Findings from the 2013–2014 IT Budget Benchmark
Participants in CEB’s 2013–2014 IT Budget Benchmarking Survey represent 165 organizations and $47 billion in IT spending.

- The survey’s scope includes:
  - Total IT expenditure
  - IT capital expenditures and IT project budgets
  - IT operating expenditure allocations
  - Outsourcing and offshoring
  - Staffing and organizational structure
  - IT service models.

- After data were collected, we conducted validation tests to surface responses that were inconsistent or implausible. These data were either corrected by the respondent or removed.

- This presentation often looks at the entire dataset. Visit our online analysis tool to access data cuts for your peer groups by industry, revenue band, etc.

**RESPONDENT PROFILE**

**By Industry**

- **4%** Automobile
- **5%** Banking
- **4%** Construction/Engineering/Building/Materials
- **5%** Consumer Products Goods
- **11%** Energy/Metals and Mining
- **7%** Financial Services (Excluding Banking and Insurance)
- **5%** Food/Beverages/Tobacco
- **15%** Government/Public Sector/Non-Profit/Education
- **4%** Utilities
- **4%** Transportation/Logistics
- **5%** Retail
- **4%** Pharmaceuticals/Biotech
- **8%** Manufacturing/Chemicals
- **6%** Insurance
- **5%** Healthcare/Health Insurance
- **8%** High-Tech

**By Headquarters Region**

- **69%** North America
- **10%** Asia-Pacific
- **2%** Africa/Middle East
- **2%** Latin America
- **17%** Europe

n = 165.
Source: CEB analysis.
1. CIOs expect 3% growth in Total IT Spending for 2014, at the median.

2. IT organizations are investing less in new work environment opportunities, at the same time they say those opportunities are a priority.

3. CIOs estimate that central corporate functions (outside of IT) are spending, on average, above 4% of their budgets on IT, primarily driving innovation in new work environment-focused projects.

4. Despite flat IT staff growth for 2014, IT organizations will see considerable change in the mix of roles.

5. CIOs remain ambitious about pursuing End-to-End IT Services, but the hurdles to implementation have slowed progress.

6. Successful implementations of End-to-End IT Services have greatly changed the service delivery model of those organizations.
ROADMAP FOR THE PRESENTATION

Introduction  IT Spending Levels  Spending and Organizational Trends  Key Takeaways
CIOs report expected growth for 2014 that is higher than expectations from previous years.

Participants in CEB’s 2013–2014 IT Budget Benchmarking Survey represent 165 organizations and $47 billion in IT spending.

- This increase in IT expenditure for 2014 (3.0% at the median) is almost entirely driven by expected increases in operating expenditure (3.1%) as capital expenditure growth remains flat (0.3%).

**STRONG FORECAST FOR 2014**

Median Expected Change in Total IT Expenditure from the Previous Year

*Expected Change, 2010–2014*

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010–2011</td>
<td>2.2%</td>
</tr>
<tr>
<td>2011–2012</td>
<td>2.8%</td>
</tr>
<tr>
<td>2012–2013</td>
<td>1.8%</td>
</tr>
<tr>
<td>2013–2014</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

Source: CEB IT Budget Benchmarking Survey 2010-2013.

Note: Total IT expenditure includes IT operating expenditure, depreciation/amortization, and IT capital expenditure.
Similar to the expectations of the last several years, capital expenditure is expected to remain flat at the median.

- At present, roughly two-in-five CIOs expect 5%+ increases in capital spending for 2014, while only 19% report an expected 5%+ decrease.
Flat capital expenditure growth projections have historically given way to growth, as additional budget for new projects often frees up over the course of the year as opportunities arise.

- CIOs expecting little change in their capital budget for 2014 should still build a pipeline of potential investments so as not to be caught short as additional budget becomes available.

- For roughly one-third of organizations, actual growth is consistent with their forecasts, however, approximately half of organizations experience more positive actual growth than forecasted for the year.

