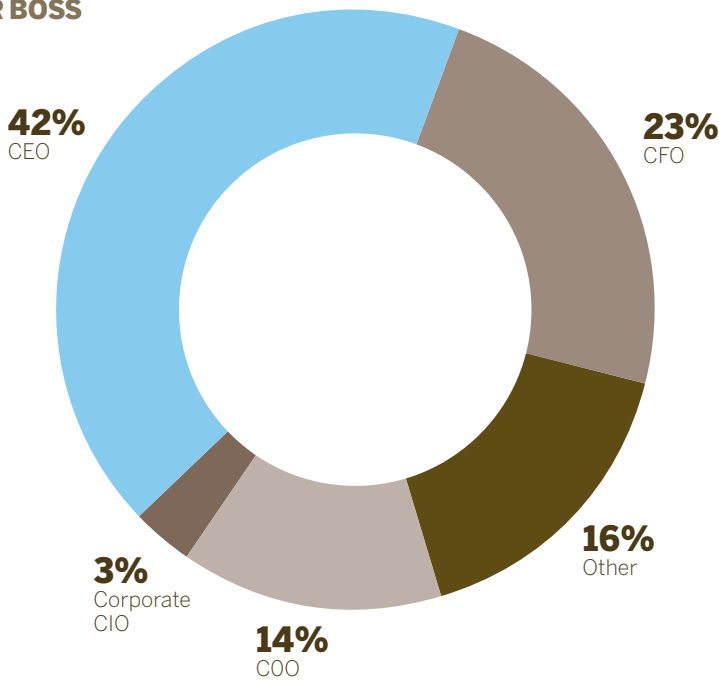


WHO You Are

Who You Work For

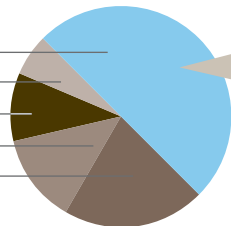
After three straight years in which your reporting relationships shifted away from the CEO and toward the CFO, the trend has reversed: 42% of IT executives said they report to their CEOs in this year's survey, compared with 40% last year. Meanwhile, only 23% of IT execs said they report to the CFO, compared with 30% last time.

YOUR BOSS



YOUR TITLE

All CIO titles	50%
Director	21%
VP/SVP/EVP	13%
CTO	6%
Other	10%



CIO TITLES

CIO only	24%
CIO & VP	16%
CIO and Senior VP	8%
CIO and Executive VP	1%

NOTE: CIO title components equal 50% before rounding.

TENURE IN YOUR CURRENT JOB

Less than 2 years

24%

2-5 years

35%

5-10 years

31%

More than 10 years

9%

AVERAGE TENURE

4 YRS, 11 MOS

NOTE: Percentages in some graphs and charts may not add up to 100 due to rounding.

WHO You Are (Continued)

The Business of IT Is Business

For the first time, business operations has sup-
 planted consulting as your top non-IT job experi-
 ence. This shift drives home the importance of
 business experience for IT executives. Yet IT con-
 tinues to be the primary job background for
 almost three-fourths of CIOs—a statistic that is
 nearly unchanged in the five years of “The State of
 the CIO” reports.

PRIMARY JOB EXPERIENCE IN YOUR CAREER

IT	71%
Business (non-IT) operations	7%
Consulting	7%
Engineering	3%
Finance/Accounting	3%
Administration	2%
Logistics	1%
Marketing	1%
Sales	1%
Other	3%

