



# IT Economic Outlook **SURVEY**

Exclusive Research  
from *CIO* magazine

NOVEMBER 2012

Balanced Growth		25%
Growth	25%	
Growth and Income	25%	
Income	25%	
Cash Equivalents	25%	

## Executive Summary

### More than Half of CIOs Planning to Boost IT Investments for 2013

Fifty-one percent of IT leaders plan to increase their IT budgets in the coming year, according to a recent survey of 188 top IT executives conducted recently by *CIO* magazine. This figure is up slightly from 47 percent reported in April, 2012 and fairly consistent with levels reported prior to August 2011 when economic events such as the downgrading of the US bond rating and European economic instability caused some IT leaders to pull in spending. Large company CIOs are more likely than their small and medium size counterparts to anticipate IT spending increases (57 percent, versus 45 percent).

The percentage of IT leaders planning to cut spending inched up slightly; 23 percent will decrease their IT budget, up slightly from 20 percent in April and 18 percent two years ago. Nearly two-thirds anticipate their IT capital spending will remain the same (35 percent) or decrease (28 percent) and just one quarter plan to boost discretionary IT spending. IT leaders expect the percentage of the IT budget allocated to new projects will decrease to 47 percent, from 55 percent in April and 57 percent two years ago.

Direction IT Budget	November '10	April '11	August '11	April '12	November '12
Increase	54%	53%	32%	47%	51%
Decrease	18%	19%	29%	20%	23%
Remain the same	28%	28%	39%	33%	26%
Change (mean)	5.8%	6.4%	-0.6%	3.1%	3.9%

### Mobile Spending, IT Compensation Costs Continue to Trend Upward

Mobile & wireless spending, the most frequently identified area earmarked for increases, continues to rise with 56 percent of IT leaders planning to boost spending in this area, up from 50 percent in April and 42 percent in November, 2010. Applications is the second most frequently cited technology-specific area of investment (52 percent, up from 49 percent in April but relatively flat with the 54 percent reported two years ago) followed by outsourced IT services including cloud (43 percent, up from 38 percent in April and 34 percent two years ago). Nearly half (48 percent) of the CIOs we surveyed will boost their IT compensation costs.

Large company respondents are significantly more likely than their SMB counterparts to have plans to increase investments in mobile (66 percent, versus 46 percent), applications (65 percent, versus 39 percent), and outsourced IT services including cloud (49 percent, versus 34 percent). Approximately one-third of enterprise organizations plan to decrease budget allocations for hardware (34%) and network infrastructure (26%) spending which may be a result of investments in lower cost hardware products, like tablets, and network initiatives moving into the cloud.



### **Growing Revenue, Customer Focus Top Priorities as Technology Continues to Transform Business**

Topline revenue growth and attracting/retaining customers are top priorities on the business agendas of IT leaders for the coming year. Growing overall company revenue is most frequently cited as a critical or high business priority (81 percent) followed by addressing the rising expectations of customers/improving customer

satisfaction (78 percent), and acquiring & retaining customers (72 percent). Critical and high priority IT initiatives include improving the use of data and analytics for business decisions (64%), improving IT project delivery performance (62%) and developing new skills to better support emerging technologies and business innovation (49%).

The percentage of IT spending allocated to projects directly contributing to topline revenue climbed slightly to 33 percent, up from 30 percent 6 months ago while the average budget allocation for edge technologies such as mobile, m-commerce, cloud and social increased slightly to 28 percent, up from 25 percent in April. CIOs predict their average budget allocation for edge technologies will climb to 39 percent within the next 3 years. Seven out of ten respondents think companies that have implemented tablets are more likely to adopt edge technologies sooner than those organizations that have not yet adopted tablets.

### **Strong Economic Outlook for APAC, South America**

Opinions on the global economy vary. Asia Pacific (55 percent) and South America (46 percent) are among the regions rated most favorably (excellent/good) in terms of economic outlook for the next year. Europe fared the worst with most CIOs rating its economic outlook fair (37 percent) or poor (46 percent). These opinions vary depending on the respondent location. CIOs outside of North America are significantly more likely to provide a positive rating for APAC and Middle East & Africa than those in North America. Among the IT leaders we surveyed, 38 percent rate the U.S. economic outlook good or excellent while 44 percent give the U.S. a fair rating. Thirty-eight percent rate their organization's prospects in emerging markets such as China, Brazil, and Russia as excellent or good.



**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 October 24, 2012 and November 18, 2012. Results are based on 188 respondents who indicated they are the top IT executive at their company or business unit. Forty six percent of respondents work in companies with less than 1,000 employees while 53 percent work in companies with 1,000 or more employees. A wide range of industries are represented including manufacturing (16 percent), financial services (14 percent), high tech/telecom & utilities (13 percent), retail/wholesale/distribution (13 percent), government & education (12 percent), and healthcare (11 percent).

The margin of error on a sample size of 188 is +/- 7.1 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 less than 1,000 employees. Field dates and response counts are listed below for reference when making comparisons to previous CIO Tech Poll: Economic Outlook surveys.

<b>CIO Tech Poll: Economic Outlook</b>	<b>Field Dates</b>	<b>Top IT Executives Responding</b>
November 2012	10/24/12 – 11/18/12	188
April 2012	4/9/12 – 4/23/12	200
August 2011	8/23/11 - 8/31/11	181
April 2011	4/6/11 – 4/13/11	291
April 2010	4/1/10 – 4/14/10	410
May 2009	4/21/09 – 5/19/09	171
March 2008	2/20/08 – 3/6/08	229