individuals to take on step-up/stretch roles." In our experience, the IT function typically emphasises the development of deep technical expertise right up to VP-level. Then, there is a sudden and dramatic shift in focus and expectation of these professionals; they are expected to demonstrate significant leadership skills and have an awareness on broader topics such as supply chain, customer, marketing, and finance despite very little previous experience or exposure to these areas.

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CIO of a travel and transport business

External interim hiring for CIOs is on the rise

In part due to poor succession planning, fewer CIOs are being internally promoted. Since 2010 this number has dropped from 71% down to 46%.^{viii} In fact, over the past few years, we have seen an increasing number of organisations forced to hire an interim CIO as they searched for a more permanent replacement, because they did not have a suitable internal successor who could step up to the requirements of a Group CIO, deliver a transformation agenda and/or re-engage an unhappy and frustrated tech team.

It can be challenging for any interim to deliver at pace, but this is arguably more difficult for the CIO than for any other C-level position given the pressure of having to quickly understand the complexity of an unfamiliar operating model, IT architecture, and digital culture. As they take time to adjust to this new landscape, the organisation is left vulnerable to external threats and missed opportunities, particularly if a forced transition happens during a major investment project. As the Chair of a large building-material business put it, “It is concerning that major IT investment projects are often sanctioned without the critical key person insurance in the form of a robust CIO succession plan.”

SOURCES

^{viii} <https://www.spencerstuart.com/research-and-insight/cio-selection-in-financial-services>

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Chair of a large building-material business

Are CIOs available to hire?

We are in the middle of a “war for tech talent”. While tech job postings have been slowing recently, the market remains highly competitive, making it difficult to attract top-talent. A recent study found only 29% of IT workers have high intent to stay with their current employer^{ix}, including those at the most senior levels.

Our own research indicates:

- Since the onset of the pandemic at large (Jan 2020), through to the beginning of 2022, a little under a third of CIOs across the CIO 100 the FTSE100 have moved roles.
- From the beginning of this year (2022), 19% of CIOs in the sample set have made a move – a steep acceleration in activity.
- Across the CIO100 and the FTSE100, the aggregated average tenure for CIOs has been three years 10 months, versus an average tenure for other SET roles of 4.9 years^x) and it is to assume that a significant community of CIOs may soon be thinking of making a move as they approach the four-year mark.

For Boards, this begs the question: ***Does this include your CIO?***

Equally, even if the CIOs themselves are not considering a move, in the face of an economic downturn and likely recession, a new set of challenges will inevitably require new skillsets and leadership qualities. And so, organisations must ask themselves: ***Is your current CIO the right person to deliver against them?***

SOURCES

^{ix} <https://www.gartner.com/en/newsroom/press-releases/2022-03-09-gartner-survey-finds-only-29-percent-of-tech-workers-have-high-intent-to-stay-with-current-employer>

^x <https://www.kornferry.com/about-us/press/age-and-tenure-in-the-c-suite>

What's the imperative for investing in CIO succession?

There is a significant financial risk to poor succession-planning. Unplanned succession has been found to cost firms an average of \$1.8 billion in shareholder value^{xi} – and succession challenges have been identified as the second biggest risk facing organisations one a 1-year and 10-year horizon.

In addition to the direct costs, there are also significant indirect costs which have a ripple effect on the broader talent pool, leading to issues such as difficulty with the retention of top talent, reduced morale and disrupted team dynamics.

Clearly, individuals who have the ambition and potential to step into the CIO role need clear progression opportunities or they will seek out other organisations that will invest in them. On the other hand, promoting the wrong people too quickly will also pose significant risk to the organisation. Organisations grooming successor candidates based on technical excellence and success

in previous projects, rather than their future potential for enterprise leadership, risk overlooking diverse talent^{xii}, may fail to select the best candidate, or may overwhelm the successful candidate with challenges they are not prepared for. As the CIO of a travel and transport business put it, “I’ve spent too much time over the years trying to coerce folk who I believed were capable of more in taking on additional responsibility/accountability – sometimes it worked, in others I took a productive member of the team and made them less so through attempting to develop them in a direction that suited everyone apart from them”.

^{xi} <https://www.strategy-business.com/article/00327#succession>

^{xii} <https://www2.deloitte.com/us/en/insights/topics/value-of-diversity-and-inclusion/diversity-and-inclusion-in-tech/dei-succession-planning-strategies.html?id=us:2sm:3li:4diUS165057:5awa::MMDDYY::author&pkid=1008514>

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CIO of a travel and transport business



Conclusion

CIOs are critical to organisations and securing their successors should be high on Boards', CEOs', CPOs' and CIOs' agendas. There is a talent pipeline gap internally and a war for CIO talent externally, which will only be exacerbated in the next few years.

