



2014 State of the CIO **SURVEY**

Exclusive Research
from *CIO* magazine

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Balanced Growth	25%
Growth	25%
Growth and Income	25%
Income	25%
Cash Equivalents	25%



CIO Magazine 2014 State of the CIO Survey Results

Survey Highlights

CIOs Expect Majority of Technology Budgets Will Remain IT Controlled

IT directly controls an average of 65 percent of the total dollars currently invested in technology products and services at their organizations and CIOs predict that figure to remain flat in the next 3 years (66 percent), according to *CIO* magazine's 13th annual State of the CIO survey. The survey, conducted among 722 top IT executives responding from mostly North America and EMEA, also finds that North American CIOs control a larger portion of the IT budget currently than their peers in other regions (71 percent, versus 61 percent) and those figures are expected to remain relatively flat looking longer term (72 percent for North American CIOs, compared to 62 percent of respondents outside of North America).

Roughly eight out of ten of the CIOs we surveyed work at companies where other non-IT groups or functions have budgets specifically earmarked for investments in technology products and services currently and expect that percentage will remain relatively consistent within 3 years (82 and 81 percent, respectively). Operations (42 percent), marketing (39 percent), finance & accounting (34 percent) and sales (27 percent) are the most commonly identified non-IT functions currently holding technology budgets and CIOs don't expect that to change significantly in the next 3 years.

CIO Role Increasing Challenging; Shadow IT a Concern

CIOs are relatively divided about the prevalence and nature of shadow IT (e.g. other departments implementing cloud-based or SaaS technologies without consulting IT) but most are in agreement that IT projects developed without IT involvement are running into problems. Just shy of half of the CIOs we surveyed think shadow IT is a constant that is cyclical in nature and ebbs and flows as business priorities shift (48 percent) and four out of five believe shadow IT is increasing at their organizations. Seventy-six percent indicate IT projects developed without IT involvement are creating problems; this figure climbs significantly in enterprise organizations (81 percent, versus 72 percent for SMBs).

IT executives are split on the potential impact of cloud and other service providers on their role; roughly half (52 percent) believe the future CIO role will likely be focused primarily on managing contractors, cloud and other IT service providers with a higher percentage of IT executives outside of North America indicating agreement with that statement (55 percent, versus 48 percent for North American CIOs). Most of the IT executives we surveyed agree that the CIO role is becoming more important to their business (86 percent) and that their role is increasingly becoming more challenging (90 percent) while 65 percent think the CIO role is becoming more rewarding.



CIOs Closely Aligned with Other Business Executives

Nearly two-thirds of the top IT executives we surveyed (66 percent) have mutually shared measurable goals with other senior level executives which are determined by the CEO or head of their company. and 61 percent report that at least some part of their compensation package is tied to overall corporate sales or profit levels (this figure climbs to 67 percent for North American CIOs) More than three quarters of those CIOs that share goals with a senior level colleague do so with the CFO or top finance executive (76 percent) followed by the COO (61 percent), CMO (43 percent), and top HR executive (32 percent). More than half of North American IT executives (55 percent) have mutually shared measurable goals with their heads of marketing, significantly higher than the 35 percent reported for respondents outside of North America.

CIOs estimate an average of 19 percent of their time is spent weekly in relationship building activities with other senior level executives. This figure climbs to an average of 21 percent for North American respondents compared to 17 percent for those outside of North America. Frequent communication regarding strategy, projects, and financials for IT transparency is the most commonly cited action CIOs are taking to enhance their own relationship with their executive level peers (73 percent), followed by providing advice on initiatives, strategies and management challenges (59 percent), and seeking guidance or counsel on key initiatives and strategies (52 percent). Engaging business stakeholders more effectively (67 percent), simplifying and standardizing technology (53 percent), and creating quick wins for business partners (51 percent) are among the most commonly cited actions CIOs believe will be most important in the coming year to elevate IT's general relationship with business stakeholders.

Revenue Growth, Customer Focus Top List of Priorities

CIOs report their average IT budget as a percentage of revenue is 8.6 percent, up from 5.2 percent last year and 4.7 percent in 2012. Large company CIOs report an average of 6.4 percent, significantly lower than the 10.6 percent reported in small and medium sized organizations. Growing overall company revenue (78 percent), customer acquisition and retention (75 percent), and addressing the rising expectations of customers (72 percent) are among the top business issues considered a critical or high business management priority among the CIOs we surveyed. While customer focus is a priority, nearly half (47 percent) have challenges in getting their IT staff to be more business-oriented and customer-facing; this figure climbs to 50 percent for respondents outside of North America.



Leveraging data and analytics ranks among the most important technology initiative in the coming year (see chart below). While innovation ranks within the top 5 most frequently cited priorities, survey results suggest this area may prove challenging for some; fewer than half (48 percent) have a well-defined process for innovation and 37 percent say they are asked to be innovative but are not clear how to accomplish that. More than two-thirds (68 percent) find it challenging to find the right balance between business innovation and operational excellence.

Top 5 Technology Initiatives	Critical or High Priority
Improve the use of data and analytics to improve business decisions and outcomes	72%
Identify new ways IT can better support business/marketing objectives	66%
Improve IT project delivery performance	56%
Develop new skills to better support emerging technologies and business innovation	52%
Reorganize or retrain IT to better align with business outcomes and drive innovation	50%

Strategic-Focused Activities Increasingly Consuming CIOs Time

Aligning IT initiatives with business goals (55 percent), improving IT operations and systems performance (50 percent), implementing new systems and architecture (45 percent), and cultivating the IT /business partnership (42 percent) again rank among the top activities currently consuming top IT executives' time and focus. The percentage of CIOs utilizing their time and energy on activities at the more strategic end of the spectrum continues to climb: driving business innovation (31 percent, up from 26 percent the previous 2 years), developing and refining business strategy (27 percent, up from 22 and 24 percent in 2012 and 2013, respectively), identifying new opportunities for competitive differentiation (20 percent, up from 17 and 19 percent), developing new go-to-market strategies & technologies (17 percent, up from 12 percent the previous 2 years), and studying market trends and customer needs to identify commercial opportunities (16 percent, up from 9 and 10 percent in 2012 and 2013, respectively).

When asked where they would prefer to spend their time on within the next 3 – 5 years more strategic focused activities including driving business innovation (50 percent), developing and refining business strategy (42 percent), and identifying opportunities for competitive differentiation (39 percent) are among those most frequently identified.



Methodology

CIO's 13th 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 2014. Members of the CIO US, CIO UK and CIO New Zealand audiences were invited to participate in an online survey between September 4 and September 23, 2013. Respondents were offered a summary report of the survey results as an incentive to complete the survey. Results are based on 722 respondents who indicated they are the head of IT at their company or business unit. The margin of error on a sample size of 722 is +/- 3.65%. Percentages on questions where respondents selected one answer may not sum to 100 due to rounding. Not all respondents answered every question. For the purposes of this report large or enterprise references refer to respondents in organizations with 1,000 or more employees while small or medium (SMB) is defined as respondents in organizations with fewer than 1,000 employees.

Respondent Profile

The majority of respondents are split between EMEA (41 percent) with a large percentage of that group from the United Kingdom (29 percent), and North America (40 percent). Forty-six percent of respondents work in large companies with 1,000 or more employees while 53 percent are employed in small and medium size organizations with fewer than 1,000 employees (1 percent did not provide an answer). A broad range of industries are represented including government & nonprofits (18 percent), manufacturing (14 percent), financial services (11 percent), high tech (11 percent), business services (9 percent), healthcare (6 percent), and retail, wholesale & distribution (6 percent).

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