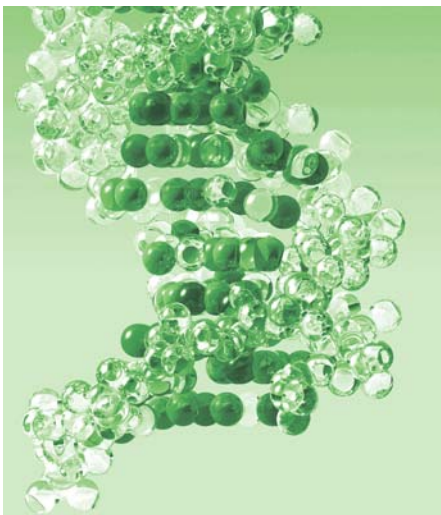
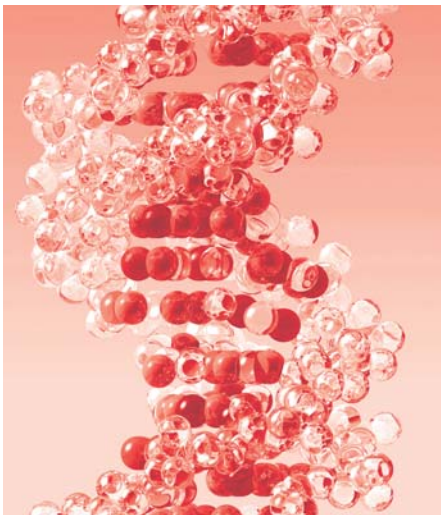
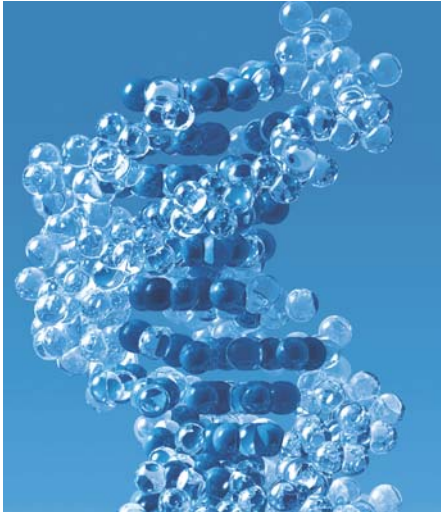


CIO / IT Director Market Survey 2004

The DNA of a CIO



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Designed by: Jo Bangs

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1. Introduction

Welcome to the Harvey Nash CIO / IT Director Market Survey 2004 sponsored by PricewaterhouseCoopers and The Sunday Times.

Now in its sixth year and firmly established as the industry benchmark, the survey has been developed to provide:

- an assessment of the profile of IT and CIOs / IT Directors within the business
- objective analysis of current trends and issues faced by CIOs / IT Directors
- current remuneration and reward practice for senior executives in IT.

It provides an invaluable reference source for anyone determining IT strategies or involved in senior IT recruitment.

This year our survey ventured into a new area: exploring the DNA of technology leaders. The results make for compelling reading and have allowed us to uncover distinctive behavioral traits that are common to influential and successful CIOs.

We hope that through provoking debate and stimulating thought in this area we will contribute, in some small way, towards enabling CIOs to maximise the contribution that both they and their teams make to their respective businesses.

Please feel free to contact us if there are any areas of the survey you would like to discuss in greater detail or if you would like additional copies.

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2. Executive Summary

2. Executive summary

2.1 Key findings

IT and business issues

Profile of IT within the business

The CIO continues with the challenge of making his or her voice heard in the organisation. Only 15% of CIOs have a place on the main board, and that is down 5% on previous years. While 77% of CIOs believe they should report to the CEO, only 49% actually do.

CIOs recognise that IT has to deliver more to the organisation. Currently only 29% of their IT budget is spent on systems that give the organisation competitive advantage. This may explain why 40% of respondents considered the perception of IT in the business to be 'Of most concern'.

IT budgets

There is clear evidence of the first green shoots of an IT recovery. For companies which reported a budget increase, the average spend was up by 18% and for the first time in three years the number of companies reporting budget increases was greater than those reporting a cut. Those CIOs who report directly to the CEO reported more success in securing budget increases. CIOs in manufacturing were least likely to have seen budget increases.

Outsourcing

46% of participants believe that outsourcing spend is likely to increase over the next 12 months, an increase on last year (39%).

Over two-thirds achieved most or all of their objectives in outsourcing. This relatively high figure suggests the outsourcing industry is adding real value to the IT function. Clearly there is still work to do, as 90% of projects still don't achieve all their objectives.

Employment and career issues

Pay and working conditions

The average CIO works 52 hours/week, up three hours on last year. Salaries range from £50,250 for those with a budget of less than £1m, up to £234,430 for those with budgets of more than £100m+. The average bonus was 24%. There are generally high levels of satisfaction with pay.

Length of service and job mobility

The average CIO is 42 and has worked for their current employer for 5.4 years, making them a loyal workforce. But HR directors should not be complacent. There is a strong desire for career change. Over a quarter of respondents believe



2. Executive summary continued . . .

they will be changing jobs within a year and almost half within two years. The proportion expecting to change jobs within a year has increased by over 40% since last year. And more than one in three CIOs are applying for new jobs right now. HR directors need to ask themselves why? As CIOs are, by and large, happy with their pay and benefits, there must be other reasons to move on. Are their career plans being well managed?

CIOs as managers

CIOs should continue to build their own skills as managers and executives. There is a clear disparity between what capabilities CIOs consider as important for their team to be effective and what they believe their team actually is 'Excellent' at delivering. On average, almost half of respondents who considered a factor as 'Very important' did not consider their team 'Excellent' at this capability. There is a need for CIOs to drive performance in their teams, making excellence the norm.

The two areas where the gulf between importance and effectiveness was most significant were 'Building & maintaining relationships with business' and 'Managing IT developments & programmes'.

CIOs are aware that they need to develop as strategic managers, but pressure of work means they often are thwarted in their desire, either by time management issues, or external pressures. On average, every year a CIO will spend one entire working month working on operational activities which they believe should have been dedicated to business strategy activities.

2. Executive summary continued . . .

2.2 Six myths about CIOs

Myth one: The CIO is a technology-obsessed individual isolated from the rest of the organisation

Fact: More than half of CIOs reported excellent relationships with their superiors with whom they maintained frequent contact. An overwhelming 83% had better aligned their department's functions with the business functions, and the majority of CIOs were aware that a lot more could be done. However, CIOs' representation on the board is actually diminishing and their reporting lines shifting away from the CEO. CIOs need to address the larger strategic issues of the organisation if they are to be considered as equal players with other board level appointments.

Myth two: CIOs are poorly paid

Fact: With a salary range from £50,000 to more than £300,000 and bonuses of an average of 24% of salary, it is clear that the profession is well paid. CIOs recognise this and are generally happy with their remuneration.

Myth three: CIOs are overworked and have poor work/life balance

Fact: Although the average working week has extended by three hours since the last survey, CIOs work an average of 52 hours a week, which compares favourably with other senior executives.

Myth four: IT budgets are relentlessly being slashed

Fact: More CIOs reported budget increases than cuts, the first time in three years the survey has detected such a move. And furthermore CIOs who reported budget increases reported very healthy ones. The average increase was a very respectable 18%.

Myth five: The IT industry is full of people who skip from one job to the next

Fact: The average length of service for the CIO is six to seven years, which compares very favourably with other executives. However, what should be ringing alarm bells in HR departments is the admission by more than one in three CIOs that they are applying to job advertisements right now. And with half of all respondents saying they will be moving on within two years, HR departments need to look very carefully at their retention and succession plans.

Myth six: The CIO is more effective when they report to the CEO

Fact: There appears to be no correlation at all between a CIO's 'success' (and that's however you want to measure it; be that business alignment, IT spend, strategic concerns, job changing characteristics etc) and whether the CIO reports to the CEO or CFO.

