



CIO Economic Impact Survey, May 2009

Executive Summary

Some Signs of Life Amid Dark IT Budget Forecast

While the percentage of CIOs planning to increase their [IT spending](#) shrunk to its lowest level in a year, an exclusive *CIO* survey suggests IT budgets appear to be stabilizing after more than a year of budget cuts, layoffs and other means of [coping with the downturn](#). Just 14 percent of the 171 IT leaders who took the survey in the spring expect IT budget increases, down from 20 percent in a similar survey conducted in January and 63 percent in March of last year. However, the percentage of CIOs planning IT spending decreases remained relatively flat (50 percent versus 53 percent), and the percentage anticipating no change to their IT budget increased from four months ago. And fewer CIOs say the percentage of their total IT budget allocated to new initiatives will decrease in the coming year (43 percent versus 49 percent in January) while 34 percent expect that percentage to remain the same, up from 26 percent.

Direction of IT Budget	March '08	July '08	October '08	January '09	May '09
Increase	63%	49%	26%	20%	14%
Decrease	17%	26%	40%	53%	50%
Remain the same	20%	26%	34%	28%	36%
Average change (mean)	7%	3%	-3%	-7%	-13%

The software applications category shows the highest percentage of CIOs planning to increase spending (28 percent, up from 23 percent earlier this year). Hardware (47 percent), [outsourced IT services](#) (40 percent) and IT compensation costs (40 percent) are the most frequently cited categories where CIOs anticipate cuts in the coming year. These cuts appear to be slowing, however. Although more CIOs plan to shrink payroll than in January (40 percent versus 35 percent), more say their spending on [compensation](#) won't change (44 percent versus 39 percent). Fewer CIOs are planning to reduce spending for outsourced IT services (40 percent compared to 48 percent) while a higher percentage anticipate no cuts in this category (43 percent, up from 32 percent). Just over one quarter of IT leaders plan to cut spending on Web and [mobile technologies](#), compared to nearly a third in January, while 54 percent anticipate no changes, up from 46 percent.

Cost Cutting Measures Continue but Fewer CIOs Planning Additional Cuts

CIOs continue to implement measures to reduce costs. Putting discretionary IT projects on hold, [renegotiating IT vendor contracts](#) and freezing IT hiring are among the most frequently cited actions taken in the past six months by IT leaders. Survey results suggest, however, that cuts may be slowing. Most CIOs surveyed have already begun implementing various cost-cutting measures or have no plans to do so (see table below). Only a handful of IT leaders surveyed plan IT hiring freezes or headcount reductions while just 5 percent report plans to postpone discretionary IT projects, or freeze/cancel IT capital spending.

Which of the following measures has your IT organization taken or is considering taking as a result of current economic conditions?

Cost Cutting Measure	Started in the last 6 months			Plan to start next 6 months			No plans at this time		
	Oct.'08	Jan.'09	May '09	Oct.'08	Jan.'09	May '09	Oct.'08	Jan.'09	May '09
Postpone discretionary IT projects	49%	58%	69%	23%	19%	5%	28%	23%	26%
Renegotiate IT vendor contracts	46%	52%	66%	23%	22%	13%	31%	26%	21%
Freeze or cancel IT capital spending	N/A	49%	57%	N/A	11%	5%	N/A	41%	39%
Freeze IT hiring	46%	59%	64%	13%	10%	3%	41%	31%	33%
Reduce IT headcount	23%	34%	43%	11%	6%	4%	66%	60%	53%
Reduce spending on IT contractors and consultants	44%	52%	62%	21%	17%	11%	35%	30%	27%
Reduce spending on training for IT staff	25%	46%	44%	13%	11%	8%	62%	43%	48%
Restrict IT travel	45%	61%	62%	12%	12%	8%	43%	27%	30%

Current economic conditions are causing IT purchases to undergo closer scrutiny by other business executives for 65 percent of CIOs surveyed while only 13 percent report that their organization has received or is expecting to [receive any money from the federal stimulus package](#). With controlling costs a continuing priority, 40 percent of CIOs are more likely to consider on-demand services. Large company CIOs (59 percent) are more likely than their small (31 percent) and midmarket counterparts (38 percent) to consider alternative IT models as a result of current economic conditions.



