



# Gartner Executive Programs Midyear Survey Shows CIOs are Paying for Capital Expenditure Upgrades Through Cutting Operating Budgets

Global Survey of More Than 500 CIOs Shows IT Budgets Remain Essentially Flat in 2010

In the first half of 2010, CIOs reported that their IT spending remained consistent with IT budget plans from the end of 2009, according to a global survey of more than 500 CIOs conducted by Gartner Executive Programs.

From June to August, Gartner Executive Programs CIOs reported that on a weighted global average, IT spending will grow 1.1 percent in 2010. This projection remains consistent with Gartner's survey of nearly 1,600 CIOs in the fourth quarter of 2009, when CIOs reported IT budgets would increase by 1.3 percent on average. Both spending projections follow a weighted global average reduction in IT budgets of 8.1 percent for 2009.

"Economic conditions are changing CIO spending priorities as the need to upgrade infrastructure is being appropriated from reduced operating budgets," said Mark McDonald, group vice president and head of research at Gartner Executive Programs. "Commercial and public sector CIOs plan to increase capital expenditures (CAPEX) by 3 percent this year and pay for that increase with a 1.3 percent cut in operating budgets. CIOs felt they could no longer delay infrastructure upgrades and other capital investments and they funded them at the expense of operating budgets."

Mr McDonald said IT organisations, particularly larger ones, are not increasing the budgets assigned to IT; instead CIOs are swapping one set of budget items for another. This indicates potential upside limits on current corporate and government purchases of equipment.

"Size certainly matters in terms of IT budget outlook," said Mr McDonald. "Smaller firms report

significantly stronger IT budget growth percentages than their larger counterparts. The larger the firm, the tighter it is at managing its IT budget in general, particularly IT operating expenses. This continues a trend we have observed since 2008 as larger IT organisations started reducing their resource requirements through consolidation, waste elimination and other measures. CIOs of the largest firms indicate that opportunities in these areas remain."

CIO views on the future have improved since the start of the year, with more than 40 percent seeing some form of economic recovery. However, the survey, which questioned CIOs about their economic outlook, changes in spending plans and spending priorities, found that 60 percent of all respondents continued to see economic challenges.

The survey found that industries hardest hit by the global financial crisis in 2008/2009 showed signs of rebounding in the first half of 2010. Consumer/retail, financial services and manufacturing CIOs responding to the survey indicated modest growth in IT budgets during the first half of the year. Industries such as utilities and healthcare are going through deep structural change and continue to invest in IT regardless of economic outlook. Government and education CIOs reported budget declines in the face of tight economic conditions.

Regardless of size, geography or industry, the traditional view of an IT budget as a planned administrative expense is showing signs of weakness in this economic environment. Previously companies finalised their IT budgets in the last quarter of the fiscal year. While 49 percent of CIOs reported their budgets followed this pattern, many did not with 26 percent of firms finalising their IT budget in the first quarter of 2010, and 11 percent of CIOs reporting that their IT budget have not been finalised at all. This indicates that IT spending is expected to be more fluid and respond to changing business conditions.

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