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Who's the boss? Trends in CIO reporting structure

By: Khalid Kark, Anjali Shaikh, and Caroline Brown

Introduction

As IT's role expands beyond value preservation to revenue generation, CIOs are striving to balance critical business and IT operational tasks with innovative infrastructure and applications that enable disruptive new business models, generate top-line value, and drive competitive advantage. With the unprecedented pace of technological change, it's critical for CIOs to move quickly, with direct and unwavering support at all levels of the organization.

Based on an analysis of three years of data from Deloitte's CIO Program, along with interviews with CIOs and other C-suite leaders, this *CIO Insider* examines trends in the CIO reporting line and reveals common characteristics of various reporting scenarios.[1] It proposes that although a direct line to the CEO is often the optimal reporting structure for strategic technology leaders, other reporting models are viable, can add value to the organization, and may be required in certain scenarios. Regardless of their reporting lines, CIOs can and should elevate technology on the organizational agenda to be a strategic business leader.

CEO reporting line: A growing trend that reflects IT's evolution

A growing trend of CIOs reporting to CEOs reflects the impact of technology on business strategy. An analysis of more than 500 CIO reporting relationships finds that globally, nearly half (46 percent) of enterprise CIOs report to the highest levels of the organization. This trend toward the CEO reporting line is more noticeable in the United States, where a slightly higher percentage of CIOs (51 percent) report to the CEO compared to global CIOs. (See figure 1.)

A year-over-year comparison shows the percentage of CIOs reporting to the CEO has been trending upward for the past three years. (See figure 2.)

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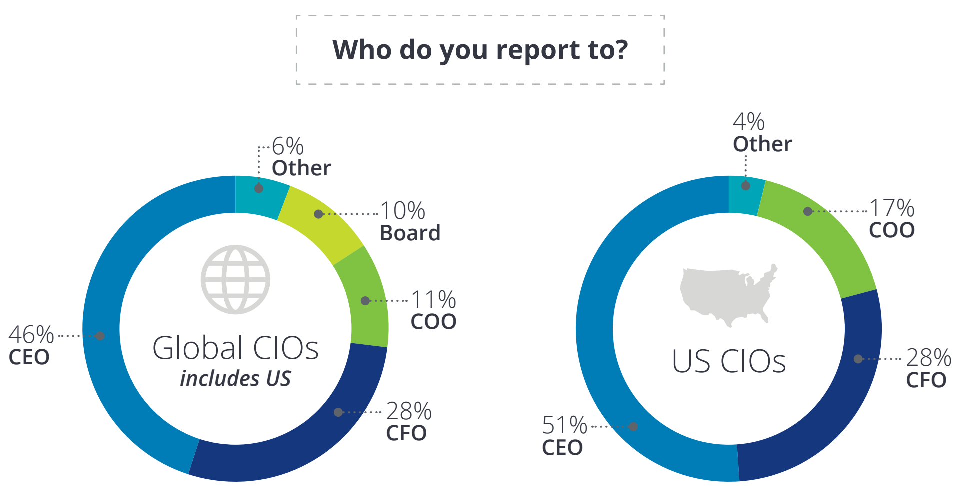
A direct line to the CEO is frequently observed when the CIO is leading the enterprise through a digital transformation. Among the surveyed CIOs who describe themselves as leaders of developing the organization's digital strategy, more than half (55 percent) report to the CEO, compared to only about a quarter of CIOs (27 percent) who describe themselves as supporters of developing digital strategy. The majority of supporters (51 percent) report instead to the CFO. (See figure 3.)

Figure 1. Global and US CIO reporting structure



Note: Numbers may not add up to 100 because of rounding. Global n=510, US n=76.
Source: Deloitte US CIO program analysis.

