



IT Leadership 2006/2007
The CIO Survey
Harvey Nash USA
Sponsored by KPMG



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1. Introduction



Welcome to the 2006/2007 CIO Survey from Harvey Nash USA, our second survey dedicated to exploring IT leadership issues and goals in the U.S. marketplace. For eight years, Harvey Nash has benchmarked IT leadership knowledge in the UK through its CIO Survey. Building off this legacy of technology and management understanding,

Harvey Nash USA and KPMG are now gathering the insights of America's head technology officers and visionaries. We are proud to share this growing body of knowledge with you and thank the many IT leaders who took time to provide their insight and perspective.

The role of IT leader within most businesses today is a busy and demanding one, paced by globalization and technology innovation. This survey, conducted in partnership with KPMG, mutes marketplace spin and offers an essential, in-depth look at IT leaders today—their roles, their challenges, their workplace approaches, their concerns, their teams and their technology strategies.

We expanded the survey, more than doubling the number of respondents over last year's response, and broadened the questionnaire to explore strategic leadership issues. The result is a detailed picture of leaders who on the whole are expanding their areas of responsibility outside of IT, eager to be a strategic business partner, content in their roles and welcoming of quality and measurement standards.

I would like to thank KPMG, our survey sponsor and partner in reviewing IT leadership trends and issues. KPMG played an important role in both this USA market survey and Harvey Nash's global IT leadership surveys.

I now invite you to discover the Harvey Nash CIO Survey and meet today's technology leaders — a confident, business-savvy group of individuals who are taking principal roles in business innovation and success.

Bob Miano
President and CEO
Harvey Nash USA

“Meet today's technology leaders — a confident, business-savvy group of individuals who are taking principal roles in business innovation and success.”



2. Executive Summary

A Positive Year for IT Leaders

The perspective from the desk of IT leaders today is quite positive from most vantage points. Today's CIOs are seeing improvements in their key priority areas, such as integration with the business, and have seen their roles become more strategic. Eager to take on additional business responsibilities, they are also reaping the benefits of increased responsibility: good salaries, strong bonus opportunities and high levels of job satisfaction.

The survey also reveals that IT leaders are becoming more rigorous in their expectations when it comes to both the performance of their teams and of their vendors. As IT leaders work to increase their business influence and leadership, they are determinedly focused on increasing business value and performance.

KEY FINDINGS

Top Priorities: Integration, Turnover & Deadlines

Many of today's technology leaders are seeing IT and business integration moving in the right direction. In this survey 57% of respondents said that IT is well integrated with the business, compared to only 37% last year. This significant advance in integration efforts seems to point to the idea that CIOs and their IT organizations in general are becoming change agents and key partners to the businesses they serve. At Harvey Nash, we see that business leaders and hiring managers at organizations nationwide are putting a premium on the business skills and contributions their IT professionals can make, whether they work at the C-level or a specific functional level.

However, while this 20% improvement is significant, there remains a substantial percentage of leaders who feel that IT and business integration could be better, which indicates that there is still work to be done. Committed to taking action on the business alignment front, today's IT leaders seem to recognize that there is still work to be done and that they must play a starring role in the improvements: Over half (53%) of respondents rank "alignment with business" as a task of highest priority, compared to only 38% last year.

When asked to rank the priorities they juggle, IT leaders named business alignment as a top priority, pointing to the importance that CIOs see in linking their efforts tightly to other functional roles. Managing project deadlines, security, managing staff turnover and effective system integration followed closely behind in terms of priority.

2. Executive Summary

Managing project deadlines, the second highest priority according to respondents, illustrates one of the key skills attributed to good IT leaders. Forty-two percent of survey respondents actually ranked meeting project deadlines as their top priority.

And a strong 35% of IT leaders ranked staff turnover as a top priority. The more competitive recruitment and hiring market is starting to take its toll on many IT departments.

Satisfaction & Fulfillment on Several Levels

On the whole, CIOs seem to be happy and satisfied in their current roles. More than 85% find their jobs fulfilling, with 25% saying they are “very” fulfilled and 63% saying they are “quite” fulfilled. More than two thirds say that currently they are neither applying for nor interested in outside career opportunities. Only 17% of IT leaders report actively seeking and applying for new jobs.

One reason for the general contented outlook of many IT leaders is likely due to budgets. Most IT leaders are managing unchanged or growing budgets. Only 20% of IT leaders report decreased budgets. On the other hand, 79% said their budgets have either increased or stayed the same.

Another reason for strong levels of satisfaction and fulfillment is surely the progress that is occurring on the business integration front. As business and IT become more integrated, IT leaders and their departments are increasingly seen as partners in solutions and innovators who bring solutions to the table.

Salaries and benefits packages likely also contribute to an upbeat mood. The average salary of IT leader respondents was \$163,000. Seventy-two percent of last year’s respondents and 75% this year said they are either “extremely satisfied” or “satisfied” with their compensation package. In addition, more than 75% of respondents this year received a bonus within the last 12 months. While most bonus payouts were between 1% and 25% of the individual’s salary, a solid 25% of IT leaders received bonuses between 26% and 50%.

Becoming a More Strategic Business Leader

A definitive majority of IT leaders surveyed (79.6%) said their roles have become more strategic, compared to 63% who said the same last year. As IT leaders continue to become more strategic business leaders, they are also eager to take on additional responsibilities and play principal roles in areas outside of IT. Today, 43% of IT leaders report having responsibilities outside of the IT department. IT leaders

2. Executive Summary

report increasing involvement in strategic decision making, reflecting the broader needs of the business, and they are playing key roles in a range of areas, such as business process improvement/management, operations and facilities management, sales and marketing, customer service and finance.

The fact that IT leaders have been given responsibilities outside of IT demonstrates the confidence business heads have in their technology executives/directors/managers. IT leaders are being asked to lead and share expertise in new business arenas, which is clear evidence of how they are evolving into renaissance professionals with a range of multi-functional business skills.

While their responsibilities are expanding across business functions, many IT leaders hope their influence and responsibilities will continue to increase: 37% of respondents listed greater management and decision-making responsibilities as the single change that could make their jobs more fulfilling.

Evidence of a Mature Outsourcing Market

According to the survey, IT leaders are operating in a rapidly maturing outsourcing marketplace, with significant room for improvement. Some 80% of respondents are leveraging outsourcing today, and 48% predict that their outsourcing spend will increase in the year ahead.

However, it's important to note that only 10% of IT leaders said that all of their original outsourcing objectives have been met, leaving significant opportunity for improvement in both outsourcing engagements and providers.

