



The STATE of the CIO

Highlights from *CIO Magazine's* annual,
definitive research into the state of IT leadership

Management trends. Budget priorities. Outsourcing trends and emerging technologies.

These elements are all part of the CIO's world, and we're pleased to present them to you in CIO Magazine's latest "State of the CIO" survey results.

Each year, CIO conducts an exclusive survey of more than 500 heads of IT to discover goals and priorities for the coming year. In this year's sixth annual edition of this one-of-a-kind snapshot, CIO asked IT decision-makers about their priorities, IT spending, outsourcing practices, their difficulties and the ways they perform their jobs.

So, dive in and read about the top trends such as:

- integrating and enhancing existing systems and processes;
- ensuring data security and integrity;
- aligning IT and business goals;
- IT-enabled process improvement;
- business continuity and risk management.

Then ask yourself: What's the impact of IT in your companies? What's keeping you up at night? We encourage you to benchmark against this data to identify and define best practices, analyze trends and develop your own agenda for 2007 and beyond.



Business Technology Leadership

Summary of Findings

CIO Magazine's 2007 "State of the CIO Survey"

CIO's fifth annual "State of the CIO" survey was conducted with the objective of understanding how the role of the CIO continues to evolve in today's business climate and to help define the CIO agenda for 2007. The survey asks about the CIO's seniority, reporting structure, budgetary responsibilities, technical and management priorities, business and leadership challenges, and the key skills needed for the job today. Key findings are summarized below:

Reporting Structure

Forty one percent (41%) of CIOs report directly to the CEO while only 24% report to the CFO, consistent with last year's findings. Previous surveys had shown an increasing percentage of CIOs reporting to the CFO, however, this trend has clearly been reversed. Sixty-eight percent (68%) of CIOs surveyed sit on their organization's business executive management committee.

Average Tenure & Compensation

On average, CIOs are staying in their jobs for five years. This is consistent with the four years eleven months reported last year and four years seven months reported in 2004. On average, CIOs earn \$185,240 in total compensation annually, fairly consistent with the \$186,000 reported in last year's survey.

Background

CIOs most frequently list IT (70%) as their primary area of experience prior to their current position. Non-IT experience in past jobs includes consulting (35%), non-IT business operations (33%), sales/marketing (27%), administration (23%), and engineering (18%).

Responsibilities

Top activities consuming CIOs time include interacting with CXOs and business executives (56%), making strategic systems decisions (52%), hiring, developing and managing IT staff (42%), leading projects (41%) and strategic business planning (40%).

Critical Skills for CIO Role

The ability to communicate effectively once again tops the list as the most pivotal personal skill required for success in the CIO role. Strategic thinking/planning and the ability to lead and motivate staff also made the top 3 list again this year. Over half (52%) of respondents cite communication/leadership/management skills as best describing their primary strength as a CIO.

Skills in Demand

More than half (53%) of CIOs expect their IT headcount to increase over the next year. Project management (52%) is the most frequently cited skill in demand from new hires followed by application development (50%), database management (39%), security (37%) and business process management (36%).

Future Role

Thirty-eight percent (38%) of CIOs surveyed say they would move to a CIO job at a bigger company if they could move to another role. One in five (20%) are happy where they are and would stay in their current CIO role as long as possible. Eight percent (8%) aspire to the CEO role.

IT Budgets and Staffing

IT budgets as a percentage of total revenue remained consistent at 7.4% compared to 7.7% in last year's study. CIOs responding support an average of 4,355 users and an average IT staff of 138 employees. In terms of budget allocation, an average of 58% of the IT budget is devoted to nondiscretionary items while 37% is allocated to discretionary projects providing new capabilities.

Control of IT Spending & ROI

IT spending is centrally controlled by the IT organization at 54% of CIOs' organizations. One third (34%) say control of IT spending at their companies is blended by IT and business units or functions while 9% say IT spending is centrally controlled by a non-IT executive. Only 3% say IT spending is directly controlled by their organizations' business units or functions. ROI accountability is shared by IT and business leadership at 51% of respondents' organizations, while 39% say IT leadership is primarily accountable for ROI. Eight percent (8%) say business unit leadership is primarily accountable for IT ROI.

Role of IT

The majority (64%) of CIOs believe that the role of IT is to proactively envision business possibilities and initiate those ideas with technology while 36% believe IT should support and enable predefined business initiatives. Over half (56%) of CIOs surveyed say that bringing ideas for IT-enabled business innovation to the table is a significant part of their jobs.