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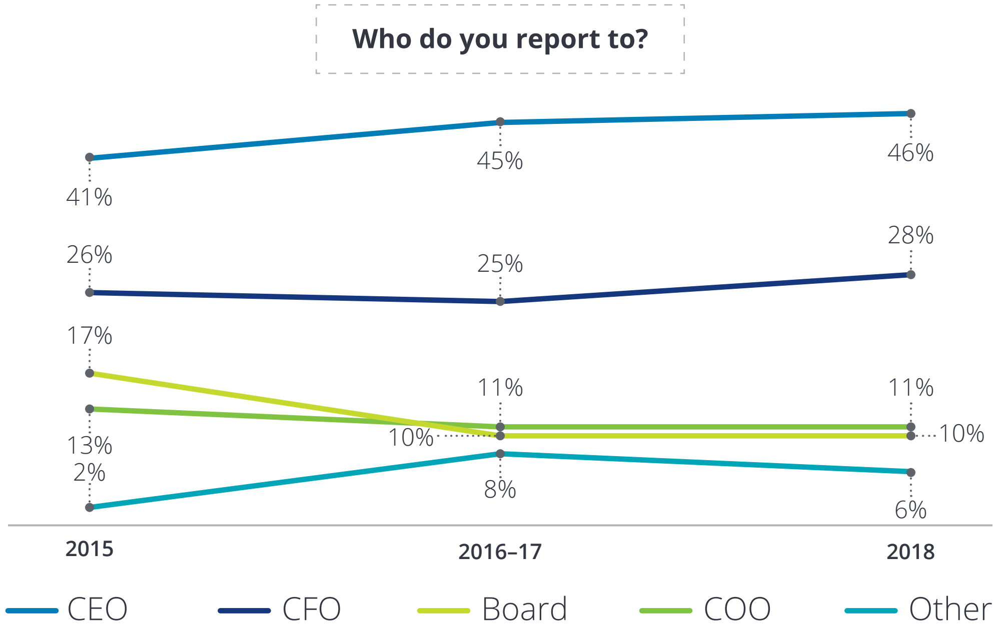
Figure 2. Global CIO reporting structure, year over year



Note: Numbers may not add up to 100 because of rounding. 2015: n=827, 2016-17: n=917, 2018: n=510.
Source: Deloitte US CIO program analysis.

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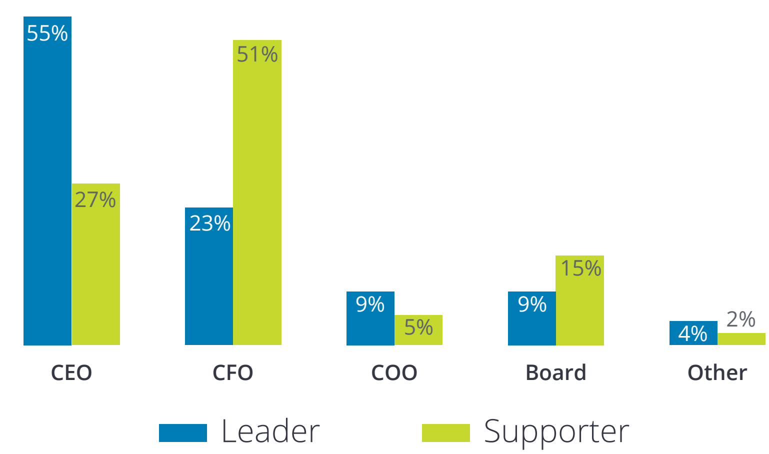
Figure 3. Reporting line for digital leaders vs. digital supporters



Leader n=220, Supporter n=54.
Source: Deloitte US CIO program analysis.

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Seventy-seven percent of CIOs who report to the CEO indicate their organizations have some level of digital strategy. Furthermore, in organizations with enterprise-wide digital strategies, 38 percent of CIOs report to the CEO, while only 8 percent report to the CFO. However, when CIOs say digital is not an organizational priority, far fewer of them (25 percent) report to the CEO and many more (27 percent) report to the CFO. Even in organizations where there is a chief digital officer (CDO) responsible for leading and executing the digital strategy, 74 percent of CIOs indicate both the CDO and CIO report into the CEO.