CAPEX ACTUALS OFTEN OUTPACE EXPECTATIONS

Median Change in IT Capital Expenditure from the Previous Year

<table>
<thead>
<tr>
<th>Year</th>
<th>Expected</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010–2011</td>
<td>0.0%</td>
<td>23.3%</td>
</tr>
<tr>
<td>2011–2012</td>
<td>0.6%</td>
<td>9.7%</td>
</tr>
<tr>
<td>2012–2013</td>
<td>0.0%</td>
<td>7.2%</td>
</tr>
<tr>
<td>2013–2014</td>
<td>0.3%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: CEB IT Budget Benchmarking Survey 2010-2013.

Distribution of Expected and Actual IT Capital Expenditure Change

<table>
<thead>
<tr>
<th>Year</th>
<th>Greater Than 5% Increase</th>
<th>Less Than 5% Change</th>
<th>Greater Than 5% Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012–2013 (Expected)</td>
<td>29%</td>
<td>37%</td>
<td>34%</td>
</tr>
<tr>
<td>2012–2013 (Actual)</td>
<td>58%</td>
<td>23%</td>
<td>19%</td>
</tr>
</tbody>
</table>

n = 52 organizations participating in CEB’s 2012–2013 IT Budget Benchmark and CEB’s 2013–2014 IT Budget Benchmark.

While a 3.1% expected increase in IT operating expenditure seems modest, it more than covers inflation.

- The 3.1% median expected increase in IT operating expenditure for 2014 is below the 4.1% realized growth in 2013.

- IT operating expenditure growth expectations are subject to some variability, but not to the same extent as IT capital spending expectations.

- For organizations expecting near median growth for 2014, actual growth will likely be roughly one-percentage point higher than current expectations.

**ADDITIONAL OPEX GROWTH EXPECTED AT THE MEDIAN**

Median Change in IT Operating Expenditure from the Previous Year  
*Index, 2012 IT Operating Expenditure = 100, Median, 2012–2014(E)*

![Bar chart showing IT operating expenditure growth from 2012 to 2014.](chart)

- 2012: 100 (Actual)  
- 2013: 104 (Expected)  
- 2014 (Expected): 107

\[\Delta = 4.1\% \text{ (Actual)}\]
\[\Delta = 3.1\% \text{ (Expected)}\]

\(n = 146.\)

For many organizations, there remains an untapped opportunity to shift spending towards innovation and business opportunity.

- Organizations are slowly gaining small efficiencies and shifting about one percentage point a year away from maintenance spending. Mandatory spending, often regulatory, however, is consuming these gains.

- CIOs must more closely tie the investment prioritization process to the strategic objectives of the enterprise to ensure that experimental projects with great (but hard to quantify) business impact potential are not consistently pushed out in favor of foundational investments with clear ROI.

SHIFT TOWARDS INNOVATION AND BUSINESS OPPORTUNITY ELUDES

Allocation of Total IT Expenditure by Asset Class 2011–2014(E)

<table>
<thead>
<tr>
<th>Year</th>
<th>Business Opportunity and Innovation</th>
<th>Maintenance</th>
<th>Mandatory</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>30%</td>
<td>63%</td>
<td>7%</td>
</tr>
<tr>
<td>2012</td>
<td>32%</td>
<td>60%</td>
<td>8%</td>
</tr>
<tr>
<td>2013</td>
<td>31%</td>
<td>59%</td>
<td>10%</td>
</tr>
<tr>
<td>2014(E)</td>
<td>32%</td>
<td>58%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: CEB IT Budget Benchmarking Survey 2010-2013.
NEW WORK ENVIRONMENT INTENT BUT SLOW PROGRESS

While almost all organizations plan to invest more in new work environment opportunities, very few have been able to reallocate the necessary capital.

- Driving employee productivity is the primary objective of new work environment projects.
- These experimental investments tend to be small in scale with short lifecycles (e.g., collaboration tools, business intelligence, mobile applications, and digital marketing.)
- IT functions are at risk of missing a significant opportunity to impact how employees get work done, but only a small number of CIOs are successfully putting resources towards this opportunity.

Plan to Move Spending Toward Capabilities Needed in the New Work Environment

<table>
<thead>
<tr>
<th>Percentage of Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solution Needed</td>
</tr>
<tr>
<td>Plan to Move Spending Toward Capabilities Needed in the New Work Environment</td>
</tr>
</tbody>
</table>

n = 29 IT organizations.
Source: CEB 2012 Change Readiness Diagnostic.

