CIO Magazine 2009 State of the CIO Survey

Executive Summary

CIOs have firmly established their importance in the executive suite, according to results from CIO magazine's "State of the CIO" survey, conducted in September, 2008 among 506 heads of IT.   Most CIOs call technology a critical component of their organization's products and say it's essential to sales and distribution models. More CIOs report to the CEO and the majority now have a place on their organization's executive management committee. Also, salaries continue to rise and IT executives are staying in their jobs longer.   But are CIOs and their bosses on the same page when it comes to IT's role and effectiveness? Not necessarily. CIOs often rate themselves more favorably than business executives when it comes to supporting critical business drivers. Additionally, CIOs and business executives don't always agree on who controls various IT activities needed to meet business objectives. Read on for additional highlights and complete results.

Direct Line to C-Suite: CIOs Increasingly Report to the CEO, Fewer to CFO
Nearly half of CIOs responding (47 percent) work for the CEO; that's up from 41 percent last year. Only 16 percent report to the CFO, down from 23 percent last year. The percentage of mid-market and large company CIOs reporting to the CEO increased sharply this year after remaining relatively flat from 2007 to 2008, while the percentage reporting to the CFO has decreased.

	<$100 Million			$100-$999.9			$1 billion+		
Report to	2007	2008	2009	2007	2008	2009	2007	2008	2009
CEO	49%	56%	55%	39%	38%	47%	33%	35%	44%
COO	14%	11%	10%	15%	21%	21%	13%	13%	14%
CFO	22%	15%	12%	28%	26%	18%	25%	23%	15%
Corporate CIO	2%	4%	5%	4%	6%	2%	12%	12%	6%
Other	14%	14%	18%	13%	9%	11%	16%	16%	21%

Executive Committee Membership Rises Steadily
Nearly three quarters of CIOs (74 percent) hold a seat on their organization's business executive management committee, up from 71 percent in 2008 and 68 percent in 2007. The percentage of CIOs who belong to their company's executive committee in large companies has risen steadily during the past two years (74 percent this year, up from 68 percent in 2008 and 64 percent in 2007). Eighty percent of CIOs in very large companies ($5 billion+ annual revenue) sit on their organization's executive committee, up sharply from 60 percent last year.

CIO Salaries Increase; Financial Sector Highest Paying, Government Lowest

CIOs are earning more and staying in their jobs longer. IT executives earned $247,900 last year, up from $237,400 in the 2008 survey and $185,200 in 2007. CIOs in large companies earned an average of $350,200 compared to their peers in small ($165,200) and mid-market ($211,300) companies. The average tenure for CIOs responding is 5 years, 4 months, up from 4 years, 5 months last year, but relatively consistent with the 5 years, 1 month reported in 2007. While IT executives in the financial and government sectors have held their current positions for roughly the same length of time, CIOs in the financial sector command salaries more than double those of government CIOs.

Industry	Mean Tenure	Mean Salary
Education	5 years, 2 months	$162,300
Finance/banking	5 years, 10 months	$340,700
Government	5 years, 11 months	$157,400
Healthcare	4 years, 10 months	$243,100
Manufacturing	6 years, 3 months	$273,800
Retail/wholesale/distributor	4 years, 3 months	$252,300

CIOs Primarily Have IT Backgrounds But Frequently Lead Non-IT Areas of the Business

Roughly three out of four IT heads come from IT backgrounds. Seventy-seven percent of CIOs surveyed say IT was their primary area of experience prior to their current position, consistent with last year. Twenty-three percent had primarily non-IT experience prior to their current job including consulting (9 percent), administration/operations (4 percent), engineering (3 percent) and finance/accounting (2 percent).

Many CIOs now run other non-IT areas of the business. In addition to their IT work, almost two thirds of respondents (64 percent) cite a leadership role for some other non-IT area of the business. Security (32 percent), strategy (25 percent) and administration/operations (20 percent) are the most frequently cited non-IT areas of responsibility. CIOs in small companies (71 percent) are more likely to have leadership level non-IT responsibility than their mid-market (64 percent) and large company (58 percent) counterparts. Eighty-five percent of CIOs working in the financial sector have a leadership role in some non-IT area of the business, significantly higher than IT heads in the education (51 percent) or manufacturing (50 percent) sectors.