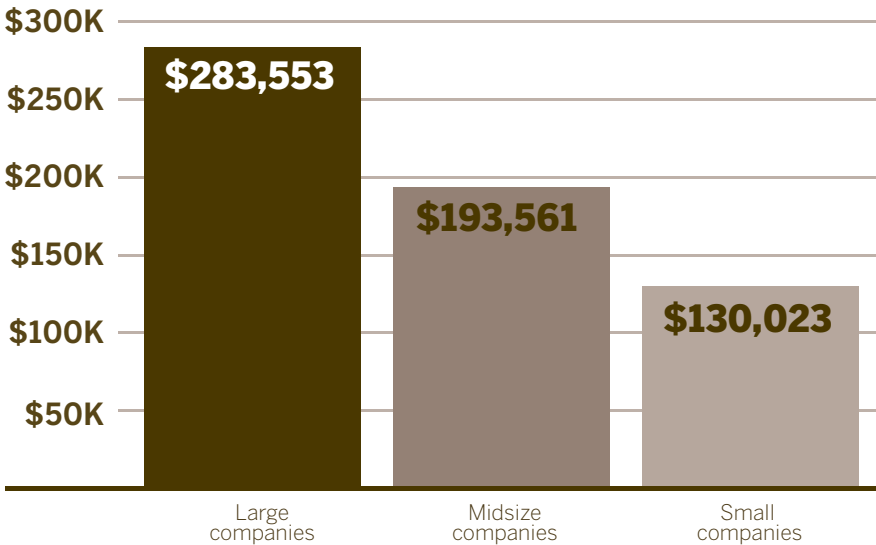
NOTE: There were no responses for
 manufacturing/production.

YOUR JOB EXPERIENCE OTHER THAN I.T.

Business (non-IT) operations	44%
Consulting	42%
Administration	25%
Engineering	22%
Finance/Accounting	22%
Sales	18%
Marketing	16%
Manufacturing/Production	13%
Logistics	10%
Other	17%

NOTE: Respondents checked all that applied.

YOUR AVERAGE TOTAL COMPENSATION



NOTE: Average by revenue size (large = \$1 billion or more, midsize = \$100 million to \$1 billion, small = \$100 million or less)

CIOs' AVERAGE
 COMPENSATION
 HAS RISEN ONLY

1.4%
 SINCE
 2002

WHILE INFLATION
 HAS RISEN 5.4%.

NOTE: Core inflation measured from
 October 2002 to October 2005.

I.T. IMPACT

Innovation on the Rise

Almost three-fourths of you think IT should lead the business rather than just support it—up from 69% in 2004. But you predicted that lowering costs will continue to be IT's number-one contribution to the enterprise. However, you said that IT-enabled business innovation will increase in 2006, while compliance concerns will lessen.

YOUR VIEW OF I.T.'S IMPACT ON THE ENTERPRISE

	2006 expectations	2004-05 in hindsight
Reduce costs through efficiency/productivity	1	1
Enable/drive business innovation	2	3
Create or enable competitive advantage	3	2
Improve external customer satisfaction	4	4
Grow existing revenue streams	5	6
Generate/enable new revenue streams	6	7
Enable regulatory compliance	7	5
Enable global operations	8	8
Streamline the supply chain	9	9

BUSINESS PROCESSES YOU ARE IMPROVING WITH I.T.

Accounting and finance	77%
Customer service and support	70%
Human resources	59%
Asset management and maintenance	44%
Sales	42%
Inventory management	41%
Marketing	41%
Order and invoice processing	41%
Supply chain/Logistics	34%
Order fulfillment	31%
R&D/Product development	26%
Manufacturing	20%
Other	17%

NOTE: Respondents checked all that applied.

