

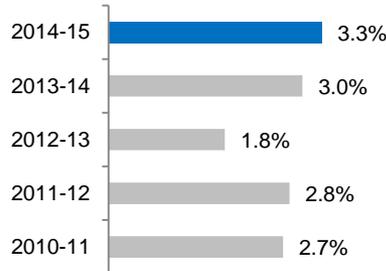
# **> CEB 2015 IT Budget Benchmark Report**

# 2014 BENCHMARK BY THE NUMBERS

## 1. IT Budget Growth Expectations Hit a 5-Year High

CIOs are more optimistic about 2015 budgets than they have been in the recent past, anticipating 2015 growth in total IT spending of 3.3%.

Expected Change In Total IT Spending from Previous Year

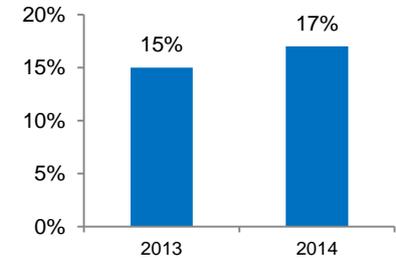


See full details on page 11.

## 2. IT Places Big Bets on Improving the End-Customer Experience

In response to rising expectations for technology ease, CIOs are allocating more budget to the end-customer experience in 2014 than in years past. Additionally, deployment of user-experience designers is expected to become mainstream in 2015.

Share of IT Project Budget Dedicated to Customer Interface

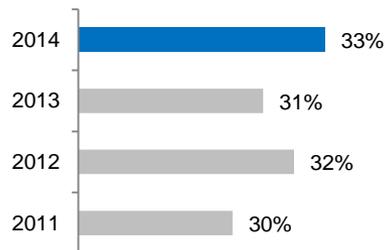


See full details on page 18.

## 3. A Shift Toward Innovation and Business Opportunity

CIOs were more successful at shifting the IT budget to Innovation and Business Opportunity in 2014 than in recent years. This result is partially fueled by a steady reduction in the share allocated to maintenance spending (from 63% in 2011 to 57% in 2014).

Share of IT Expenditure to Innovation & Business Opportunity

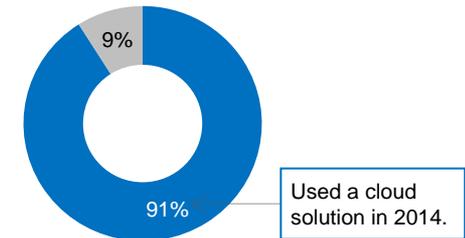


See full details on page 17.

## 4. Cloud Investments are Near Universal

Almost all CIOs are allocating at least some portion of their budget to the cloud. Depth of deployment has also increased, with more than one-third of companies allocating at least 6% of spending to cloud solutions (up from just 23% last year).

Percentage of Respondents Allocating IT Expenditure to Cloud Sourcing



See full details on page 20.

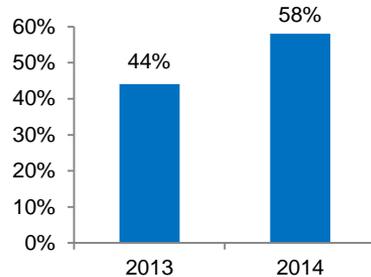
Source: CEB IT Budget Benchmark. n = 128, 2010-2011; n = 176, 2011-2012; n = 181, 2012-2013; n = 172, 2013-2014; n = 166, 2014-2015.

# 2014 BENCHMARK BY THE NUMBERS (CONTINUED)

## 5. Majority of CIOs' Roles Extend Beyond IT

The changing IT landscape has blurred functional boundaries, with CIOs taking on more non-IT responsibilities (e.g., procurement). Most now own at least one non-IT functional area, with the share of CIOs owning business analytics doubling from 15% to 30% in just one year.

Percentage of CIOs Owning Non-IT Activities

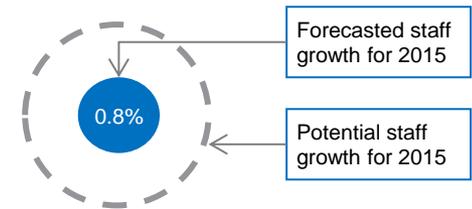


See full details on pages 77-78.

