



2010 State of the CIO **SURVEY**

Exclusive Research
from *CIO* magazine

JANUARY 2011

EXECUTIVE SUMMARY

Cost Control and Improving Productivity and Products Are Top of Mind for CIOs in 2011

End-user workforce productivity improvements (67 percent), improvements to product and process quality (52 percent), and overall operating cost reductions (51 percent) top the list of significant business accomplishments CIOs anticipate their IT organizations will achieve in the coming year, according to *CIO* magazine's 10th annual State of the CIO survey conducted in September, 2010, among 729 IT leaders. While last year's data pointed to an increased emphasis on the external and commercial aspects of the business, perhaps fueled at least in part by the economic recession, 2011 survey results suggest that many CIOs are now focused on executing strategic and transformational IT initiatives that were on hold during the downturn. As a result, more CIOs are spending their time implementing new systems and architecture, negotiating with IT vendors and managing IT crises, while fewer this year are focused directly on driving business innovation, creating opportunities for competitive differentiation and developing new go-to-market strategies and technologies.

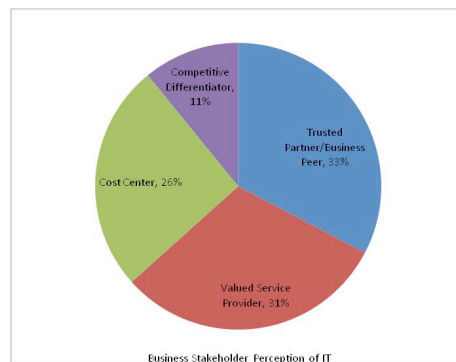
Long-Term Goal for IT Leaders: Innovation, Competitive Differentiation

When asked which activities they'd like to spend more time on in the future, IT leaders overwhelmingly want to be working on more externally, strategically focused activities. Nearly nine out of 10 (89 percent) anticipate assuming some additional area of non-IT leadership responsibility three to five years from now, compared to 61 percent who are currently responsible in a leadership capacity for one or more non-IT areas of the business. Security (55 percent), strategy (49 percent), and risk management (41 percent) are most frequently cited by IT leaders as areas they expect to assume leadership responsibility for in the longer term.

Activities Consuming CIOs Time & Focus	Now	3-5 Years From Now	Difference
Driving business innovation	25%	54%	+ 29
Identifying opportunities for competitive differentiation	17%	42%	+ 25
Developing new go-to-market strategies & technologies	9%	32%	+ 23
Developing and refining business strategy	21%	38%	+ 17
Studying market trends/customer needs to identify commercial opportunities	9%	25%	+ 16
Redesigning business processes	33%	39%	+ 6
Leading change efforts	38%	42%	+ 4
Improving IT operations/systems performance	53%	22%	- 31
Cost control/expense management	45%	17%	- 28
Implementing new systems and architecture	47%	26%	- 21
Managing IT crises	26%	6%	- 20
Negotiating with IT vendors	26%	9%	- 17
Aligning IT initiatives with business goals	58%	41%	- 17
Security management	22%	15%	- 7
Cultivating the IT/business partnership	40%	38%	- 2

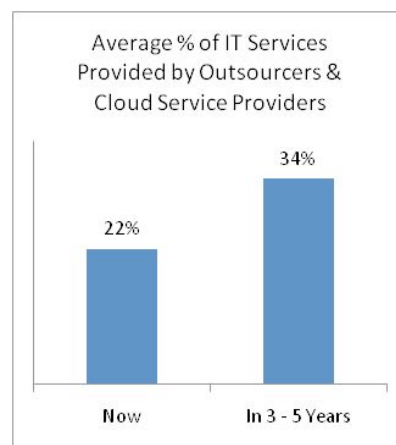
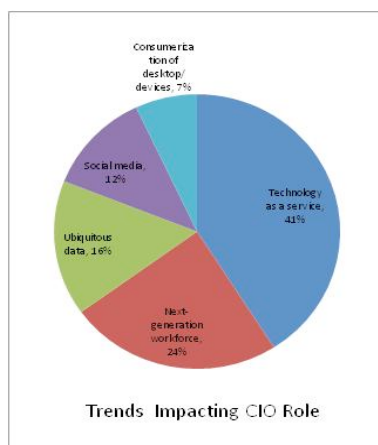
Business Stakeholders' Perception of the IT Organization Mixed

