

Strategy Session

Outlook 2010

Don't break out the party hats just yet, but the business technology professionals we surveyed about their plans for the year ahead are showing some positive signs.

Cloud computing as well as customer-facing and sales-support projects will get increased attention and investment as companies and their IT organizations position themselves to kick back into growth mode.



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The Year Ahead

See you, 2009. Can't say that we'll miss you.

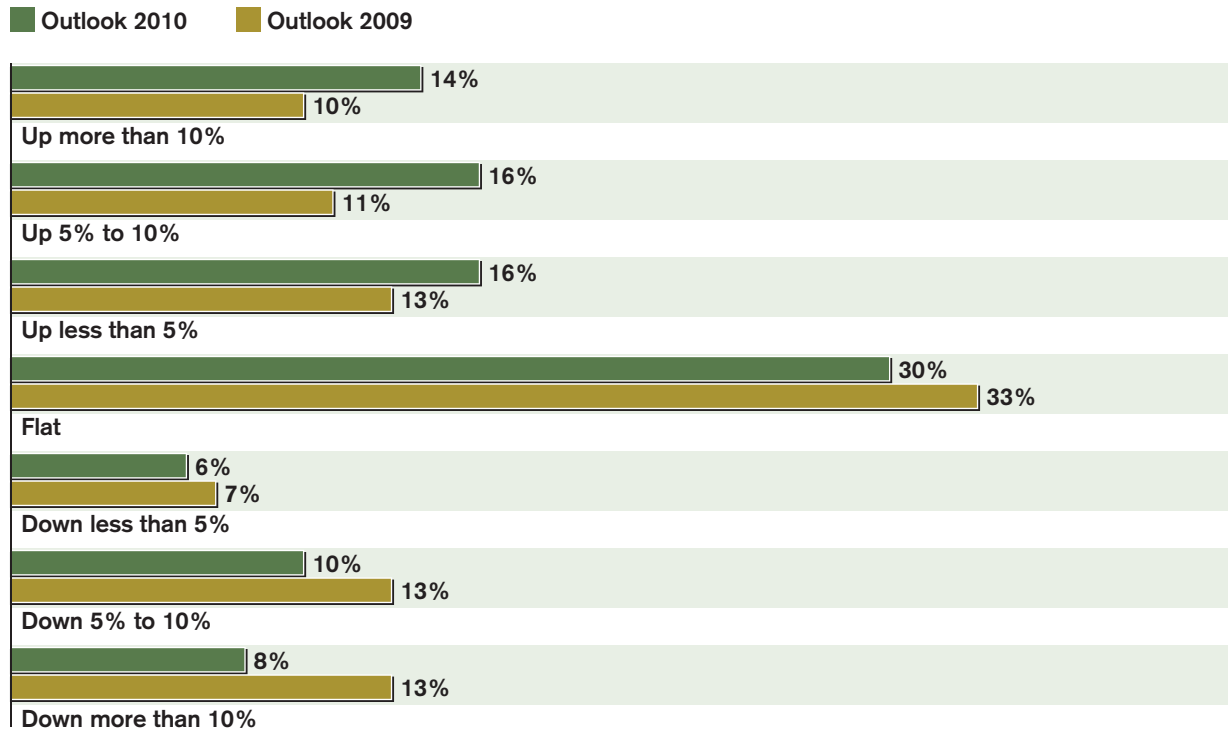
The results of *InformationWeek Analytics'* Outlook 2010 survey, where we asked 360 business technology pros about their plans for the year ahead, don't make you want to break out the party hats and blowers. But there are some signs that IT spending will at least level off and that customer-facing and sales-supporting projects will be on the rise. Compare that to last summer, when we heard a lot about cost-cutting infrastructure projects and renegotiations with vendors but not a lot about IT initiatives that drive growth.

In terms of emerging technology, cloud computing's momentum is real, as markedly more IT pros are considering it than they were a year ago. Data center innovation remains a high priori-

Figure 1

IT Spending Plans

How will your company's IT spending next year compare with this year, based on current budget plans?