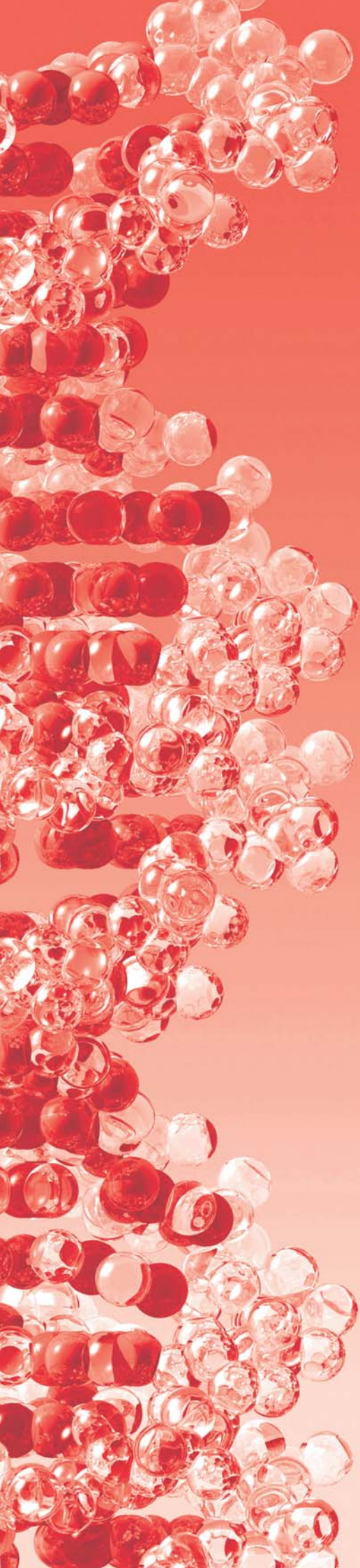


2. Executive summary continued . . .

2.3 What makes a successful CIO?

We looked at the characteristics that were common to CIOs who considered their IT department 'Aligned' with the business. Compared to their non-aligned counterpart, business-aligned CIOs:

- Are over twice as likely to match the time they would like to spend on key activities with the amount of time they actually spend (see 3.3.3). They are effective time managers and have the appropriate management team in place to allow them to focus on what really matters to the business.
- Are over four times as likely to be 'Very proactive' at shutting down projects that are not adding value to the business (see 3.7.2). They have the processes in place to identify when projects are not adding value and the courage and conviction to take the appropriate action.
- Spend 20% more of their budget on systems that give their business competitive advantage (see 3.7.3). They have a deep understanding of what drives the business and can deliver real benefits through technology.
- Are twice as likely to rate their relationship with Vendors as 'Excellent' (see 3.3.1). They recognise the importance of third-party suppliers and spend time fostering these relationships.
- Are 40% more likely to have an 'Excellent' relationship with 'Directors and senior business executives' – in other words senior people who do not necessarily have a formal interest in technology (see 3.3.1). They take time to meet the business more than half way.



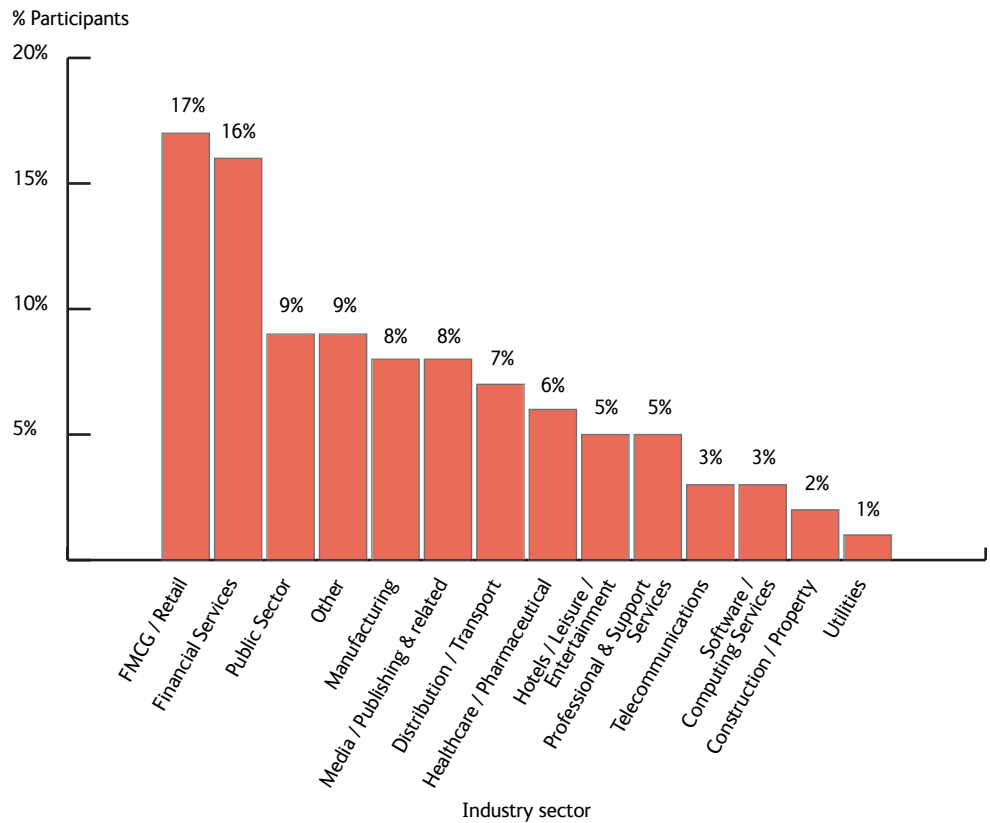
3. Survey Results

3.1 Participants' Profile

The continuing influence of the American system of "CxO" job titles is unabated.

3.1.1 Sector

Figure 1 Industry sector of participants



Respondents to the survey were drawn from across all business sectors providing a balanced view of the state of the market. The strong representation in Financial Services and FMCG / Retail is in line with the parent population.

3.1.2 Job title

The most common job titles quoted were (in order of frequency) IT Director, Chief Information Officer and IS Director. The continuing influence of the American CxO system of job titles ("CEO", "CFO", "CIO" etc) is unabated. Last year only a small percentage of respondents had the job title "Chief Information Officer". That has jumped to more than one in five.

3.1 Participants' Profile continued . . .

Women continue to be heavily under-represented in the CIO sector.

3.1.3 Age and sex

Figure 2 Age

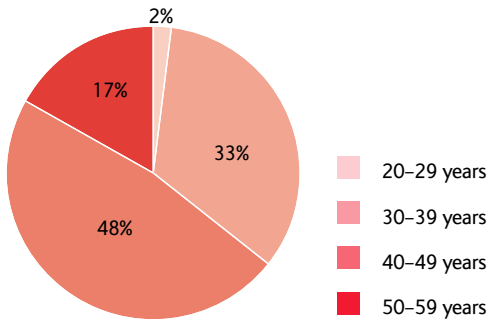
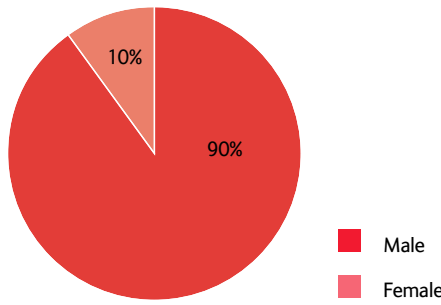


Figure 3 Sex

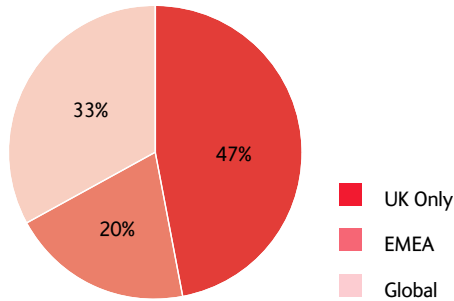


The proportion of female responses to this survey has wavered only by 1% or 2% over the last five years. The male dominance in the survey is reflective of the state of the industry, according to Harvey Nash figures. Women continue to be heavily under-represented in the CIO sector.

IT remains, if not a young man's game, then certainly not one for the older worker. The average age of a CIO is 42.4 years old; the average CIO is therefore likely to have in excess of 20 years' experience in the industry. The age profile has remained constant over previous surveys with older workers (over 50 years old) being under-represented in comparison to the general population.