Innovation

The importance of the CIO and IT role as a driver of business innovation continues to increase in importance. CIOs report that an average of 43% of current business initiatives considered "innovations" are driven by IT, up from 34% twelve to twenty four months ago. When asked what role information technology plays in innovation, 68% say IT is co-leading innovation initiatives with business executive sponsors at their organizations.

Impact on Business

Similar to last year's findings, accounting & finance (67%) is the most frequently cited business process currently being improved with IT, followed by customer service & support (62%) and human resources (51%). Compliance and risk management, new categories in the 2007 survey, are cited by 41% and 30% of respondents, respectively, as business processes currently being improved with IT. Reducing costs, enabling business innovation, and improving customer satisfaction all rank within the top three in terms of current and future IT impact on the overall business.

Priorities

Integrating and enhancing existing system and processes (68%) is the most frequently cited technology priority for the coming year followed by ensuring data security and integrity (62%) and business intelligence (57%). Aligning IT and business goals again tops the list as the number one most frequently cited management priority for next year.

Hurdles

Similar to last year, an overwhelming backlog of requests & projects (54%), shortage of time for strategic thinking & planning (54%), and inadequate budgets (51%) are among the top 3 biggest hurdles CIOs face in their current roles.

Outsourcing

The majority (85%) of CIOs surveyed outsource some percentage of their organizations' IT labor. On average, 16% of total IT labor is provided by outsourcers or contract service providers.

Service Oriented Architecture (SOA)

One quarter (25%) of CIOs have already started implementing SOA, 12% say they will begin implementing SOA in the coming year and 21% say SOA is a long-term goal. Over one third (35%) say SOA is unnecessary at their organization and have no plans to implement it.

Methodology

CIO's fifth annual "State of the CIO" survey was administered online from August 11 to August 24, 2006. Senior level IT executives were randomly selected from the CIO circulation file and invited to take the survey. The survey findings shown are based on the responses of 568 heads of IT from a broad range of industries including manufacturing (20%), medical/healthcare (12%), federal, state and local government (11%), education (10%), insurance (8%), and finance (6%). The margin of error for the survey is plus or minus 4 percent. Percentages may not add up to 100 due to rounding.

All respondents are heads of IT at their organizations. Over half (55%) of the respondents hold a CIO/CTO title, 28% hold VP/SVP/EVP of IT titles and 11% are line of business technology executives. Six percent list their title as "other." Eight out of ten (88%) are responsible for enterprise-wide IT decisions and 12% for divisional IT decisions.

In terms of company size, 39% of the respondents are from companies with annual revenue of less than \$100 million while 36% are from companies with revenue between \$101 million and \$999.9 million. Twenty-two percent (22%) report annual revenue of more than \$1 billion. (3% of the respondents did not answer the question).



Business Technology Leadership

The State of the CIO 2007

Q. Are you the top IT executive in your company or business unit?

Yes	100%
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Q. To whom do you report?

CEO	41%
COO	14%
CFO	24%
Corporate CIO	5%
Other	15%

Q. Are you a part of the business executive management committee?

Yes	68%
No	32%

Q. How long have you been in your current position?

Less than 2 years	27%
Between 2 and 5 years	33%
5 years to 10 years	29%
10 years or longer	11%
Mean (years)	5.05

Q. Over the course of your career, have you held jobs in any of the functional areas, other than IT, listed below?

Consulting	35%
Business operations (not IT operations)	33%
Administration	23%
Engineering	18%
Sales	15%
Finance/accounting	14%
Marketing	12%
Manufacturing/production	11%
Logistics	8%
Other	14%
None of the above	26%

Q. Prior to your current position, what was your primary area of experience?

IT	70%
Consulting	6%
Business operations (not IT operations)	7%
Engineering	4%
Finance/accounting	3%
Administration	2%
Manufacturing/production	2%
Sales	2%
Marketing	1%
Logistics	1%
Other	4%

Q. What range best represents your total annual compensation in 2006 (including base salary, bonus and stock options)?

More than \$750,000	1%
\$500,001 to \$750,000	2%
\$450,001 to \$500,000	1%
\$400,001 to \$450,000	1%
\$350,001 to \$400,000	2%
\$300,001 to \$350,000	3%
\$250,001 to \$300,000	5%
\$225,001 to \$250,000	5%
\$200,001 to \$225,000	5%
\$175,001 to \$200,000	9%
\$150,001 to \$175,000	8%
\$125,001 to \$150,000	14%
\$100,000 to \$125,000	18%
Less than 100,000	22%
Mean	\$185,240
Don't know	3%