Base: 360 business technology professionals for 2010 and 451 for 2009
Data: *InformationWeek Analytics* Outlook Survey, 2009 and 2010



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ty. Despite some optimism, the IT hiring outlook remains weak, and if there's budget cutting ahead, IT will take its share of the lumps.

BUDGETS AND HIRING

Looking at the straight IT budget numbers, there are signs of change. In fact, 46% of companies plan to increase IT spending, compared with just 34% who planned to at the start of last year. Thirty percent say they'll increase spending more than 5%, compared with 21% last year. The share expecting spending to remain flat is about the same, down to 30% from 33% last year. Just under a quarter of companies plan to cut IT spending; last year, it was a third.

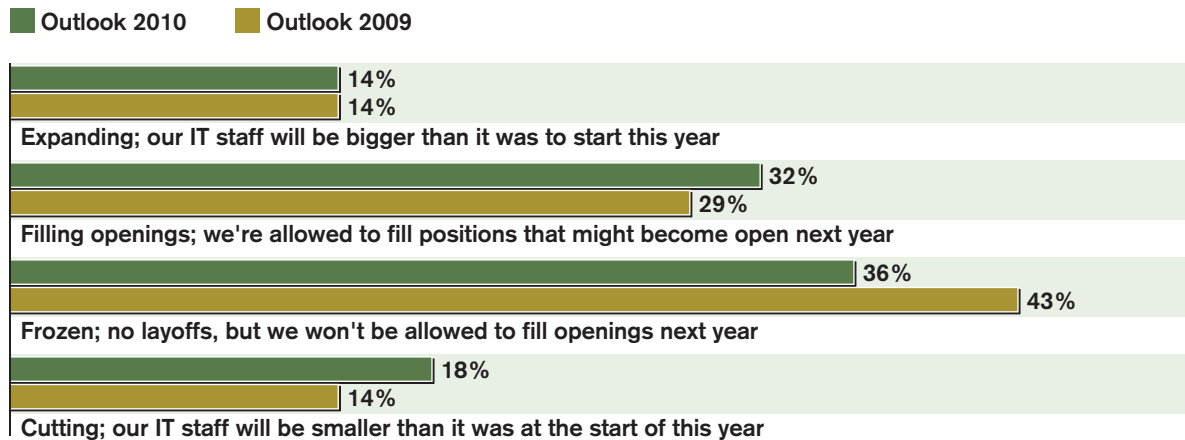
When it comes to hiring, though, there's little change from year ago. Just 14% are expanding IT staffs—the same as last year. A few more IT groups have moved out of hiring freeze mode: 36%, down from 43% a year ago. But companies moving out of hiring freeze are as likely to be cutting jobs as filling vacancies; both of those groups have risen. Almost one in five IT organizations (18%) plan to cut IT staff in 2010.

That's bad news, considering the steep IT job losses of the past year. U.S. IT employment is down 9%—a loss of about 350,000 IT jobs—since its peak in the middle of 2008, according to

Figure 2

IT Hires

What's the IT employment trend at your company?



Base: 360 business technology professionals for 2010 and 451 for 2009
Data: InformationWeek Analytics Outlook Survey, 2009 and 2010



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third-quarter Bureau of Labor Statistics household surveys. IT unemployment is at 5.8%, according to *InformationWeek's* analysis of the Bureau of Labor Statistics' survey results, the second highest figure this decade, topped by the first quarter of 2003.

The demand for IT remains strong, however. Just over half of respondents to the *InformationWeek Analytics* survey say demand's rising, up from 44% a year ago. Nineteen percent say it's dropping, with fewer new projects being requested or approved.

TECHNOLOGY PRIORITIES

We asked respondents about their companies' plans for investing in six broad technology areas in the coming year. Customer-facing projects ranked the highest, with 45% planning to increase or significantly increase investment. Last year, customer-facing projects topped the list, but with only 37% planning increases.