3.1.4 Scope of responsibility

Figure 4 Geographic responsibility



3.2 Nature of role

Are CIOs regarded as “technology specialists” rather than business executives?

3.2.1 Reporting lines

Figure 5 Comparison of reporting lines (2000 – 2004)

	2000	2001	2002	2003	2004
CEO / FD	43%	53%	58%	51%	49%
CFO	38%	20%	19%	23%	30%
COO	7%	9%	10%	6%	11%

NB: The remainder of participants report to a variety of positions (mainly other board directors).

During 2000 – 2002 the CIO Survey registered a clear trend in reporting lines of CIOs away from the CFO and onto the CEO. Last year’s survey saw a slight reversal of this trend leading us to ask at the time: was this merely a statistical ‘blip’ or the beginning of something more structural?

This year’s results – which see a significant increase in CFO reporting lines and a continuing decrease in CEO lines – suggest this is a trend, not a blip.

2004 saw a much greater concentration of reporting lines to the CEO/CFO/COO than the previous year (90% for 2004, 80% for 2003).

Figure 6 Main board representation (2001 – 2004)

	% CIOs who are a member of the main board
2001	20%
2002	19%
2003	15%
2004	15%

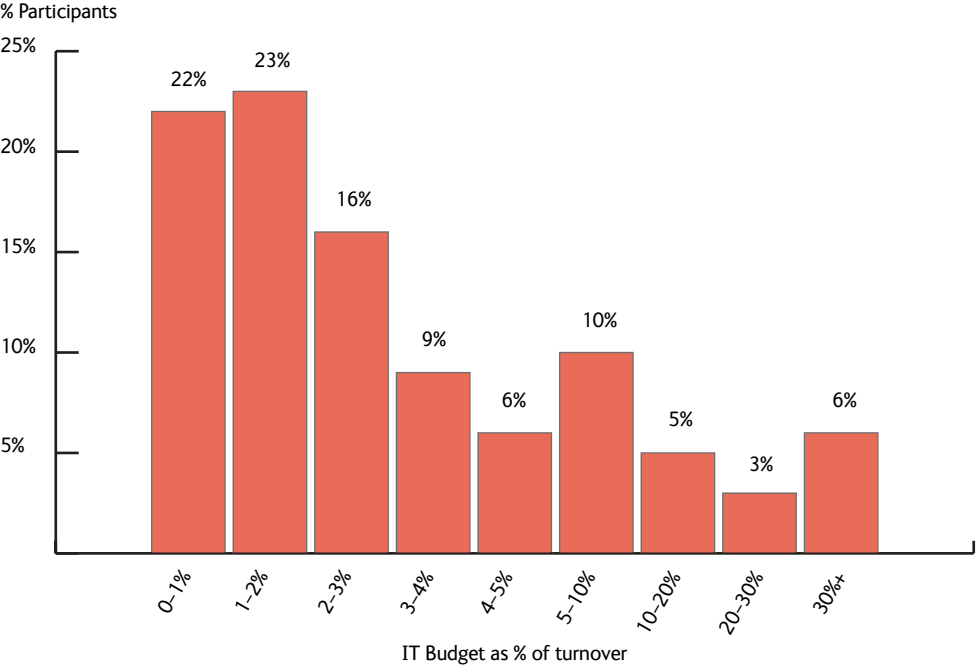
The trend in reporting lines detailed in 3.2.1 is also reflected in main board membership.

This raises a number of questions. Is the cause of this the CIOs themselves, or with the nature of the role? Are CIOs regarded as “technology specialists” rather than business executives and therefore lacking in the acumen needed to be a member of the board? Or is there a perception among other directors that IT is a support rather than central function, and therefore does not need to be represented at board level. In either case, CIOs should take note.

3.2 Nature of role continued . . .

3.2.2 IT Budgets

Figure 7 IT budget as a % of a turnover

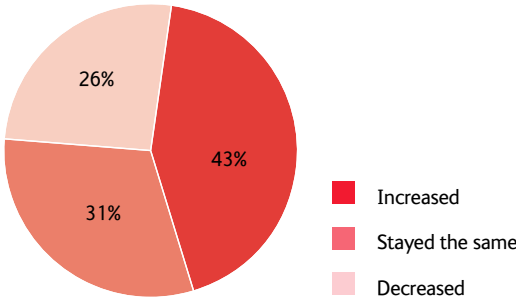


The mean IT budget as a proportion of company turnover was nearly 6%. However almost half of all participants commanded budgets of less than 2% of turnover.

The largest IT budgets were found in Financial Services and Software Services & Support companies.

3.2.3 Change in IT budget

Figure 8 Change in IT budget since 2003



3.2 Nature of role continued . . .

After a number of years of zero or negative growth, has investment in IT tentatively turned a corner?

Figure 9 Respondents reporting an increase in IT budget against industry

	% Reporting budget increase
Distribution / Transport	64%
Media, Publishing & related	64%
Financial Services	60%
Professional & Support Services	51%
Hotels / Leisure or Entertainment	50%
Healthcare / Pharmaceutical	44%
FMCG / Retail	42%
Government & Not-for-Profit	36%
Manufacturing	25%

Last year more companies were cutting IT budgets than increasing them; this year the opposite is true. Some 43% of respondents had budget increases compared to last year's 21%. After a number of years of zero or negative growth, investment in IT has tentatively turned a corner. That said, with over a half of respondents still reporting decreasing or static budgets there is still some way to go before the IT industry can officially be in 'recovery'.

Sectors making the heaviest investment include Media, Telecoms and Finance. Those reporting decreases include Construction, Manufacturing and, ironically, Software & Computing Services.

The strategic positioning of the CIO is highly influential in securing budget increases. Respondents who considered the role of the CIO as becoming more strategic (3.7.1) were five times more likely to attain an IT budget increase. Furthermore CIOs who reported to the CEO were more successful at obtaining budget increases than those reporting to other officers. Those whose reporting lines were to COOs were least likely to report a budget increase and most likely to report budget cuts.

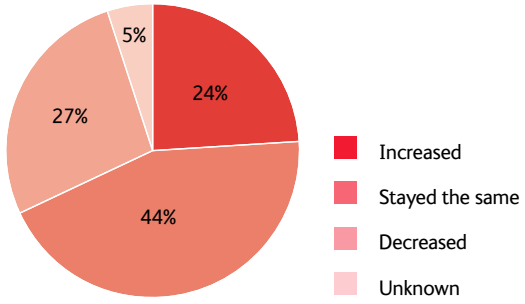
Where there has been a budget increase the average was 18%.

The results in Figure 9 are broadly similar to last year with the notable exception of Government & Not-for-Profit which has moved down the table. Clearly this sector has gone through significant change recently and whilst the absolute spend on IT remains high, the lower position on this table this year suggests that fewer new projects are being initiated.

3.2 Nature of role continued . . .

IT spend as a proportion of overall company turnover has in fact decreased.

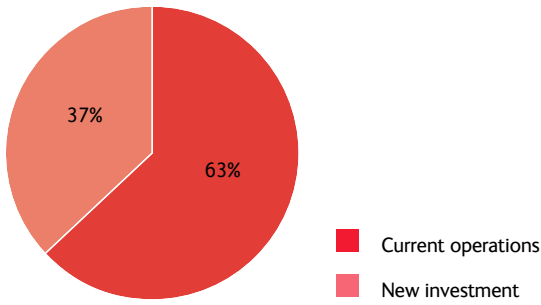
Figure 10 IT budget as % of turnover



Whilst the increase in absolute budgets is undoubtedly good news for the IT industry, IT spend as a proportion of overall company turnover has in fact decreased. This is not a marked decline and much of this could be down to the lag between increasing revenues in a recovering market taking time to filter through to IT spending.

3.2.4 Maintaining current operations and new investment

Figure 11 Spending on current operations and new investment



There was no noticeable difference between industries, however those CIOs who reported directly to the CEO were more likely to spend a greater proportion of their IT budget on new investment than those who reported to the CFO (41% and 34% respectively).

3.3 Work and working practices

The more frequent the interaction, the more effective the relationship.