Offshoring Meets Business Expectations

Offshoring solutions are also working well for today's IT leaders and they expect their offshoring usage to increase. This year 67% of respondents said their offshore solutions had "met" or "exceeded" expectations compared to 60% the year before. This year over 95% of IT leaders who leverage offshoring say that their offshore spend will "stay the same" or "increase."

It's Harvey Nash's opinion that offshoring has made significant advances in meeting expectations for several reasons, one being both providers and businesses have learned to carefully analyze which projects can best be managed offshore. They are using that knowledge to strategically distribute projects to the right team for the job, whether they are onsite or offshore. As a result, expectations for

2. Executive Summary

offshoring have come into line as well. Because businesses know what types of projects best belong offshore, they have very clear understandings of the service to expect. Offshore providers have learned to use their advantages (such as working at time zones far ahead of their clients) to deliver and even exceed upon those expectations. The result, in Harvey Nash's opinion, is an offshoring marketplace that is rapidly becoming a well-oiled global machine.

Seeking Service & Partnership from Vendors

When it comes to selecting vendors, IT leaders are looking for outstanding service providers that understand their businesses rather than no-frills service providers. Competency/service excellence is, of course, a highly valued trait. According to respondents, today's vendors of choice are also those that are eager to partner, able to understand the client's business needs and are honest and responsive.

Teams Need to Strengthen Key Skills

IT leaders do recognize that there is some work to be done when it comes to improving the capabilities of their IT teams. For example, more than 90% of IT leaders surveyed believe that building and maintaining relationships with the business is very important (67%) or important (27%). However, only 30% believe that their team is excellent at achieving this objective, a number unchanged from last year despite the fact that 97% of leaders surveyed the year prior ranked this as a "very important" (76%) or "important" (21%) capability. Clearly leaders see that there is room for improvement. This could indicate the need for added soft skill and business skill training within IT departments. As IT leaders place more emphasis on their teams' need to help all departments, IT leaders need to help their teams acquire more business skills.

The focus on improvement and performance excellence extends beyond internal teams. This year's survey has recorded a 3% dip in vendor relationship rankings, demonstrating that CIO expectations of internal and external resources are increasing.

The Future: Convergence, Blogging & Accountability

Some IT leaders see new convergence technologies (technologies that combine voice, data and video capabilities) as an opportunity to contribute to bottom-line business success and increase their strategic business standing within the company. According to the survey, 60% of IT leaders are investing time in convergence and 48% will invest resources.

2. Executive Summary

A major marketing and PR trend of late, blogging, does not have today's top IT leaders riveted. While new blogs continue to emerge at an incredible rate and can now be found on most corporate Web sites, only 14% of respondents said that blogging is of significant business value and a definitive 79% said that it is not. This lack of widespread IT leader enthusiasm for today's growing culture of blogging may be a reflection of bottom-line business thinking among IT heads. At this point it is difficult to quantify blogging in terms of clear-cut ROI. However, Harvey Nash predicts that blogging gradually will be seen as more significant in terms of business value by CIOs as they see how it is rapidly becoming a critical and valuable communication point between businesses and their customers.

Accountability will continue to be an issue for IT departments and their leaders, with 77% of respondents believing that there is justification for an ethical supplier policy. In a global economy and where scandals have rocked business markets worldwide, more and more companies are demanding their vendors demonstrate strong ethics and good business practices.

IT leaders also see the need for technology and its deployment to be accountable to the greater world: 87% believe that technology can play a significant role in bridging the gap between developed and developing economies.



3. Survey Results

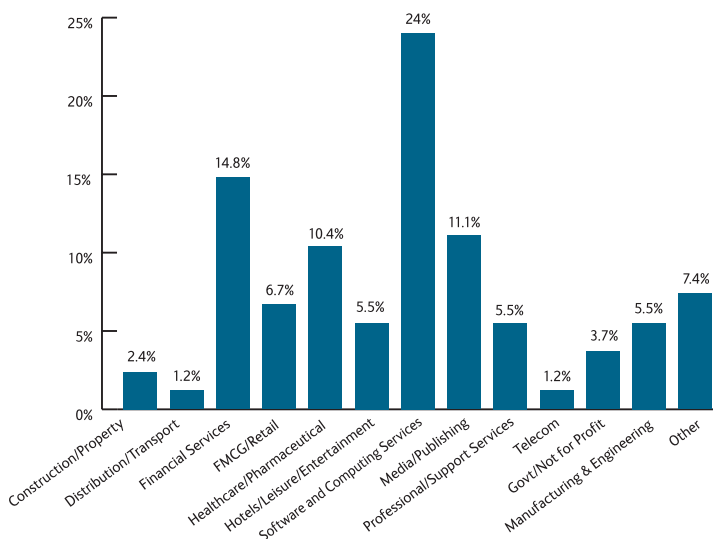
3.1 Respondents' Profile

“While the business hierarchy has held steady, the quality of relationships within businesses seems to be changing.”

3.1.1 Respondents

The number of respondents to the survey grew significantly to 172, more than double last year's total of 75. These IT leaders come from a range of industry sectors. This year's survey includes more leaders from the software and computing services sector: 24% of respondents were from the software and computing services industry, compared to only 8% last year.

FIGURE 1. Industry sector of participants



3.1.2 Reporting Lines and Key Workplace Relationships

There has been no significant change in reporting lines from last year's survey. Equaling last year's survey results, 36% of respondents currently report to the CEO and significant numbers report in to the CIO/IT group director (27%), CFO (13%) and COO (8%).

While the business hierarchy has held steady, the quality of relationships within businesses seems to be changing. Only 34% of IT leaders report their relationship with directors and senior executives as “excellent,” compared to 45% last year. Last year, 73% of IT leaders felt their relationships with their own IT teams were “excellent.” This year that number has fallen to 67%.

IT leaders report that in general they are interacting extremely well with vendors, but there has been a slight dip in overall vendor-relationship rankings. Last year more than 90% of respondents rated their vendor relationships as “good” or “excellent,” this year that number fell to 87%.

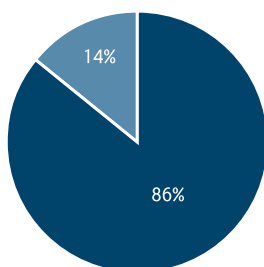
3.1 Respondents' Profile

3.1.3 Age and Sex

This year's survey found that 86% of IT leaders were men compared to last year's 92%.