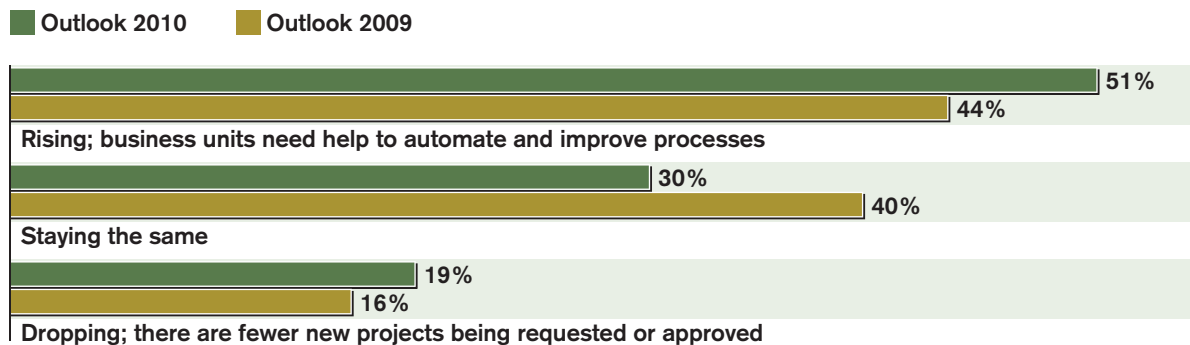
New apps for sales teams, such as mobilized apps and CRM, were again the second-highest area of increased investment, with 31% planning increases, compared with 25% last year.

In one of the clearest signs of increasing optimism, 31% of companies plan to spend more on apps and systems to support new or expanded product lines; 18% will cut that spending. Last year, just 23% of companies were increasing that spending, while 23% were cutting it.

Figure 3

Demand for IT

In this downturn, what's happening to the demand for IT at your company?



Base: 360 business technology professionals for 2010 and 451 for 2009

Data: *InformationWeek Analytics* Outlook Survey, 2009 and 2010



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Cost-cutting efforts aren't losing steam—27% will increase spending on IT to cut operating costs. Last year, 23% planned to spend more on IT to cut costs.

ECONOMY'S IMPACT

We also asked how the economy is affecting companies' approaches to specific technologies.

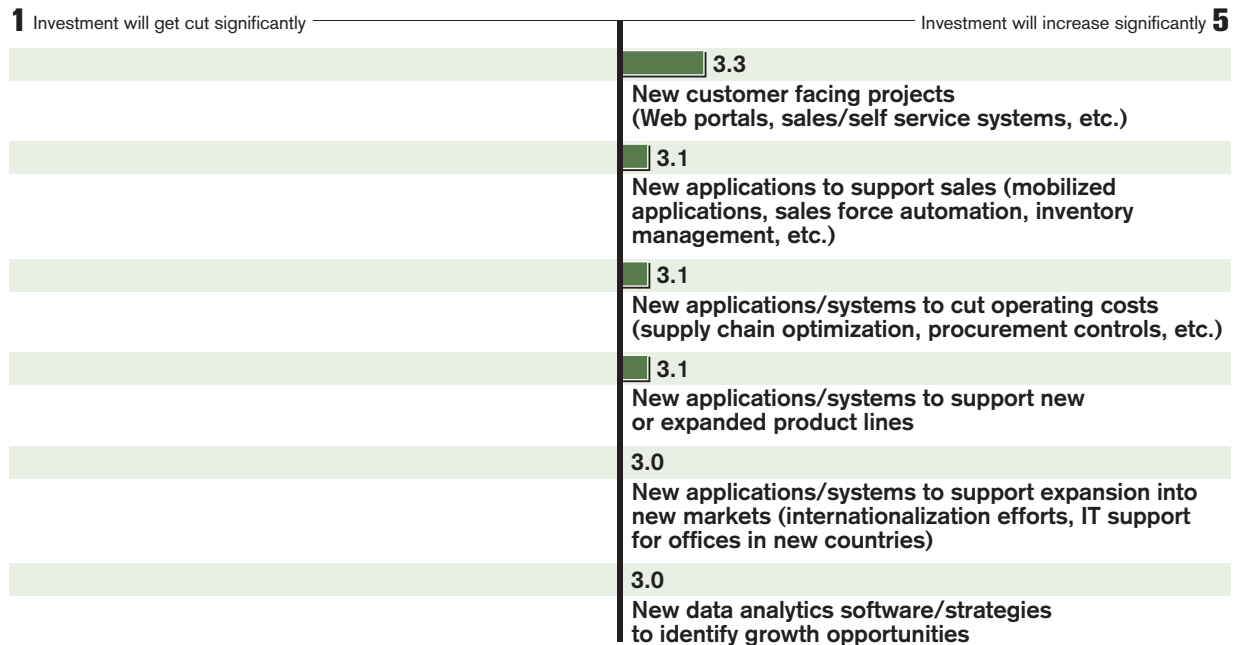
As we've been hearing in our conversations with CIOs, cloud computing has had a great year. It's not widely implemented, but IT teams are increasingly open to it. Forty-six percent take a positive view of cloud computing in the context of today's economy—they're either more likely to use it, will absolutely use it, or will continue to use it. Last year, just 31% took one of those positive views. That's for infrastructure as a service, such as CPUs and storage. For software as a service, it's 56%, up from 50% last year.