CIOs are also more likely to directly report to the CEO in industries that are experiencing profound technology-driven transformation or disruption. Expectedly, for example, more than half of the CIOs (55 percent) in technology, media, and telecommunications companies report to the CEO. Nearly the same percentage (54 percent) of public sector technology chiefs—who are at the forefront of technology-focused initiatives such as consolidating infrastructure, engaging citizens, and automating manual processes—report to the organization's head. And life sciences and health care businesses and providers are leveraging technology to develop innovative ways of delivering the best patient outcomes and reducing health care spending; half of the CIOs surveyed in this industry report to the CEO. (See figure 4.)

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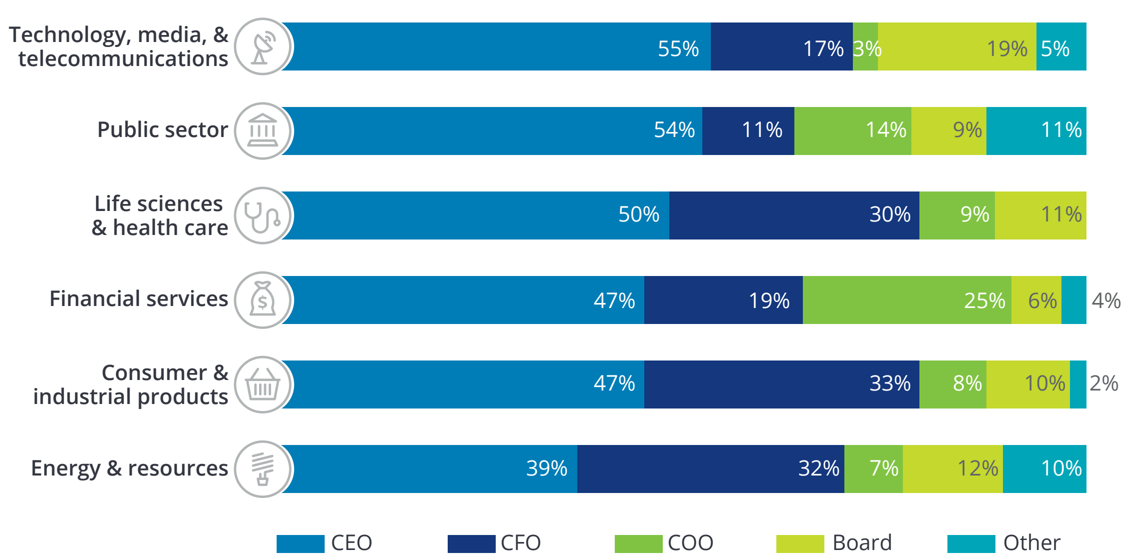
Figure 4. Global CIO reporting structure by industry



Note: Numbers may not add up to 100 because of rounding. Technology, media, & telecommunications n=58, Public sector n=35, Life sciences & health care n=44, Financial services n=81, Consumer & industrial products n=196, Energy & resources n=41.

Source: Deloitte US CIO program analysis.

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Non-CEO reporting lines: Relationships outweigh reporting structure

Even though the percentage of CIOs reporting to the chief executive is increasing, globally more than half (55 percent) still do *not* report to the CEO. Some CIOs view the so-called "optics" of not reporting to the CEO as negative—and indeed, there may be some potential points of contention associated with reporting to the CFO, COO, or other business leaders. For example, technology may be viewed as operational instead of strategic or it may take a back seat to other concerns. Some companies may seek to fill a perceived gap in strategic technology leadership by bringing in a new technology leader, such as a CDO, to report directly to the CEO. For these and other reasons, the leader of an executive search firm says that when the firm is recruiting a CIO to report to the CFO, a whole segment of the talent pool can be expected to pass on the job.[2]

This is potentially a missed opportunity. Reporting structure may drive the perception of the CIO within the company, but it shouldn't prevent an IT leader from being strategic or driving change. And in fact, CIOs that don't report to the chief executive can still be viewed as critical strategic business partners—they just have to operate different levers to maximize organizational influence and strategically elevate IT. Corporate strategy and individual circumstances, relationships, and personalities are often more important than industry norms or other metrics.