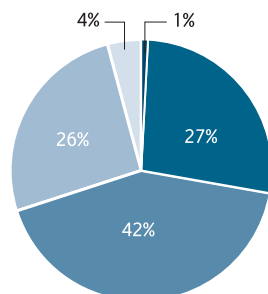
Last year 6% of IT leaders were between the ages of 20-29, and this year only 1% fell into that age category. Most survey respondents reported being in their 30s (27% up from 21% last year) and their 40s (42% up from 38% last year).

FIGURE 2. Sex



Male
Female

FIGURE 3. Age

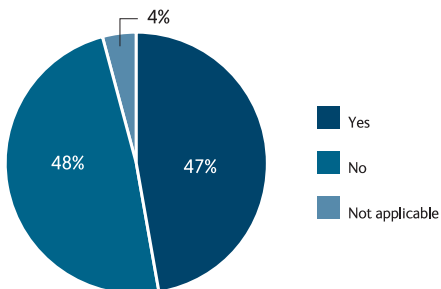


20-29yrs
30-39yrs
40-49yrs
50-59yrs
60+yrs

3.1.4 Board Membership

Forty-seven percent of survey respondents are members of their business' operational board and 48% are not. This split is similar to last year's dead even split between those who said they were and those who said they were not board members.

FIGURE 4. Are you a member of the main/operational board?



Yes
No
Not applicable

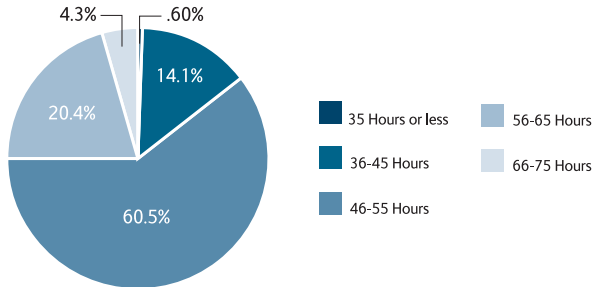
3.2 Work and Working Practices

“The survey found that 80% of respondents believe their role is becoming more strategic.”

3.2.1 Hours Worked

The majority of IT leaders, 57%, are working 50-59 hours per week. Another 20% said they work between 60 and 69 hours per week. Only 4% of respondents reported working more than 65 hours per week, while 14% work between 36 and 45 hours.

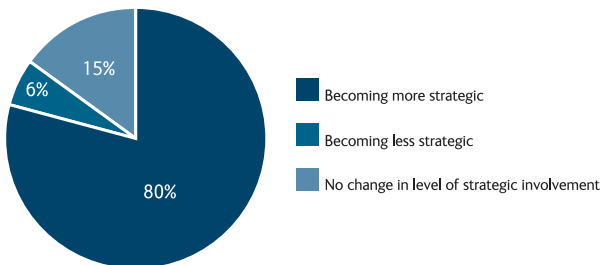
FIGURE 5. Average number of hours worked per week



3.2.2 Strategic Responsibility

The survey found that 80% of respondents believe their role is becoming more strategic, versus only 63% last year.

FIGURE 6. Change in strategic involvement



3.2 Work and Working Practices

“A diverse and wide range of business responsibilities fall into the domain of many IT leaders.”

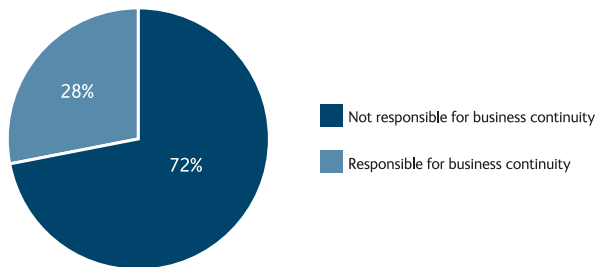
3.2.3 Expanding Responsibility Outside of IS

Today, 43% of IT leaders report having responsibilities outside of the IT department. Respondents listed a diverse range of business responsibilities that fall into their domain, such as business process improvement/management, operations and facilities management, sales and marketing, customer service and finance.

3.2.4 Responsibility for Business Continuity

IT leaders play a primary role in business continuity efforts. The survey found that 72% of IT leaders are responsible for business continuity.

FIGURE 7. CIOs with responsibility for business continuity

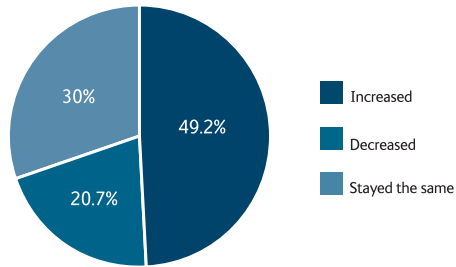


3.2 Work and Working Practices

3.2.5 IT Budget

The average budget for those surveyed was \$45M, while the median budget was \$8M. Only 20% of IT leaders report decreased budgets. On the other hand, 79% said their budgets have either increased or stayed the same.

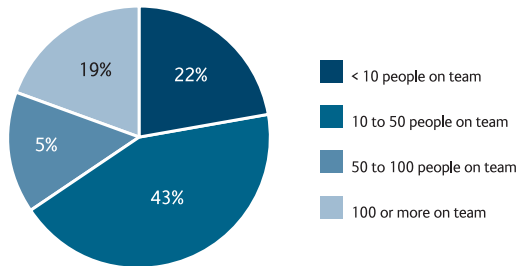
FIGURE 8. Change in IT budget in the last 12 months



3.2.6 Permanent and Contractor Staff

The composition of the respondents' staff had an average IT team of 78% permanent and 22% contract team members.

FIGURE 9. Size of team



Almost half of the respondents (43%) have IT teams of 10 to 50 people.

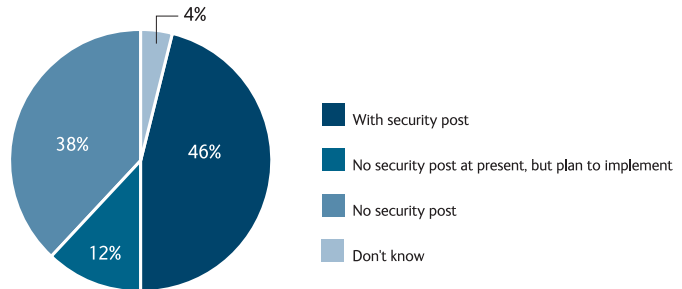
3.2 Work and Working Practices

“Out of all the IT team capabilities provided, IT leaders most often said their teams were “excellent” at what would be categorized as traditional technology roles.”

3.2.7 Security

Organizations are focusing on security issues and management. The survey found that 46% of respondents work for companies with a specific information security post and 12% said they have plans to implement a security role.