Q. On which of the following activities do you spend the most time? (Please select the top five activities.)

Interacting with your company's CXOs and business executives	56%
Making strategic systems decisions	52%
Hiring, developing and managing the IT staff	42%
Leading projects	41%
Strategic business planning	40%
Developing/managing the IT architecture	39%
Designing/optimizing business processes	38%
Interacting with IT vendors/service providers	35%
Managing IT crises	29%
Budgeting	26%
Learning about technologies	18%
Interacting with external business partners/customers (not IT vendors)	17%
Security management/planning	15%
Compliance management/planning	13%
Other	3%

Q. If you could move into another role inside or outside your company, what would it be?

CIO at a larger company	38%
Remain in current CIO role as long as possible	20%
COO	16%
CEO	8%
Consulting	7%
Other	5%
Line of business head	5%
CFO	1%

Q. What three personal skills are most pivotal for success in your role? (Please select the top three skills.)

Ability to communicate effectively	71%
Strategic thinking and planning	51%
Ability to lead/motivate staff	50%
Understanding business processes and operations	43%
Ability to influence change in others	34%
Understanding industry trends and business strategy	15%
Negotiation skills	13%
Thorough knowledge of technology options	12%
Technical proficiency	10%
Other	0%

Q. Which of these skill sets best describes your PRIMARY strength as a CIO:

Communication/leadership/management skills	52%
Business and/or industry knowledge/experience	20%
Project management skills/project execution skills	12%
Deep knowledge of technology	10%
Turnaround/change management skills	7%

Q. What are you responsible for?

Enterprisewide IT	88%
Division IT only	12%

Q. What is your IT budget in dollars?

\$100 million or more	6%
\$50 million to \$99.9 million	6%
\$10 million to \$49.9 million	18%
\$5 million to \$9.9 million	17%
Less than \$5 million	53%
Don't know	1%

Q. What percent of your company's total revenue does the IT budget represent?

1% to 5%	63%
6% to %10	18%
11% to 15%	6%
16% to 20%	3%
21% to 30%	3%
31% to 40%	1%
41% to 50%	0%
51% to 60%	1%
61% to 70%	0%
71% to 80%	0%
81% to 90%	0%
91% to 100%	0%
Mean	7.4%
Don't know	4%

Q. How is IT spending controlled?

Centrally controlled by IT organization	54%
Blended control by IT and business units or functions	34%
Centrally controlled by non-IT executive	9%
Directly controlled by business units or functions	3%

Q. How would you describe the overall governance structure of IT at your company?

Centralized	70%
Federated (some centralized governance and some local)	25%
Decentralized	4%

Q. What aspects of IT are centrally managed at your company? What aspects of IT are decentralized?

	Centrally managed	Decentralized
Project management	72%	28%
Infrastructure	92%	8%
Architecture	93%	7%
Software development	77%	23%
Budgeting/prioritization	73%	27%

Q. Who is primarily accountable for IT ROI?

IT and business leadership share accountability	51%
IT leadership	39%
Business unit leadership	8%
Don't know	2%

Q. How many internal users does your IT organization support?

More than 100,000	1%
50,001 to 100,000	1%
30,001 to 50,000	2%
20,001 to 30,000	2%
10,001 to 20,000	5%
7,501 to 10,000	2%
5,001 to 7,500	5%
2,501 to 5,000	8%
1,001 to 2,500	15%
501 to 1,000	15%
301 to 500	9%
201 to 300	7%
101 to 200	11%
Less than 100	16%
Mean	4355
Don't know	1%

Q. What is the headcount of your IT staff, in full-time equivalents, not including contract employees or outsourced employees?

Over 1,000	2%
501 to 1000	3%
101 to 500	12%
50 to 100	14%
Less than 50	69%
Mean	138

Q. Will your IT headcount increase, decrease or remain unchanged over the next 12 months?

Increase by 1% to 10%	34%
Increase by 11% to 20%	11%
Increase by 21% to 30%	4%
Increase by 31% to 40%	1%
Increase by 41% to 50%	1%
Increase by 51% to 60%	0%
Increase by 61% to 70%	0%
Increase by 71% to 80%	0%
Increase by 81% to 90%	0%
Increase by 91% to 100%	2%
Remain unchanged	34%
Decrease by 1% to 10%	8%
Decrease by 11% to 20%	1%
Decrease by 21% to 30%	0%
Decrease by 31% to 40%	1%
Decrease by 41% to 50%	0%
Decrease by 51% to 60%	0%
Decrease by 61% to 70%	0%
Decrease by 71% to 80%	0%
Decrease by 81% to 90%	0%
Decrease by 91% to 100%	0%
Don't know	2%

Q. What percent of your total IT labor is provided by outsourcers or contract service providers?

0%	15%
1% to 10%	41%
11% to 20%	18%
21% to 30%	11%
31% to 40%	4%
41% to 50%	3%
51% to 60%	4%
61% to 70%	1%
71% to 80%	1%
81% to 90%	1%
91% to 100%	1%
Mean	16%

Q. What are the top five skill sets you believe you will have the greatest need for from new hires in the next 12 months? (Please select the top five skill sets.)

