

IT boom leads to more power for tech execs

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Getting the right equipment and network systems is critical to the success of any sizeable business, but it has hitherto been very much a back-office position. According to some analysts, however, the power and clout of the chief information officer is continuing to rise as the importance of information technology grows.

In an annual report on corporate IT released Tuesday, CIO magazine found that an increasing number of chief information officers are reporting directly to the chief executive officer and have a seat on a company's management committee.

"CIOs are increasingly gaining access to CEOs, strengthening relationships with key business executives and deepening their understanding of the business. This bond facilitates the identification of top business priorities and is a crucial step towards establishing successful programs," said Abbie Lundberg, editor of the magazine published by the Framingham, Mass.-based International Data Group.

The state of the CIO survey polled 545 IT executives and found that 49 percent of corporate IT heads now hold the title of CIO, with 42 percent of them reporting directly to the company's chief executive. In addition, the survey found that CIOs were spending less time doing damage control and were increasingly responsible for setting the strategy of the company's future, with the annual IT budget now averaging \$27.5 million.

At the same time, however, there is more outsourcing of basic IT-related

functions, not just within the United States but overseas as well. India remained particularly attractive to U.S. companies, with 18 percent of outsourced projects being shipped to the subcontinent. At the same time, 32 percent of respondents outsourced at least part of their functions to an outside company, up from 24 percent in 2004. Yet many companies had only 10 percent or less of their IT projects outsourced, while the bulk of projects were handled in-house.

"Outsourcing has become an accepted and dependable part of the CIO's toolkit. Today's outsourced work tends to be straightforward, repeatable processes like application maintenance or support," Lundberg said, adding that more complex tasks such as project management were handled within the company's own IT unit.

In light of the growing importance of IT functions and the rise of the CIO's status within a corporation, heads of IT units are staying at their jobs longer, the survey found. While many had expected the average tenure of a CIO to be about three years and likely to decrease still further with time, this year's survey found that the average tenure continued to increase to about five years.

Furthermore, technological know-how was not cited as the single-most important asset of the head of an IT unit. Rather, communication skills and strategic thinking as well as planning capabilities were regarded as more important abilities than actual IT savvy.

With the growing clout of the CIO, the survey concluded that a rise in IT hires is likely in 2006. More than half of those polled said they are expecting to increase their average headcount over the next 12 months, with the average staff size rising to 114 in 2005 from 89 in 2004. The bulk of new hires will require three to 10 years of experience with project management, application development and business process management skills.

"Demand for IT is back with a vengeance. The requests for IT projects are piling up, and managing this application backlog is the number one barrier to CIO job effectiveness today, regardless of industry or company size," Lundberg said.

CIO magazine has been conducting its annual state of the CIO survey since 2002.

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