FIGURE 10. Organizations with a security post



3.2.8 Capabilities of the IT Team

IT leaders indicated some concerns about the capabilities of their teams. Seventy-six percent of IT leaders believed that “building and maintaining relationships” with business colleagues was very important, up from 67% last year. However, only 30% of respondents said they believe that their team is excellent at accomplishing this task.

As for other IT capabilities, “envisioning and redesigning business processes” has grown in importance. This year, 47% of IT leaders ranked the task as very important as compared to 38% last year. Yet, only 18% of IT leaders said their teams were excellent at envisioning and redesigning business processes.

Out of all the IT team capabilities provided, IT leaders most often said their teams were “excellent” at what would be categorized as traditional technology roles: managing and delivering IT operations.

FIGURE 11. Capabilities of the IT team

| Capability | % of CIOs who consider capability very important | % of CIOs who consider their team is excellent at this capability |
|--|--|---|
| Building and maintaining relationships with business | 76 | 30 |
| Envisioning and redesigning business processes | 47 | 18 |
| Managing and delivering IT operations | 54 | 39 |
| Managing IT developments and programs | 56 | 25 |
| Planning future IT architecture and infrastructure | 51 | 23 |
| Setting and managing sourcing strategy | 23 | 14 |

3.3 Employment and Career

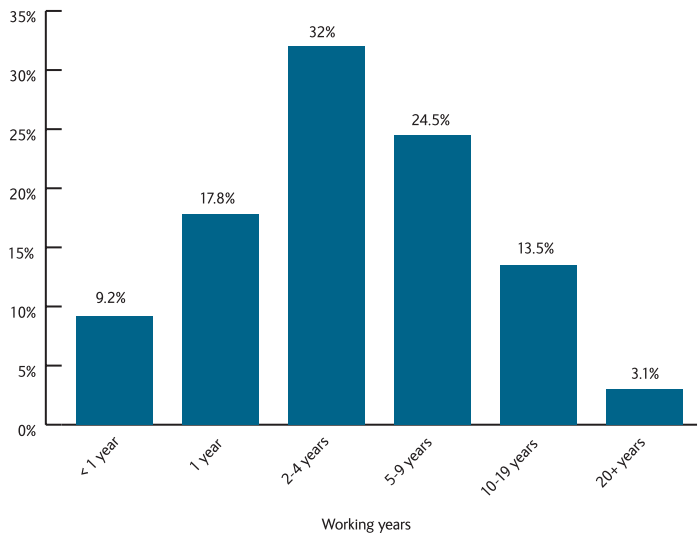
On the whole, IT leaders seem happy and fulfilled with their current roles. More than 85% said they find their roles “very fulfilling” or “fulfilling.”

However, IT leaders would still like to see their roles expand and evolve further. When asked what one aspect of their job could make it more fulfilling, 37% listed having greater management and/or decision making capabilities. Other factors cited by IT leaders include better communication and collaboration with other business groups and more resources/greater budget.

3.3.1 Length of Time with Current Employer

The survey found that 24% of IT leaders have been with their employer for one year or less, which shows some significant movement and turnover in IT leadership positions. Almost one third (32%) reported tenure between two and four years, while another 24% reported between four and nine years with their present employer. Only 16% reported working 10 years or longer for their employer.

FIGURE 12. Time with current employer

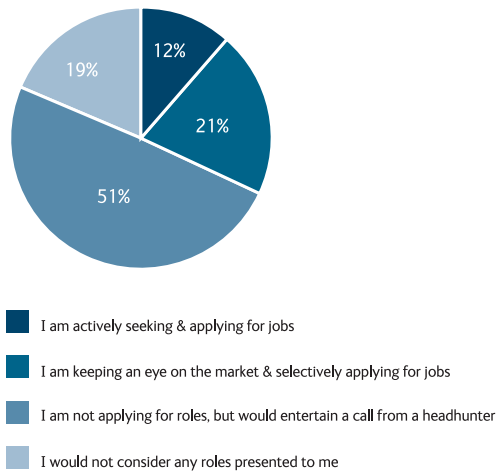


3.3 Employment and Career

3.3.2. Job Search Activity

IT leaders have not dramatically changed their job search activities in the last 12 months. Just under a third of respondents report “actively” or “selectively” applying for roles, though more than half (51%) say that they would entertain a call from a headhunter. And 19% said they would not consider any role presented to them, up slightly from 17% last year.

FIGURE 13. How active in looking for a job?



3.3 Employment and Career

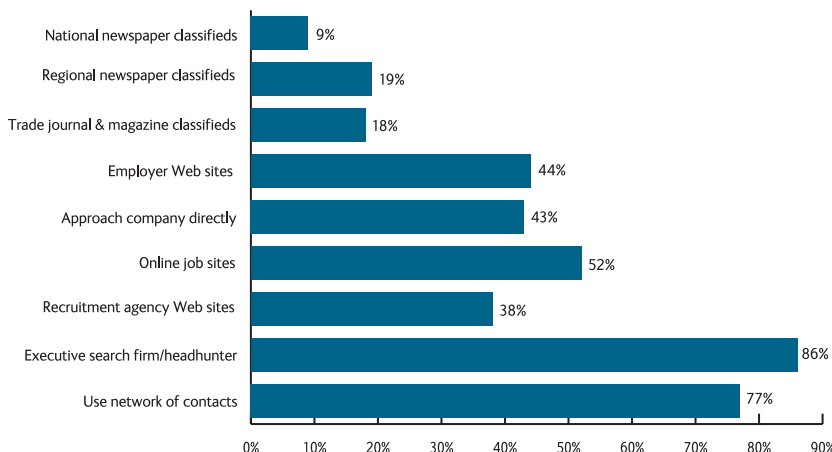
“Use of executive search firm/headhunter remains the most popular method of job searching.”

3.3.3 Job Search Sources

While a wide range of high-tech job search tools exist in the marketplace, most IT leaders are traditional when it comes to looking for a new position. Asked about which tools they would employ when looking for a job, 86% said they would use an executive search firm or a headhunter. Another 77% said they would use their own networks to find new opportunities.

However, more than half (52%) said they would use online job sites. Employer Web sites scored high as well; 44% of respondents said they would use these sites in their job search.

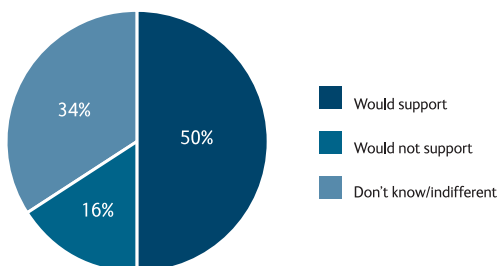
FIGURE 14. Methods of Job Searching



3.3.4 Formal Accreditation

Exactly half of respondents supported the idea of formal accreditation/qualification for CIOs. Another 34% said they were undecided while only 16% said no.