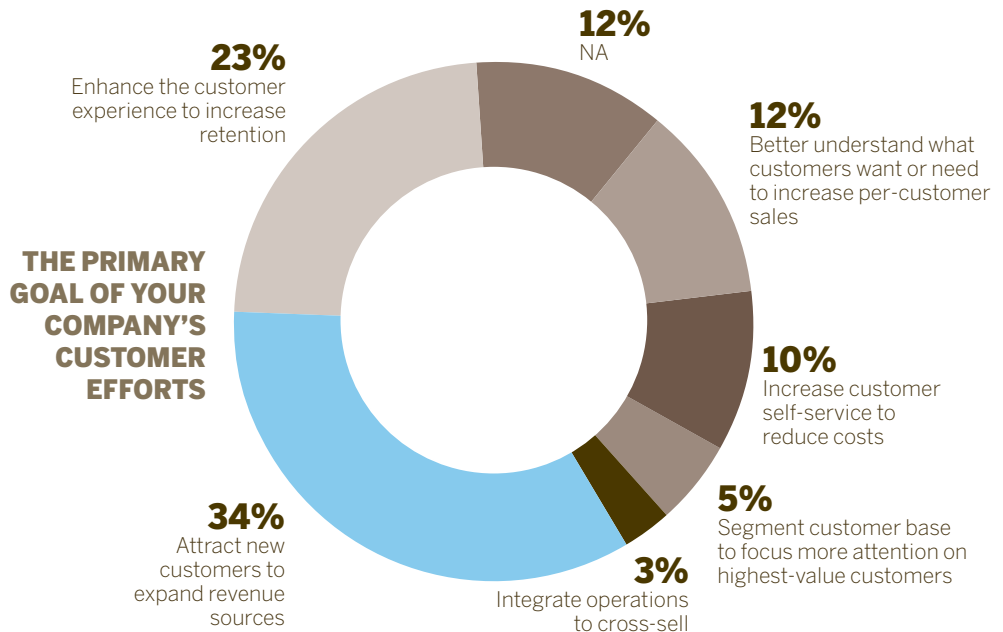
HOW YOU VIEW I.T.'S ROLE IN THE ORGANIZATION

73% IT should proactively envision business possibilities and initiate with technology.

27% IT should support and enable predefined business initiatives.

Putting IT to Work

The business functions IT has most benefited are accounting and finance, and customer service and support. The supply chain and order processing and fulfillment have benefited less from IT, despite the great opportunities in this area. External customers are also one of your major concerns; you are using IT to attract new business and retain existing customers—efforts that directly affect the bottom line.



NOTE: Percentages in some graphs and charts may not add up to 100 due to rounding.

Your I.T. DEPARTMENT

Hiring Spree

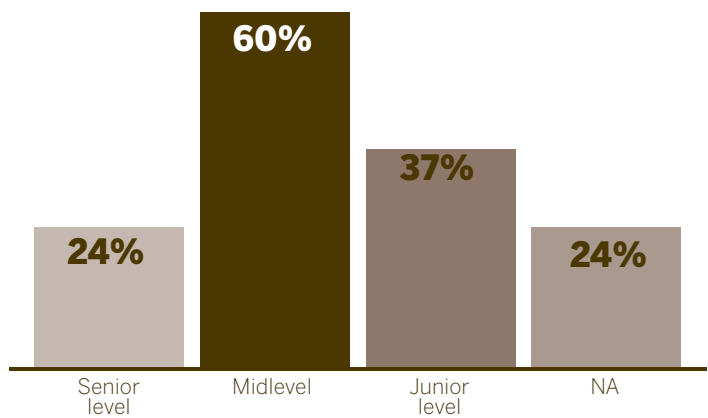
You're more optimistic about hiring than at any time since the 2001 recession. More than half of CIOs surveyed said they plan to increase IT staff in the coming year. Your job postings will focus on midlevel employees who have experience in application development or business-oriented functions.

SKILL SET YOU WILL NEED MOST FROM NEW HIRES

Project management	54%
Application development	51%
Business process management	39%
Security	37%
Database management	36%
Networking	33%
Help desk/User support	33%
Architecture development or management	31%
Web services	27%
Business- or industry-specific knowledge	27%
Infrastructure management	27%
Website development	22%
Emerging technologies	19%

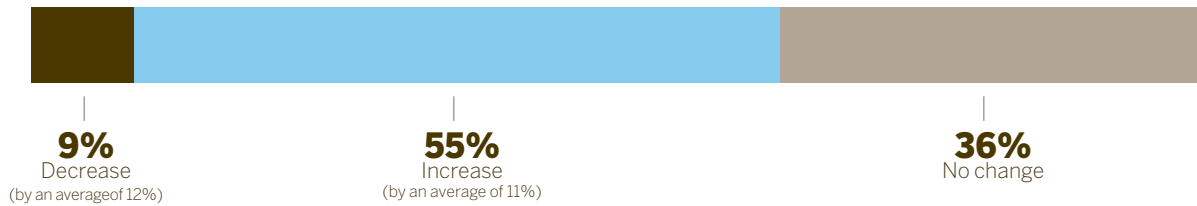
NOTE: Respondents checked all that applied.