Project management	52%
Application development	50%
Database management	39%
Security	37%
Business process management	36%
Architecture development/management	31%
Infrastructure management	32%
Web services	32%
Networking	30%
Help desk/user support	29%
Business or industry knowledge (of IT practices in specific industries)	26%
Website development	26%
Emerging technologies	14%
Open source	9%
Vendor relationship management	7%
Other	5%

Q. Which statement best describes your philosophy on the IT department's primary role in the organization?

IT should support and enable business initiatives	36%
IT should proactively envision business possibilities and initiate with technology	64%

Q. What percent of your total IT budget is devoted to nondiscretionary items like infrastructure, support and maintenance (“keeping the lights on”)? What percent of your IT budget goes to discretionary projects that provide new capabilities (i.e., new projects—not software upgrades)?

	Discretionary	Nondiscretionary
91% to 100%	2%	5%
81% to 90%	2%	14%
71% to 80%	6%	19%
61% to 70%	8%	13%
51% to 60%	13%	14%
41% to 50%	3%	12%
31% to 40%	2%	1%
21% to 30%	27%	11%
11% to 20%	18%	5%
Less than %10	7%	3%
0%	1%	0%
Mean	37%	58%
Don't know	4%	4%

Q. Within your IT department, do you have an individual or team responsible for R&D and vetting emerging technologies that might contribute to a business innovation?

Individual	15%
Team	27%
No one has specific responsibility	58%

Q. What role is IT playing in innovation at your company?

IT is leading innovation initiatives across the company	19%
IT is co-leading innovation initiatives with business executive sponsors	68%
IT is playing an implementation role only	13%

Q. How much of your role is concerned with bringing ideas for IT-enabled business innovation to the table? Think in terms of how your success is evaluated or measured.

None	2%
A modest part of my role	43%
A significant part of my role	46%
A dominant part of my role	10%

Q. How has the importance of your role and the role of the IT function in driving or enabling business innovation changed now compared to 12 to 24 months ago?

Less important	2%
Somewhat more important	40%
Significantly more important	35%
Unchanged	23%

Q. Currently, what percent of current business initiatives that are considered "innovations" are driven by IT, i.e., the idea originates within the IT function or IT leadership or from a group in which IT plays a dominant role? And what percent of business initiatives that are considered "innovations" were driven by IT 12-24 months ago?

	Currently	12 to 24 months ago
90% to 100%	3%	2%
80% to 90%	7%	5%
70% to 80%	12%	7%
60% to 70%	2%	1%
50% to 60%	12%	8%
40% to 50%	13%	10%
30% to 40%	12%	10%
20% to 30%	15%	14%
10% to 20%	11%	17%
Less than %10	8%	15%
0%	1%	3%
Mean	43%	34%
Don't know	6%	6%

Q. Which business processes are you currently improving with IT?
(Please check all that apply.)

Accounting & finance	67%
Customer service/support	62%
Human resources	51%
Compliance	41%
Marketing	39%
Sales	39%
Order/invoice processing	39%
Asset management/maintenance	37%
Inventory management	34%
Risk management	30%
Order fulfillment	29%
Supply chain/logistics	27%
Research & development/product development	23%
Manufacturing	17%
Other	17%
Don't know	1%

Q. What are your top five IT management priorities for the year ahead?
(Please check the top five priorities.)

Aligning IT and business goals	62%
IT-enabled process improvement	53%
Business continuity/risk management	44%
IT staff development	43%
Controlling IT costs	35%
Improving internal user satisfaction	43%
Improving project management discipline	36%
Measuring and communicating IT value	38%
Regulatory compliance	26%
Data privacy	22%
IT governance	20%
Revenue-generating services/products	23%
Internal IT knowledge management	21%
Scaling IT globally	13%
Other	5%

Q. What are your top five technology priorities for the year ahead?
(Please check the top five priorities.)

Integrating/enhancing existing systems and processes	68%
Ensuring data security and integrity	62%
Business intelligence	57%
New business services/products (i.e., Web services)	52%
Mobile/wireless	41%
External customer service	40%
Service-oriented architecture/ enterprise architecture	33%
New technologies	35%
E-commerce	30%
Supply chain automation/visibility	20%
Open source software	9%
Other	12%
Don't know	1%

Q. What are the five biggest hurdles or barriers to your effectiveness in your role right now? (Please check the top five priorities.)