FIGURE 15. CIOs support for formal accreditation

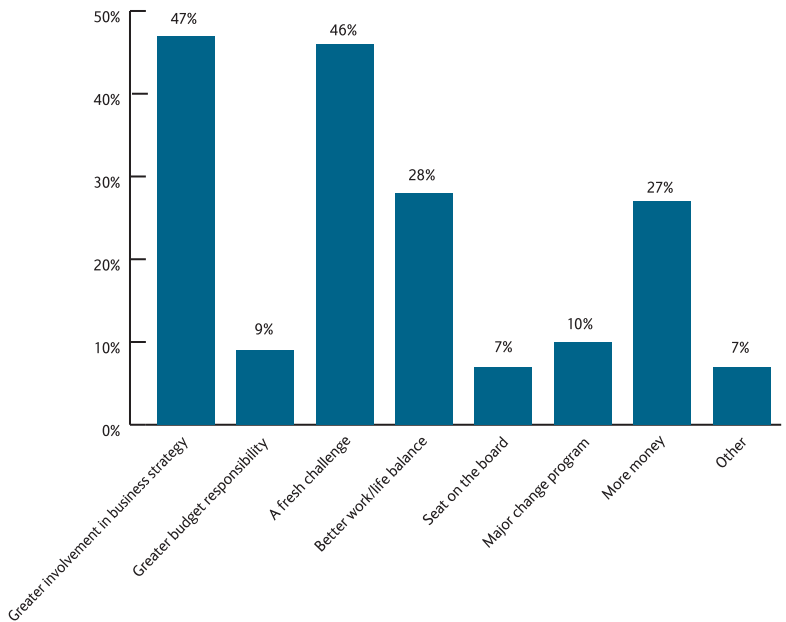


3.3 Employment and Career

3.3.5. Deciding Factors in Changing Jobs

Among today's IT leaders, "greater involvement in business strategy" and a "fresh challenge" are the most common reasons for considering a job change. The third most cited reason is "work/life balance." Greater compensation was the fourth most frequently cited reason.

FIGURE 16. Factors in moving to a new role/organization



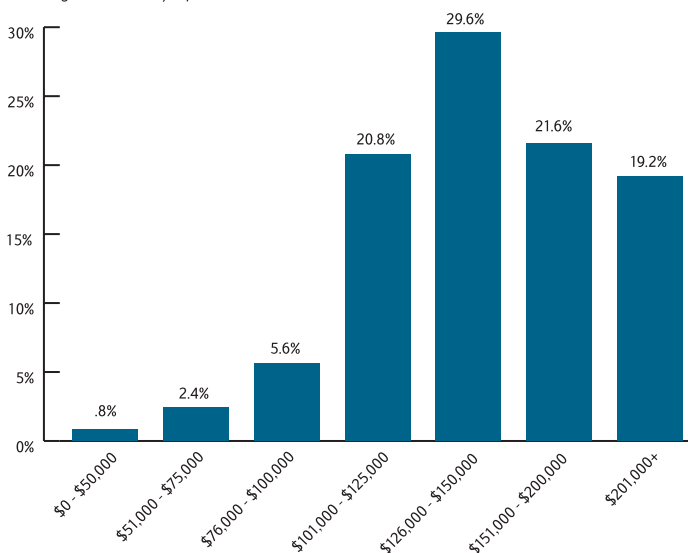
3.4 Compensation

3.4.1 Compensation/Salary

This year's results were positive from an earnings perspective. IT leaders are satisfied with their income. Those with greater responsibilities also report larger budgets. In addition, the level of survey respondents has increased in seniority this year, most likely accounting for the following findings. Last year, 36% of respondents earned more than \$125,000 annually. This year, 70% earned more than \$125,000 per year.

FIGURE 17. Base salary

Average Overall Salary Equals \$163,000



While salary levels can be dependent on the actual responsibilities of the respondent, there is a link between their salary and the size of the budget they operate under.

FIGURE 18. Average salary in relation to budget size

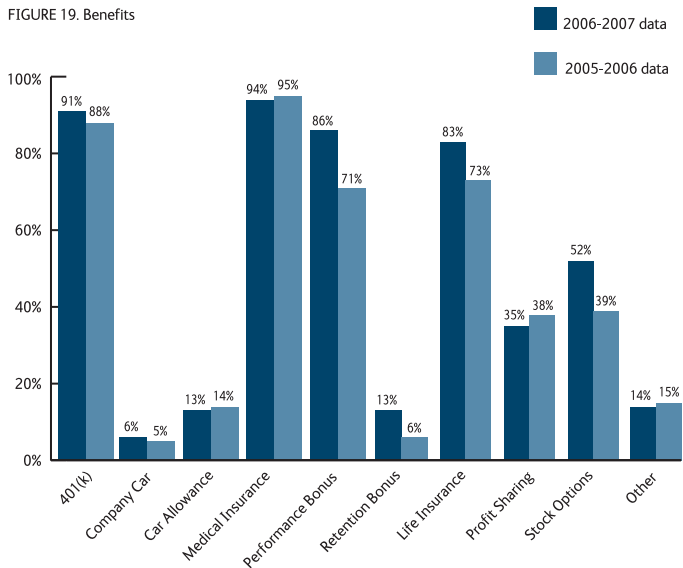
| Budget | Average Salary |
|-----------------------|----------------|
| \$100 million or more | \$200,417 |
| \$50-100 million | \$205,615 |
| \$20-50 million | \$178,667 |
| \$10-20 million | \$191,571 |
| \$3-10 million | \$162,875 |
| \$1-3 million | \$137,842 |
| Up to \$1 million | \$114,467 |

3.4 Compensation

3.4.2 Benefits

IT benefits are similar to those reported last year, although more CIOs are receiving bonus payments from their employers. Last year, 71% of respondents reported receiving a performance bonus while this year 86% said they do. Reports of retention bonuses went from 6% to 13%. There was a significant jump in respondents who reported receiving stock options. Last year 39% said they received stock options. This year, more than half (52%) said stock options were a part of their compensation packages.

FIGURE 19. Benefits



3.4 Compensation

Of the respondents, 75% said they had received a bonus during the past 12 months. While the majority of bonus payouts were between 1% and 25% of the individual's salary, a quarter (25%) of IT leaders received bonuses between 26% and 50%.