Cloud computing may have promise, but virtualization's the established star, with 73% tak-

Figure 4

2010 New Technology Investments

Please rate how the following new technology initiatives and projects will be treated in 2010.



Note: Mean average ratings based on a 5-point scale, where 1 is "investment will get cut significantly" and 5 is "investment will increase significantly"
Data: InformationWeek Analytics Outlook 2010 Survey of 360 business technology professionals



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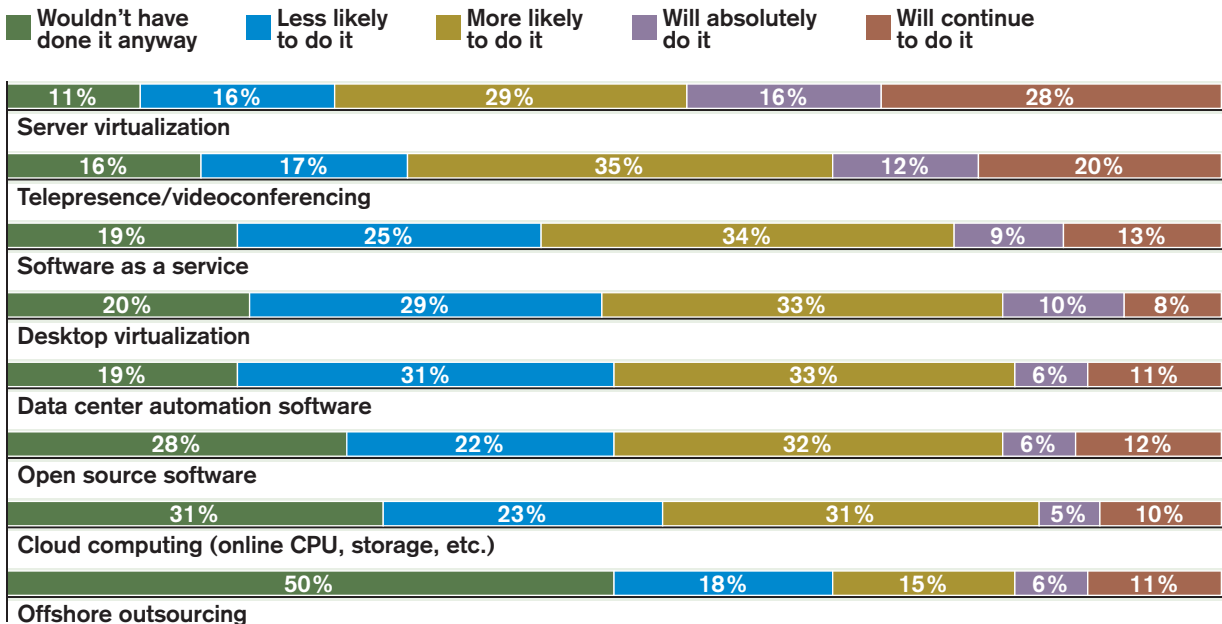
ing a positive outlook, up slightly from 70% last year. Videoconferencing also continues to get strong interest, with 67% of companies viewing it positively in this economy. That's up only a bit over last year's 64%. A lot of people, however, may just be kicking the tires with videoconferencing—35% of those positive respondents fall in the “more likely to use it” category.