With the strategic nature of the CIO role firmly established in most companies, the percentage of IT leaders citing IT and business alignment as an area consuming the majority of their time and focus continues to decline (58 percent, down from 82 percent 4 years ago), as does cultivating the IT and business partnership (40 percent, down from 69 percent in the 2008 survey). But IT leaders are still divided when it comes to how business stakeholders perceive their IT organization; more than one quarter say their bosses view IT as a cost center and only 11 percent believe IT is perceived as a competitive differentiator. In an effort to solidify or elevate IT's general relationship with critical business stakeholders, the most frequently cited actions taken by the IT leaders we surveyed include holding more frequent meetings with influential stakeholders (62 percent), major systems operations fixes (50 percent) and the creation of quick wins for business partners (44 percent).



Technology as a Service Will Have the Biggest Impact on CIO Role; Security Increasingly Important

When asked which trend will have the most profound effect on the CIO role in the future, four out of ten of the IT leaders we surveyed pointed to technology as a service (41 percent). Currently, an average of 22 percent of their organization's IT services are provided by third parties, including outsourcers and cloud-service providers, while IT leaders anticipate this number will increase to 34 percent in three to five years.



With the adoption of alternative IT models, security and risk management are becoming increasingly important for IT leaders. Four out of 10 respondents anticipate improvements to security and risk management will be among the IT organization's most significant business accomplishments in the year ahead, up from 34 percent last year and 26 percent in the 2009 study, the first year the question was asked.

SURVEY HIGHLIGHTS

Reporting Structure

- Forty-four percent of CIOs surveyed report to the CEO, consistent with 43 percent in 2010 and up slightly from 41 percent four years ago. Twenty percent report to the CFO, consistent with 19 percent last year and down slightly from 23 percent in the 2008 survey.
- CIOs in small companies are more likely to report to the CEO (53 percent) than respondents in midsize (44 percent) and large companies (37 percent). CIOs in midsize companies are the most likely to report to the CFO (25 percent).
- Sixty-eight percent of respondents are members of their organization's business executive management committee, relatively consistent with the 71 percent and 70 percent reported in 2008 and 2010, respectively.

Salary and Tenure

- CIOs earn an average of \$210,300 annually, down from \$219,300 last year and \$237,360 in 2008.
- Compensation increases with company size: small-company CIOs earn an average of \$157,300, mid-market CIOs earn an average of \$203,400, and enterprise CIOs earn an average of \$285,900.
- The average tenure for CIOs responding is five years, two months, up from four years, eight months last year and four years, five months in the 2008 survey.

Non-IT Leadership Responsibilities

- Sixty one percent of CIOs have responsibility in a leadership capacity for one or more non-IT areas of the business. Security (26 percent), strategy (26 percent) and administration and operations (19 percent) are the most frequently cited non-IT areas CIOs are responsible for in a leadership capacity.
- Within three to five years, 89 percent of respondents expect CIOs will also have leadership responsibility for one or more non-IT area of the business in addition to their current roles. Security (55 percent), strategy (49 percent), risk management (41 percent) and administration and operations (36 percent) are most frequently cited non-IT areas CIOs anticipate leading.

Time and Focus in Role

- Aligning IT initiatives with business goals (58 percent), improving IT operations and systems performance (53 percent), and implementing new systems and architecture (47 percent) are among the most frequently cited activities that best characterize where CIOs spend the majority of their time and focus.
- While aligning IT initiatives with business goals and cultivating the IT-business partnership remain among the top activities consuming the time of IT leaders, the percentage of respondents selecting these activities has steadily declined over the past four studies.

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Top Activities of Focus for CIOs	2008	2009	2010	2011
Aligning IT initiatives with business goals	82%	71%	64%	58%
Improving IT operations/systems performance	59%	53%	51%	53%
Implementing new systems and architecture	53%	43%	42%	47%
Cost control/expense management	NA	31%	43%	45%
Cultivating the IT/business partnership	69%	58%	48%	40%

- One quarter of CIOs are focusing on driving business innovation, down from 36 percent and 34 percent in 2009 and 2010, respectively, but more consistent with the 24 percent reported in the 2008 survey.