## 6. Flat Projections for IT Staff Growth Likely Too Conservative

While internal staff growth is projected to be near flat for 2015, CIOs forecasted similar numbers last year and actually saw 4.3% growth. This suggests that additional staff growth may occur as the 2015 project queue is finalized and staff needs become more clear.

Internal Staff Growth Rate, 2014-2015 (E)

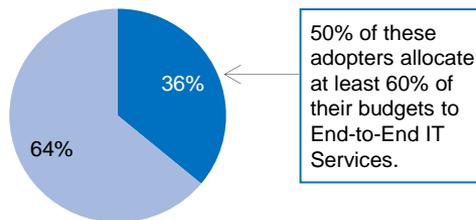


See full details on page 22.

## 7. Broad Deployment Among End-to-End IT Service Adopters

While only 36% of organizations have deployed End-to-End IT Services to date, half of these adopters report that End-to-End IT Services account for at least 60% of their operating budgets.

Share of Organizations that have Deployed End-to-End IT Services

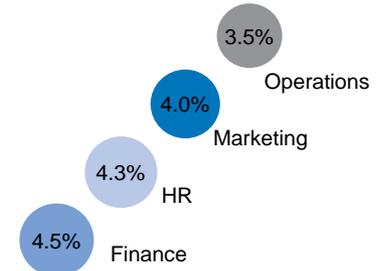


See full details on page 81.

## 8. IT Spending Outside Corporate IT Continues

Consistent with last year, Finance, HR, Marketing, and Operations are the functions that allocate the largest percentage of their budgets to technology, as estimated by CIOs, as business leaders increasingly experiment and own technology projects to meet their objectives.

CIO Estimate of Non-IT Function Budget Share\* on Technology



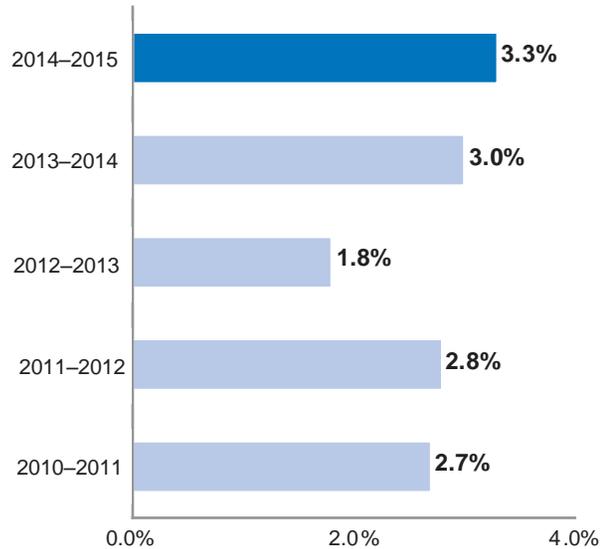
\* Highest 4 non-IT function budgets. See full details on page 19.

Source: CEB IT Budget Benchmark. n = 128, 2010-2011; n = 176, 2011-2012; n = 181, 2012-2013; n = 172, 2013-2014; n = 166, 2014-2015.

# THE STORY FOR 2015

## 1. IT Budget Growth Expectations Hit a Five-Year High

Expected Change In IT Expenditure from Previous Year

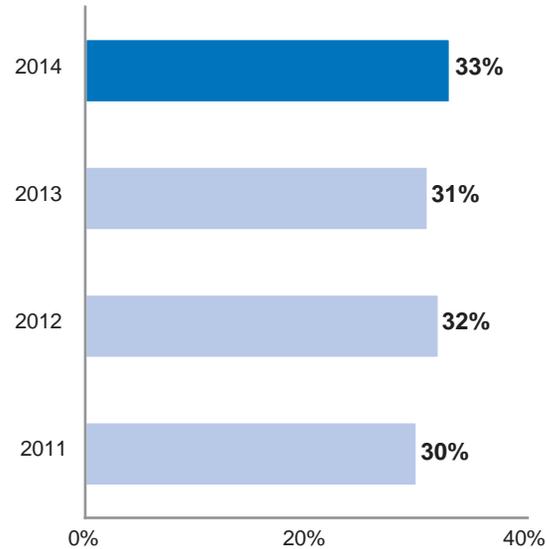


n = 128 (2010-2011); n = 176 (2011-2012); n = 181 (2012-2013); n = 172 (2013-2014); n = 166 (2014-2015).

