



CIO Magazine Tech Poll/IT Economic Outlook **SURVEY**

Exclusive Research
from CIO magazine

MAY 2014

Executive Summary

Nearly Half of CIOs Planning IT Budget Increases; Applications Spending Growing

IT budgets will grow for 47 percent of CIOs surveyed in CIO magazine’s most recent Tech Poll: IT Economic Outlook survey conducted among 178 top IT executives in the spring of 2014. While that figure is down slightly from the 52 percent reported roughly a year ago, just 12 percent of CIOs anticipate budget decreases, the lowest level reported since the poll inception in March 2008. Survey results indicate a higher percentage of CIOs holding budgets flat; 41 percent report budgets consistent with the previous year, up from 31 percent in the June, 2013 survey. Overall, IT budgets are expected to grow by an average of 4.9 percent, consistent with last year’s findings.

Applications is the most frequently cited area for growth with 54 percent planning IT budget increases, up from 48 percent last year (see table below). While fewer top IT executives plan to increase their investments in mobile/wireless, a higher percentage are holding budgets flat (45 percent, versus 34 percent) as opposed to cutting budgets in this area (8 percent, compared to 10 percent in June, 2013). The percentage planning increases to their outsourced IT services and network infrastructure declined just slightly while the percentage planning hardware spending increases remained flat compared to last year.

Areas Planned for Budget Increases	June 2013	May 2014
Applications	48%	54%
Mobile/Wireless	56%	47%
Outsourced IT services (including cloud)	44%	40%
Hardware	37%	37%
Network Infrastructure	39%	36%

Nearly half of the CIOs we surveyed (47 percent) are planning to increase the percentage of their total IT budget allocated to new or discretionary IT projects, relatively flat with the 48 percent reported in June, 2013. CIOs are relatively divided when it comes to the primary focus for funds earmarked for new projects; 36 percent plan to target external customer interaction, relationship and experience, 34 percent will focus on internal service support and processes, and 28 percent on product development, improvements and innovation. Enterprise CIOs are more likely to plan to devote a higher percentage of their budget to new or discretionary projects than their SMB colleagues (54 percent, versus 43 percent) and have plans for focusing their investment efforts on their customers (41 percent, compared to 33 percent). CIOs report an average of 36 percent of their discretionary IT spending is currently allocated to projects that directly contribute to increasing topline revenue at their organization, consistent with last year’s findings.

Budgets Moving to Edge Technologies; Four out of Ten to Boost Spending with Newer Tech Vendors

Survey results suggest a shift in budget allocation from technologies that are at the core of the business - such as infrastructure, network, storage, compute, ERP - to edge technologies like mobile, crm, m-commerce, cloud, social and marketing automation that enable a new generation of productivity, collaboration and accessibility (see chart below).

Average Budget Allocation Core versus Edge Technologies	Current Allocation	Expected Allocation in 1-3 Years
Core technologies	68%	55%
Edge technologies	32%	45%

Additionally, 41 percent of the top IT executives we polled expect the percentage of their company’s spending with newer technology vendors such as Box, Dropbox, MobileIron and Outsystems to increase during the next year. IT executives in enterprise organizations are significantly more likely than their SMB colleagues to plan to spend more with newer technology companies (54 percent, compared to 33 percent). CIOs are relatively divided when asked to rate their level of concern about newer tech vendors potentially being acquired by more established vendors; 53 percent are at least somewhat concerned while 46 percent are not very or not at all concerned. Loss of innovation, support/level of service issues, less flexibility, vendor lock-in and potentially higher cost are among the most common reasons cited among those expressing concern.

IT Involved in Purchases Funded by Line of Business

Nearly all of the CIOs we surveyed indicate IT involvement when technology is purchased by another department. When asked about their most recent technology purchase funded by another department or function outside of IT, 45 percent say line of business identified the opportunity and came to IT for recommendations on technology solutions and provider selections while 24 percent point to IT as the driver in identifying the opportunity and bringing their recommendations for solutions and vendors to LOB. In fifteen percent of cases LOB identified the opportunity or need, and came up with recommendations to be vetted by IT. For just 5 percent IT wasn’t involved until a problem or issue came up and only 2 percent weren’t looped in even in the event of problems.



Methodology

The CIO Tech Poll: Economic Outlook survey is conducted regularly to gauge how current economic conditions are impacting IT spending plans. Members of the CIO LinkedIn Forum and the CIO customer database were invited to take the survey between April 9, 2014 and May 4, 2014. Results are based on 178 respondents who indicated they are the top IT executive at their company or business unit. Sixty percent of respondents work in companies with less than 1,000 employees while 40 percent work in companies with 1,000 or more employees. A wide range of industries are represented including manufacturing (16 percent), education (14 percent), financial services (12 percent), high tech, telecom & utilities (12 percent), legal/consulting/real estate services (10 percent), healthcare (8 percent), and federal, state or local government (7 percent). Sixty-five percent of respondents are from North America.

The margin of error on a sample size of 178 is +/- 7.3 percent. Percents on questions where respondents could select only one answer may not sum to 100 due to rounding. Not all respondents answered every question. For the purposes of this report enterprise (large) organization references refer to companies with 1,000 or more employees while small and medium-size organizations (SMB) are defined as having less than 1,000 employees. Field dates and response counts are listed below for previous CIO Tech Poll: Economic Outlook surveys referenced in this report.

CIO Tech Poll: IT Economic Outlook	Field Dates	Top IT Executives Responding
May 2014	4/9/14 – 5/4/14	178
June 2013	5/9/13 – 6/6/13	209
March 2008	2/20/08 – 3/6/08	229