Have Realized This Objective

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<tr>
<td>Solution Needed</td>
</tr>
<tr>
<td>Have Realized This Objective</td>
</tr>
</tbody>
</table>

n = 29 IT organizations.
Source: CEB 2012 Change Readiness Diagnostic.
INVESTING MORE IN MOBILE APPLICATIONS

Share of Total IT Expenditure Allocated to Mobile Application Development
Percentage of Organizations, 2012–2014 (E)

Mobile application development is one area of new work environment investments where IT has successfully allocated more resources.

- While total investment in mobile application development remains modest, the dramatic acceleration in spending since 2012 reflects the growing importance of enabling a mobile workforce.

- With 65% of employees dissatisfied with the mobile capabilities available to them for work purposes, IT organizations must continue to accelerate investments in this area.


Note: Mobile application development spending includes costs associated with foundational efforts to prepare for mobile application development (e.g., investments in new hardware, training, SOA services), developing new-to-world mobile applications, and converting currently existing applications to mobile versions. This spending does not include the cost of buying or supporting mobile devices.

n = 137.
Movement to cloud-based solutions continues as IT organizations prepare for future investment in new work environment projects.

- Most cloud spending is on Software-as-a-Service (SaaS), followed by Infrastructure-as-a-Service (IaaS).

### STEADY MIGRATION TO THE CLOUD

**Share of Total IT Expenditure Allocated to Cloud Sourcing**

*Percentage of Organizations, 2012–2014 (E)*

<table>
<thead>
<tr>
<th>Year</th>
<th>SaaS</th>
<th>IaaS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>29%</td>
<td>0%</td>
</tr>
<tr>
<td>2013</td>
<td>21%</td>
<td>50%</td>
</tr>
<tr>
<td>2014 (E)</td>
<td>17%</td>
<td>35%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>SaaS</th>
<th>IaaS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>8%</td>
<td>13%</td>
</tr>
<tr>
<td>2013</td>
<td>18%</td>
<td>25%</td>
</tr>
<tr>
<td>2014 (E)</td>
<td>24%</td>
<td>24%</td>
</tr>
</tbody>
</table>

**Source:** CEB 2013–2014 IT Budget Benchmarking Survey.

**Note:**
1. **Software-as-a-Service (SaaS):** Applications accessible through a web browser where the consumer does not manage the underlying cloud infrastructure or even individual application capabilities, e.g., Salesforce.com.
2. **Infrastructure-as-a-Service (IaaS):** Fundamental computing resources like processing, storage, and networks, where the consumer does not manage the underlying cloud infrastructure but has control over the deployed application and the operating systems, e.g., Amazon EC2.
CIOs estimate that other central corporate functions’ spending on IT is, on average, above 4% of their budgets.

- Ownership of new work environment projects will shift to business partners who are eager to experiment on their own.
- IT will need to redesign its business engagement model to ensure that technology spending outside of IT is “healthy”, i.e., spending that enables business partner innovation and experimentation.

**BUSINESS-LED TECHNOLOGY EXPERIMENTATION**

IT Estimate of Percentage of Non-IT Function Budget Allocated to Technology 2013

<table>
<thead>
<tr>
<th>Function</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR</td>
<td>6.1%</td>
</tr>
<tr>
<td>Operations</td>
<td>5.2%</td>
</tr>
<tr>
<td>Finance</td>
<td>4.7%</td>
</tr>
<tr>
<td>Marketing</td>
<td>4.0%</td>
</tr>
<tr>
<td>Sales</td>
<td>2.0%</td>
</tr>
<tr>
<td>Communications</td>
<td>1.8%</td>
</tr>
<tr>
<td>Legal</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

n = at least 50 responses, per function.


Note: Estimates were included if the respondent rated their confidence in the estimate at least five, on a 10 point scale (where 10 = very confident).
While total IT headcount is expected to remain unchanged in 2014, CIOs continue to focus on shifting staff to service management and employee productivity enablement roles.

- The implication is that even if the IT function is not growing, there may still be considerable activity on the staffing front as CIOs seek to hire or develop scarce skills.


n = 137.