

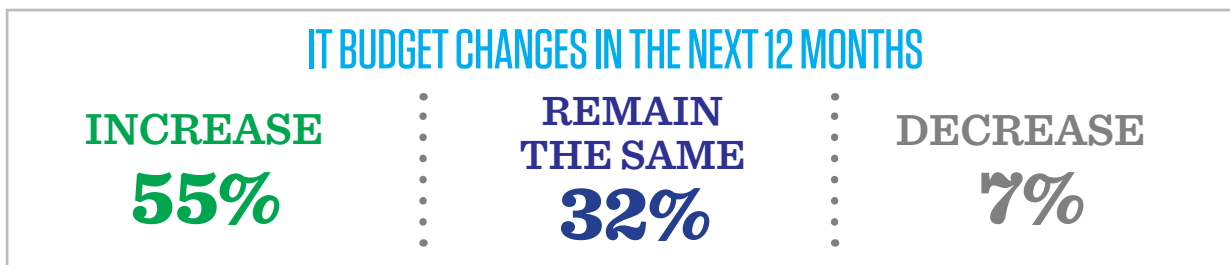
EXECUTIVE SUMMARY

CIO Tech Poll: IT Economic Outlook 2019



AS IT BUDGET GROWTH BEGINS TO LEVEL OUT, ORGANIZATIONS TURN TO REINVESTING COST SAVINGS FROM IT EFFICIENCIES INTO SECURITY AND INNOVATION.

With the country experiencing its longest stretch of sustained economic growth in recent memory, organizations have had several years to invest in technology, increase staff size and pay, and continue on their digital transformation journeys. This may explain why IT budget growth shows signs of leveling off in 2019.



More than half of organizations (55%) plan to increase IT budgets in the next 12 months, compared to 57% that had committed to increased budgets in November 2018. At the same time, organizations holding IT budgets steady reached 32% in May, down from 34% in November. Only 7% of organizations plan to decrease IT budgets, the lowest number since IDG began conducting this survey in 2010.

What’s more, 79% of organizations have realized at least some cost savings over the last 12 months from IT efficiencies, and they’re planning to reinvest those dollars into technologies that increase customer satisfaction and engagement, improve security and support business goals.

HOW COST SAVINGS ARE BEING REINVESTED



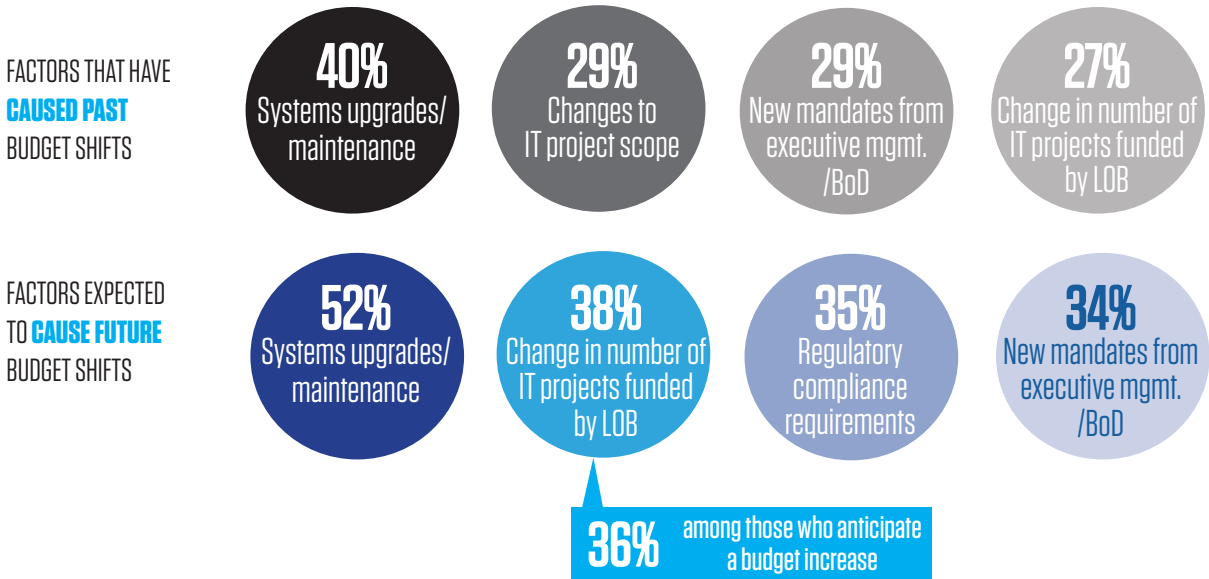
How are current economic conditions affecting IT spending plans? IDG surveyed 152 IT leaders representing a wide range of vertical markets and with an average of 7,050 employees, to find out. The numbers also indicate that IT leaders are getting a better understanding of their needs and the expectations that come year over year. This consistency around expectations vs. reality helps IT leaders better prepare for their projects in terms of scope and numbers.

