State of the CIO Study 2023

CIOs cement leadership role

CIOs remain consumed with core modernization and transformation, yet their maturing leadership role wields an impact well beyond IT.

CIO

Foundry an IDG, Inc. company

It was another year tilted towards foundational work and getting digital operations in order. Yet CIOs are balancing the persistent focus on transformation and modernization with a maturing leadership role, embracing responsibilities outside of the traditional IT domain and cementing status as a valued and strategic partner to the business.

Even with the pandemic-era shift to remote and hybrid work and new digital experiences well underway, IT organizations remain heavily immersed in modernization efforts to streamline operations, transform the existing IT estate, and sync technology initiatives with core business goals. The years-long cycle of accelerated digital transformation has demanded active oversight by technology leaders to ensure investments are delivering as intended. Recent economic and geopolitical challenges have prompted organizations across most industries to prioritize cost management and performance optimization. Both dynamics have kept CIOs' focus on operations even while their leadership role expands in preparation for the next wave of digital innovation.

According to the 2023 State of the CIO, which surveyed 837 IT leaders and 201 line of business (LOB) participants, functional and transformational activities consumed the bulk of IT leaders' time this year, much the same as 2022. The majority of those surveyed (38%) viewed themselves as a transformational CIO while 26% said they were strategic and 36% identified as functional. In comparison, 2022 State of the CIO respondents were more evenly split in how they characterized their roles.

This year's CEO mandate also skews in favor of functional and transformational work. Almost a third (30%) of respondents said their CEOs have tasked them with

CEO's top priorities for IT in 2023

1. Strengthen IT and business collaboration
2. Upgrade IT and data security to reduce corporate risk
3. Improve the customer experience

strengthening IT and business collaboration and 29% cited a need to upgrade IT and data security to reduce corporate risk. Following these initiatives, close to a quarter (24%) say their CEO has tasked them with improving the customer experience and leading digital business and digital transformation (23%).

Over the course of the year, 84% of IT leaders devoted time to basic functional tasks, most significantly security management (47%), improving IT operations and systems performance (40%), and cost control and expense management (28%).

Activities CIOs plan to focus on in next 3 years:

1. Driving business innovation
2. Redesigning business processes
3. Modernizing infrastructure and apps

Security was a higher priority for CIOs in the education (57%) and manufacturing (54%) sectors, and those in the manufacturing space were also more committed to upleveling IT operations and systems performance (51%).

The transformation aspects of the CIO role remained front and center, with 83% of IT leaders focusing their time on these types of initiatives. Modernizing infrastructure and applications continues to be a top priority, although less so this year (35%) compared to the 40% who flagged it in the 2022 State of the CIO research. As with last year, CIOs were swept up aligning IT initiatives with

business goals (38%), cultivating the IT/business partnership (31%), and directing change efforts (28%)—all pointing to IT executives' maturing leadership status.

This was another year where IT leaders were able to spend less time on business strategist responsibilities (61%), which was about the same as 2022. The high-tech sector (78%) and financial services (67%) were the key exceptions with IT leaders citing activities like driving business innovation, developing and refining business strategy, and identifying opportunities for competitive differentiation as central to their core charter. Much like prior years, IT leaders are still struggling to find equilibrium between business innovation and operational excellence—a balancing act highlighted by 74% of survey respondents, higher among those in manufacturing (80%), retail (80%), and government (78%), and at enterprise organizations (more than 1,000 employees – 77%).

Looking ahead, the pendulum is set to swing back to CIO involvement in business strategist activities. Almost three-quarters (71%) of respondents to this year's survey expect to devote a higher percentage of time to business strategist work three years out. They plan to focus on driving business innovation, developing and refining business strategy, identifying opportunities for competitive

differentiation, and developing new go-to-market strategies and technologies.

A strategic resource for the business

The focus on IT transformation hasn't diluted demand for CIO leadership, but rather enhanced their stature as a strategic advisor and consulting resource. More than half of respondents (55%) to the 2023 State of the CIO said they proactively identify business opportunities and make recommendations regarding technology and provider selections while 23% said they evaluate and advise on business need, technology choices, and providers. Less than 10% said they serve as a risk assessor or autonomous player when it comes to technology procurement decisions.