CIOs Focus on Long-term Strategic Planning and IT-Business Alignment

Seven out of ten CIOs (70 percent) call long-term strategic thinking and planning the executive leadership competency most critical to their current role, up significantly from 56 percent last year. Aligning IT initiatives with business goals (71 percent) is the most frequently cited activity in which CIOs spend their time and focus, followed by cultivating the IT/business partnership (58 percent), improving IT operations & systems performance (53 percent), leading change efforts (47 percent) and implementing new systems and architecture (43 percent). These activities are consistent with the top 5 reported last year. CIOs spend most of their time with groups outside of their IT staff or team. CIOs report that 38 percent of their time is spent with IT staff, 22 percent with their companies IT executives, 19 percent with non-IT employees and 10 percent, respectively, with IT vendors and external business partners/customers.

Financial Sector Spends Most on IT as a Percentage of Revenue; Manufacturing Least

The average IT budget as a percentage of total revenue is 5 percent, according to CIOs responding to this year's survey. CIOs in small companies report that the IT budget represents 8 percent of their company's total revenue, significantly higher than the 4 percent reported by mid-market and large company CIOs. CIOs in the financial sector report the highest IT budget as a percentage of total revenue (8 percent,) while CIOs in retail/wholesale/distribution (3 percent) and manufacturing (2 percent) report the lowest.

CIOs & Business Executives Agree on Technology's Importance but Not Always on Role and Effectiveness
The majority of large company CIOs surveyed say that technology is a core component of their organization's products and essential to their sales and distribution model (77 percent and 75 percent, respectively). CEOs are in agreement, according to Forrester's Q3 2008 North American Business Technology Online Survey. CIO magazine teamed with Forrester to include several similar survey questions in our State of the CIO research, in order to compare what CIOs and business executives are saying. Forrester's survey, conducted in July 2008 among 600 business executives from North American $1 billion-plus companies, finds 81 percent of respondents consider technology core to their company's offerings while 77 percent believe technology is a critical component of their sales and distribution model.

Where will IT have the most impact on the business in the coming year? CIOs say they aim to improve end-user productivity, drive innovative new market offerings and business practices and re-engineer core business processes. A higher percentage of CIOs in larger companies expect IT to drive innovative new market offerings or business practices in the coming year versus the past year (41 percent versus 29 percent). Fewer expect IT to have an impact on enabling regulatory compliance next year (12 percent versus 26 percent last year).

External customers and costs are top of mind for business executives with roughly half citing customer acquisition & retention (53 percent), managing customer relationships (47 percent) and lowering the company's overall operating costs (47 percent) as critical factors in their decisions related to IT over the coming year, according to Forrester. Although three quarters of large company CIOs believe senior management has clearly communicated their expectations for the IT organization, fewer than half of the business executives surveyed by Forrester believe their IT organization supports these drivers very well (see chart below).

	IT Impact Next year*	Critical Business Drivers for IT Decision Making**	IT Support Rating "Very Well" or "Excellent"***
	CIOs	CEOs	CEOs
Improve end-user workforce productivity	48%	36%	45%
Drive innovative new market offerings or business practices	41%	43%	39%
Re-engineer core business processes	38%	24%	36%
Lower the company's overall operating costs	37%	47%	42%
Improve quality of products and/or processes	32%	43%	42%
Support global expansion	30%	33%	39%
Improve security/risk management	25%	NA	NA
Acquire and retain customers	17%	53%	34%
Manage customer relationships	17%	47%	38%
Enable regulatory compliance	12%	NA	NA

Who Controls IT? CIO and Business Executive Perceptions Differ

CIOs and business executives don't always agree on who controls IT activities within their organization. Nearly nine out of ten large company CIOs (89 percent) say their IT organization has greater responsibility than the individual business areas for directly negotiating and managing vendors, compared to only 44 percent of the business executives surveyed by Forrester. A significantly higher percentage of large company CIOs claim IT responsibility for directly managing technology systems once in production, configuring those systems to deliver what is needed, and determining acceptable levels for security and privacy risks.

	More or Completely IT Orgs Responsibility		Equal mix of business areas and IT		More or Completely Business Areas' Responsibility		Don't know	
	CIOs*	CEOs**	CIOs*	CEOs**	CIOs*	CEOs**	CIOs*	CEOs**
Setting technology investment priorities	54%	30%	37%	37%	9%	23%	0%	10%
Defining or designing the solution to specific business needs	39%	29%	49%	39%	11%	23%	0%	9%
Defining whether solutions should be firm-wide or specific to one area	52%	29%	38%	35%	10%	28%	1%	9%
Deciding how good solutions need to be	24%	23%	60%	36%	16%	33%	0%	9%
Deciding how much security and privacy risks are acceptable	76%	50%	20%	26%	5%	15%	0%	9%
Directly selecting vendor-offered solutions	61%	41%	35%	34%	5%	16%	0%	10%
Directly negotiating with and/or directly managing solutions vendors	89%	44%	9%	28%	2%	19%	0%	10%
Directly configuring technology systems to deliver what you need	87%	60%	11%	25%	2%	6%	0%	9%
Directly managing projects with substantial technology involved	75%	51%	24%	29%	1%	12%	0%	8%
Directly managing the technology systems once in production	88%	55%	10%	26%	3%	11%	0%	9%