LEVELS OF I.T. EMPLOYEES YOU EXPECT TO HIRE



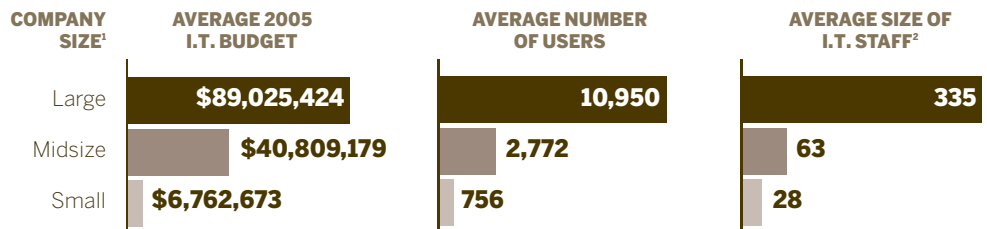
NOTE: Respondents checked all that applied.

CHANGE IN YOUR I.T. HEADCOUNT DURING THE NEXT 12 MONTHS



I.T. INVESTMENTS

Small companies invest a much higher percentage of their total revenue in IT (9.8%) than do midsize companies (5.2%). Large companies invest 6.6% of their revenue in IT.



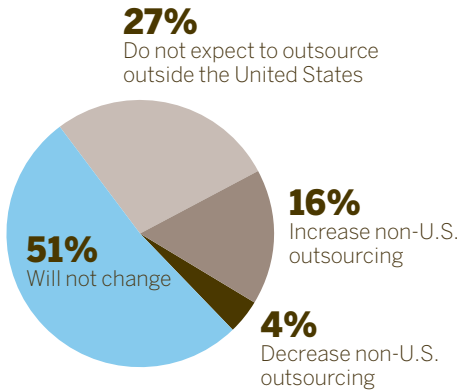
NOTE: ¹Average by revenue size (large = \$1 billion or more, midsize = \$100 million to \$1 billion, small = \$100 million or less)
²Full-time equivalents excluding contract and outsourced employees

Your I.T. DEPARTMENT (Continued)

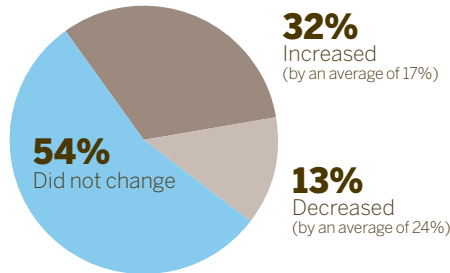
Outsourcing for All (But Especially for Large Companies)

Your use of outsourcing has risen slightly, but the overall trend hides differences at different-sized companies. Large-company CIOs outsource more often than those at small or midsize companies, and they outsource a higher percentage of IT labor and send more of their work offshore. Application development was the top function outsourced for companies of all sizes.