Line of business (LOB) respondents were pretty much in lockstep with that assessment of the CIO role: thirty-eight percent saw the top IT executive as a strategic advisor and 25% as a valued consultant.

The CIO job continues to be more digital and innovation focused—a trend cited by 85% of IT leaders and nearly three quarters (74%) of LOB respondents involved in this year's research. Eighty-four percent of IT respondents maintain CIOs are more involved in leading digital transformation initiatives compared to business leaders and 72% of LOB participants agree.

Organizations have come to view the CIO role through the lens of a changemaker, cited by 85% of this year's IT leaders. The majority of LOB respondents recognize the CIOs' transformative capacity, but at 64%, the numbers are significantly lower than how technology leaders frame their own contribution.

85%

of CIOs say that their role is becoming more digital and innovation focused

85%

of CIOs say they are becoming a changemaker, increasingly leading business and technology initiatives

77%

of CIOs say their role has been elevated due to the current state of the economy and expect this visibility within the organization to continue

Nevertheless, the CIO role has been elevated, exponentially during the height of the pandemic and continuing today, fueled by on-going economic uncertainty. Seventy-seven percent of IT leaders believe their role has been amplified due to the current state of the economy and expect the heightened visibility to continue; 68% of their LOB counterparts agree.

CIOs also continue to have strong ties with other influencers in the company. Seventy-seven percent of those surveyed agree that the CIO has a strong educational partnership with the CEO and board of directors, and 83% agree that the CIO increasingly needs to rely on trusted advisors to help navigate new technologies, processes, and methodologies. Both are additional indicators that IT leadership is now inextricably tied to business strategy.

In terms of executive status, CIOs increasingly have a direct line report into the CEO, cited by nearly half (49%) of respondents and higher among IT leaders in the financial services (56%) and high-tech (54%) sectors, as well as at SMB organizations (less than 1,000 employees) (57%). CIOs are themselves overseeing some of the newly-established C-level roles, such as the Chief Data Officer (53%), Chief Analytics Officer (45%), and the Chief Digital Officer (42%).

68%

of CIOs say that the creation of revenue-generating initiatives is among their job responsibilities

CIOs continue to take on responsibilities outside of the IT domain, specifically creating new revenue-generating initiatives. Sixty-eight percent of IT leaders confirmed they currently have some sort of revenue responsibility, up from 65% in the 2022 State of CIO survey, and

much higher among IT leaders in the high-tech (88%) and financial services (75%) industries. Forty-four percent of IT leaders are managing a team tasked with creating new revenue-generating capabilities while 24% are part of such a team. In support of making the organizations more revenue-driven, CIOs are automating business and IT processes (47%), creating new products and services (40%), and making data more available (34%).

Chasing efficiencies and elevated customer experiences

Unlike last year when cybersecurity was the No. 1 business and technology priority, this year it was all about transformation in pursuit of higher efficiencies. Increasing operational efficiency was the top business initiative, cited by 45% of CIO respondents and 33% of LOB respondents, and higher again among manufacturing (54%) and education (54%) companies. Transforming existing business processes through tactics like automation and integration was the third-ranked objective, cited by 38% of respondents, and improving profitability was the top goal for LOB participants, cited by 34%.

Cybersecurity was by no means knocked out of the ring. Increasing cybersecurity protections remained a big deal, cited by a third of LOB respondents as well as 44% of IT leaders, albeit less than the 49% in the

2022 State of the CIO research. Security and risk management technologies are still expected to drive the most IT investment in 2023, cited by 38% of IT leader respondents and 30% of LOB. IT leaders also called out data/business analytics (34%), application/legacy systems modernization (28%), and machine learning/artificial intelligence (26%) as other target areas for investment.

Customer experience remains in the forefront while employee experience has fallen in favor as a top priority. Improving customer experience was the third-ranked CEO mandate, highlighted by 24% of respondents, and a critical business initiative cited by 29% of LOB respondents. Almost half of respondents (49%) said the need to improve customer experience increased in priority as a business initiative due to the current state of the economy. Organizations are addressing the imperative to enhance customer experience by analyzing customer needs and behaviors (45%), delivering products and services in new ways (42%), and adapting products and services to meet changing demands (40%).