CIOs are more optimistic about 2015 budgets compared to the recent past, anticipating 3.3% growth in total IT spending for 2015.

## 2. A Shift Toward New Capability Spending

Share of IT Expenditure Allocated to New Capability Spending

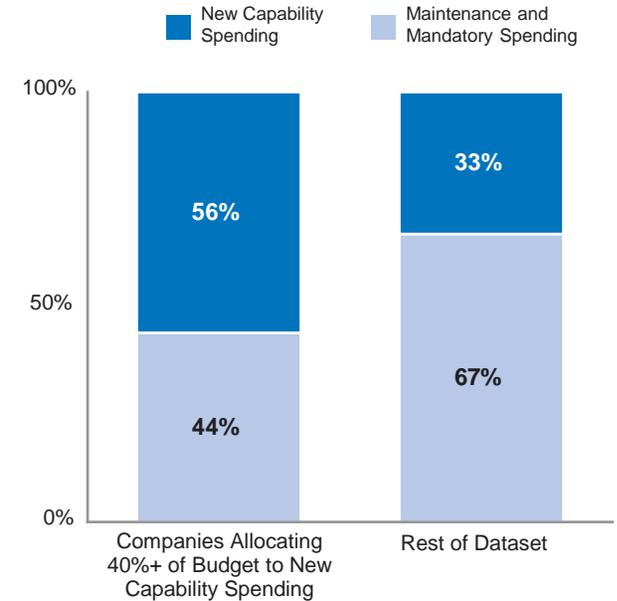


n = 128 (2010-2011); n = 176 (2011-2012); n = 181 (2012-2013); n = 172 (2013-2014); n = 166 (2014-2015).

CIOs more successfully shifted IT's budget to new capability spending in 2014 than in years prior. The steady reduction in the share allocated to maintenance spending, from 63% in 2011 to 57% in 2014, partially helped bolster this increase.

## 3. Emergence of Companies That Have Accelerated Investment in New Capabilities

Allocation of IT Expenditure

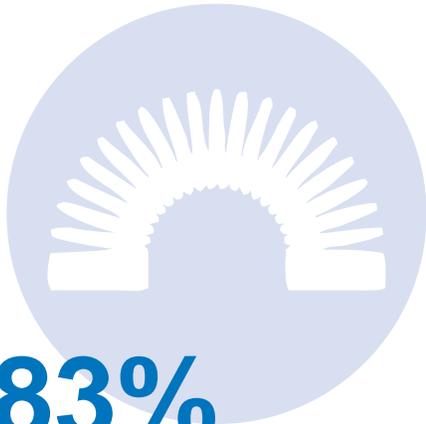


n = 166.

One in six IT organizations dedicate more than 40% of their budget to fund new capabilities. Without an influx of additional resources, these companies apply a fundamentally different approach to investments that, compared to their peers, enable them to much more aggressively move money toward new capabilities.

Source: CEB 2014-2015 IT Budget Benchmark.

### 1. Use of Flexible Budgeting

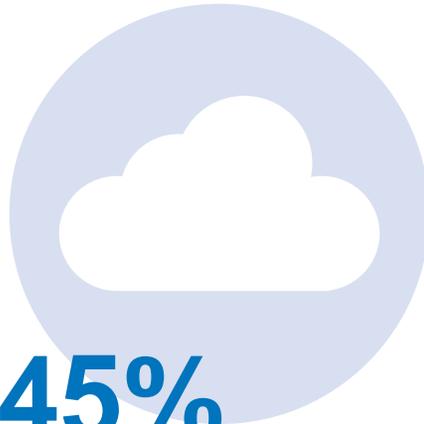


# 83%

of companies with a high share of new capability spending have a flexible IT budget.