Methodology

The CIO IT Economic Impact survey was conducted online between April 21 and May 19, 2009 with the objective of gauging how current economic conditions are impacting IT spending plans. An e-mail invitation containing a link to the survey was sent to a sample from the CIO customer database. Results are based on 171 respondents who indicated they are the top IT executive at their company or business unit. A broad range of industries is represented including manufacturing (17 percent), government and nonprofits (16 percent), legal/consulting/real estate services (16 percent), financial services (15 percent), retail/wholesale/distribution (12 percent), high tech/telecom and utilities (11 percent) and healthcare (5 percent). Company size distribution by annual revenue is as follows: <\$100 million: 37 percent; \$100 million–\$999.9 million: 34 percent; \$1 billion or more: 22 percent; nonprofit: 5 percent (2 percent of respondents were unsure). The margin of error on a sample size of 171 is +/- 7.5 percent. Percents on questions where respondents could select only one answer may not sum to 100 due to rounding. Not every respondent answered every question.

Field dates and response counts are listed below for reference when making comparisons to previous CIO surveys.

IT Economic Impact Survey	Field Dates	IT Leaders Responding
May 2009	4/21/09 – 5/19/09	171
January 2009	1/12/09 – 1/26/09	208
October 2008	10/17/08 – 10/22/08	243
July 2008	6/19/08 – 7/9/08	193
March 2008	2/20/08 – 3/6/08	229



BUSINESS TECHNOLOGY LEADERSHIP

Results by Question

Are you the top IT executive at your company or business unit?	Percent
Yes	100%
No	0%

Will your overall IT budget increase, decrease or remain the same in the next 12 months compared to the past 12 months? (base: 171)	Percent
Increase	14%
Decrease	50%
Remain the same	36%
Average (mean) change	-13%

Will your budget within each of the following categories increase, decrease or remain the same in the next 12 months compared to the past 12 months? (base: 171)	Increase	Decrease	Remain the Same
Hardware	22%	47%	30%
Applications	28%	39%	33%
Network Infrastructure	20%	34%	46%
Web/mobile	20%	26%	54%
Outsourced IT Services	17%	40%	43%
IT compensation costs (include salaries, bonuses and benefits but not stock incentives)	15%	40%	44%

Will the percentage of the total IT budget allocated to new projects increase, decrease or remain the same in the next 12 months? (base: 171)	Percent
Increase	23%
Decrease	43%
Remain the same	34%

Are you implementing your contingency plan? (base: 171)	Percent
Currently implementing	37%
Planning to implement next six months	11%
No plans to implement at this time	38%
Not applicable: I don't have a contingency plan	14%



BUSINESS TECHNOLOGY LEADERSHIP

Which of the following measures has your IT organization taken or is considering taking as a result of current economic conditions? <i>(base: 171)</i>	Started in the last 6 months	Plan to start in the next 6 months	No plans at this time
Postpone discretionary IT projects	69%	5%	26%
Renegotiate IT vendor contracts	66%	13%	21%
Freeze IT hiring	64%	3%	33%
Freeze or cancel IT capital spending	57%	5%	39%
Reduce IT headcount	43%	4%	53%
Reduce spending on IT contractors and consultants	62%	11%	27%
Reduce spending on training for IT staff	44%	8%	48%
Restrict IT travel	62%	8%	30%

Are you more likely to consider alternative IT models (e.g., on-demand services, SaaS) as a result of current unfavorable economic conditions? <i>(base: 171)</i>	Percent
Yes	40%
No	47%
Not sure	13%

What will be the primary focus of your IT investments in the next 12 months? <i>(base: 171)</i>	Percent
Create topline revenue growth	22%
Enable business process innovation	31%
Lower the operating cost of IT	27%
Manage IT infrastructure more efficiently	20%

Are current economic conditions causing IT purchases to undergo closer scrutiny by other business executives within your company? <i>(base: 171)</i>	Percent
Yes	65%
No	33%
Not sure	1%