Tech initiatives driving IT investments in 2023:

1. Security/risk management
2. Data/business analytics
3. Application/legacy systems modernization
4. Machine learning/ Artificial Intelligence
5. Customer experience technologies

IT leaders spending time in more places

In fact, many of this year's technology investments and business initiatives were driven by economic concerns. Fifty-eight percent of IT leaders tied the increased focus on operational efficiency and cyber protections to the current state of the economy with 54% saying it has amplified attention to transform existing business processes and improve profitability.

Business initiatives driving IT investments in 2023:

1. Increasing operational efficiency
2. Increasing cybersecurity protections
3. Transforming existing business processes
4. Improving customer experience
5. Improving profitability

Over the next year, CIOs expect to work more closely on technology projects with executive-level administration (including planning, budgeting, and organizing) (53%) along with operations (48%) and finance/accounting (34%). Surprisingly, supply chain was not expected to be a critical area

of collaboration (23%), despite the well-publicized sourcing and logistics challenges that cropped up during and post-pandemic.

IT leaders participating in the 2023 State of the CIO research expect to get more involved in areas like security (70%), data analysis (55%), and data privacy/compliance (55%) while retrenching somewhat on physical security (14%), cloud migration (14%), and supply chain (13%). Their LOB counterparts are anticipating greater CIO involvement in cybersecurity (58%), data privacy/compliance (53%), and product development/innovation (49%). They expect less CIO input in physical security, AI/machine learning, and diversity, equity, and inclusion.

While a hot button in corporate and global economic circles, Environmental, Social, and Governance (ESG) is having a marginal impact on the CIO role or IT buying plans. CIOs are being tasked to adhere to ESG standards and play a role in selecting clean information technology, cited by 64% of IT leaders, however it is higher at enterprise organizations (70%) and in EMEA (74%) and APAC (73%) compared to only 51% in North America.

91% of CIOs expect their organization's overall IT budget to either increase of stay the same over the next 12 months

Sixty-three percent of IT leader respondents said that ESG standards are an important

63%
of tech leaders said that ESG standards are an important buying criteria when reviewing tech vendors and partners **Increases to 73% for enterprises**

buying criterion when reviewing technology vendors and partners, again is higher at enterprises (73%) and oversees (73% APAC and 70% EMEA). A smaller number of CIOs said aligning the business to ESG standards has influence over 2023 technology buying plans, specifically 59% of IT leaders and again, higher amongst high-tech IT leader respondents (68%) as well as APAC organizations (71%) and enterprises (66%). LOB respondents saw more potential for corporate ESG goals directly shaping technology purchase plans, cited by 66%.

Budgets remain steady despite economic concerns

While economic uncertainty took a toll on the stock market and companies' financial health, IT budgets came out relatively unscathed. Forty-four percent of LOB respondents and 56% of IT leaders expect IT budgets to increase this year with 35% and 48%, respectively, expecting things to remain status

quo. In comparison, 59% of last year's respondents reported budget increases, which was a significant bump over the 37% reporting a hike in 2021. Companies in the financial services (69%), manufacturing (64%), and government (65%) sectors were more likely to expect increases.

IT leaders indicating a likelihood of budget increases cited the need for security improvements (40%) as the number one motivator, followed by the need to upgrade outdated IT infrastructure (38%) and application modernization (38%). Technology investment for enabling hybrid work was far less a priority this year, cited by only 22% of respondents and even lower than the 30% last year. Companies planning IT budget cuts this year (9%) cited economic instability and uncertainty (58%), company finances (49%), and a reduction in employee headcount (38%).

No. 1 reason for tech budget increase: The need for security improvements

IT still retains direct control over a good portion of the IT budget at most companies— on average, around 43.5%. However, IT expects its jurisdiction over IT budgets to tick back upwards to nearly 50% in the next three years.

CIOs have oversight of the budgets allocated to some of the newer executive

Tech budgets are a part of overall IT budget for these roles:

Chief Analytics Officer
75%

Chief Data Officer
63%

Chief Digital Officer
59%

titles. For example, 58% of the respondents said the CTO's budget was part of the overall technology expenditures. Half of the respondents said the same of the Chief Digital Officer's budget and 63% of the Chief Data Officer's expenses. Budgets allocated to the Chief Security Officer and Chief Analytics Officer were even more likely to be integrated into overall IT expenditures, at 72% and 75% respectively.