Shortage of time for strategic thinking/planning	54%
Overwhelming backlog of requests/projects	54%
Inadequate budgets	51%
Unknown/unrealistic expectations from the business	48%
Lack of business sponsorship/accountability for IT projects	36%
Lack of key technical skill sets within IT	36%
Difficulty proving the value of IT	30%
Lack of business knowledge within IT department	27%
Overwhelming pace of technology change	25%
Lack of alignment between business goals and IT efforts	23%
Risk and uncertainty due to volatile economic conditions	17%
Inability to negotiate favorable terms with technology vendors	4%
Other	16%
Don't know	1%

Q. Are you planning to implement service-oriented architecture (SOA)?

Already started—more than one year experience	13%
Just started—within last year	12%
Will start within coming year	12%
A long-term goal	21%
No plans—not necessary	35%
Don't know	7%

Q. What is the primary focus of your SOA effort so far? (base: 342)

Internal integration	43%
External integration with partners and customers	16%
Developing new business processes/services	25%
Other	5%
Don't know	12%

Q. What impact did IT have on the overall business in the past year? (Please check the three greatest benefits.)

Reduced business costs	54%
Improved customer (external) satisfaction	46%
Enabled business innovation	46%
Improved security/risk management	35%
Created competitive advantage	30%
Enabled regulatory compliance	24%
Grew existing revenue streams	21%
Enable new revenue streams	20%
Enabled global expansion	12%
Supply chain automation/visibility	9%
Don't know	2%

Q. What impact do you expect IT will have in the year ahead? (Please check the three greatest benefits.)

Enable business innovation	54%
Reduce business costs	48%
Improve customer (external) satisfaction	48%
Create competitive advantage	38%
Improve security/risk management	29%
Enable new revenue streams	29%
Grow existing revenue streams	22%
Enable regulatory compliance	17%
Enable global expansion	15%
Supply chain automation/visibility	14%
Don't know	2%

Q. What is your gender?

Male	85%
Female	15%

Q. What is your title?

CIO/CTO	55%
IS/IT (VP/SVP/EVP)	28%
Line of bus tech exec (chief/director)	11%
Government/Military Titled Personnel	1%
Engineering/Systems Development (VP/SVP/EVP)	1%
Other technology services (VP/SVP/EVP)	1%
Corporate Business Management	1%
CSO/CISO	1%
CEO/President/Owner/Partner/COO/GM	1%

Q. What is your organization's primary business?

Non-Tech: Manufacturing & Process industries	14%
Non-Tech: Health care/Medical/Pharmaceutical/ Bio-tech	12%
Non-Tech: Education	10%
Non-Tech: Government - State/Local	8%
Non-Tech: Insurance/Real estate/Legal	8%
Non-Tech: Finance/Banking/Accounting	6%
Tech: Manufacturing - Hardware/Software	6%
Non-Tech: Retailer/Wholesaler/Distributor (noncomputer)	7%
Non-Tech: Other	4%
Non-Tech: Government - Federal (including Military)	3%
Non-Tech: Travel/Hospitality/Entertainment/ Recreation	4%
Tech: Other	1%
Non-Tech: Transportation/Utilities (energy, water, etc.)	2%
Tech: Service provider (MSP, BSP, ASP, ESP, Web hosting)	2%
Non-Tech: Advertising/Marketing/PR/Media (Publishing, Broadcast, Online)	2%
Non-Tech: Construction/Architecture/Engineering	3%
Tech: Computer/Network consultant	2%
Non-Tech: Business services/Consultant	2%
Tech: Communication carriers (ISP, telecom, data comm, cable)	1%
Tech: E-commerce/Internet	1%
Non-Tech: Mining/Oil/Gas	1%
Non-Tech: Aerospace/Defense contractor	1%
Tech: VAR/VAD/OEM	1%

Q. Please select the dollar amount that best represents the annual gross sales or revenue for your corporation, include all plants, divisions, branches, parents and subsidiaries worldwide.

Less than \$100 Million	39%
\$101 Million to 999.9 Million	36%
Greater than \$1 Billion	22%
Don't know	3%