3.3.1 Relationships

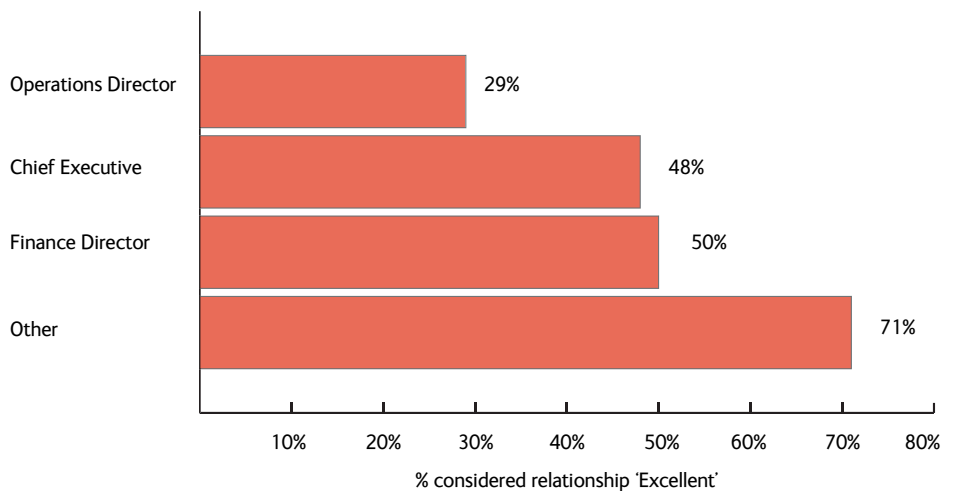
Figure 12 % indicating relationship was 'Excellent' and 'Frequent'

	% Considered 'Excellent'	% Considered 'Frequent'
Your team	54%	83%
Immediate superiors	51%	38%
Directors & senior business execs.	33%	24%
Other people in the business	15%	25%
IT vendors	13%	10%

CIOs are as aware as any senior executive of the importance of networking and on average 87% considered their relationships with key groups of people within their company 'Good' or 'Excellent'. That said, almost half believed there was room for improvement in their relationship with their immediate superior and team, and 87% believed there was room for improvement in the IT vendor relationships.

There is clear evidence that the more frequent the interaction the more effective the relationship.

Figure 13 Relationship with immediate superior



The level of satisfaction was significantly higher when the immediate superior was in the 'Other' category. In the majority of these 'Other' instances the direct superior was Group level CIO. In other words, CIOs relate best to other CIOs.

3.3 Work and working practices continued . . .

There is a clear disparity between those capabilities CIOs consider important and those at which they believe their team is 'Excellent'.

3.3.2 Capabilities of the IT team

Figure 14 Capabilities of the IT team

Capability	% CIOs consider capability 'Very important' for their team	% CIOs believe their team is 'Excellent' at this capability
Building & maintaining relationships with business	77%	20%
Managing & delivering IT operations	61%	35%
Managing IT developments & programmes	57%	33%
Planning future IT architecture & infrastructure	57%	29%
Envisioning & re-designing business processes	30%	15%
Setting & managing IT sourcing strategy	21%	15%

There is a clear disparity between those capabilities CIOs consider important and those at which they believe their team is 'Excellent'. On average, almost half of respondents who considered a factor as 'Very important' did not consider their team 'Excellent' at this capability.

This was particularly the case for 'Building & maintaining relationships with business' and 'Managing IT developments & programmes'. It shows a gulf between what CIOs want to achieve and what they could achieve.

Whilst respondents considered the relationship with the business as the most important capability of their team, 'Envisioning & redesigning business processes' – a key activity in linking IT strategy, business strategy and people, was much lower down on the list of priorities. In the light of this, is IT as connected with this activity as it should be?

3.3.3 Time spent on key activities

Figure 15 Time spent on key activities

	% Time actually spent	% Time would like to spend
Understanding and contributing to business strategy	19%	27%
IT planning & IT strategy development	22%	26%
Implementing IT projects & change	29%	27%
Managing & supporting IT applications / infrastructure	19%	12%
Other	11%	8%



3.3 Work and working practices continued . . .

Every year a whole working month of strategy formulating is lost.

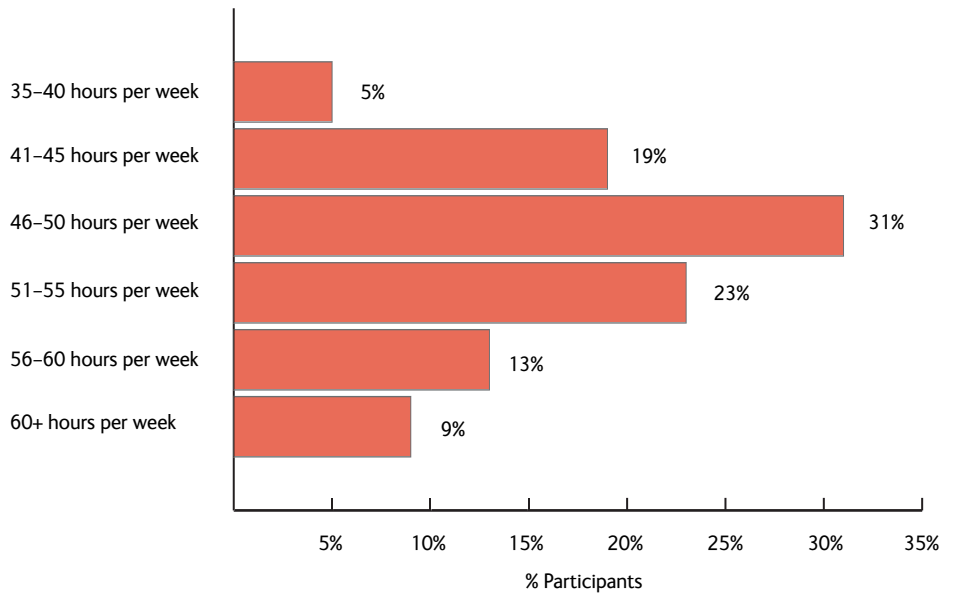
CIOs spend too little time 'Understanding & contributing to business strategy' and too much time 'Managing & supporting IT applications / infrastructure'.

Put another way, every week CIOs would like to spend on average 3.5 hours more on business strategy than they currently do. Put that in the context of a year, and a whole working month is missed in which CIOs should have been understanding and contributing to the business strategy but were in fact doing something else.

Given how important building relationships with the business are for the CIO and his / her team, this is clearly an area that needs careful attention. Having the right team in place to free the CIO to concentrate on what matters is key. But so is time management.

3.3.4 Hours worked

Figure 16 Hours worked



CIOs worked harder in 2004. The average time spent at work was just under 52 hours. Last year this figure was 49 hours. With 43% managing budget increases during this period, new projects are likely to have been the main driving factor.

This is no significant correlation between how aligned the CIO believes their department is with the business and hours the CIO works (see 3.7.6).

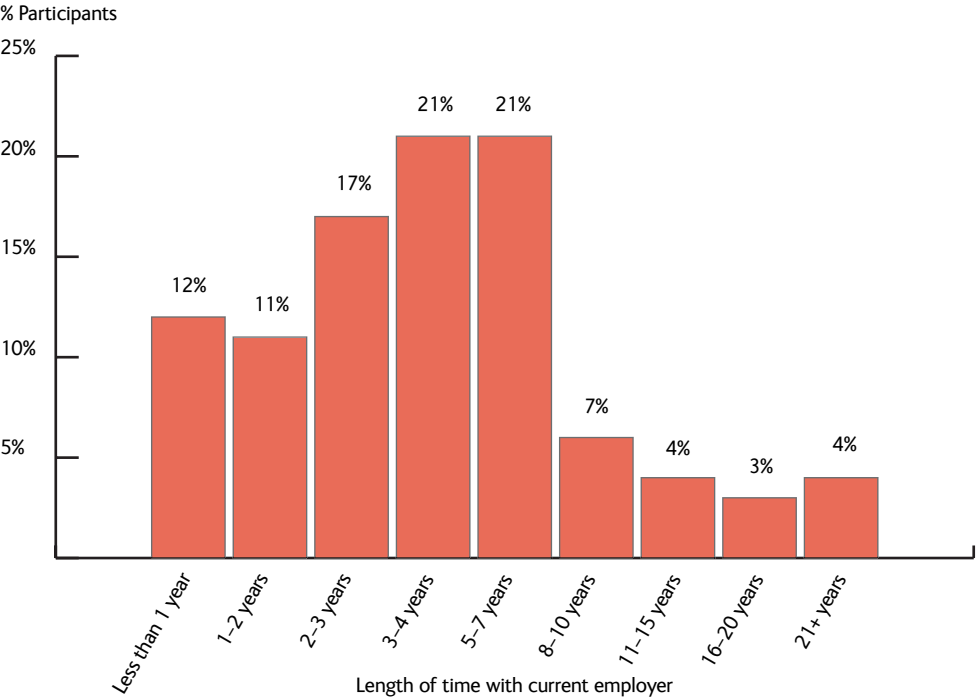
Only 5% of respondents worked less than 40 hours per week and 9% over 60 hours. This is broadly in line with previous years.

