



2016 State of the CIO **SURVEY**

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State of the CIO 2016: Navigating a Complex Role

IT executives who have strong relationships with business stakeholders fare better as they deal with cybersecurity, and challenges to their control.

CIOs who have an active role in developing business strategy and facilitating company growth are paid the best, get more respect and are more likely to have the resources they need to address today's biggest IT challenges, according to the State of the CIO 2016 survey of 571 executives who are in charge of IT at their companies.

Although 88 percent of CIOs report their jobs are increasingly more challenging, the nature of the challenges they face—and their job satisfaction in light of these—differs depending on their focus. The vast majority of CIOs (84 percent) agree that the role is becoming more important to their business. But CIOs who spend most of their time on strategic activities or who are concentrating on transforming business operations are significantly more likely (87 percent) to say so than functional IT leaders (78 percent), who have a more traditional role managing IT operations.

Strategic (71 percent) and transformational (69 percent) CIOs are also significantly more likely to consider their jobs to be rewarding than functional CIOs (47 percent). Functional IT leaders, in contrast, are more likely to be frustrated, if not embattled. They are most likely to say IT is scapegoated when other departments miss their goals (60 percent), most likely to be viewed by other departments as an obstacle to their mission (40 percent) and most likely to feel that the CIO is being sidelined (29 percent). Furthermore, functional CIOs are most concentrated among a minority (28 percent) of companies where IT is undervalued, underused or misunderstood, and where their struggles are exacerbated.

The Value of a Strategic Role

In general, the CIO position within the C-suite appears to be stable. Up slightly from our 2015 survey, 46 percent of all CIOs report to the CEO. On average, they have been in the same job for approximately 6 years and 6 months—about seven months longer than the average a year ago. Job stability may reflect a more stable economy. Tenure has been lengthening steadily since 2011, although at large enterprises, CIOs stay less time in their jobs—5 years, 8 months, versus 7 years at smaller companies.

The average compensation is \$277,700 in 2016. As might be expected, the larger the company, the more the CIO is paid. IT executives at enterprises with 1,000 or more employees earn \$401,500, on average, compared to \$189,420 at companies with fewer than 1,000 employees.

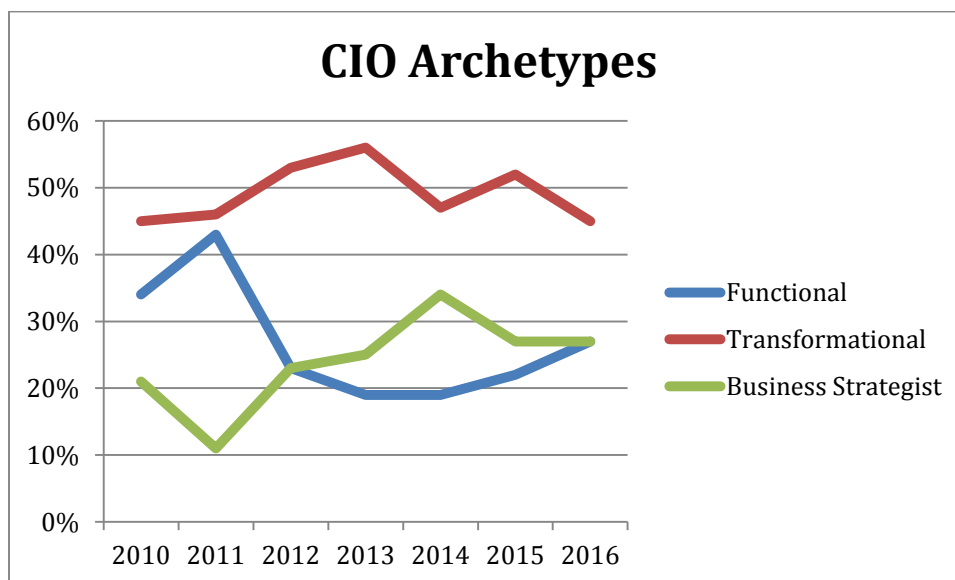
Regardless of company size, however, strategic CIOs are likely to be paid significantly more: an average \$167,000 more than functional CIOs and an

average \$127,000 more than transformational CIOs. Strategic CIOs are also significantly more likely to have a CEO as their boss.