Odgers Berndtson has a robust and comprehensive approach to succession that can help you understand the readiness of the pipeline of IT talent in your organisation; identify those with the potential to grow and provide support with development planning and interventions to get them ready, given the current and future strategic goals.

We believe the most effective succession planning programs involve an embedded development process which collectively upskills the entire IT function to respond to future organisational needs, rather than an isolated exercise to replace the top role. By adopting this approach, we can help you secure a choice for the next CIO appointment, ensure that any future CIOs are set up for long-term, lasting success, and enable you to retain and get the most out of your best people, enhancing your external reputation as an organisation that invests in its talent. Equally, if your organisation does not have an internal "ready-now" candidate, mapping an interim or potential external hire against a clearly defined internal succession plan will be critical for selecting and enabling such a hire succeed.

Our thriving CIO executive search, interim and leadership advisory practices can help answer your questions, mitigate any risks and ensure you have the CIO and talent pipeline ready to support strategic success and long-term sustainable performance.

For more information on how Odgers Berndtson can support you with Succession for the CIO function, please reach out to our Leadership Practice or CIO practice. We would be delighted to help.

About the Authors



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Katie has been working as a leadership consultant since 2017,

supporting global organisations with their leadership and broader talent. She has worked across industries including Technology, Financial/Professional Services, Non-Profit, Energy, and Retail, assessing and developing their leaders, teams, and boards and advising on succession, talent management, corporate governance, and culture transformation.

Prior to joining Odgers Berndtson, Katie was a Leadership Advisory Expert in Egon Zehnder. Katie has a BA in Psychology from Trinity College, Dublin, and an MSc from Kings College, London. She is TUA/TUP qualified and accredited in a range of psychometric tools including Hogan Suite, Saville Wave, and 16PF.



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Matt Cockbill is a Partner in the CIO & Technology Officers Practice.

Matt's early career was spent recruiting senior industry talent into management and technology consulting firms across Europe.

Initially joining Odgers Berndtson as a founding member of the Berwick Partners brand, he has since specialised in corporate IT & digital leadership, CIO, CTO and Digital & Data appointments. As a member of the CIO & Technology Officers practice Matt specialises in recruiting CIOs and technology transformation leaders across manufacturing, engineering and industrial markets.



Elizabeth Stewart
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Elizabeth (Liz) has over 30 years' experience as a business consultant, working for global professional services firms. For the last 15 years she has focused on advising on Boards, CEOs, the C-Suite and their pipeline of successors.

She has worked with organisations across a breadth of private and public sectors on strategic, business, talent management and leadership issues, including Strategic Leadership Capability and Risks, CEO & C-Suite Benchmarking & Succession Strategies, Board Reviews and Top Team Performance, and Realising Leadership Potential through Development.

Prior to becoming Odgers Berndtson's UK Head of Executive Assessment & Development, she was a Board, CEO and C-Suite Consulting Partner, with Heidrick & Struggles Board Practice, Managing Principal, Leadership & Talent Consulting with Korn Ferry International, and Associate Director, People Services in KPMG. She is a Chartered Accountant by profession with a BSc in Mathematics, TUA/TUP qualified and accredited in Executive Coaching.



Caroline Sands
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Caroline Sands is a Partner and Head of the CIO & Technology Officers Practice. She began her career in executive search in 2000 and has since developed a niche in the appointment of senior Tec leaders, with a particular focus on cyber security, data and digital transformation.

Prior to joining Odgers Berndtson, Caroline operated in search within the IT services and management consultancy arena where she recruited Senior Managers through to Partner level.

On graduation Caroline joined a specialist technology search firm as a Researcher and was engaged in high-level appointments for the application software industry.



Andrew Jenkins
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Andy Jenkins is a Partner in the CIO & Technology Officers Practice of Odgers Berndtson in London where he works cross-sector, but specialises in Financial Services.

He has nearly 20 years' experience leading international, executive and non-executive level assignments; appointing C-suite leaders for Technology, Data, Digital, Cloud and Transformation across Insurance, Asset and Wealth Management, Regulation, Wholesale and Retail Banking.

Andy joined us in 2018 from a leading global executive search firm, having been a Partner in two prominent financial services boutiques in his earlier career.

He has a Master's degree in law from St John's College, University of Cambridge.



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