Management Priorities

- Developing IT strategy to accelerate business goals (70 percent), aligning IT and business goals (66 percent), and controlling IT costs (50 percent) are the most frequently cited IT management priorities for the year ahead.

Critical Leadership Competencies

- Long-term strategic thinking and planning (70 percent) is the most frequently cited personal leadership competency most critically needed by IT leaders' organizations in the coming year, followed by change leadership (39 percent) and expertise in running the IT function (37 percent).

IT Impact

- CIOs predict that improving end-user workforce productivity (67 percent), improving the quality of products and processes (52 percent), and lowering their company's overall operating costs (51 percent) will be among their IT organization's most significant business accomplishments in the year ahead.
- Improving security and risk management (40 percent) is among the top 5 most frequently cited management priorities this year, up from 34 percent last year and 26 percent two years ago.

IT Budget as a Percentage of Revenue

- The IT budget represents an average of 5.2 percent of annual company revenues, fairly consistent with 5.7 percent in 2010 and 5 percent two years ago.

IT Staff to User Ratio

- IT staff headcount is 185, on average, supporting 5,377 users.

Gender and Age

- Ninety one percent of IT leaders we surveyed are men and 9 percent are women. A significantly higher percentage of the IT leaders we surveyed in small companies are men (96 percent versus 89 percent in mid-size and large organizations). The average age among CIOs responding is 46.

METHODOLOGY

CIO's 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 2011. This definitive benchmarking survey, now in its 10th year, measures the role of the CIO in the organization, budgetary responsibilities, business and leadership challenges, and the key skills needed for the job today. Members of the CIO Forum on LinkedIn and the CIO customer database were invited to participate in an online survey between September 1 and September 7, 2010. Results are based on 729 respondents indicating they are the head of IT at their company or business unit. The margin of error on a sample size of 729 is +/- 3.6%. Percentages on questions where respondents selected one answer may not add to 100 due to rounding. References to company size are based on the following definitions: small: <\$100 million annual revenue; midsize: \$100 million to \$999.9 million annual revenue; large: \$1 billion+ annual revenue.

Respondent Profile

All respondents are the top IT executive at their company or business unit. Fifty-nine percent hold a CIO or CTO title; 22 percent are general manager, managing director or director; and 19 percent EVP, SVP, VP or other job title. Company size distribution is as follows: Small companies: 27 percent; midsize companies: 37 percent; large companies: 27 percent; government or nonprofit: 5 percent (3 percent of respondents did not provide an answer). A broad range of industries is represented, including government and education (19 percent); manufacturing (16 percent); financial services (14 percent); high tech, telecom and utilities (11 percent); legal, consulting and real estate services (11 percent); healthcare (10 percent); and retail, wholesale and distribution (9 percent). Fifty-six percent of respondents are from North America.

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RESULTS BY QUESTION

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

To whom do you report?	Percent
CEO	44%
CFO	20%
Other	14%
COO	13%
Corporate CIO	9%

Are you a member of the business executive management committee?	Percent
Yes	68%
No	32%

How long have you been in your current position?	Percent
Less than 1 year	12%
Between 1 and 2 years	12%
Between 2 and 3 years	16%
Between 3 and 4 years	15%
Between 4 and 5 years	8%
Between 5 and 6 years	7%
Between 6 and 7 years	4%
Between 7 and 8 years	5%
Between 8 and 9 years	3%
Between 9 and 10 years	4%
Between 10 and 12 years	6%
Between 12 and 15 years	4%
Between 15 and 20 years	2%
Longer than 20 years	2%

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In your current position, are you also responsible (in a leadership capacity) for any of the following non-IT areas of the business?	Percent
Security	26%
Strategy	26%
Administration/Operations	19%
Risk Management	16%
Customer Service	13%
Procurement	12%
Engineering	9%
Line of Business (as head)	9%
Finance/Accounting	7%
Human Resources	7%
Logistics/Supply Chain	7%
Environmental Sustainability	5%
Marketing	5%
Mergers & Acquisitions	5%
Sales	4%
Manufacturing/Production	3%
Other	12%
None of the above	39%