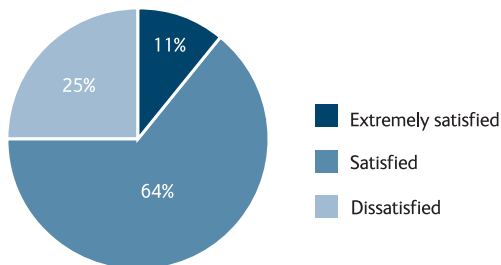
FIGURE 20. Bonus received in last 12 months

| Bonus as percent of salary | % of respondents |
|----------------------------|------------------|
| none | 20.3 |
| 1 to 25% | 50.4 |
| 26 to 50% | 25.6 |
| 50 to 75% | 2.6 |
| 76 to 100% | 1.0 |

Compensation Satisfaction

Bumps in bonuses may also be contributing to a rise in salary satisfaction. The survey found that 75% or three fourths of participants said they were either “extremely satisfied” or “satisfied” with their compensation package. That is slightly higher than last year’s 72% that ranked themselves as extremely satisfied or satisfied. It’s important to note that the shift in those who are “extremely satisfied” is significant. Last year, 6% of respondents said they were “extremely satisfied” while this year that number jumped to 11%.

FIGURE 21. Satisfaction with compensation



3.5 Outsourcing and Offshoring

“The outsourcing market is maturing. Nearly half of IT leaders (48%) think their spending on outsourcing will increase, up from 38% last year.”

3.5.1 Outsourcing

Overall, 80% of survey participants have dedicated a percentage of their budget to outsourcing. The average percentage of budget outsourced was 16%.

Last year, a large number of participants (65%) reported spending only 10% or less on outsourcing. This year's survey saw that number fall to 55%.

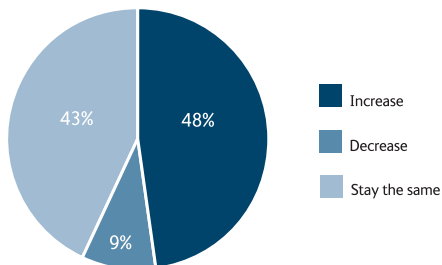
FIGURE 22. Percent of IT budget spent on outsourcing

| Percent of Budget | Percent of Respondents |
|-------------------|------------------------|
| none | 19.3% |
| 1 - 10% | 36.4% |
| 11 - 20% | 12.4% |
| 21 - 30% | 16.3% |
| 31 - 40% | 5.4% |
| 41 - 50% | 3.1% |
| 50 - 75% | 6.9% |

3.5.2 Outsourcing Spend

The outsourcing market is maturing. Nearly half of IT leaders (48%) think their spending on outsourcing will increase, up from 38% last year. Only 9% expect their outsourcing expenditure will decrease, while 43% think it will stay the same.

FIGURE 23. Predicted change in outsourced resource



3.5 Outsourcing and Offshoring

3.5.3 Reasons for Outsourcing

The reasons businesses outsource are shifting slightly. Last year the primary reason given for outsourcing was “cost reduction.” This year, 24% of respondents said that “cost reduction” was the most important consideration with another 24% saying that being “better able to meet the needs of the business” is important in their decision to outsource.

FIGURE 24. Top Four Reasons Why Business Leaders Choose Outsourcing

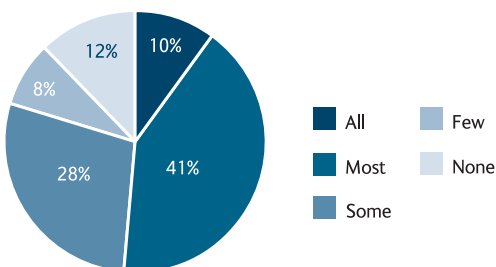
| |
|---|
| 1. Cost Reduction and Being Better Able to Meet the Needs of the Business |
| 2. Improved Performance |
| 3. More Responsive Service |
| 4. Better Use of Leading-edge Technology |

Achieving Outsourcing Objectives

In spite of the maturing market, only 10% of IT leaders said that all of their outsourcing objectives have been achieved. A solid 20% said that “few” or “none” of their original outsourcing objectives have been achieved.

Despite this room for improvement in outsourcing service delivery, a solid majority of respondents said that most or some of their original outsourcing objectives have been achieved.

FIGURE 25. How well outsourcing objectives have been achieved

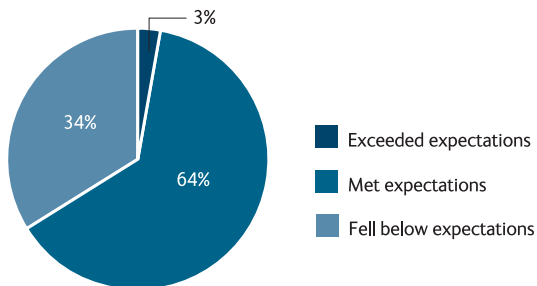


3.5 Outsourcing and Offshoring

3.5.4 Offshoring

For respondents who report outsourcing some of their operations through offshore solutions, 43% expect to increase the money they spend on offshoring next year, compared to last year when 20% said they expected to increase offshore spending. Another 53% expect to maintain the same offshore spend while only 4% anticipate a decrease. The majority of respondents (67%) said that their expectations of offshoring were “met” or “exceeded.”

FIGURE 26. Quality of offshore services



Although most offshore work goes to India, there is a fairly even spread of other countries being used, from Canada to Vietnam to Russia.

FIGURE 27. Offshore Locations Leveraged in Addition to India

| Offshore Countries |
|--------------------|
| Argentina |
| Belize |
| Canada |
| China |
| Costa Rica |
| Croatia |
| Hungary |
| Ireland |
| New Zealand |
| Philippines |
| Russia |
| South Africa |
| UK |
| Vietnam |

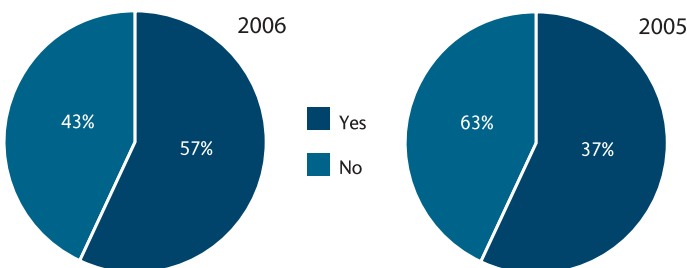
3.6 Technology

“57% of survey respondents believe that IT is well integrated with the business, while 43% still believe it is not.”