No End in Sight for Transformation

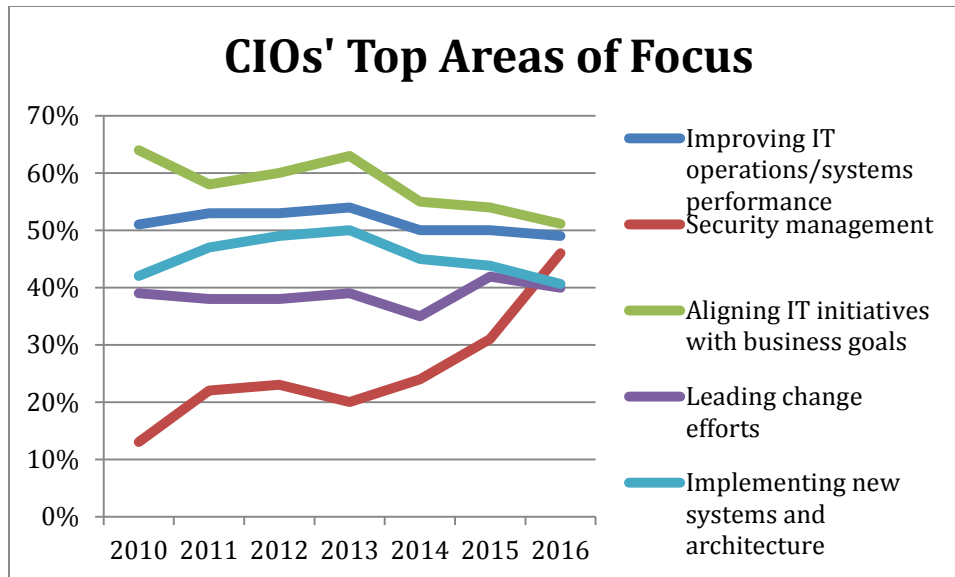
With the emergence of digital business models and the continued pull of cloud computing, many companies today are undergoing continuous change, a state that appears to be reflected at least in part by the persistence of the transformational CIO archetype. Although, as a percentage of all CIOs, those focused primarily on implementing new systems and architectures, leading change efforts and aligning IT with business goals is declining over time, 45 percent of CIOs comprise this group.

The remaining IT executives are evenly split (27 percent each) between functional CIOs and strategic IT leaders. Companies with 1,000 or more employees are much less likely to have CIOs in functional roles (22 percent versus 31 percent in small and mid-sized companies). This may reflect the more limited resources IT leaders at smaller companies have to delegate operations management.



Whether a CIO is transformational, functional or strategic is generally related to the role IT must play to execute the business strategy. Although most IT leaders (51 percent) continue to pay attention to business-IT alignment, fewer CIOs find it to be as pressing as in the past. Meanwhile, we have observed increases in the percentage of CIOs who are focused on functional activities at times when IT is facing urgent operational concerns. Now appears to be one of these times. The survey reveals a sharp uptick in CIOs' attention to security management—46 percent of IT executives reported this to be a focus, up from 31 percent in 2015. It's also the operational activity that strategic CIOs are most likely to spend time on. This isn't a surprise considering the impact of recent high-profile data

breaches, which have focused public, investor and regulatory attention on inadequate cybersecurity as a financial and reputational risk.



IT executives tend to be optimistic that their roles will eventually become more strategic. Asked how they expect to be spending their time within three to five years, 68 percent indicated they would be focused on growth-oriented activities. While it isn't surprising that most CIOs are eager to devote their time to business strategy, a disconnect between their aspirations and daily reality may be a reason why functional CIOs are more likely than others to be frustrated.

There is some evidence that strategic CIOs have fewer obstacles in the way of performing their jobs. They are, for example, less likely than their functional and transformational peers to be beset with IT skill shortages. They tend to control more of their company's IT budget, on average, than their peers in other roles. And they are least likely to be fighting turf battles with their C-suite colleagues.