BUSINESS TECHNOLOGY LEADERSHIP

Will your IT staffing budget increase, decrease or remain the same in the next 12 months versus the previous 12 months? <i>(base: 171)</i>	Increase	Decrease	Remain the Same
Domestic outsourcers (U.S.-based) - Fixed, year+ contracts	8%	34%	58%
Domestic outsourcers (U.S.-based) - Short-term or project basis only	18%	34%	48%
Offshore outsourcers (non-U.S.-based) - Fixed, year+ contracts	8%	26%	66%
Offshore outsourcers (non-U.S.-based) - Short-term or project basis only	13%	26%	61%

Have you reduced your IT staff, either by layoffs or through attrition, in the past quarter? <i>(base: 171)</i>	Percent
Yes	43%
No	57%

Do you plan to reduce your IT staff, either by layoffs or through attrition, in the next quarter? <i>(base: 171)</i>	Percent
Yes	22%
No	78%

Has your company received or is it expecting to receive any money from the federal stimulus package? <i>(base: 171)</i>	Percent
Yes	13%
No	76%
Not sure	11%

Will any of the money be used to pay for IT projects? <i>(base: 23)</i>	Percent
Yes	43%
No	26%
Not sure	30%



BUSINESS TECHNOLOGY LEADERSHIP

Which of the following best describes your title in your organization? (base: 171)		Percent
CIO		30%
CIO and EVP		4%
CIO and SVP		9%
CIO and VP		7%
CTO		6%
EVP		1%
SVP		2%
VP		13%
General Manager		2%
Managing Director		6%
Director		15%
Other		5%

Please select the dollar amount that best represents the annual gross sales or revenues for your organization or enterprise (include all plants, divisions, branches, parents and subsidiaries worldwide). (base: 171)		Percent
\$5 billion or more		8%
\$1 billion to \$4.9 billion		14%
\$100 million to \$999.9 million		34%
Less than \$100 million		37%
Not applicable (e.g., nonprofit, government, union)		5%
Not sure		2%

Which of the following best describes your organization's industry or function? (base: 171)		Percent
Manufacturing (including automotive, aerospace & defense, construction, engineering, chemical, metals & mining)		17%
Government and Nonprofits (including education)		16%
Services (legal, consulting, real estate)		16%
Financial Services (banking, insurance, brokerage)		15%
Retail, Wholesale and Distribution		12%
High Tech, Telecom & Utilities		11%
Healthcare (providers and pharmaceuticals)		5%
Travel and Leisure (cruise lines, hotels, theme parks, casinos)		4%
Advertising/Marketing/PR/Media (publishing, broadcast, online)		2%
Transportation (airlines, trucking, railroads, shipping, logistics)		2%



BUSINESS TECHNOLOGY LEADERSHIP

How long have you been in your current position? <i>(base: 171)</i>	Percent
Less than 1 year	3%
Between 1 and 2 years	15%
Between 2 and 3 years	11%
Between 3 and 4 years	9%
Between 4 and 5 years	12%
Between 5 and 6 years	8%
Between 6 and 7 years	5%
Between 7 and 8 years	9%
Between 8 and 9 years	8%
Between 9 and 10 years	5%
Between 10 and 12 years	8%
Between 12 and 15 years	4%
Between 15 and 20 years	2%
Longer than 20 years	2%
Average in Years (mean)	6.1

What percentage of your organization's total employees <i>(including full-time employees and contractors)</i> are located outside of the United States? <i>(base: 171)</i>	
	Percent
0%	49%
1% – 9%	20%
10% – 24%	9%
25% – 49%	5%
50% – 74%	3%
75% – 99%	5%
100%	9%
Don't know	0%

What percentage of your organization's total <u>IT</u> employees <i>(including full-time employees and contractors)</i> are located outside of the United States? <i>(base: 171)</i>	
	Percent
0%	59%
1% – 9%	13%
10% – 24%	7%
25% – 49%	5%
50% – 74%	3%
75% – 99%	3%
100%	11%
Don't know	0%

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