Offshore outsourcing isn't the answer to a bad economy, as far as our respondents are concerned. Half say they wouldn't do it regardless of the economy (55% took that hard line a year ago), and another 18% say they're less likely to in this economy. This dour view of offshoring most likely reflects the smaller size of the companies at which respondents to the 2010 Outlook survey work—48% are companies with less than \$100 million in revenue. Our *InformationWeek* 500 research, published in September, found 57% of companies engaged in offshore outsourcing. *InformationWeek* 500 companies have revenue of more than \$250 million, and may be more inclined and have the budgets to use offshore outsourcing.

Figure 5

Improving IT Efficiency

In light of the current economy, what is the likelihood your company will use the following IT initiatives to improve overall IT efficiency?



Data: *InformationWeek Analytics* Outlook 2010 Survey of 360 business technology professionals



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Nevertheless, it does seem unlikely that this recession has sparked an offshoring surge—pressure to offshore jobs was already there and has been intense since the last recession. If anything, IT leaders have a more realistic understanding of how offshoring makes sense for real savings during this economic downturn.

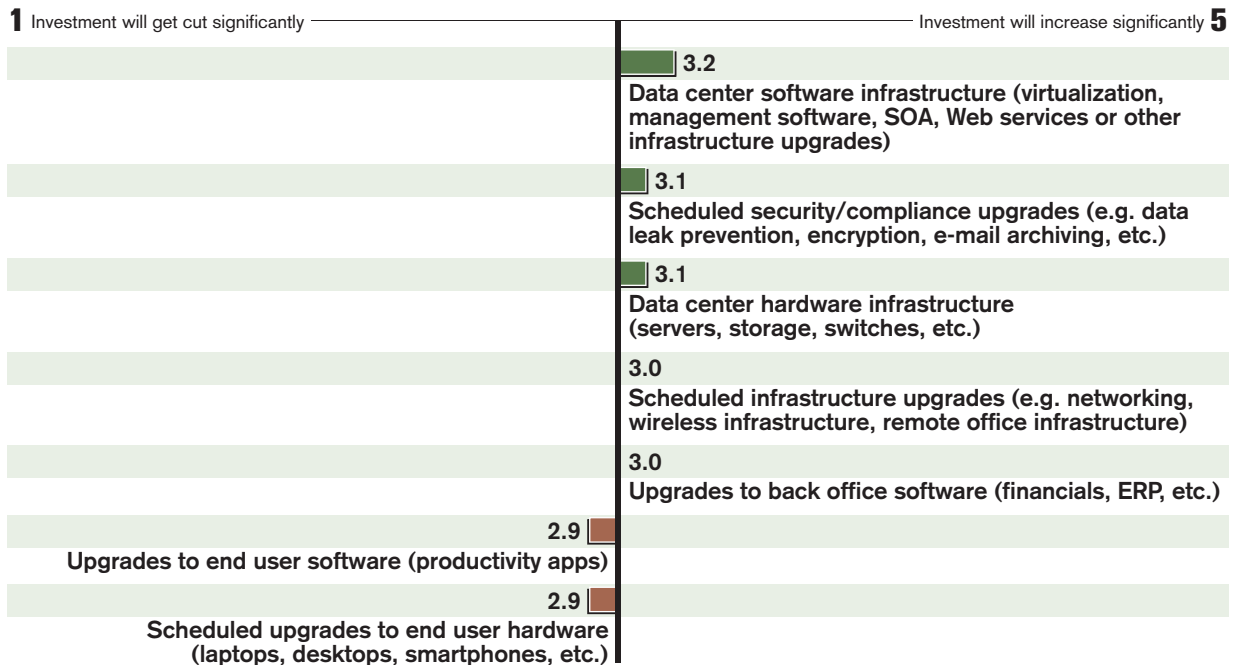
In terms of infrastructure, the data center is where the action is. Only 16% of companies plan cuts in data center infrastructure such as virtualization and management software, and 35% plan increased investment. That hasn't changed much from a year ago. One area does show some change: infrastructure upgrades, such as for networking and wireless infrastructure, where 28% plan increased investment, up from 22% a year ago.