What’s behind budget shifts

The factors that caused last year’s IT budgets to shift included systems upgrades/maintenance (40%), changes to IT project scope (29%), new mandates from executive management/Board of Directors (29%), and a change in the number of IT projects funded by lines of business (27%).

Taking these lessons learned, IT leaders are bracing for future budget shifts in many of these same areas, with 52% expecting more funds diverted to systems upgrades and maintenance, 38% seeing changes in the number of IT projects funded by lines of business, 35% foreseeing new mandates from executive management and the board, and 34% seeing budget shifts due to regulatory compliance requirements.

FACTORS CAUSING IT BUDGETS TO SHIFT



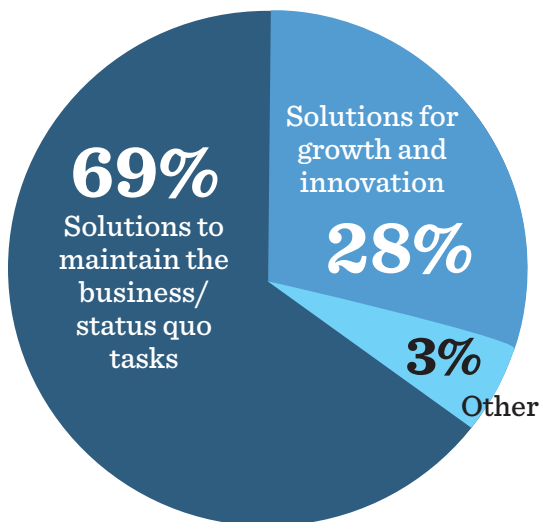
Enterprise organizations are much more likely than small to mid-size businesses to say that a change in the number of IT projects funded by LOB will cause a shift in their IT budget (57% vs. 30% SMBs). It is also more likely that new mandates from executive management will cause a shift (43% vs. 30% SMB).

It's also interesting to note that many factors that cause past and expected future budget shifts are largely out of IT's hands. Executive management, boards of directors and lines of business were responsible for about half of budget shifts in 2018. This year, IT leaders expect the number of factors out of their control to increase. For instance, more than two-thirds of IT leaders say that dedicated tech budgets in lines of business fluctuate due to current and upcoming project initiatives, and 27% say that there is pressure from lines of business to make changes to IT operations or strategy.

IT leaders also acknowledge that unforeseen events, such as a major information security breach, could re-direct their IT budgets. Some 78% of IT leaders saying an event like this could impact investment plans in technology products and services, and 62% of IT executives report that they have already increased the percent of the IT budget dedicated to security solutions proactively. GDPR fallout and new data privacy and industry regulations are additional investment wild cards.