The on-going talent crunch

While organizations are still struggling to find seasoned talent in critical skills areas, they aren't prioritizing talent acquisition strategies as much as they have in the past. Improving strategies to acquire and retain talent didn't even rank in the top 10 of most significant business initiatives driving IT investment and was cited by only 17% of respondents—slightly higher among education, financial services, and health care companies. Even so,

Top skills in demand to support digital business initiatives:

1. Technology integration/ implementation
2. IT/cloud architecture
3. Risk/security management

economy-related challenges are having an impact on prioritizing talent acquisition practices—41% of IT leaders said they were ramping up and 44% said efforts would remain the same. Only 10% said improving talent acquisition/retention was less of a priority than it had been in the past.

As IT departments look to fill critical skills gaps, they are targeting areas related to modernization and transformation, with technology integration/implementation (42%), IT cloud architecture (40%), and risk/security management (36%) the most in demand. Manufacturing (50%) and financial services (51%) are in most need of integration and implementation prowess while risk/security management remains a bigger priority for those in the education (54%) and health care (50%) sectors.

Soft skills are another competency area IT organizations are looking to shore up. IT leaders are in search of professionals versed in project management (31%),

change management (29%), and strategy building/mapping out a digital business plan (25%). Business relationship management skills are also coveted, cited by a quarter of IT leader respondents. Not surprisingly, LOB business respondents had a different take on what's required to support digital business initiatives: Customer experience management (31%), project management (29%), and financial/cost management (27%) were high on their wish list.

Over the next six to 12 months, IT leaders plan to hire in a few key areas, most notably cybersecurity (39%), application development (30%), and data science/

Anticipating new hires over the next 6-12 months in:

- Cybersecurity **(39%)**
- App development **(30%)**
- Data science/analytics **(30%)**

analytics (30%). AI/Machine learning skills are in demand, cited by 26% of respondents, as are candidates with DevOps/DevSecOps and agile experience (24%). The prioritization of these areas over cloud architecture and cloud services/integration competencies is a good indication that IT leaders are planning ahead, expecting to swing

back to digital transformation initiatives once operations and infrastructure modernization are well underway.

IT leaders do anticipate difficulty finding qualified experts, especially in advanced areas such as blockchain (22%), cybersecurity (22%), and data science/analytics (22%). Cutting-edge competencies like AI/ML and robotic process automation are also expected to be difficult to fill when staffing key projects.

In summary

Despite another year dominated by transformational and functional work, IT leaders are making significant headway on modernizing the IT estate in preparation for the next cycle of digital innovation. In the interim, CIOs are expanding their domains and shoring up relationships, maturing into a core leadership role and cementing their status as a strategic partner to the business.

About the survey

The 22nd annual State of the CIO survey was fielded online with the objective of understanding the current parameters of the CIO role and how it may be changing over time. To be considered qualified, respondents must have identified themselves as the head of IT for their company or a division within it. Results are based on 837 qualified IT respondents, and 201 LOB responses. This study was fielded globally, with the response base being 44% North America, 24% EMEA, and 30% APAC.

Regional key takeaways

Is your marketing scope region-specific? Explore the key research findings from North America, Europe, and Asia-Pacific. Contact us to dive deeper into the regional results.

North America

CIO budget expectations for 2023

50%
Increase

41%
Remain the same

9%
Decrease

Budget:

- The #1 reason in NA for a tech budget increase is the need for security improvements
- Of those **9%** that stated they expect a decrease in their tech budget, the #1 reason is because of company finances/performance

The CIO role:

- **82%** of NA CIOs say they are more involved in leading digital transformation initiatives compared to their business counterparts
- **84%** of NA CIOs agree they are becoming a changemaker, increasingly leading business and technology initiatives
- Just over half **(51%)** of CIOs in NA agreed to the statement that they are

tasked to adhere to Environmental, Social, and Governance (ESG) standards and play a role in selecting clean information technology.

- When NA CIOs were asked if aligning their business with ESG standards is influencing tech buying plans for 2023, **46%** agreed with the statement.