YOUR PLANS FOR OFFSHORING DURING THE NEXT 12 MONTHS

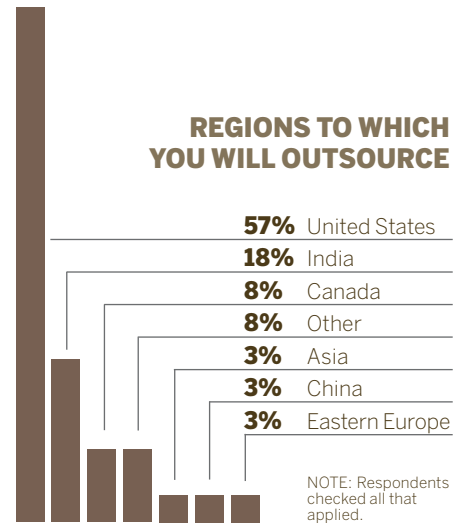


CHANGE IN YOUR I.T. LABOR PROVIDED BY OUTSOURCERS OR CONTRACTORS



ONLY 14% OF YOU OUTSOURCE MORE THAN 30% OF YOUR I.T. LABOR.
HALF OF YOU OUTSOURCE 10% OR LESS.

REGIONS TO WHICH YOU WILL OUTSOURCE



MAJOR SERVICES OR PROCESSES THAT YOU OUTSOURCE

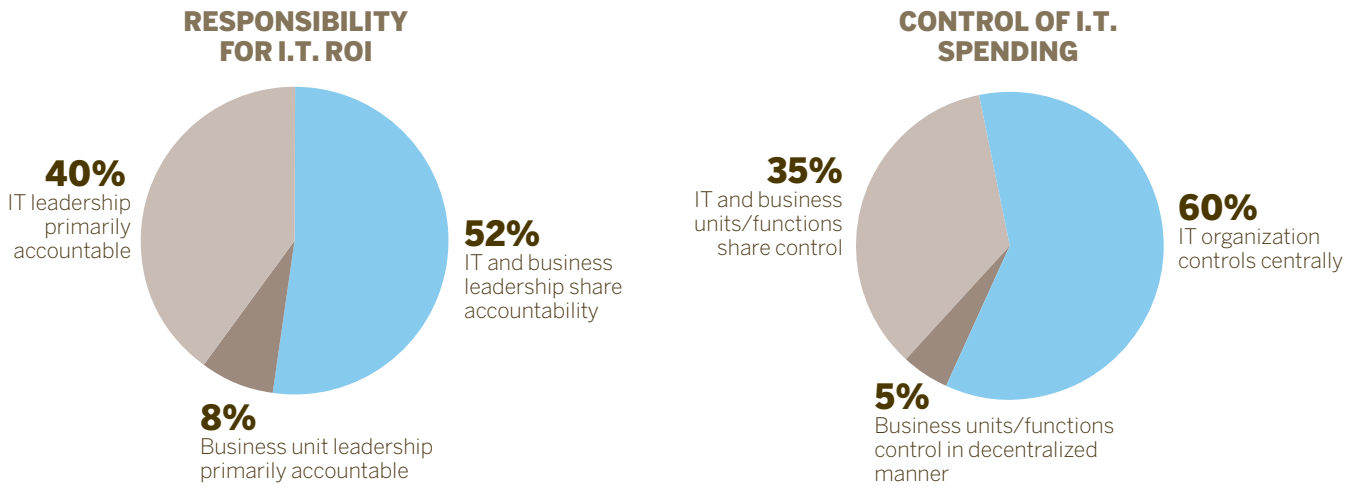
Application development, maintenance or support	76%
Web, data or application hosting services	34%
WAN, LAN or connectivity management	26%
Telephony platforms and services	26%
Mainframe, data center, servers or storage platforms	20%
Other IT operations	16%
E-mail and messaging services	16%
Security policies or services	16%
Help desk	16%
Desktop provisioning and support	14%
IT-enabled business process (call center, benefits, billing)	13%
Application project management or change management	12%
Business function (HR, marketing, accounting)	8%
IT management (architecture, standards, capacity/continuity)	6%

NOTE: Respondents checked all that applied.

How You Do YOUR JOB

Control Versus Shared Accountability

A majority of you say that IT and business leadership share accountability for ROI from IT investments—which is as it should be. Paradoxically, though, nearly two-thirds of you say the IT organization controls IT spending rather than sharing it with the business. In this instance, one-sided control could mean a lack of business-IT alignment.



