

## Are CIOs Underpaid?

By Kevin Fogarty

Strategy and management experts agree that the best IT execs deserve the rich pay they get; the question is what's wrong with the rest of them?

Are CIOs underpaid?

Yes, according to experts on both IT compensation and strategy. Yes, that is, if you're talking about companies that rely on technology to streamline their business processes, cut costs, eliminate organizational bottlenecks and improve the efficacy of corporate functions ranging from marketing to manufacturing.

Fifty two technology executives at the 1,000 largest U.S.-based public companies made more than \$1 million last year, according to Baseline's own survey of publicly acknowledged CIO salaries. They are very much the exception, however.

Technology recruiting and compensation consultancy Janco Associates, Inc. – which reported last October that 22 CIOs made more than \$2 million, and does a comprehensive CIO salary survey every year – reports that the mean salary for CIOs at large companies is \$181,240 and \$171,200 at mid-sized companies.

Janco ranks "large enterprises" as having more than \$500 million in revenue – which is decidedly mid-market according to definitions of many of the large tech companies selling into that market – while "mid-sized enterprises" range down to \$100 million. There are variations according to location, years of experience and other factors, but overall the statistical margin of error for the survey is 1.2 percent. And the figures are consistent for at least the last five years.

Compensation analysts Payscale, Inc. corroborate the level of pay, though breaking up the market into smaller segments and rating CIO salaries at the second-largest category of company – at \$202,795 – as higher than at the largest -- \$168,724 at companies with more than 50,000 employees.

"Certain CIOs are overpaid," the former CIO who heads Janco told Baseline last year.

But, according to he and other experts, what you think of CIO salaries depends on what you think a CIO should be. If you want someone to manage an IT budget, keep your data-center running and make sure help-desk trouble tickets don't get backed up too far, then CIOs are making exactly as much as they should.

"If you pay your CIO \$180,000 a year, you're going to get a clerk," according to Paul Strassmann, an IT productivity expert and former senior IT executive at Xerox, Kraft and NASA who has written a series of books on the economics of corporate information technology.

"It may be a good clerk, but a clerk. Not someone with the systems engineering and architectural skills and business skills and political skills to be part of the conversation at the executive level and not just have a seat at the table," Strassman says.

Randy Mott – Hewlett-Packard Co.'s CIO and the poster-child for the luxuriously compensated chief geek – shows not only what a CIO should be, but also the proper value of top-notch technical and business skills, Strassman says.

"This guy spent all his life in huge database construction," Strassman said. "That kind of serious systems engineering

knowledge along with business acumen are what gets you to that stage. He's not the only one. Quite a lot of people out there are up to the challenge."

Fewer than half of the multimillion-dollar CIOs in Baseline's survey have titles that involve only technology. Most include responsibility for operations or specific business units, such as the Alltel shared-services unit CIO Jeff Fox heads up in addition to the IT department to justify his \$9 million paycheck.

"It's not that common an ability," according to Nick Ibrahim, Ruby Tuesday's chief technology officer. "I'd think less than 10% [of senior IT executives] have the five-year vision to be able to do both the technology and business roles well."

To be fair, though, Ibrahim says, most CIOs at large companies are business people who don't know enough about technology to make really sharp judgments, and are often handicapped by their own organizations.

Reporting to the chief operating officer or chief financial officer, for example, leaves a CIO in the position of having to implement the judgment of someone with even less technical acumen than the average CIO, he says.

And in some organizations – the FBI, for example, which has suffered through a series of disastrous IT projects during the past several years – the tendency to blame a bad project on the person in charge when it finally crashes gives even savvy technologists a lot of incentive to keep zombie projects going long after they should have been put out of their misery, Ibrahim says.

Still, the \$180,000 CIO is unheard of at really top companies – not only large global companies, but even in the \$1 billion to \$5 billion-dollar companies as well, according to Chuck Pappalardo, managing director of Silicon Valley-based recruiter Trilogy Search.

"There's not another role in the corporation that's as complex [as CIO]," Pappalardo says. "At that scale even the top lieutenants are making that; the director level now typically is more than \$200 [thousand in salary and benefits]."

"At top companies, the men and women we're placing are off-the-charts good, and off-the-charts smart," Pappalardo says. "As technology gets better and offers companies more potential to gain, the skill sets we're looking for become deeper and the pool [of potential recruits] becomes more finite."

So are even mid-market, middle-of-the-road CIOs being underpaid?

"Generally you get what you pay for," Pappalardo says. "You can pay a lot of money and not get a lot; but if you're a thoughtful hirer of people, and you have the position well scoped out and know what you want the CIO to do, then you would not find someone in that range. These are very high-potential people you'd be looking for. That would make sense."



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