3.4 Employment and career

Over a quarter of respondents believe they will be changing jobs within a year and almost half within two years.

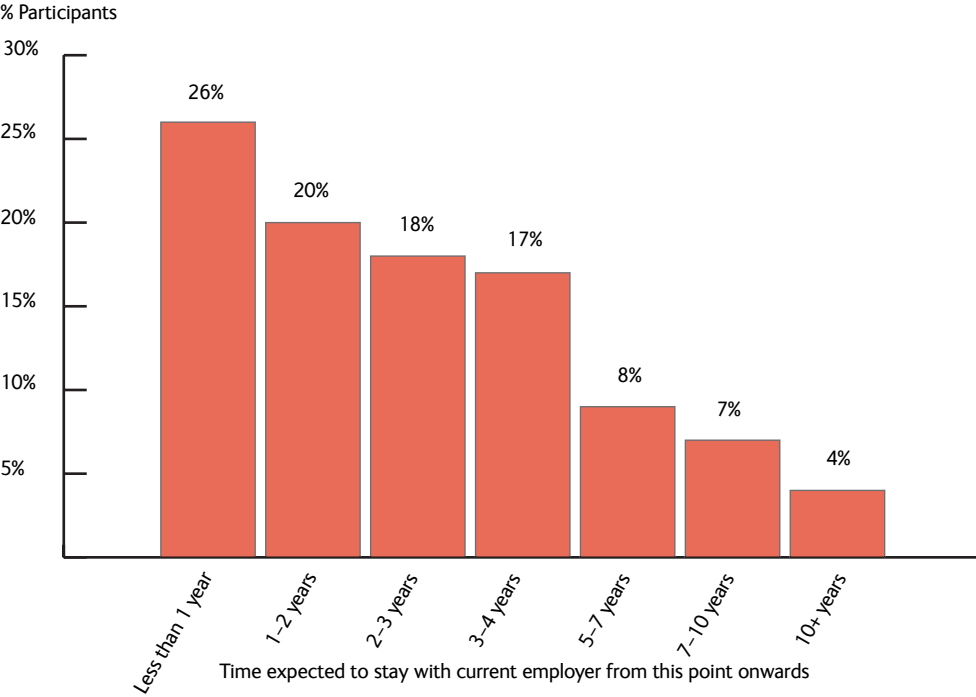
3.4.1 Length of service

Figure 17 Length of time with current employer



The mean length of service for CIOs was 5.4 years. However, over half of CIOs have worked for their employer for four years or less.

Figure 18 Time expected to stay at current employer from this point onwards



3.4 Employment and career continued . . .

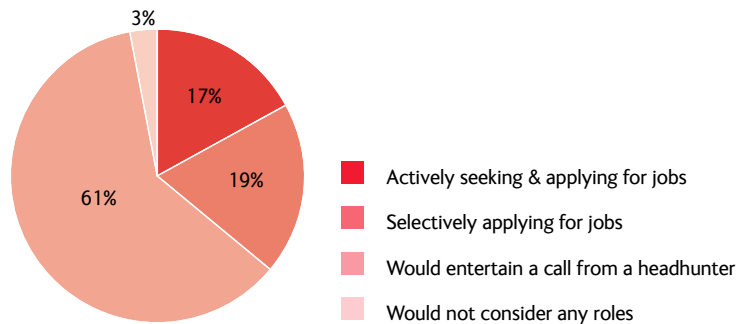
If every CIO was successful in their job changing aspirations, the IT industry would be in a major state of flux.

Over a quarter of respondents believe they will be changing jobs within a year and almost half within two years. The proportion expecting to change jobs within a year has increased by over 40% since last year.

The total average time respondents expect to stay with their employer is six to seven years; a slight decrease on last year's survey (seven to eight years).

3.4.2 Job hunting activity

Figure 19 How active in looking for a job

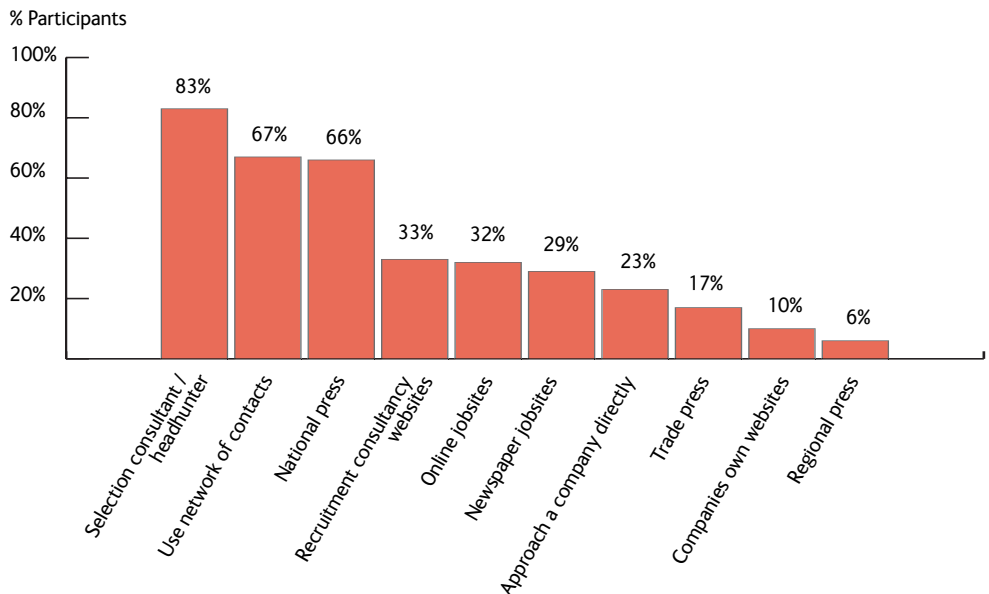


Given that over a quarter of respondents are expecting to change jobs in the next year it is unsurprising that job hunting activity has increased. Compared to last year the proportion of respondents actively seeking and applying for jobs has more than doubled.

If every CIO was successful in their job changing aspirations, the IT industry would be in a major state of flux.

3.4.3 Methods of job searching

Figure 20 Methods of job searching



3.4 Employment and career continued . . .

Figure 21 Reading habits

	Almost always	Quite often	Occasionally	Never
The Sunday Times	45%	18%	22%	15%
The Times	14%	19%	41%	26%
Economist	11%	4%	26%	59%
Financial Times	9%	18%	48%	25%
The Daily Telegraph	9%	13%	28%	50%
The Sunday Telegraph	9%	6%	18%	67%
Mail on Sunday	5%	4%	13%	78%
The Independent	3%	5%	22%	70%
The Daily Mail	2%	6%	25%	67%
The Independent on Sunday	2%	2%	10%	86%
The Guardian	1%	6%	21%	72%
The Observer	1%	3%	14%	82%

NB: Almost always: three to four issues out of every four

Quite often: one to two issues out of every four

Occasionally: less than one issue out of every four

The Sunday Times and The Times are by far the most popular publications with 63% and 33% respectively reading at least one issue in four.

