



## Does mutuality matter? Examining the bilateral nature and effects of CEO–CIO mutual understanding



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### ABSTRACT

Despite the criticality of a healthy partnership between CEOs and CIOs in organizations for effective business–IT alignment, we still know little about how crucial yet under-researched facets of mutual understanding compare between CEOs and CIOs and how their ability of mutual perspective-taking affects the quality of collaboration in their partnership. Drawing on two established theoretical models in social and personal relationship research, the perceptual congruence model (PCM) and the actor–partner interdependence model (APIM), our study examines 102 matched-pair survey responses of CEOs and CIOs using dyadic data analysis. Our findings show that both executives' actual opinions on important business and IT topics are more similar than both perceive them to be. Accordingly, perceptions of each other's opinions are negatively biased away from their real opinions. Moreover, our study demonstrates that CIOs' understanding of their CEO plays a more pivotal role in predicting the quality of CEO–CIO collaboration than CEOs' understanding of their CIO; this highlights the disparate importance of an active and passive role of understanding in the CEO–CIO partnership. Implications for research and practice are discussed.

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### Introduction

Fostering the business–IT partnership is a perennial challenge for corporate executives. In fact, the latest Society for Information Management's (SIM) IT Key Issues and Trends survey reported that strategic alignment of IS with the business was regarded as the topmost priority in eight out of the last 12 years and among the top two in all but one year (Kappelman et al., 2014; Luftman et al., 2005). Alignment clearly remains a persistent and pervasive managerial issue, particularly as organizations, markets, and technologies are constantly evolving (Coltman et al., 2015). A good working relationship between the chief executive officer (CEO) and the chief information officer (CIO) is central to a healthy business–IT partnership. This, in turn, facilitates the process of blending IT assets and complementary business capabilities to derive strategic value from IS (Preston and Karahanna, 2009b; Bassellier and Benbasat, 2004). Regardless of its importance, however, this relationship is frequently observed as bumpy, which contributes to the ineffectual use of information systems (IS) and to poor IS strategic alignment (Karahanna and Preston, 2013).

Several factors have been found to account for poor relationships between CIOs and CEOs, and a key recurring theme has been that the CIO is perceived by the CEO as someone who operates in a service delivery capacity or in a support function

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rather than in a strategic advisory role (Fell, 2013). All too often, and as an expression of a lopsided relationship, there has been little IT recognition on the part of the business with few opportunities for CIOs to engage in regular strategic conversations with their CEO (Luftman and Kempaiah, 2007). Even worse, both IS and business leaders are often “unaware of their respective assumptions and find it difficult—or even controversial—to discuss them” (Hansen et al., 2011, p. 175). Overall, extant academic and practitioner research has long recognized this gap in mutual understanding as a major obstacle to IS strategic alignment (Reich and Benbasat, 2000).

However, as IT-driven business topics proliferate and digital technologies fundamentally reshape traditional business strategies and models, the CIO as a strategic partner to the CEO has become more prevalent (Matt et al., 2015; Weill and Woerner, 2013; Hansen et al., 2011). Regular and frequent strategic conversations between CEOs and CIOs are no longer unusual, and the necessity of CEOs to understand the business value of IT becomes increasingly important for business success (Coltman et al., 2015). In recent years, extensive evidence has accumulated that senior executives (including business and IT executives) are cognitively limited and subject to different biases such as confirmation, overconfidence, availability, anchoring, and self-preservation (Coltman et al., 2015; Kahneman et al., 2011; Vetter et al., 2011). Given the potential that cognitive biases may lead to perceptual blindness or distortion and given the pivotal role of mutual understanding for the health of the business–IT partnership, it is critical to fathom whether executives’ *subjective perceptions* of each other’s priorities, preferences, and opinions—as represented in implicit, intrapersonal assumptions—are in line with or depart from their *actual perceptions* (Benlian, 2013; Hansen et al., 2011; Preston and Karahanna, 2009b). In the same vein, gaining deeper insights into the question of *who needs to understand whom* in the CEO–CIO partnership and thus into bidirectional understanding, which we define as the ability of mutual perspective-taking, becomes more vital for positively affecting business–IT collaboration quality. Neglecting bidirectional differences in perceptions and understanding may otherwise not only impede the partnership between the two executives (e.g., by undermining each other’s credibility or trustworthiness), but may also have far-reaching and profound effects (e.g., unnecessary delays or diverging priorities in IT investment decisions). Those can by far transcend the CEO–CIO partnership and trickle down to many other areas of the firm (Johnson and Lederer, 2013; Tallon, 2011).

Previous studies on social alignment have primarily focused on the pivotal role of “mutual” or “shared” understanding between business and IT executives (e.g., Tan and Gallupe, 2006; Reich and Benbasat, 1996), its antecedents (e.g., Preston and Karahanna, 2009b; Reich and Benbasat, 2000), and its effects on IS strategic alignment or the business value of IT (e.g., Gerow et al., 2014; Tallon et al., 2000). These insights are very valuable because they shed light on how CEO–CIO social alignment is formed and how it affects important alignment and performance outcomes. However, previous studies have thus far treated CEO–CIO mutual understanding largely as a unitary and undifferentiated concept (e.g., Johnson and Lederer, 2010), neglecting to distinguish between intra- (i.e., self) and interpersonal (i.e., other) perceptions and to consider the bidirectional nature of understanding, or have limited their focus to only one side of the “understanding equation” (such as “business understanding of IT”) altogether (e.g., Wagner et al., 2014). This comes as a surprise, given that previous IS scholars have pointed to the importance of examining a more nuanced and fine-grained conceptualization of CEO–CIO understanding, rather than studying it from an aggregated or lopsided perspective (Coltman et al., 2015; Preston and Karahanna, 2009b). In light of these limitations and calls for further research, our study addresses the following research questions:

- (1) *How do reciprocal perceptions of key business and IT topics compare in the CEO–CIO partnership?*
- (2) *Is there an imbalance between CEOs and CIOs in understanding one another’s perspectives?*
- (3) *How do the two directions of understanding (i.e., CIOs understand CEOs vs. CEOs understand CIOs) differentially affect the collaboration quality between CEOs and CIOs?*

Gaining deeper insights into CEO–CIO understanding<sup>1</sup> and exploring its effects can help organizations carefully diagnose and shape the relationship between business and IT leaders (e.g., in terms of communication, collaboration, and coordination practices) in order to promote a healthy and successful business–IT partnership.

Besides these practical implications, our study also offers several research and theoretical contributions. First, while previous social business–IT alignment research has often limited its focus on just one single direction of understanding or has largely treated mutual understanding as a unitary and aggregated concept, obscuring intra- and interpersonal distinctions and the bidirectional nature of understanding, our study proposes and fleshes out a novel perspective on CEO–CIO understanding which allows differentiation between bidirectional effects on their relationship. In doing so, we particularly shed light on the crucial concept of mutual perspective-taking—the cognitive process of changing the viewpoint and putting oneself into the shoes of the other person (Grant and Berry, 2011)—that has thus far received only scant attention in social alignment research. Second, social alignment research to date has not distinguished between an active and a passive role of CEO–CIO understanding (i.e., understanding vs. being understood) and their effects on important relational outcomes. By

<sup>1</sup> We conceptualize CEO–CIO understanding as a facet of the broader umbrella concept of ‘perceptual congruence’ that we introduce and explain in more detail in the Theoretical Background section (see Fig. 1 and Table 1).

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