MAJORITY OF IT BUDGET ALLOCATED TO STATUS QUO

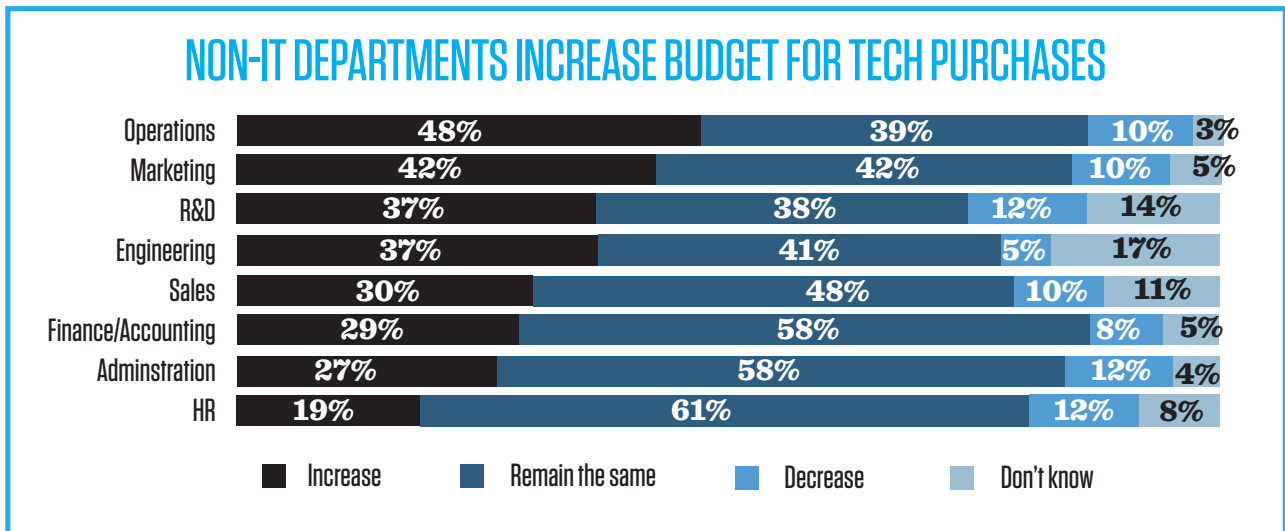


Allocation of IT budgets

What will IT leaders spend this year's IT budgets on? On average, 69% of IT budgets are allocated to solutions to maintain the business. These include tools that keep the lights on and run the business, such as administrative tasks, operations activities, and inventory replacement. Most of the remainder of IT budgets (28%) will focus on solutions for growth and innovation. With digital transformation becoming such a hot topic of conversation, and 91% of CIOs indicating that their role is becoming more digital and innovation focused, it is not surprising to see this spending on innovation.

When it comes to decision-making on tech investments, the IT department drives most (but not all) decisions and collaborates with LOB colleagues more broadly within some investment areas than others. The survey shows the greatest IT involvement in cloud computing investments, followed by communication/collaboration, mobility and the Internet of Things. When it comes to data and analytics investments, some responsibility is being distributed to finance and accounting (35%), operations (32%), marketing (26%), administration (24%) and sales (22%). Operations teams are most often involved when looking at communication and collaboration tools. Engineering also has influence in artificial intelligence decisions, machine learning and Internet of Things investments.

Among those departments making technology purchases, operations and marketing teams are most likely to increase their tech-related budgets. Some 48% of IT leaders expect the budget for tech purchases in their operations departments to increase over the next 12 months, and 42% report this for marketing. The non-IT departments with the least amount of tech budget growth include human resources, administration, finance/accounting and sales.

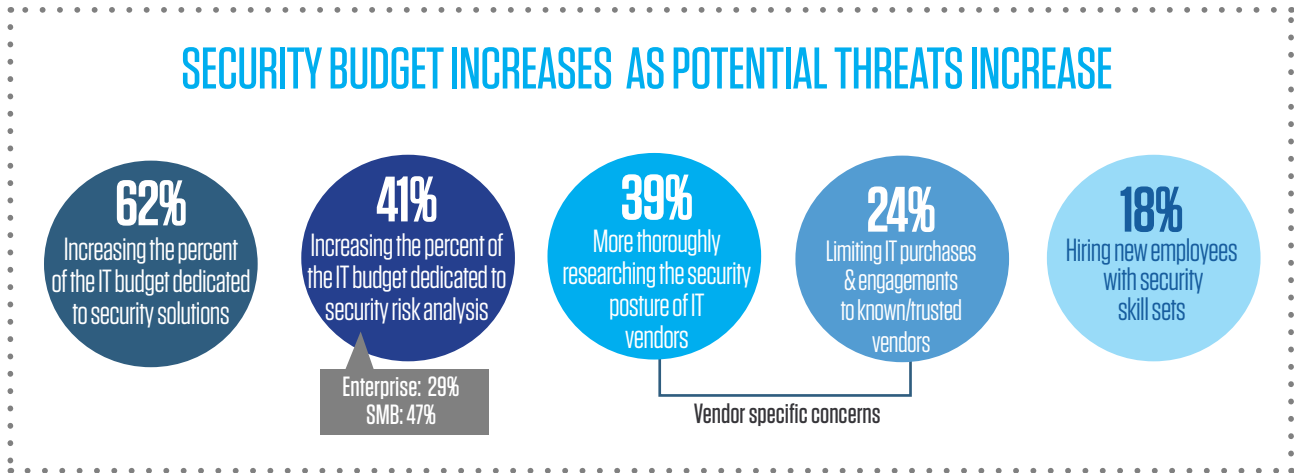


What’s influencing investment growth

Security Threats

Several factors are expected to impact organization’s investment plans in technology, most notably the threat of a security breach. As mentioned above, more than three-quarters of IT executives say that the threat of major information security breaches will have an impact on their investment plans. As a result, not only are IT executives increasing the percentage of IT

budgets allocated toward security solutions (62%), but they’re also more thoroughly researching the security posture of IT vendors (39%), increasing the percent of IT budget dedicated to security risk analysis (41%), limiting IT purchases and engagements to known and trusted vendors (24%), and hiring new employees with security skill sets (18%).