3.5 Remuneration

Salaries vary widely, making benchmarking no easy task.

3.5.1 Base salary

Figure 22 Base salary and budget size

Budget	Average base salary
£0-£1m	£50,250
£1m-£3m	£81,580
£3m-£10m	£95,850
£10m-£20m	£104,970
£20m-£50m	£114,860
£50m-£100m	£143,750
£100m+	£234,430

NB: Includes supplementary data provided by Harvey Nash clients

As with last year's survey results there is a very wide distribution of salaries within each budget band: salary benchmarking is no easy task.

3.5.2 Benefits

Figure 23 Benefits

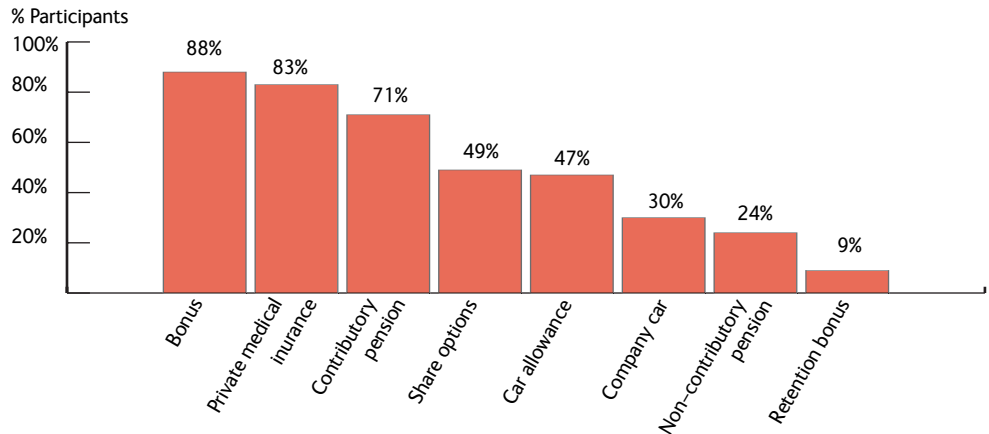
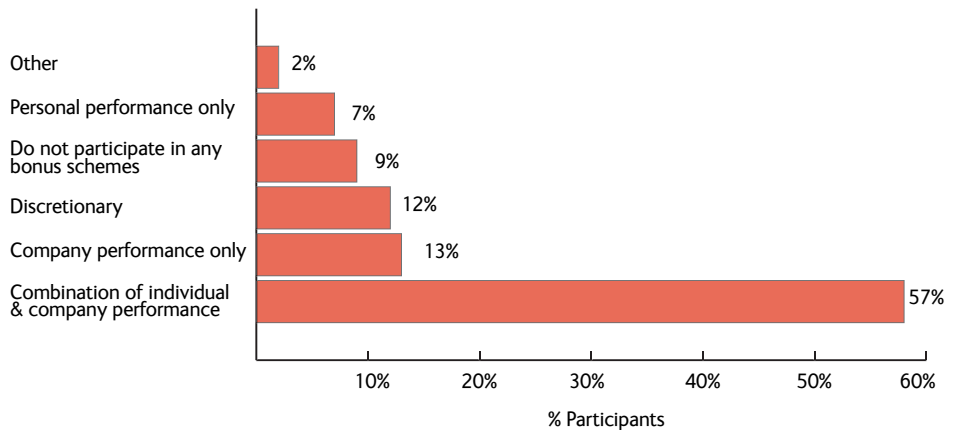


Figure 24 Type of bonuses



3.5 Remuneration continued . . .

The proportion of respondents who received zero bonus has significantly decreased compared to last year.

Figure 25 Bonus value as a % of basic salary

% Bonus value	% Participants
0%	9%
1-9%	15%
10-19%	24%
20-29%	18%
30-39%	12%
40-49%	8%
50-59%	6%
60-99%	7%
100%	1%

NB: Only includes participants where bonus is part of their package

The average bonus is 24%. The proportion of respondents who received zero bonus has significantly decreased compared to last year (which was 17%).

3.5.3 Share options

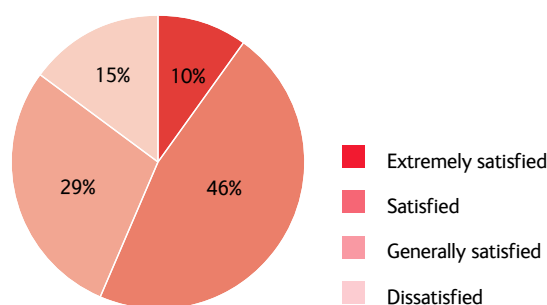
Figure 26 Annual allocation of share options

Allocation as % of base salary	% Participants
1-9%	15%
10-19%	22%
20-29%	19%
30-39%	5%
40-49%	3%
50-100%	28%
100%+	8%

Over half of respondents did not receive share options.

3.5.4 Satisfaction with remuneration package

Figure 27 Satisfaction with remuneration package



There is a generally high level of satisfaction with salary, broadly in line with last year's results.



3.6 Outsourcing and offshore development

46% of participants felt that outsourcing is likely to increase over the next 12 months.

3.6.1 Outsourcing budgetary spend

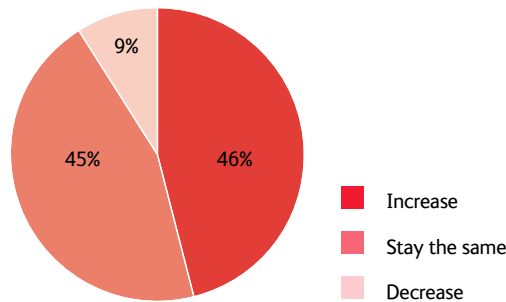
Figure 28 % IT budget spent on outsourcing

% of budget	% Participants
0%	4%
1-9%	36%
10-19%	23%
20-29%	14%
30-39%	5%
40-49%	6%
50-59%	6%
60-99%	1%
100%	5%

On average 25% of the IT budget is outsourced. This is a slight increase on last year's figure of 23%.

By far the most common proportion of budget that is outsourced is 0-10% where 36% of respondents indicated this as their outsourced budget. Given how much media coverage IT outsourcing receives it is perhaps surprising that the typical IT department outsources so little.

Figure 29 Predicted change in outsourced resource



46% of participants felt that outsourcing is likely to increase over the next 12 months. This represents an increase on last year (39%).

3.6.2 Reasons for outsourcing

Figure 30 Key reasons for outsourcing

	% Rated as most important reason for outsourcing
Better able to meet the needs of the business	46%
Cost reduction	22%
Improved performance	13%
More responsive service	11%
Better use of leading edge technology	8%

There were no discernable differences between who the CIO reported to and the reasons for outsourcing, in particular there was no evidence that a CFO reporting line meant a greater tendency to outsource for cost reduction reasons.

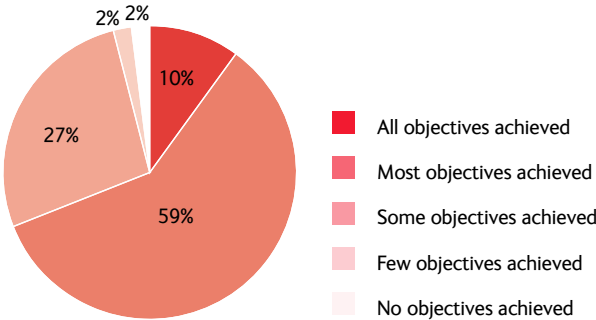


3.6 Outsourcing and offshore development continued . . .

There was no evidence that a CFO reporting line meant a greater tendency to outsource for cost reduction reasons.

3.6.3 Achieving objectives with outsourcing

Figure 31 Outsourcing and objectives



Over two-thirds achieved most or all of their objectives in outsourcing. This relatively high figure suggests the outsourcing industry is adding real value to the IT function. Clearly there is still work to be done as 90% of projects still don't achieve all their objectives.