Closing the Perception Gap Over Security

Whatever role CIOs play, the survey indicates that to a large extent, companies have the types of CIOs they want and need. Strategic CIOs are most likely to report that business initiatives to introduce digital revenue streams (30%), improve agility (32%), and improve the customer experience (49%) are driving IT investments—although the latter is highly important to all three groups.

Transformational CIOs are most likely to report business processes transformation (40%) as a business need. Meanwhile, although operational efficiency is a priority for everyone, functional CIOs (54%) are more likely than either transformational or strategic CIOs to have it on their agenda.

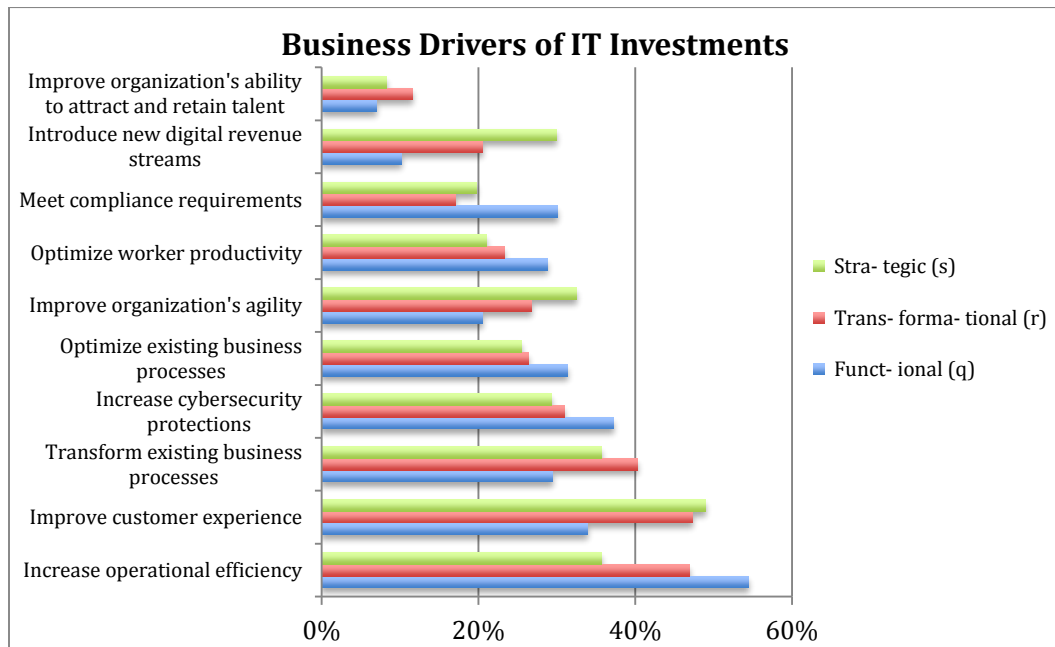
However, CIOs and other business leaders are not in complete alignment over IT spending. They diverge over security, although the nature of the gap indicates that technology leaders are making headway in this area.

We compared what CIOs at large, private sector enterprises said about the business IT agenda with answers to the same question from 300 line of business leaders from similar companies who were surveyed by IDC (a sister organization to CIO's parent company, IDG Enterprise). IT and LoB leaders agreed on the top business drivers for technology investments in 2016: increasing operational efficiency (CIOs: 41%, LoB: 47%) and improving the customer experience (CIOs: 48%, LoB: 45%).

But where enterprise CIOs rank increasing cybersecurity protections third on their list of business priorities (41%) that are driving spending, non-IT leaders rank it fifth (24%), behind optimizing productivity (40%) and transforming business processes (25%).

The data suggests, however, that this discrepancy is concentrated outside the C-suite. According to CIOs, today's CEOs are finally starting to get it. IT executives report that improving cybersecurity ranks third on the list of goals their CEOs have set for them personally (29%), behind completing a major enterprise project (40%) and reaching a specific revenue goal (32%). In 2014, beefing up cybersecurity ranked eighth.

What's more, security is among the top technology initiatives driving IT investment (29%), nearly equal with cloud computing (30%) and big data/business analytics (27%). Functional CIOs, despite their challenges, are significantly more likely to be investing in security. Forty percent cited it as a top IT initiative, compared to around one-fourth of their peers.