Business initiatives:

In 2023, the following business initiatives will be most significant in driving IT investments at North American organizations are:

- Increasing operational efficiency **(52%)**
- Increasing cybersecurity protections **(46%)**
- Transforming existing business processes **(39%)**

Technology initiatives:

In 2023, the following technology initiatives will drive the most IT investment at North American organizations are:

- Security/risk management **(43%)**
- Data/business analytics **(38%)**
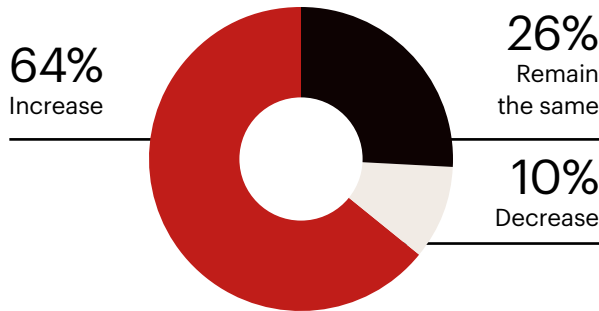- Application/legacy systems modernization **(28%)**

Skills:

When asked which skills the IT department is most in need of to support ongoing digital business initiatives, respondents said:

- Technology integration/implementation **(41%)**
- IT/cloud architecture **(40%)**
- Risk/security management **(38%)**

EMEA

CIO budget expectations for 2023

64% Increase

26% Remain the same

10% Decrease

Budget:
- The #1 reason in EMEA for a tech budget increase is modernizing applications
- Of those **10%** that stated they expect a decrease in their tech budget, the #1 reason is because of economic uncertainty

The CIO role:
- **84%** of EMEA CIOs say they are more involved in leading digital transformation initiatives compared to their business counterparts
- **85%** of EMEA CIOs agree they are becoming a changemaker, increasingly leading business and technology initiatives
- EMEA CIOs are adhering to Environmental, Social, and Governance (ESG) standards more so than other regions, as **74%** of CIOs in this region agreed they CIOs are being tasked to adhere to ESG standards and play a role in selecting clean information technology.

- IT leaders in the EMEA region **(70%)** said that ESG standards are an important buying criterion when reviewing technology vendors and partners.

Business initiatives:
In 2023, the following business initiatives will be most significant in driving IT investments at EMEA organizations are:
- Increasing cybersecurity protections **(47%)**
- Increasing operational efficiency **(42%)**
- Transforming existing business processes **(41%)**

Technology initiatives:
In 2023, the following technology initiatives will drive the most IT investment at EMEA organizations are:
- Security/risk management **(37%)**
- Machine learning/AI **(31%)**
- Data/business analytics **(30%)**
- Application/legacy systems modernization **(30%)**
- Cloud infrastructure **(30%)**

Skills:
When asked which skills the IT department is most in need of to support ongoing digital business initiatives, respondents said:
- IT/cloud architecture **(49%)**
- Technology integration/ implementation **(45%)**
- Risk/security management **(38%)**

APAC

CIO budget expectations for 2023

58% Increase

32% Remain the same

9% Decrease

Budget:

- The #1 reason in APAC for a tech budget increase is the need to upgrade outdated IT infrastructure
- Of those **9%** that stated they expect a decrease in their tech budget, the #1 reason is because of economic uncertainty

The CIO role:

- **87%** of APAC CIOs say they are more involved in leading digital transformation initiatives compared to their business counterparts
- **88%** of APAC CIOs agree they are becoming a changemaker, increasingly leading business and technology initiatives
- The majority of APAC respondents **(73%)** agreed that they are tasked with adhering to Environmental, Social, and Governance (ESG) standards and is having a marginal impact on the CIO role or IT buying plans.

- APAC CIOs also said aligning the business to ESG standards has influence over 2023 technology buying plans, specifically **68%**

Business initiatives:

In 2023, the following business initiatives will be most significant in driving IT investments at APAC organizations are:

- Increasing cybersecurity protections **(43%)**
- Transforming existing business processes **(37%)**
- Improving the customer experience **(36%)**

Technology initiatives:

In 2023, the following technology initiatives will drive the most IT investment at APAC organizations are:

- Data/business analytics **(34%)**
- Security/risk management **(31%)**
- Machine learning/AI **(29%)**
- Customer experience technologies **(29%)**

Skills:

When asked which skills the IT department is most in need of to support ongoing digital business initiatives, respondents said:

- Technology integration/ implementation **(42%)**
- IT/cloud architecture **(33%)**
- Risk/security management **(32%)**
- Strategy building/formulation **(32%)**

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- State of the CIO

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