3.6.4 What would you do differently?

Respondents were asked to cite the one thing they would do differently next time an outsourced contract was established. Whilst this was a free text option, two strong themes emerged: planning and contract negotiation. Here are some examples of responses:

Planning

- "More evaluation up front on whether or not global deals are appropriate for all regions of the world."
- "Attempt to get as much under one contract as possible (i.e. rather than have four separate hardware maintenance contracts, identify a single supplier to fulfil all four contracts)."
- "Spend more time understanding the issues the business as whole may have."
- "Build a better onshore/offshore balance."

Contract negotiation

- "Concentrate on exit arrangements."
- "The key problem we have had with outsourced suppliers is not fully agreeing what to do if the service is continually just below/on SLA – clearly above or below SLA is easy to deal with, but just missing most of the time whilst hitting it some of the time is not."
- "Better flexibility."

And finally....

- "Don't do it."

3.6 Outsourcing and offshore development continued . . .

Over two-thirds achieved most or all of their objectives in outsourcing.

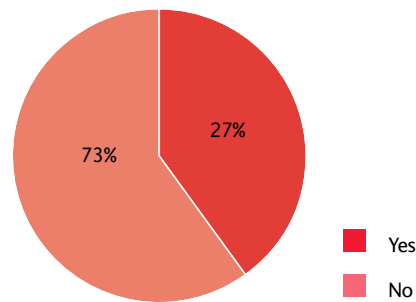
3.6.5 Offshore development

Figure 32 % budget spent on offshore development

% budget	% responses
0%	72%
1-10%	17%
11-20%	8%
21-30%	3%
31-100%	0%

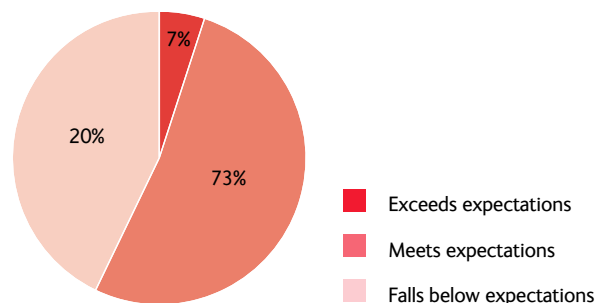
28% of respondents used offshore development; a significant increase on last year's 19%.

Figure 33 Likelihood of offshore spend increasing in the next year



Just over a quarter of respondents were looking to increase offshore development spending. This proportion increased to almost two-thirds when focusing on just the respondents who are current offshore development users. This suggests that those companies that have experience of using offshore development have benefited from their experience.

Figure 34. Quality of offshore service



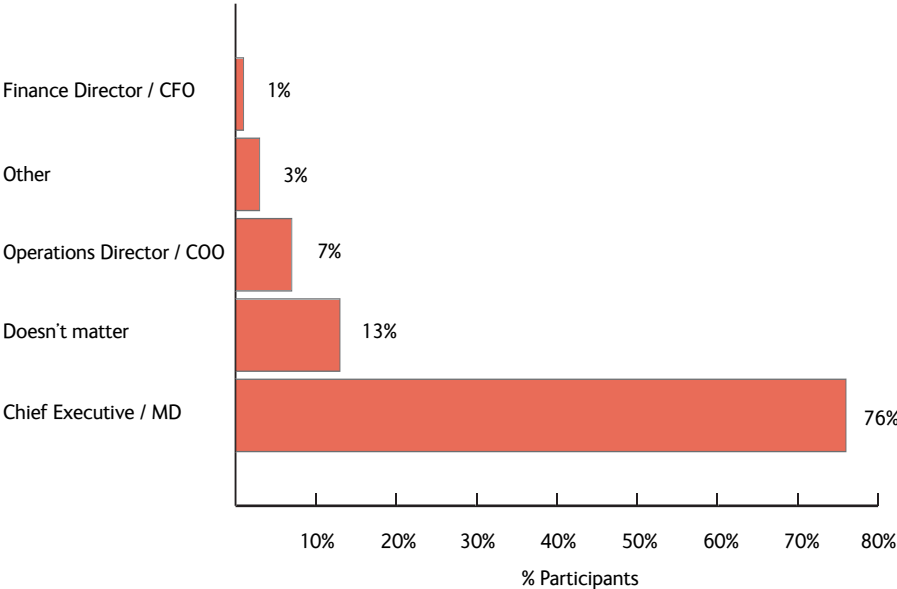
Where respondents used offshore development we assessed how well the service met their expectations. Generally respondents were satisfied, although a significant minority were not. However this minority is reducing in size as last year over a quarter felt the service fell below expectations.

3.7 IT issues

There is no evidence that CIOs are more effective when they report to the CEO.

3.7.1 Who should the CIO report to?

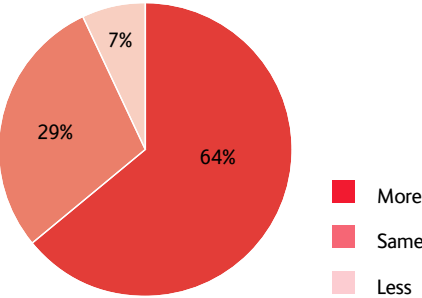
Figure 35 Who the CIO should report to



Despite 76% of respondents believing the CIO should report to the CEO, only 49% actually do. Only 1% of respondents felt the CFO was the natural reporting line for the CIO, but a very significant 30% do report to the CFO. And it looks like this proportion is increasing.

This survey suggests that there is no significant correlation between how aligned the IT department is with the business (see 3.7.6) and whether the reporting line is CEO, CFO or COO. In fact throughout the past six years this survey has not detected any real correlation between any measure of a CIO's 'success' (measured by business alignment, IT spend, strategic concerns, job changing characteristics and many others) and whether the CIO reports to the CEO or CFO.

Figure 36 Is the CIO role becoming more strategic?



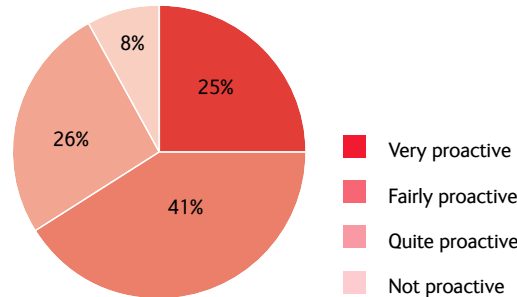
The role of the CIO – at least in CIOs' minds – is becoming more strategic.

3.7 IT issues continued . . .

Only one-quarter of CIOs believe they identify and shut down all projects that are not adding value to the business.

3.7.2 Shutting down failing projects

Figure 37 How active is your department at shutting down falling projects?

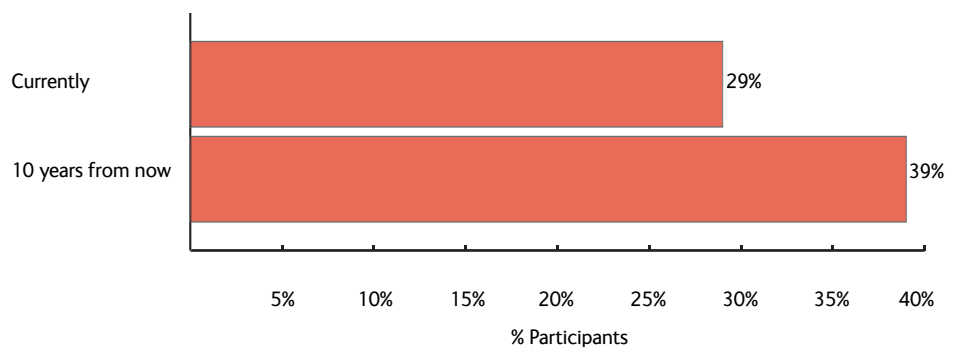


Projects that are not adding value to the business are a drain on resources (physical, financial and emotional) and are a common cause for strained relationships between the IT department and the business. Put another way, stopping or turning around these projects is one key way to get closer to the business and free up resources.

Only one-quarter of CIOs believe they identify and shut down all projects that are not adding value. Perhaps of more concern are the one-third of CIOs who fail to shut down these projects in the majority of instances.

3.7.3 IT for competitive advantage

Figure 38 Proportion of IT budget spent on building / running systems to give the business a competitive advantage



There is a clear belief that IT spend will be increasingly focused on providing competitive advantage. Much of this must be down to expected maturing of the IT function itself; more aligned with the business, more flexible, more strategic.