3.6.1 CIO Priorities

Broadly speaking, 57% of survey respondents believe that IT is well integrated with the business, while 43% still believe it is not. Although clearly this indicates much work to be done between businesses and IT departments nationwide, it also indicates significant progress: last year only 37% said that IT is integrated well enough with the business.

FIGURE 28. Is IT well enough integrated with business?



Over half (53%) of respondents rank “alignment with business” as a task of highest priority, compared to only 38% last year. Other IT leader responsibilities that received highest priority rankings from a large group of respondents include meeting “project deadlines” and managing “staff turnover.”

FIGURE 29. CIO priorities

| | % consider high priority |
|---|--------------------------|
| Business alignment | 53% |
| Project deadlines | 42% |
| Security | 39% |
| Staff (turnover, recruitment, development) | 35% |
| Effective system integration | 33% |
| CRM/ERP solutions meeting needs of business | 27% |
| Quality and cost control of outsourcing | 20% |
| Keeping pace with new technologies | 14% |

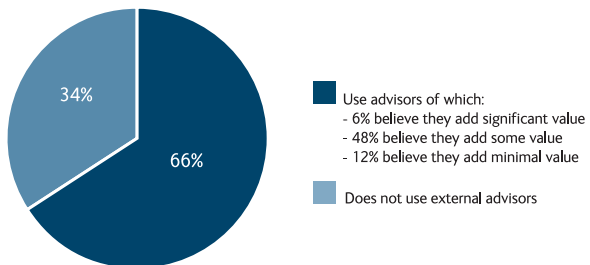
3.6 Technology

“An overwhelming 77% of IT leaders surveyed said they believe there is justification for having an ethical supplier policy.”

3.6.2 Welcoming Outside Input

The majority of IT leaders uses external advisors in one way or another and are generally satisfied with their performance. Of IT leaders surveyed, 66% said they do use external advisors. Of those who use external advisors, 82% said they add “significant” or “some value.” Only 18% felt they add only “minimal value.”

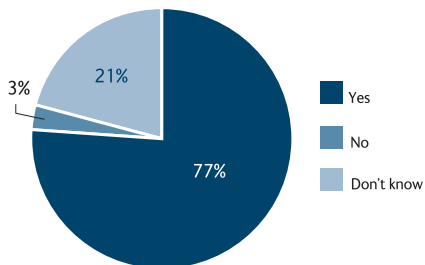
FIGURE 30. Do you use external advisors?



3.6.3 Corporate Social Responsibility

An overwhelming 77% of IT leaders surveyed said they believe there is justification for having an ethical supplier policy, and this reflects wider ethical concerns in society as a whole.

FIGURE 31. Is there a justification for having an ethical supplier policy?

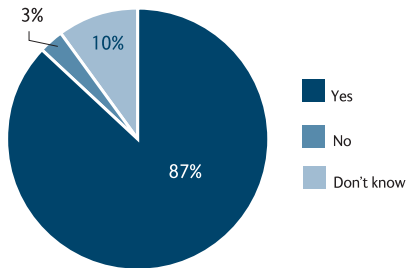


3.6 Technology

3.6.4 Technology Can Do Good

Respondents strongly believe technology can fuel change within the interdependent global economy. When asked “Do you believe that technology can play a significant role in bridging the gap between developed and developing economies?” the vast majority of IT leaders (87%) said “yes.”

FIGURE 32. Can technology be used to bridge the gap between developed and developing economies?



3.6.4. Technology Convergence

More than half of IT leaders questioned (60%) believe technology convergence is mature enough in a practical sense to make a bottom-line business difference. Surprisingly, given its acknowledged maturity and cost benefits, 58% of respondents said they are investing time in technology convergence efforts during the next 12 months.

3.6.5 Blogging for Business Benefit

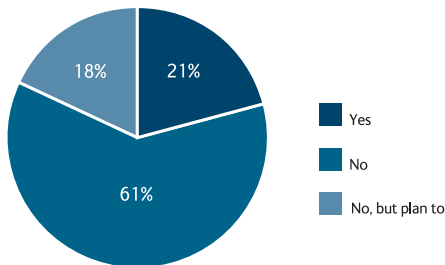
Only 14% of IT leaders said that blogging is of “significant value” to their organization, while a definitive 79% said that it is not.

3.6 Technology

3.6.6 Consolidating Security

Despite increasing security challenges, the definitive majority of IT leaders (61%) have no future plans to implement a security dashboard. Only a little more than one-fifth of respondents (21%) have implemented a security dashboard and a further 18% of respondents plan to implement one.

FIGURE 33. Do you have a security dashboard?



3.6.7 Key Preferred Vendor Characteristics

Today's IT leaders are looking for vendors that provide an exceptional level of service, that are extremely competent and that take the time to understand their business and its needs. While IT leaders listed a wide range of preferred vendor characteristics, these were the top five most common responses:

1. Customer Service
2. Service Competency/Excellence
3. Responsiveness & Flexibility
4. Knowledge of "Our" Business
5. Dedicated to "Our" Success

4. Survey Methodology

Harvey Nash USA's second annual CIO Survey was conducted online from September 22 to November 10, 2006. One hundred and seventy-two IT leaders completed a 56-question survey. Hundreds of IT leaders across the Harvey Nash professional network were invited to participate by local Harvey Nash staff members nationwide. In addition, Harvey Nash used a list of 112 unique e-mail addresses to invite IT leaders to participate. Three regional organizations, the New York Chapter of the Help Desk Institute, the Colorado Software and Internet Association and the New Jersey Technical Council, sent e-mails to their local databases inviting more than 3,700 IT leaders to participate in the Harvey Nash CIO Survey.

Respondents included CIOs and senior IT business leaders from companies located primarily in or around the region of the 11 major markets served by Harvey Nash: Atlanta, GA; Boston, MA; Denver, CO; Chicago, IL; New York, NY; Parsippany, NJ; Phoenix, AZ; San Francisco, CA; Seattle, WA; Stamford, CT; and Tampa, FL. Survey respondents serve in a wide range of industries, including software and computing services (24%), financial services (14.6%), media/publishing (11%), healthcare/pharmaceuticals (10.4%) and retail/FMCG (6.7%).

Harvey Nash reviews data trends year over year, but it is important to note that the number of respondents to the 2006/2007 CIO Survey is greater than the number of respondents to the 2005/2006. In addition to soliciting responses from more IT business leaders, Harvey Nash also notes that many CIOs and IT leaders who completed the 2006/2007 survey did not participate last year.