Eighty-three percent of companies with a high share of new capability spending make mid-course corrections to the IT budget in response to changing business demands, allowing them to adapt planning and resources. Only 63% of other companies show similar budgeting flexibility levels.

### 2. Using Cloud as an Enabling Platform

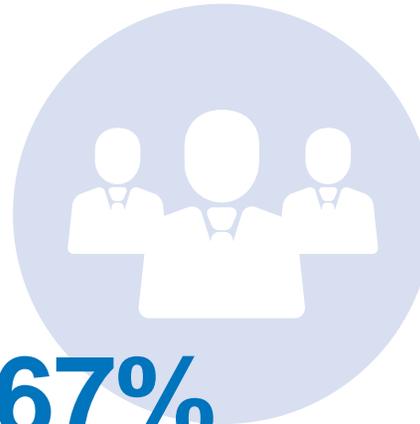


# 45%

of companies with a high share of new capability spending make use of all three cloud platforms.

Compared to only 17% of their peers, companies with a high share of new capability spending are much more likely to invest in IaaS, PaaS and SaaS<sup>a</sup> (45% adopt all three cloud solutions). By deploying cloud-based solutions, these companies access greater service responsiveness and cost flexibility.

### 3. Rapid Adoption of New IT Roles

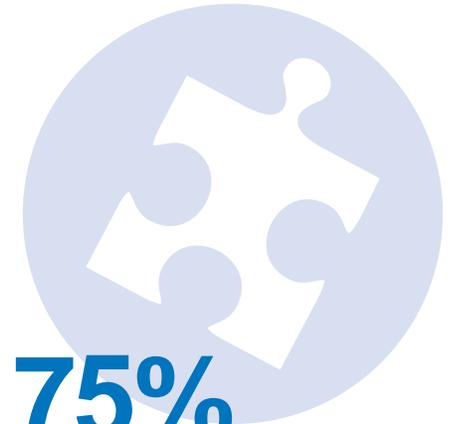


# 67%

of companies with a high share of new capability spending have adopted emerging IT roles.

Opposed to 46% of their peers, 67% of companies with a high share of new capability spending have adopted new roles to better deliver business outcomes and support capabilities that make the organization more productive. These roles include service managers, business architects, and user-experience designers.

### 4. Employing an End-to-End IT Service Model



# 75%

of companies with a high share of new capability spending have adopted an end-to-end IT service model.

Three-fourths of companies with a high share of new capability spending are organized around a set of business outcome-aligned services, which run at their own speed and are optimized to a specific level of cost and maturity that allows for competitive advantage. Less than half of their peers are doing the same.

n = 166, 2014–2015.  
Source: CEB 2014 IT Budget Benchmark.

<sup>a</sup> IaaS: Infrastructure as a Service; PaaS: Platform as a Service; SaaS: Software as a Service.

# ADDITIONAL KEY FINDINGS

## **IT organizations may be receiving a bigger piece of the pie.**

Last year, IT expenditure as a percentage of business entity revenue was 2.4% at the median. In 2014, this metric is 3.0% at the median, suggesting that IT organizations may be receiving a bigger portion of overall enterprise spending.

## **IT places big bets on improving the end-customer experience.**

In response to rising expectations for technology ease-of-use, CIOs are allocating more budget to the end-customer experience in 2014 than in years past. Additionally, deployment of user-experience designers is expected to become mainstream next year.

## **Flat projections for IT staff growth likely too conservative.**

Though internal staff growth is projected to be near flat for 2015, CIOs forecasted similar numbers last year and actually saw 4.3% growth. This trend suggests that additional staff growth may occur as the 2015 project queue is finalized and staff needs become more clear.

## **Majority of CIOs' roles extend beyond IT.**

The changing IT landscape has blurred functional boundaries, as CIOs now take on more non-IT responsibilities (e.g., procurement). Most CIOs today own at least one non-IT functional area; for example, the share of CIOs owning business analytics doubled from 15% to 30% in just one year.

## **IT spending outside corporate IT continues.**

Consistent with last year, Finance, HR, Marketing, and Operations allocate the largest percentage of their budget to technology (as estimated by CIOs); as business leaders increasingly experiment and own technology projects to meet their objectives.

Source: CEB analysis.