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In which of the following non-IT areas will CIOs most likely have leadership responsibility 3-5 years from now?	Percent
Security	55%
Strategy	49%
Risk Management	41%
Administration/operations	36%
Customer service	25%
Logistics/supply chain	20%
Environmental sustainability	18%
Line of business (as head)	17%
Procurement	17%
Mergers & Acquisitions	16%
Engineering	9%
Finance/accounting	7%
Manufacturing/production	7%
Marketing	6%
Human resources	5%
Sales	5%
Other	6%
None of the above	11%

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What range best represents your total annual compensation last year (including base salary, bonus and stock options)?	Percent
More than \$750,000	2%
\$500,001 to \$750,000	2%
\$450,001 to \$500,000	2%
\$400,001 to \$450,000	1%
\$350,001 to \$400,000	3%
\$300,001 to \$350,000	4%
\$250,001 to \$300,000	7%
\$225,001 to \$250,000	6%
\$200,001 to \$225,000	7%
\$175,001 to \$200,000	11%
\$150,001 to \$175,000	12%
\$125,001 to \$150,000	11%
\$100,000 to \$125,000	13%
Less than 100,000	10%
Prefer not to answer	9%

Which of your following personal leadership competencies will be most critically needed by your organization in the coming year?	Percent
Long-term strategic thinking and planning	70%
Change leadership	39%
Expertise in running the IT function	37%
Collaboration & influence	34%
Team leadership	23%
Meeting or beating business goals	22%
Knowledge of your business's market	20%
People development	19%
Identifying and seizing on commercial opportunities	15%
External customer focus	12%

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Which of the following activities best characterize your focus and how you spend your time in your current role?	Percent
Aligning IT initiatives with business goals	58%
Improving IT operations/systems performance	53%
Implementing new systems and architecture	47%
Cost control/expense management	45%
Cultivating the IT/business partnership	40%
Leading change efforts	38%
Redesigning business processes	33%
Managing IT crises	26%
Negotiating with IT vendors	26%
Driving business innovation	25%
Security management	22%
Developing and refining business strategy	21%
Identifying opportunities for competitive differentiation	17%
Developing new go-to-market strategies & technologies	9%
Studying market trends/customer needs to identify commercial opportunities	9%

Which of the following activities would you like to spend more time on in the next 3-5 years?	Percent
Driving business innovation	54%
Leading change efforts	42%
Identifying opportunities for competitive differentiation	42%
Aligning IT initiatives with business goals	41%
Redesigning business processes	39%
Cultivating the IT/business partnership	38%
Developing and refining business strategy	38%
Developing new go-to-market strategies & technologies	32%
Implementing new systems and architecture	26%
Studying market trends/customer needs to identify commercial opportunities	25%
Improving IT operations/systems performance	22%
Cost control/expense management	17%
Security management	15%
Negotiating with IT vendors	9%
Managing IT crises	6%

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

What is the headcount of your IT staff, in full-time equivalents, not including contract employees or outsourced employees?	Percent
Over 4,000	1%
3,001 to 4,000	< 1%
2,001 to 3,000	1%
1,001 to 2,000	1%
501 to 1000	2%
101 to 500	14%
50 to 100	16%
Less than 50	64%
Don't know	1%

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How many internal users does your IT organization support?	Percent
More than 100,000	1%
50,001 to 100,000	1%
30,001 to 50,000	1%
20,001 to 30,000	2%
10,001 to 20,000	4%
7,501 to 10,000	4%
5,001 to 7,500	4%
2,501 to 5,000	13%
1,001 to 2,500	16%
501 to 1,000	16%
301 to 500	12%
201 to 300	7%
101 to 200	8%
Less than 100	9%
Don't know	1%

What percent of your organization's IT services are currently provided by 3rd parties including outsourcers and cloud service providers?	Percent
0%	7%
1% to %10	35%
11% to 20%	19%
21% to 30%	12%
31% to 40%	7%
41% to 50%	5%
51% to 60%	2%
61% to 70%	2%
71% to 80%	4%
81% to 90%	3%
91% to 100%	1%
Don't know	2%