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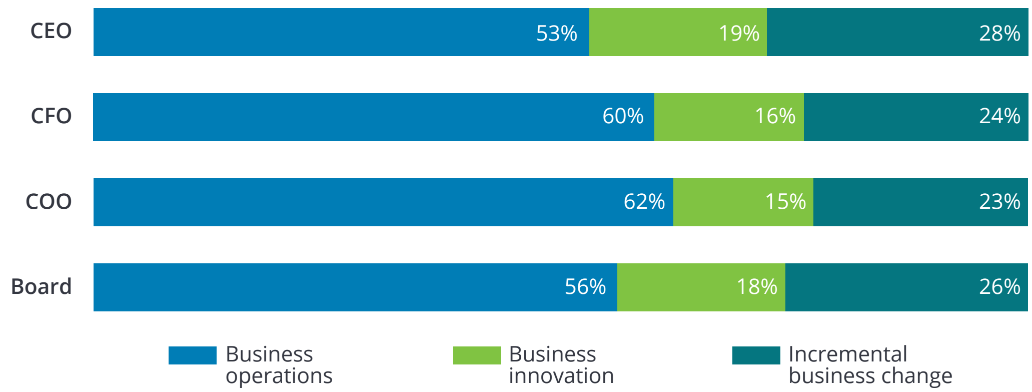
Some CIOs who report to the CEO say that depending on their scope of responsibilities and number of CEO direct reports, the chief executive's attention to technology is too fragmented to be valuable. In other instances, CIOs who report to CEOs who haven't identified technology as strategic to the business may find it more valuable to build trusted relationships with other business leaders. Building relationships across the C-suite to foster technology advocates who understand the impact of technology can far outweigh lines on an org chart.

CFOS: INFLUENTIAL ALLIES WITH A COMMON MANDATE

The relationship between CIOs and CFOs is often symbiotic—both executives have a common mandate to drive company performance by balancing top-line contributions with bottom-line efficiencies. The CFO often wields substantial organizational influence and can be a formidable ally who helps rally CEO and board support for technology investments. The percentage of global CIO respondents reporting into CFOs has remained steady for the last three years; in 2018, 28 percent of those surveyed said they report to the CFO.

CIOs reporting into finance may experience deeper scrutiny of technology budgets, business cases, and return on investment, especially on projects with significant investments and protracted timelines. In organizations in which the CIO reports to the CFO, the allocation of IT budgets to day-to-day operations is slightly higher (60 percent) than in those in which CIOs report to CEOs (53 percent) and these organizations also spend less on business innovation and incremental business change. (See figure 5.) Nevertheless, reporting to the CFO can prove to have plus points—if CIOs can work hand in hand with the organization's financial leader to demonstrate the value and impact of technology, they naturally find themselves with a tech advocate in their corner.

Figure 5. How CIOs allocate technology budgets based on reporting line



Note: Numbers may not add up to 100 because of rounding. CEO n=237, CFO n=145, COO n=56, Board n=52.
Source: Deloitte US CIO program analysis.
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COOS: THE FOCUS TURNS TO BUSINESS PROCESSES

While the number of CIOs reporting to CEOs and CFOs has respectively increased or remained stable over the past three years, the number of CIOs reporting into COOs has decreased. Only 11 percent of global CIOs surveyed report into operations. The percentage of CIOs that report to COOs is highest in the financial services industry (25 percent). Perhaps because technology is so integral to their business operations, financial services organizations benefit from embedding CIOs closely to the COO.