While enterprises and SMBs share similar thinking on these security steps, enterprises were more likely to spend IT dollars on security solutions (66% enterprises vs. 60% SMBs), while SMBs were more likely to allocate part of the budget to security risk analysis (29% enterprises vs. 47% SMBs) – making sure that controls and expenditures are align with the risks that the organization is exposed to.

GDPR and new data privacy regulations

More than half (54%) of IT executives say that the European General Data Protection Regulation and U.S. privacy regulations will impact their organization’s investment plans for technology products and services.

May 2019 marked the one-year anniversary since GDPR was introduced. It is designed to guide organizations in protecting the personal data of EU citizens and covers any data that could feasibly be used to identify an individual, and that applies to U.S. companies that operate in the EU. Now, with California and other states adopting their own data privacy regulations (and a movement within Congress for a federal data privacy law), organizations will have to closely monitor and plan for how they will comply.

Mergers and acquisitions are not expected to have a large impact on organizations technology investment plans, with 61% of IT executives indicating that M&A would have no impact on investments this year.

Outside influencers

Beyond the business world, several current world events or trends are expected to impact organizations’ investment plans. Nearly two-thirds of IT executives (64%) believe that the actions or decisions of U.S. executive leadership will impact their investment plans for technology. More than half of respondents (54%) also cited fluctuations in interest rates or the stock market, and changes in global trade policies (such as tariffs) as potentially having an impact on future technology investments.

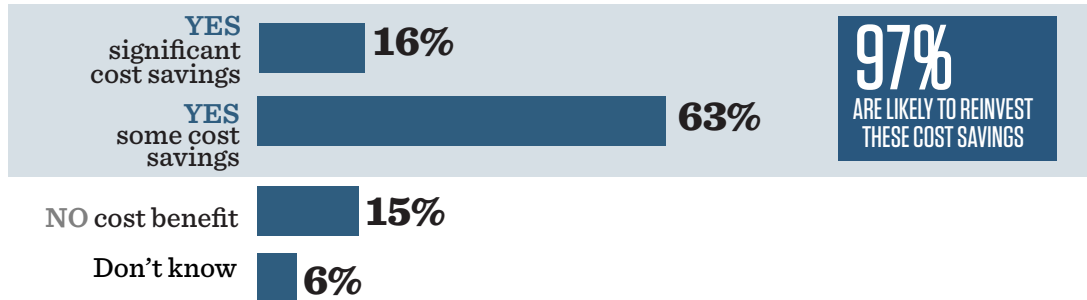
CURRENT TRENDS INFLUENCE TECH INVESTMENT PLANS

		Will have Impact	No Impact
	Actions/decisions of U.S. executive leadership	64%	36%
	Global trade wars	56%	44%
	Changes in US economic policy & status fluctuations	54%	46%
	Changes in global trade policies	52%	48%

IT Efficiencies = Cost Savings

IT executives confirm that past IT investments are yielding efficiencies and cost savings, with 79% saying that their organization has experienced at least some cost savings in the last 12 months. Nearly all of these organizations plan to reinvest those savings into technologies that increase customer engagement and satisfaction and improve security (both 45%). Almost half (45%) of enterprises say they will reinvest in technologies that support business goals, compared to 36% of SMBs that will do the same.

MAJORITY REALIZING COST SAVINGS FROM IT EFFICIENCY MEASURES (AND REINVESTING SAVINGS)



Conclusion

IT executives are beginning to better estimate the growth of their technology budgets year over year – 55% expect an increase in tech budgets over the next 12 months, while 44% said their tech budgets increased over the past 12 months. Multiple factors affect IT budget shifts, including systems upgrades/ maintenance and new projects from lines of business. We also see that IT budget is spread between status quo and innovative projects. Nearly all IT executives (97%) report that their organization is likely to reinvest cost savings from IT efficiencies. These cost savings will go towards new technologies to improve customer engagement/satisfaction, and to improve security.

About the survey

The “CIO Tech Poll: Economic Outlook 2019” report analyzed data from a CIO online survey of 152 heads of IT at organizations primarily in the U.S (93%) and the remainder from India, Mexico and the UK (5%) and other (2%). These organizations had revenue averaging \$3.6 billion with an average IT budget of \$97.7 million annually (\$229 million for enterprises, \$17 million SMBs). Companies in the survey represent high tech, financial services, manufacturing, retail, wholesale, distribution and services sectors, and they employ an average 7,050 workers. The survey’s goal was to gauge how current economic conditions are affecting IT spending plans among IT leaders.

CUSTOMER JOURNEY POSTER

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