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What percent of your organization's IT services do you anticipate will be provided by 3rd parties including outsourcers and cloud service providers within the next 3-5 years?	Percent
0%	3%
1% to %10	16%
11% to 20%	18%
21% to 30%	17%
31% to 40%	10%
41% to 50%	10%
51% to 60%	7%
61% to 70%	6%
71% to 80%	6%
81% to 90%	4%
91% to 100%	2%
Don't know	2%

What are your top five IT management priorities for the year ahead?	Percent
Developing IT strategy to accelerate business goals	70%
Aligning IT and business goals	66%
Controlling IT costs	50%
IT governance & portfolio management	47%
Business process redesign	45%
Leadership development/staff training	41%
Marketing/articulating IT value	31%
Rationalizing/centralizing the application portfolio	27%
Protecting Customer Data/Privacy	27%
Regulatory compliance	24%
Scaling IT globally	19%
Other	3%

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What do you anticipate will be IT's most significant business accomplishments in the year ahead?	Percent
Improve end-user workforce productivity	67%
Improve quality of products and/or processes	52%
Lower the company's overall operating costs	51%
Re-engineer core business processes	50%
Improve security/risk management	40%
Innovative new market offerings or business practices	37%
Manage customer relationships	34%
Support global expansion	22%
Enable regulatory compliance	21%
Acquire and retain customers	19%

In general, how would you best characterize the way your company's business stakeholders perceive the IT organization currently?	Percent
Trusted Partner/Business Peer	33%
Valued Service Provider	31%
Cost Center	26%
Competitive Differentiator	11%

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Which of the following actions have you taken in the past year to solidify or elevate IT's general relationship with business stakeholders?	Percent
Met more frequently with influential stakeholders	62%
Fixed major problems with systems operations	50%
Created quick wins for business partners	44%
Initiated new products and services for competitive advantage	40%
Created a portfolio approach to IT	37%
Trained IT staff to partner better with business stakeholders	36%
Delegated more IT operations to trusted lieutenants	35%
Developed a cross-functional focus among IT managers	32%
Developed IT leadership capabilities in senior managers	28%
Created a project management office	25%
Cultivated a relationship with a board member	25%
Trained IT staff to focus on external customers	25%
Called on customers	18%
Deepened staff bench strength in management/leadership expertise	15%
Other	3%

In your opinion, which of the following trends will have the most profound effect on the CIO role in the future?	Percent
Technology as a service	41%
Next-generation workforce	24%
Ubiquitous data	16%
Social media	12%
Consumerization of desktop/devices	7%

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What is your gender?	Percent
Male	91%
Female	9%

What is your age?	Percent
29 or under	1%
30-34	4%
35-39	15%
40-44	20%
45-49	27%
50-54	15%
55-59	11%
60-64	5%
65 or over	1%
Prefer not to answer	2%

What is your title?	Percent
CIO	35%
CIO and EVP	2%
CIO and SVP	5%
CIO and VP	10%
CTO	7%
EVP	< 1%
SVP	1%
VP	7%
General Manager	3%
Managing Director	3%
Director	16%
Other	12%

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What is your organization's primary business?	Percent
Government and Nonprofits (including education)	19%
Manufacturing (including automotive, aerospace & defense, construction, engineering, chemical, metals & mining)	16%
Financial Services (banking, insurance, brokerage)	14%
High Tech, Telecom & Utilities	11%
Services (legal, consulting, real estate)	11%
Healthcare (providers and pharmaceuticals)	10%
Retail, Wholesale and Distribution	9%
Advertising/Marketing/PR/Media (publishing, broadcast, online)	4%
Transportation (airlines, trucking, railroads, shipping, logistics)	4%
Travel and Leisure (cruiselines, hotels, theme parks, casinos)	2%
Other	19%

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.	Percent
\$5 billion or more	12%
\$1 billion to \$4.9 billion	27%
\$100 to \$999 million	37%
Under \$100 million	27%
Don't know/prefer not to answer	3%
Not applicable (e.g., non-profit, government)	5%

Where do you live?	Percent
US	52%
Asia Pacific	18%
Western Europe	14%
South America	4%
Canada	4%
Eastern Europe	2%
Middle East	2%
Africa	1%
Central America	1%
Other region	2%