Perhaps unsurprisingly, CIOs who answer to the COO are significantly less likely to focus on driving business innovation and strategy (27 percent) compared to CIOs that report into the CEO (42 percent). Furthermore, these CIOs currently spend a majority of their time focused on IT operations (40 percent).

In these situations, IT may be seen as a shared services—and CIOs may have to counter the perception of IT as a tactical order-taker. However, in the event that an enterprise-wide business change is required, a COO reporting line can help CIOs with the challenging task of engaging business leaders to reach agreement on common technologies, architectures, and processes.

BOARDS: ACCESS TO LEADERSHIP—AND LEADERSHIP CONCERNS

Deloitte data suggests that reporting to the board or executive committee is less common in the United States than in other parts of the world. Only 10 percent of global CIOs surveyed report to the board—and no US CIOs surveyed indicated a board reporting relationship.

CIOs who report to the board or executive committee can gain the advantage of visibility and access to leadership, yet interactions may be infrequent. And unless they reset expectations, these CIOs may find themselves focusing on top board-level concerns such as cost, cybersecurity, and risk at the expense of innovation and business transformation.

KEY TAKEAWAYS

As CIOs contemplate organizational structure and how to make the most of reporting line and relationships with business leaders and key stakeholders, they can consider the following

CIOs can be strategic regardless of reporting line. CIOs that don't report to the chief executive can still align strategically to business objectives and lead technology-driven business transformation. As long as they report to an influential business leader who understands, supports, and advocates for technology as a key component of corporate strategy, the needs of the business, board, and shareholders will ultimately percolate down to the CIO. Ultimately, what really matters is that the CIO—and by extension, IT—has a seat at the strategic table.

Aligning mission and brand with business strategy can foster consistency. Before the IT team and strategy can be aligned with corporate strategy, the CIO's mission and brand must reflect business needs. For example, does the business need the CIO to serve as an operational disciplinarian, a leader of business transformation, or a driver of technology-enabled business strategy? Aligning mission and brand to the needs of the business can help crystallize the CIO's vision and bring clarity and consistency that will filter through to the IT team.

Business acumen can bring credibility. CIOs who complement their technology expertise with strong business skills and industry knowledge can understand business issues and challenges and help identify potential technology-driven solutions. Demonstrating business know-how can help CIOs—especially those that don't report to the CEO—raise their profiles and gain a seat at the executive leadership committee table.

Relationship-building can help CIOs be more strategic. Regardless of where the CIO reports, it can be important to cultivate significant executive relationships with the CEO, CFO, COO, other key C-suite occupants, board members, and other functional leaders. Develop a relationship road map that takes into account personality, motivation, and expectations and includes planned, formal, and informal interactions. Furthermore, CIOs can enable their IT teams to create relationships to drive confidence and develop trust at all levels across the organization.

The proof is in the IT delivery pudding. Delivering consistent, reliable, and efficient technology to the business is the prerequisite to influencing business strategy and getting a seat at the table, regardless of reporting relationship. If the outcomes of technology initiatives do not add value to business objectives, the CIO reporting relationship ultimately will not matter.

CEO reporting is mandatory in many situations. In organizations where the CIO is leading digital strategy, it's critical for the CIO to report to the CEO. Digital transformation requires buy-in, support, and active involvement from the chief executive. Technology change is often the most straightforward aspect of digital transformation; it can be far more challenging to tame organizational resistance. When digital transformation, technology-driven innovation or disruption, or other technology-focused initiative is a key business initiative, CIOs may find it easier to garner necessary resources and drive cultural change with the direct support of the CEO.

ENDNOTES

1. Data for this analysis was taken from the forthcoming Deloitte 2018 Global CIO Survey, to be published in the summer of 2018. The year-over-year analysis incorporated data from Deloitte's 2015 and 2016–2017 global CIO surveys.
2. Martha Heller, "Why the CIO reporting structure matters," *CIO Magazine*, July 26, 2017, accessed March 28, 2018.

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