Methodology

CIOs eighth 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 2008. The survey was administered online from September 2 through September 17, 2008 to CIO customers in charge of IT at their company or business unit. Findings shown are based on the responses of 506 heads of IT from a broad range of industries including education/non-profit (12 percent), government (12 percent), manufacturing (10 percent), healthcare (10 percent), wholesaler/retailer/distributor (9 percent), and finance/banking/accounting (7 percent). The margin of error on a sample size of 506 is +/- 4.4%. Percentages on questions where respondents selected one answer may not sum to 100 due to rounding.

All respondents are the top IT executive at their company or business unit. Seventy percent hold a CIO/CTO title, 15 percent general manager/managing director/director, 10 percent EVP/SVP/VP and 5 percent other. Ninety two percent of respondents are responsible for enterprise-wide IT and 8 percent are responsible for division-wide IT at their organizations.

Notes:

Trendability: A greater percentage of respondents are employed in larger size companies compared to previous years; 37 percent of respondents work in companies with $1 billion in revenue compared with 32 percent in 2008 and 22 percent in 2007. This should be considered when making comparisons to data from previous years.

Annual Revenues	2007	2008	2009
$5 Billion or more	8%	12%	14%
$1 billion to $4.9 billion	14%	20%	23%
$101 Million to 999.9 Million	36%	39%	36%
Less than $100 Million	39%	26%	22%
Don't know/not applicable	3%	3%	5%

Company Size References: "Small" = Less than $100 million annual revenues, "Mid-size" = $100 million - $999.9 million annual revenues, "Large" = $1 Billion or more annual revenues.

Comparison to Forrester data: For comparability purposes, any reference to State of the CIO data when compared to Forrester's Q3 2008 North American Business Technology Online Survey is against State of the CIO respondents in companies with $1 billion annual revenue. Forrester's survey, conducted in July 2008, surveyed 600 business executives from North American $1 billion-plus companies about the importance of technology in their businesses and the effectiveness of IT in supporting those business drivers.

Results by Question

Are you the top IT executive in your company or business unit?	2009
Yes	100%

To whom do you report?	2009
CEO	47%
COO	16%
CFO	16%
Corporate CIO	5%
Other	16%

Are you a part of the business executive management committee?	2009
Yes	74%
No	26%

How long have you been in your current position?	2009
Less than 1 year	7%
Between 1 and 2 years	11%
Between 2 and 3 years	14%
Between 3 and 4 years	13%
Between 4 and 5 years	13%
Between 5 and 6 years	8%
Between 6 and 7 years	7%
Between 7 and 8 years	6%
Between 8 and 9 years	5%
Between 9 and 10 years	5%
Between 10 and 12 years	5%
Between 12 and 15 years	4%
Between 15 and 20 years	2%
Longer than 20 years	1%
Mean (years)	5.36
Median (years)	4.40

Prior to your current position, what was your primary area of experience?	2009
IT	77%
Consulting	9%
Administration/Operations	4%
Engineering	3%
Finance/accounting	2%
Marketing	1%
Manufacturing/production	0%
Sales	0%
Logistics/Supply Chain	0%
Customer Service	0%
Security	0%
Other	3%

In your current position, are you also responsible (in a leadership capacity) for any of the following non-IT areas of business?	2009
Security	32%
Strategy	25%
Administration/Operations	20%
Risk Management	14%
Customer Service	14%
Procurement	9%
Line of Business (as head)	8%
Engineering	7%
Mergers & Acquisitions	5%
Finance/Accounting	5%
Marketing	4%
Human Resources	4%
Logistics/Supply Chain	4%
Environmental Sustainability	4%
Sales	3%
Manufacturing/Production	3%
Other	16%
None of the above	36%

What range best represents your total annual compensation last year (including base salary, bonus and stock options)?	2009
More than $750,000	5%
$500,001 to $750,000	3%
$450,001 to $500,000	3%
$400,001 to $450,000	3%
$350,001 to $400,000	4%
$300,001 to $350,000	7%
$250,001 to $300,000	7%
$225,001 to $250,000	6%
$200,001 to $225,000	8%
$175,001 to $200,000	6%
$150,001 to $175,000	13%
$125,001 to $150,000	11%
$100,000 to $125,000	11%
Less than 100,000	8%
Mean (000)	$247.9
Prefer not to answer	5%