About a quarter of respondents expect increased spending on end-user applications, such as productivity software, and hardware, including laptops, desktops, and smart-

Figure 6

2010 IT Maintenance Investments

Please rate how the following technology maintenance projects and investments will be treated in 2010.



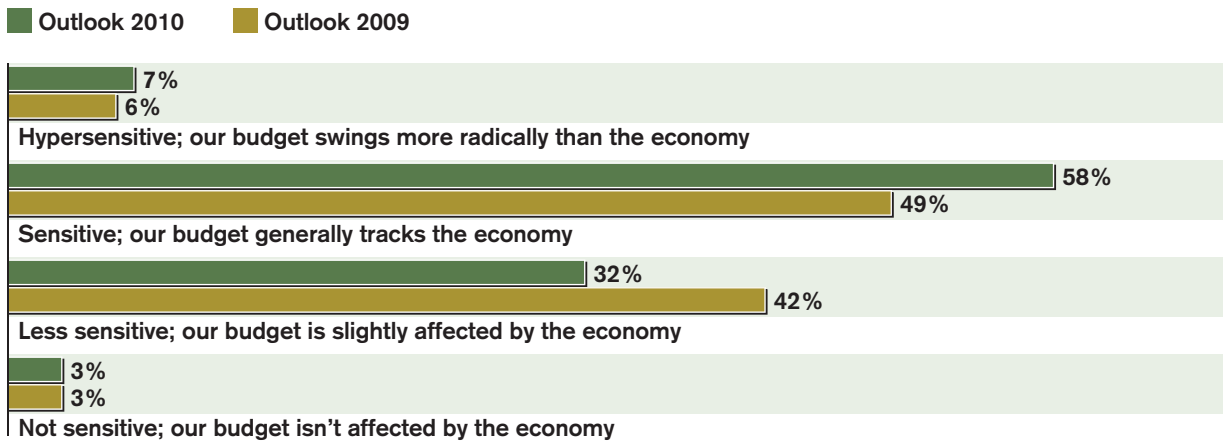
Note: Mean average ratings based on a 5-point scale, where 1 is "investment will get cut significantly" and 5 is "investment will increase significantly"
Data: InformationWeek Analytics Outlook 2010 Survey of 360 business technology professionals



Figure 7

Impact of Economy on IT Budget

How sensitive is your IT budget to economic conditions?



Base: 360 business technology professionals for 2010 and 451 for 2009

Data: InformationWeek Analytics Outlook Survey, 2009 and 2010

phones, up a hair from 19% a year ago. That end-user stat's a particularly unimpressive rise, given that Windows 7 is getting strong reviews, Office 2010 is due later this year, and the typical employee laptop's is being stretched past its typical lifecycle in this downturn.

There are two final data points worth highlighting, which could be interpreted as IT teams facing reality. Last year, about half of IT pros (49%) said the company's IT budget tracks the economy, and 42% said IT spending was less sensitive to economic changes. This year's results suggest a humbled IT team: 58% say the budget tracks the economy, and only 32% say it's less sensitive.

Similarly, 35% say IT has been asked to cut spending more than other departments, compared with 27% a year ago. IT teams are feeling a bit singled out.

IT teams have had to do their part in the downturn, often by cutting their own costs and via IT-enabled projects aimed at cost-saving automation and process improvement within business units. Infrastructure efforts have dominated the IT agenda at many companies. CIOs have focused on running more efficient IT shops, pushing the kind of initiatives that take a backseat to growth-oriented projects when the business is expanding.