5. Conclusion by KPMG

Expanding Leadership Reach and the IT Role

In the 2005/2006 CIO Survey, IT leaders expressed their interest in taking on greater responsibility and accountability. The 2006/2007 CIO Survey shows that IT leader roles are evolving, becoming more strategic and reaching across various areas of the business. The majority of the IT leaders reported having responsibilities outside of their immediate IT space. Those responsibilities were as diverse as change management, finance, HR, marketing, sales and corporate operations. With IT forming an increasingly critical part of the business, it is perhaps not surprising that business continuity, as distinct from disaster recovery, has become a natural extension of the CIO's expanding role.

With their increased responsibility, CIOs seem to also be reaping greater rewards, including better compensation packages and higher levels of job satisfaction. Their responsibilities have expanded and their bonuses have increased. We believe both points indicate that businesses recognize the leadership and value IT leaders are delivering to their organizations.

CIOs seem to recognize that their success, and that of IT as a function, is measured by how they add value to the business agenda, which helps to explain why getting business fundamentals right, such as “building and maintaining relationships with business groups,” “meeting project delivery commitments” and “managing and delivering IT operations” are seen as high priority responsibilities by the majority of respondents.

The Push for Excellence: Getting Fundamentals Right, Delivering on Promises

Although there is increasing clarity among CIOs on how to become better integrated with the business, they still have fundamental concerns about the capabilities of their people to help them deliver on their promises. Many IT leaders note that their teams lack strength in building relationships with other areas of the business—a reminder that while leadership is working to expand the role of IT, the teams they manage still need to improve their business skills and greater business understanding.

Compared with last year, IT leaders today indicate more challenging relationships with directors and senior managers across the business. This year-over-year difference indicates the ongoing challenges IT organizations and their leaders face as they work to integrate IT with the business and specific business groups. It also underscores that

5. Conclusion by KPMG

while IT teams need to refine their business skills, IT leaders must also focus on their collaboration skills. As businesses ask their IT leaders to become more strategic and business-oriented, technology leaders need to take time to hone and expand their own management and leadership capabilities.

Staffing also is a business fundamental that is top-of-mind with CIOs. With the IT recruitment market growing more competitive, staffing issues are of increasing concern to IT leaders. What the survey reveals here is potential recruitment challenges for today's IT departments. IT groups must be good at their core roles (managing and delivering IT operations), yet they also need to become more integrated business partners, which demands that IT staff members have both fundamental technology skills and good business acumen. It's a tricky hiring balance and one that understandably is weighing on the minds of today's IT leaders.

Managing Third Parties: Only Trusted Partners Need Apply

It's not just skill needs among internal resources that are of concern to today's IT leaders. Their concerns also focus on vendor partners as well. Increasingly, CIOs are looking at a more mature and increasingly commoditized sourcing market to help deliver their business needs more effectively. The survey shows that CIOs appear to be getting savvier in this regard.

Many CIOs have determined that multisourcing is a means of keeping their options open and the competition healthy. With increased commercial pressures and the expectations of the business on the CIO to perform, this trend looks set to continue for some time to come.

With the business needs firmly in their sights, CIOs are seeking relationships with third parties who are eager to partner, able to understand their unique business needs and demonstrate honesty and responsiveness. Although competency, experience and value for the money are still attributes to be expected from third-party vendors, these traits are almost taken as a given. The characteristics that will really differentiate the third-party vendor to today's CIOs are those that build the foundation for meaningful, longer-term relationships, such as responsiveness, integrity, honesty and commitment to partnership. It's important to note that to manage long-term, mutually respectful relationships requires strong business skills from the IT team, which also underscores the need for smart, strategic recruiting among IT leaders today.

5. Conclusion by KPMG

Offshoring

Offshoring is maturing and has become an important component in the CIO's toolkit. The access to highly skilled professionals and reduced cost of wages remain offshore drivers and have been bolstered by lower cost, more reliable telecommunications and enabling technologies. India continues to be a prominent offshoring destination of choice, although others, such as Vietnam, Argentina, Russia and Canada, are starting to emerge. Political, regulatory, operational risk considerations, and increasingly, corporate social responsibility issues will play a part in how offshore strategies meet individual business needs and values of each organization.

Security Concerns

In last year's survey, security was a top issue and concern for IT leaders. Though it remains one of the top priorities, it has lost its primary position.

'Knowledge is power,' and the CIO is often regarded as the knowledge keeper when it comes to security and availability. Despite this heavy responsibility, only a minority of CIOs have or are planning to implement a security dashboard. This lack of coordinated security management and reporting could signal one area where CIOs may need to push themselves in terms of corporate governance excellence.

Greater Responsibility Comes with Challenges

Inevitably, an ever-increasing agenda for IT leaders comes at a cost. Leadership positions, like that of the CIO, by their very nature can often be lonely; even more so if there's not a knowledgeable sounding board close at hand to provide an independent view. Third-party advisors can play a valuable role in helping the CIO analyze their strategies and efforts. For this reason, honesty and integrity are hallmark values for CIOs as they build trusted third-party relationships.

Interestingly, not many CIOs have tried and tested an emerging medium that allows them a public forum for their sharing and exploring their management and IT ideas: blogging. Perhaps today's CIO community will increasingly begin to leverage today's information and collaboration culture by exploring blogging as a means of sharing and gathering corporate intelligence.

5. Conclusion by KPMG

The Harvey Nash 2006/2007 CIO Survey demonstrates that IT leaders do have an extensive, aggressive and strategic list of priorities. As they continue to work to improve both IT performance and business operations, they are also committed to improving the teams they lead and better leveraging relationships with business peers and third-party vendors. This multifaceted approach to management shows that today's IT leaders are rapidly becoming the attentive, business savvy and dedicated business executives today's global marketplace requires.

KPMG's IT Advisory professionals can help align your information technology capabilities with the strategic and financial objectives of your organization. We have the knowledge and experience to help you achieve improved performance from your IT investments, manage technology risks, and manage information more effectively to achieve your business goals. With our understanding of both business objectives and the use of enabling technology, we can help ensure that your IT services meet the current and future needs of your business.

We work collaboratively with market-leading clients of all sizes, across all industries to help them prioritize and manage their IT investments to enable business value creation and effective management of risk. We assist throughout the IT transformation lifecycle—with strategy development and implementation, change management, performance measurement, and integrating sustainability and risk management into technology solutions. We serve as trusted advisors, bringing objectivity and independence to every engagement.

KPMG's network of professionals in 148 countries gives us both global breadth and local understanding. We possess in-depth knowledge of local markets, regulations, and tax law, enabling us to help your organization reduce operating costs, improve speed and quality of service, and improve its ability to meet the rapidly changing landscape of business and technology requirements.

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