Of the time you typically spend interacting with each of the following constituencies, please estimate the percent of your time spent with each group	2009 (mean)
Your company's executives	22%
IT staff or team	38%
Non-IT employees	19%
IT vendors/service providers	10%
External business partners/customers	10%

Which of the following executive leadership competencies is most critical to your current role (choose three)?	2009
Long-term strategic thinking and planning	70%
Collaboration & influence	42%
Expertise in running the IT function	45%
Change leadership	30%
Team leadership	34%
Meeting or beating business goals	18%
Knowledge of your business's market	18%
People development	17%
External customer focus	9%
Identifying and seizing on commercial opportunities	6%

Choose five activities that best characterize your focus and how you spend your time in your current role	2009
Aligning IT initiatives with business goals	71%
Cultivating the IT/business partnership	58%
Improving IT operations/systems performance	53%
Leading change efforts	47%
Implementing new systems and architecture	43%
Driving business innovations	36%
Redesigning business processes	34%
Cost control/expense management	31%
Developing and refining business strategy	28%
Identifying opportunities for competitive differentiation	20%
Managing IT crises	18%
Security management	18%
Negotiating with IT vendors	16%
Developing new go-to-market strategies & technologies	11%
Studying market trends/customer needs to identify commercial opportunities	8%

For which are you responsible for?	2009
Enterprise-wide IT	92%
Division IT only	8%

What percent of your company's total revenue does the IT budget represent?	2009
Less than 1%	11%
1% to 1.9%	18%
2% to 2.9%	19%
3% to 3.9%	12%
4% to 4.9%	8%
5% to 5.9%	7%
6% to 7.9%	4%
8% to 9.9%	4%
10% to 14.9%	6%
15% to 19.9%	3%
20% to 24.9%	2%
25% or more	2%
Mean	5%
Median	3%
Don't know	4%

How is IT spending controlled?	2009
Centrally controlled by IT organization	60%
Blended control by IT and business units or functions	33%
Centrally controlled by non-IT executive	5%
Directly controlled by business units or functions	2%

The following is a list of activities for meeting business needs within your organization. How are these activities apportioned between the IT organization and people in the business area today?						
	Equally apportioned between business and IT	More IT's responsibility	Completely the IT organization's responsibility	More business areas' responsibility	Completely business areas' responsibility	Don't know
Setting Technology Investment Priorites	32%	41%	18%	7%	2%	0%
Defining or designing the solution to specific business needs	45%	35%	9%	11%	1%	0%
Defining whether solutions should be firm-wide or specific to one area	39%	38%	13%	8%	2%	1%
Deciding how good solutions need to be	56%	21%	8%	14%	1%	0%
Deciding how much security and privacy risks are acceptable	21%	47%	25%	6%	1%	0%
Directly selecting vendor-offered solutions	33%	42%	20%	4%	0%	0%
Directly negotiating with and/or directly managing solutions vendors	11%	41%	45%	2%	0%	0%
Directly configuring technology systems to deliver what you need	9%	29%	60%	1%	0%	0%
Directly managing projects with substantial technology involved	18%	44%	36%	2%	1%	0%
Directly managing the technology systems once in production	10%	27%	60%	2%	0%	0%

Please indicate your level of involvement with each of the following statements.						
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Don't know
Senior management has clearly communicated their expectations of the IT organization	25%	40%	16%	16%	3%	0%
I feel more secure about my position than I did a year ago	20%	32%	31%	13%	3%	0%
Innovation from technology is high on the agenda of C-level and board of directors in my firm	23%	35%	20%	17%	5%	0%
IT leadership is involved appropriately early on in mergers and acquisitions	17%	33%	23%	15%	5%	6%
The IT organization is considered an integral business partner by the rest of the business	32%	38%	20%	8%	1%	0%
IT is still considered by many to be a cost center to be managed	9%	37%	19%	28%	6%	0%

Which statement best describes your philosophy on the IT department's primary role in the organization:	2009
IT should support and enable business initiatives	35%
IT should proactively envision business possibilities and initiate with technology	65%

What impact did IT have on the overall business in the past year? (Please check the three greatest benefits.)	2009
Improve end-user workforce productivity	58%
Lower the company's overall operating costs	41%
Re-engineer core business processes	34%
Improve security/risk management	32%
Improve quality of products and/or processes	32%
Drive innovative new market offerings or business practices	27%
Enable regulatory compliance	23%
Support global expansion	19%
Manage customer relationships	19%
Acquire and retain customers	12%

