

# Inc.



## How to Develop Your 2011 Tech Budget

Brenda Porter-Rockwell | Nov 1, 2010

Businesses are expected to spend more money on their IT departments next year. Here's how to decide where to put your dollars. Following two years of virtually no growth, IT budgets are finally expected to rise in 2011, if only slightly. A new report from the Corporate Executive Board in Arlington, Virginia shows businesses are planning to increase tech spending by 3.3 percent next year. The primary areas expected to see investment are personnel and systems integration, while overall IT capital expenditures should remain flat. Still, how those funds are allocated could shift to meet the top IT goals of 2011, according to the Society for Information Management: Increased productivity coupled with cost reduction.

Here's what you should be thinking about:

### Tech Budgeting: Equipment

When it comes to budgeting for new equipment like computers, plan for a four-year lifecycle on each machine. 'Assuming you don't track depreciation in your budget, you want to plan for that hardware replacement cost in year five,' says Tim M. Crawford, chief information officer for [All Covered](#), a Redwood City, California IT services firm. So here's the trick: Be sure to stagger your hardware replacements across the lifecycle. Also, be sure to include any software changes and people resources required for the replacement.

'These can be easily overlooked,' says Crawford, 'but become a constraint down the road.'

If your business has relatively large computing demands, it may be time to ditch your servers and move to virtualization, says Milan Patel, CEO of managed services firm ACS International Resources in Chadds Ford, Pennsylvania. If you require three or more servers for your operations, the move to virtualization should be a serious consideration as you reach the end of your initial service contracts, which typically run three years.

'You can save on hardware, electricity and maintenance,' Patel says. 'Plus, if you're growing, it gives you a lot of flexibility to scale up and add servers.'

In terms of new hardware, businesses are sure to take a look at mobile devices, especially tablet computers like Apple's iPad. Many large businesses, at least, have already begun to adapt these devices: [a survey of IT spending by Goldman Sachs](#) found that 37 percent of businesses currently use tablet computers, while another 19 percent expect to do so within the next two years. Just a third of respondents said that had no plans to adopt tablets in the future.

'I'm seeing people doing whatever it takes to rig iPads up to make them their primary computer,' says Patel. But, he warns, since the tablet industry is still so new, being an early adopter may not be in your best interest. The most useful applications could cost considerable money to develop, and data usage could ring up serious charges, depending on what you use your tablets for.

A general word of caution: It's very common to underestimate what you're going to spend on equipment. [A survey by trade publication CIO Insights](#) found that 42 percent of midsized businesses spent more on back-up hardware than they budgeted for in 2009. Other commonly under-budgeted areas included servers, telecom equipment, and wireless equipment. Be realistic about your company's needs.

## **Tech Budgeting: Hiring and Payroll**

As previously mentioned, businesses are expecting to spend more on personnel. The Society for Information Management found that roughly 60 percent of businesses are planning to give tech workers a raise in 2011, and a third of them will keep salaries flat.

Even though tech departments have experienced very little turnover in staff in 2010 (71 percent of respondents to the SIM survey said they saw less than 5 percent of their workers leave), staffing needs have increased. The Corporate Executive Board found that 55 percent of the companies they surveyed plan to increase internal staff next year, compared with just 17 percent expecting to decrease internal staff. Another 23 percent will increase their use of contractors, though 40 percent expect to decrease their reliance on such workers.

The net effect of this, however, is likely to be minimal.

## **Tech Budgeting: Trends**

Newer technologies such as cloud computing and mobile web applications should get a closer look in 2011. Cloud technology, says Harvey Koeppel, executive director of the Center for CIO Leadership, has evolved in such a way that there are actually different types of 'clouds' to meet specific needs.

The most common is Software as a Service, or SaaS, where a company essentially acquires a third-party application, like an e-mail or customer relationship management system, that is hosted offsite along with all of the IT infrastructure (data centers, servers, networks, etc.) needed to run the application.

Getting new software up and running through SaaS takes significantly less time than the traditional project development lifecycle – which involves spelling out the requirements, design, programming, testing, training, and finally implementation. Adopting software this way can often reduce the cycle of deploying new technology from months or years to days or weeks.

Additionally, there is no need for a company to hire specialists or invest in adding hardware or software to their environment. Here, says Koeppel, a business can be up and running quickly, make relatively small upfront investments, and pay for ongoing access on a usage basis, similar to paying for a taxi ride rather than buying the car.

Patel says that a company with 10 or fewer employees should definitely consider cloud computing, as the vast majority of applications they use can be hosted. However, as you grow, it makes sense to have your own servers, because it becomes more important to integrate the applications you use, which is difficult if you're using a variety of hosts.

Taking on new technologies such as virtualization, mobile computing, and cloud computing may require a learning curve. Therefore, you should plan on budgeting for staff training, consultants, and possibly new hires.

And with the large pool of unemployed IT talent, finding help shouldn't be difficult. "This is a perfect time to build bench strength in areas that may be more technically oriented around a particular technology (like cloud or mobile) or certain subject matter expertise with regard to a specific industry," like finance, notes Koeppel.

## **Tech Budgets: Final Thoughts**

If you invest in it properly, technology can be a powerful tool in building your business. But you need to think long and hard about how you allocate your money. Make sure your IT supports your core functions and do your best to gauge the return on your investment, not just in how it can help the side of your business that produces revenue, but how it might reduce costs over the long term.