YOUR TOP 10 TECHNOLOGY PRIORITIES

1. Integrate/enhance systems and processes
2. Ensure data security and integrity
3. Enable business intelligence
4. External customer service/relationship management
5. Redesign or rationalize the IT architecture
6. Enable or enhance e-commerce
7. Enable mobile/wireless
8. Deploy Web services
9. Automate or optimize the supply chain
10. Scale IT globally

YOUR TOP 10 MANAGEMENT PRIORITIES

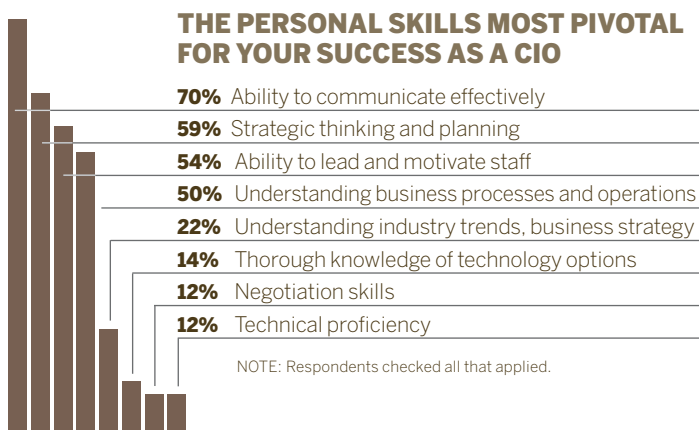
1. Align IT and business goals
2. Business continuity/risk management
3. Control IT costs
4. IT-enabled process improvement
5. Improve internal user satisfaction
6. Develop IT staff leadership/business skills
7. Improve project management discipline
8. Ensure privacy of customer and employee data
9. Enable or enhance knowledge management and leverage intellectual assets
10. Ensure regulatory compliance

76%
 OF YOU ARE MEMBERS OF THE MANAGEMENT COMMITTEE.

How You Do YOUR JOB (Continued)

Success and Frustration

For the third straight year, communication and strategic thinking and planning top the list of skills CIOs deemed critical to their success. A new listing, leadership and motivational ability, enters at the third spot. Among the barriers to success are familiar bugbears such as budget shortfalls and a lack of time for strategic thinking and planning. But another new entry—a backlog of projects and requests—is now the top barrier to CIO success.



YOUR BIGGEST BARRIERS TO JOB EFFECTIVENESS

1. Overwhelming backlog of requests and projects
2. Inadequate budgets
3. Shortage of time for strategic thinking and planning
4. Unrealistic expectations from the business
5. Unknown expectations from the business
6. Lack of key technical skill sets within the IT department
7. Overwhelming pace of technology change
8. Lack of business knowledge within the IT department
9. Lack of alignment between business goals and IT efforts
10. Difficulty proving the value of IT

HOW YOU SPEND YOUR TIME



“The State of the CIO 2006” Survey Methodology

CIO's fourth annual “State of the CIO” survey was administered online from June 16 to July 8, 2005. CIOs, CTOs and VPs in charge of IT were randomly selected from our circulation file and invited to take the survey. Survey findings shown are based on the responses of 545 individuals. All were heads of IT, with 88% of respondents responsible for enterprisewide IT and 12% for divisional IT.

Respondents worked in a broad range of industries, including manufacturing (14%), medical/health care (11%), insurance (9%), finance (9%), education (9%), wholesale/retail/distribution (8%), and federal, state and local government (8%). In terms of company size, 40% of the respondents were from companies with annual revenue of less than \$100 million, 37% were from companies with revenue between \$101 million and \$999.9 million, and 21% reported annual revenue of more than \$1 billion. (Two percent of the respondents did not answer the question.) Eighty-six percent of respondents were male.

The margin of error for the survey is $\pm 4\%$. Not all respondents answered all questions. Percentages may not add up to 100 due to rounding. —L.C.W.