3.7 IT issues continued . . .

Business Alignment / IT perception, Cost Reduction and Project Deadlines are of most concern to CIOs.

3.7.4 Perennial concerns

Figure 39 Perennial concerns

	% Considered of most concern
Business alignment	41%
Perception of IT in the business	40%
Project deadlines	31%
Reducing costs	22%
CRM / ERP solutions meeting business expectations	20%
Effective system integration	19%
IT board representation	15%
Quality control of outsource	9%
Career development opportunities for staff	7%
Cost control of outsourcing	6%
Keeping pace with new technologies	6%
Staff turnover	2%
Recruiting IT staff	2%

Participants were asked to rate the relative importance of a list of issues perennially faced by IT professionals on a scale of 1–5 (with 1 being of ‘Of most concern’ and 5 being ‘Of minimal concern’). The above table details the proportion of respondents who ranked a factor as ‘Of most concern’.

The results are broadly in line with last year’s survey where Business Alignment / IT perception, Cost Reduction and Project Deadlines are of ‘Of most concern’.

Despite 77% of respondents believing that the CEO is the natural reporting line to the CIO only 15% considered IT Board Representation of ‘Of most concern’ suggesting that most CIOs are not that troubled by it.

3.7.5 New technologies in the next five years

We asked respondents what new technology they think will have the most significant positive impact on their business in the next five years. This was a free text option but two strong themes emerged:

- Mobile computing
- Web convergence/XML/Web Services.

Linux and Voice/Video over IP were also mentioned multiple times.

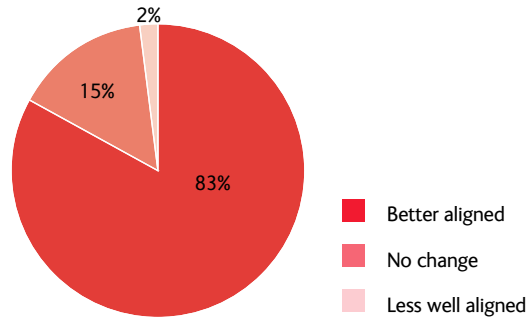


3.7 IT issues continued . . .

Over three-quarters of CIOs felt their department became better aligned with the business over the last year.

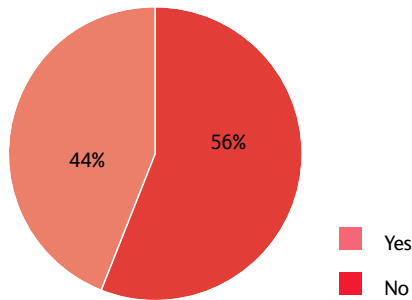
3.7.6 Alignment of business and IT

Figure 40 Has your department become more aligned with the business?



There is a continual positive improvement in the business alignment of IT.

Figure 41 Is your IT function well enough aligned with the business?



Last year 33% responded 'Yes' so again, there is continuing improvement. But with the majority of IT departments still considering themselves 'unaligned' there is still some way to go.



4. Conclusion

4. Conclusion – It's about leadership



This year's CIO Survey results see the presence of something that has been notably absent in recent years; optimism. This is not surprising, for as the economy has improved, so too have business prospects for many organisations. However, budgets are still under scrutiny, which given the past excesses of IT, and the time it takes for most businesses to regain their risk taking abilities following a downturn, is not unexpected. The survey evidence suggests that from a CIO's perspective at least, focus is shifting towards the next big thing, which would indicate that the swing from cost containment to innovation has started. Naturally, they still need to convince the leadership that this is the right thing to do.

CIOs are feeling more integrated with the business than last year. Perhaps this is because they have shared much of the pain over the past two to three years, or maybe they have made a concerted effort to bridge the gap. We believe it is probably the former. Of course, there is still a lot to do and what they can't afford is to lose this closeness as technology begins to burn hot again. It will require ongoing effort to be sensitive to business issues and demonstrate that past lessons have been learnt.

The pressures on the average CIO have if anything increased, evidenced by the low levels of job security. More than a quarter of the CIO population expect to change jobs within a year, and half within two years. Double the numbers are seeking new jobs when compared to last year. This is an expected reaction to changing market circumstances. After all, who would change jobs when the economy is flat or declining? Now that there is the potential of an upturn, most employees are looking to move in order to advance their careers, improve their prospects and increase their income. CIOs are no exception.

Some issues of course never seem to go away, as the respondents highlighted the perennial concerns of:

- Alignment to the business
- Meeting project deadlines
- Cost reduction and demonstrating value for money.

Although the concern of 'Cost reduction and demonstrating value for money' is undoubtedly a reflection on the last two years, as the global economy improves we would expect the attention on 'cost reduction' to diminish and the focus on 'value for money' to become much stronger. This switch in priorities (and, indeed mindset) will be a major challenge for CIOs who will need to display clear leadership as they guide their IT department out of the the 'maintenance' mode of the past few years into 'growth' mode in the future.

4. Conclusion – It's about leadership continued . . .



Taking leadership seriously

Much has been written about leadership and what makes people effective leaders. CIOs are, or should be, important members of the top team, but despite the role being around for over ten years, they still seem to lack the credibility of their fellow board members. CIOs need to look long and hard at their leadership skills and benchmark themselves against the typical dimensions of an effective business leader. Only when they can meet the expectations of a leader will they be acceptable. Typical attributes include:

- Strategic awareness
- Customer focus
- Strong communication
- Self discipline
- Team work.

One of the most critical components of leadership, which is rarely listed or discussed, is making sure there is an effective support mechanism in place. This will enable the CIO to operate in a more strategic way and not get bogged down by the daily requirements of making sure everything is working operationally. Achieving this important separation means introducing a chief technology officer (CTO) or similar senior technology role to address these operational requirements. This is no different from the CFO who is supported by his more technically minded financial controller.

In a recent interview¹ John Leggate, for the past five years the CIO of BP, highlighted the following lessons relevant to the question of leadership:

- Know your CEO's strategy and priorities
- Make sure IT strategy reflects your company's corporate philosophy
- Take advantage of any non-IT business experience you have had to better communicate IT needs with business executives
- Choose your CTO carefully and develop a close relationship.

This highlights the importance of having a solid internal network, which needs constant nurturing to remain effective. Of course, external networks are also important, with vendors, suppliers, colleagues. After all, to be an effective technology leader a CIO needs to be plugged into what is going on outside. One of the most surprising findings of this year's survey, therefore, is how little time and attention CIOs devote to this.

¹ 'In Sync with His CEO', CIO Magazine, April 15, 2004

4. Conclusion – It's about leadership continued . . .



We believe that leadership is also about²;

- Demystifying technology for the board. This involves making it accessible to them, helping them to see both the technology ramifications of the strategy and strategic ramifications of technology.
- Making the board aware of the potential and actual impacts of technology, plus and minus.
- Ensuring that IT in its entirety is in synch with what the organisation seeks to achieve, and is sufficiently flexible to change as the organisation changes.
- Taking time to really understand key parts of the business, and how technology can make them more effective.
- Making sure technology is part of the plans for all major functions of the organisation.
- Being brutally honest about the costs and benefits of major technology projects, and not massaging the numbers to gain approval or get past reviews.
- Being prepared to pull the plug on projects that will never add value.
- Ensuring that information is current, relevant and accessible – technology must support information needs now and in the future.
- Making sure there is a strong team in place, where each member understands what they are there to do, with what resources.
- Focusing on value for money by justifying every penny of spending on technology.

Conclusion

The characteristics of successful CIOs described above are not new. The behaviours associated with effective leadership and operational management have been the subject of numerous learned articles and books. There can be few surprises here. What may be different this year is that some of the pressures of recent years have eased slightly. Although still feeling insecure, CIOs and senior IT managers may be able this year to focus their attention on developing more of the characteristics they need to succeed. Leadership may not be as exciting as new technology, but it is the stuff of successful organisations. And, if the CIO wants to keep their seat at the top table, then they must develop them.

² Holmes, Andrew – Smart Things to Know About Technology Management, Capstone