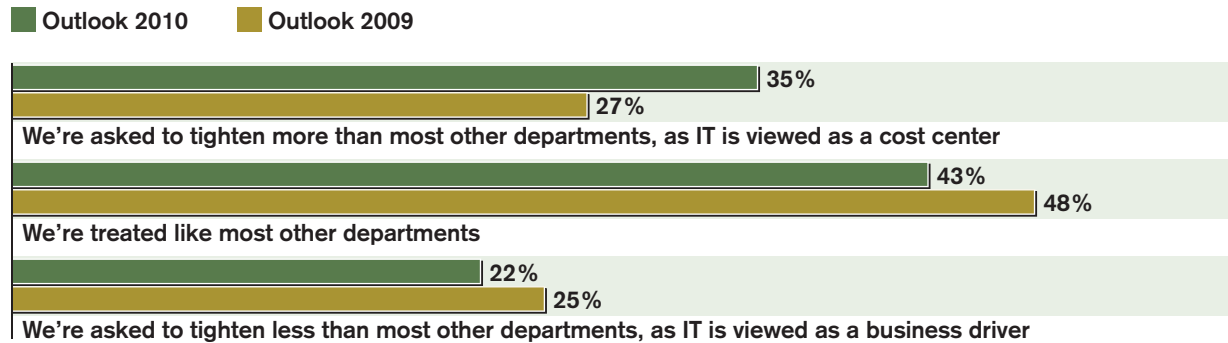
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Our Outlook 2010 research suggests that this cost consciousness will carry into next year. However, there are signs that initiatives focused on growth, particularly customer-facing ones, will gain more attention. More IT teams are giving serious consideration to cloud computing, which promises both lower costs and faster time to deployment. By early this year, the mission to cut costs was in sharp focus. Next year, as the economy flirts with some level of recovery, it's less certain. IT needs to keep its cost discipline, while being ready to surge into growth mode where opportunities arise.

Figure 8

IT vs. Other Investments

When times get tough, how is IT spending viewed at your company against other investments in the business?



Base: 360 business technology professionals for 2010 and 451 for 2009
Data: InformationWeek Analytics Outlook Survey, 2009 and 2010



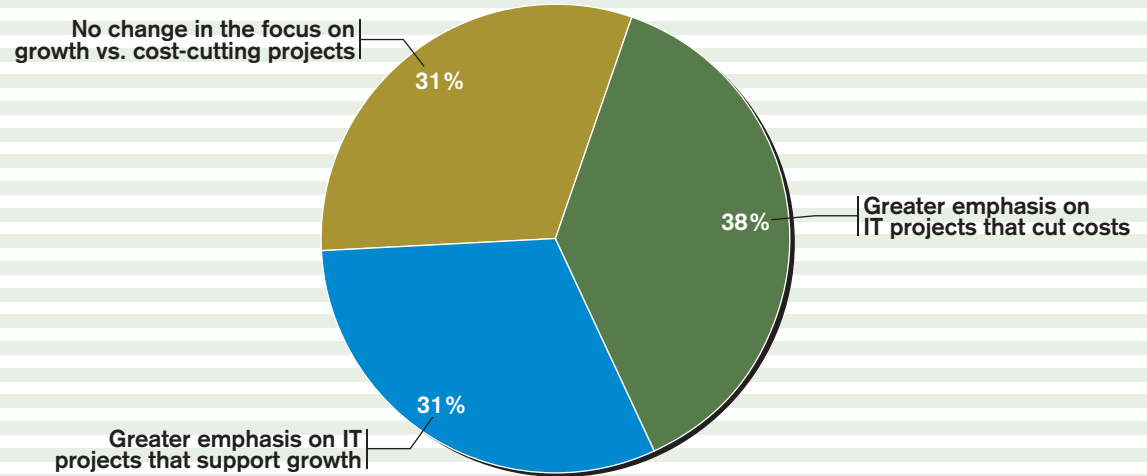
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Figure 9

Cost Cutting vs. Growth

Compared with this time last year, does your company's current IT priorities and spending put...?