Yet how business stakeholders perceive IT influences the size of the security budget. Currently, companies are spending, on average, 12% of their IT budgets on security. These budgets are significantly higher in companies where IT is viewed as a business partner or leader compared to organizations where IT is considered a cost center or service provider.

In addition, a strong business/IT partnership is significantly related to whether a company has a security strategy that is tightly integrated with its overall IT strategy. = The survey findings suggest that CIOs need to have more conversations with line of business leaders to make them aware of how security fits into the IT strategy and investment decisions.

Strategic CIOs Are Influential Partners

Relationships with business stakeholders have always been important, but they are arguably becoming more so. The trend toward business leaders making more decisions about IT spending is accelerating faster than CIOs have anticipated, highlighting the need to collaborate more with their LOB counterparts.

In 2014, CIOs predicted that IT would directly control an average 66% of technology spending in their companies after three years. Two years later, CIOs report they control only an average 57%, and they appear to believe—as in previous years—that they will be able to hold this level relatively steady. Whether they do or not remains to be seen, of course, but perceptions business leaders have of IT offer some clues.

In companies where IT is seen as a business partner or leader, CIOs control more IT spending on average compared to companies where IT is considered a cost center or service provider. Two explanations seem likely. For one, business users may be less likely to make an end run around the CIO if they perceive her as responsive and engaged with their priorities. For another, in companies where IT is considered a cost center or service provider, executives may be making a calculated decision to put CIOs in charge of the infrastructure and have LoB leaders take the lead on user-facing systems.

Strong Relationships Require Better—or Different—Communication

Either way, CIOs who do not have strong partnerships with business leaders may have less influence over how IT is ultimately deployed. In addition to cybersecurity, as discussed above, the CIO relationship with marketing offers a case in point.

In 33% of companies, marketing has its own technology budget. The majority of CIOs are involved in purchasing decisions about the marketing technology stack at some level, whether or not they control it directly. But when IT is considered a business partner or leader, CIOs are significantly more likely to be involved with

approving the solution purchase (71%) and making the final vendor selection (64%) than in companies where IT is viewed as a cost center or service provider.

Business partner/leaders are also significantly more likely to report that their relationship with marketing has become more collaborative in the past three years (60%), compared to companies where IT is considered a service provider (44%) or cost center (35%).

As with security, CIOs who want to gain influence with stakeholders generally may want to examine how they communicate: 64 percent believe communicating with stakeholders more effectively is the most important way to elevate these relationships. Given that more than two-thirds (68 percent) of CIOs or their direct reports meet daily or weekly with internal customers--and the majority (51 percent) see no need for these meetings to increase--changing the content of these communications may matter most. Meanwhile most CIOs (54 percent) expect to step up communications with external customers, an activity that significantly more strategic CIOs engage in currently.

Methodology

CIO's 2016 State of the CIO Survey was conducted among the CIO brand audience. The 15th annual survey fielded online with the objective of understanding the current parameters of the CIO role and how it may be changing over time. To be considered qualified respondents must have identified themselves as the head of IT for their company or a division within it. Respondents were offered a PDF of the survey results as an incentive for completing the survey.

Results are based on 571 qualified responses. The margin of error on a sample size of 571 is +/- 4.1 percentage points. Percentages on single-select questions may not sum to 100% due to rounding.

For the purposes of this report, large companies refer to those respondents at companies with 1,000 or more employees. Small and mid-sized companies refer to those respondents at organizations with less than 1,000 employees.

Eighty-six percent of respondents are male 11% female and 3% preferred not to answer. Respondents from North America comprise 73% of individuals surveyed, 13% are from the Asia-Pacific region, 9% from Europe, the Middle East and Africa and 3% from Central America, South America and the Caribbean (2% from other regions).

A broad range of industries are represented including government & non-profit (21%), manufacturing (13%), financial services (12%), high-tech (10%), healthcare (9%), retail, wholesale and distribution (8%) and business services (8%).

Fifty-nine percent of respondents are employed by organizations with fewer than 1,000 employees while 40% are employed in companies with 1,000+ employees (1% did not provide an answer).