What impact do you expect IT will have in the year ahead? (Please check the three greatest benefits)	2009
Improve end-user workforce productivity	49%
Re-engineer core business processes	41%
Lower the company's overall operating costs	39%
Drive innovative new market offerings or business practices	38%
Improve quality of products and/or processes	35%
Improve security/risk management	26%
Support global expansion	23%
Acquire and retain customers	18%
Manage customer relationships	18%
Enable regulatory compliance	12%

How strongly to you agree or disagree with the following statements about the perception of technology's importance in your business today:	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Don't know
Technology is a core component of our products and/or services	39%	37%	12%	9%	2%	0%
Technology is central to how we differentiate ourselves from competitors	26%	36%	23%	11%	3%	1%
Technology is primarily used to reduce cost of business operations	8%	36%	24%	29%	3%	0%
Technology is essential for our distribution and sales model	35%	35%	21%	6%	1%	2%

How effective is IT at meeting your business's expectations for these areas:	Very effective	Somewhat Effective	Neutral	Somewhat ineffective	Very ineffective	Don't know
Technology is a core component of our products and/or services	44%	38%	15%	3%	1%	1%
Technology is central to how we differentiate ourselves from competitors	29%	40%	24%	6%	1%	1%
Technology is primarily used to reduce cost of business operations	28%	48%	19%	4%	1%	1%
Technology is essential for our distribution and sales model	30%	41%	22%	5%	1%	2%

What is your gender?	2009
Male	87%
Female	12%

What is your age	2009
29 or under	0%
30-34	3%
35-39	11%
40-44	20%
45-49	22%
50-54	22%
55-59	11%
60-64	6%
65 or over	1%
Prefer not to answer	3%
Mean	48
Median	48

Which of the following best describes your race or ethnicity?	2009
White	81%
Asian	8%
Hispanic or Latino	3%
Black or African American	1%
American Indian or Alaskan Native	1%
Native Hawaiian or Other Pacific Islander	0%
Prefer not to answer	6%

What is your title?	2009
CIO	36%
CIO and EVP	6%
CIO and SVP	11%
CIO and VP	13%
CTO	4%
EVP	0%
SVP	1%
VP	8%
General Manager	1%
Managing Director	3%
Director	11%
Other	5%

What is your organization's primary business?	2009
Non-computer related	
Education/Non-Profit	12%
Healthcare/Medical Services/Pharmaceutical/Bio-Tech	10%
Manufacturing	10%
Government: State or Local (including Law Enforcement)	9%
Wholesaler/Retailer/Distributor	9%
Finance/Banking/Accounting	7%
Insurance	5%
Business Services/Consultant	4%
Automotive/Transportation	3%
Government: Federal (including Military)	3%
Media (Publishing/Broadcast)/ Advertising/PR	3%
Real Estate/Legal	3%
Utilities (Oil, Water, Gas, Etc.)	3%
Aerospace/Defense Contractor	1%
Agriculture/Construction	1%
Entertainment	1%
Travel/Tourism/Hospitality	1%
Mining/Oil	0%
Computer-related	
Manufacturing - Hardware	3%
Manufacturing - Software	3%
Communication Carriers (Telecomm/Data Comm)	2%
Computer or Network Consultant/Data Processing Services	1%
Service Provider (ISP/ASP/MSP/BSP/ESP/Web Hosting)	1%
VAR/VAD/OEM/Systems or Network Integrator	1%
Wholesaler/Retailer/Distributor	0%
Other	
Other	5%

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.	2009
Over $40 billion	2%
$30 billion to $40 billion	1%
$15 billion to $29.9 billion	2%
$10 billion to $14.9 billion	4%
$5 billion to $9.9 billion	6%
$1 billion to $4.9 billion	23%
$501 to $999 million	9%
$101 to $500 million	27%
$50 to $100 million	10%
Under $50 million	12%
Don't know	1%
Mean (millions)	$3286.5
Median (millions)	$469.9
Not applicable (e.g., non-profit, government)	4%

Approximately how many people are employed in your entire organization or enterprise? (Please include all plants, divisions, branches, parents and subsidiaries worldwide).	2009
100,000 or more	3%
50,000 - 99,999	2%
10,000 - 49,999	13%
5,000 - 9,999	11%
1,000 - 4,999	29%
500 - 999	15%
100 - 499	17%
Less than 100	10%
Mean	10,256
Median	2,144
Not sure	0%

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