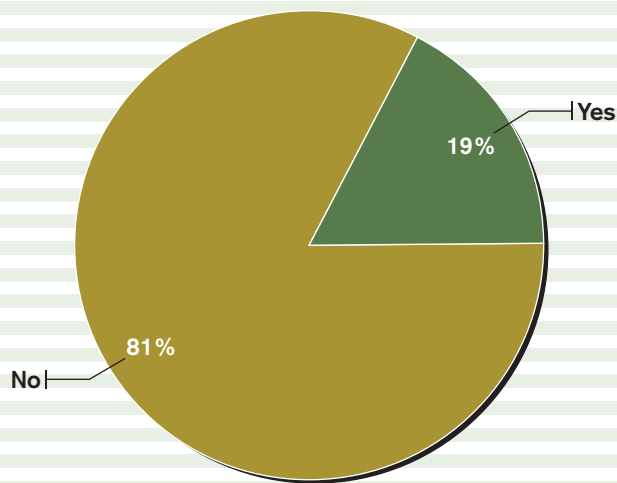


Data: InformationWeek Analytics Outlook 2010 Survey of 360 business technology professionals

Figure 10

Adjusting Priorities

Are there any IT initiatives that have shot up the priority list as a result of current economic conditions?



Data: InformationWeek Analytics Outlook 2010 Survey of 360 business technology professionals



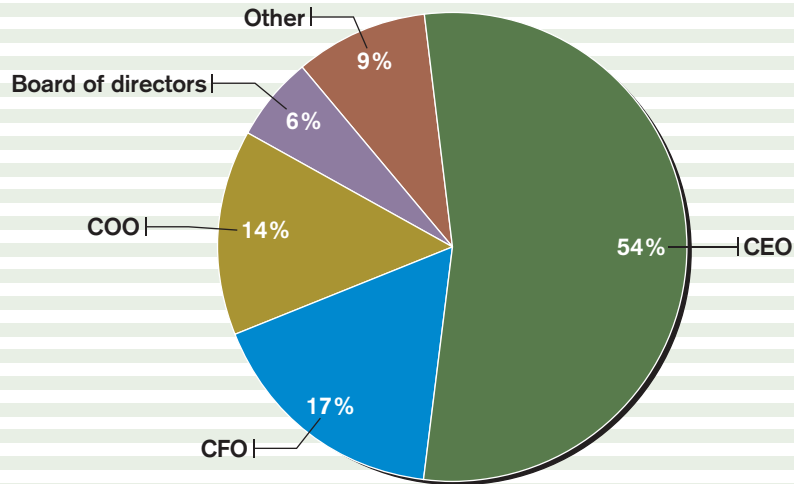
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Figure 11

CIO Reporting Structure

Who does your CIO report to?

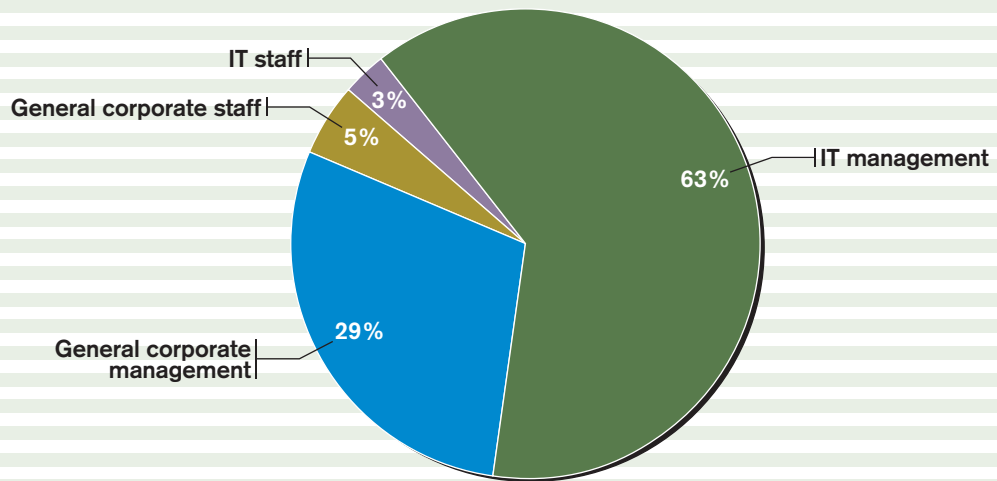


Data: InformationWeek Analytics Outlook 2010 Survey of 360 business technology professionals

Figure 12

Job Function

Which of the following best describes your current employment situation?



Data: InformationWeek Analytics Outlook 2010 Survey of 360 business technology professionals



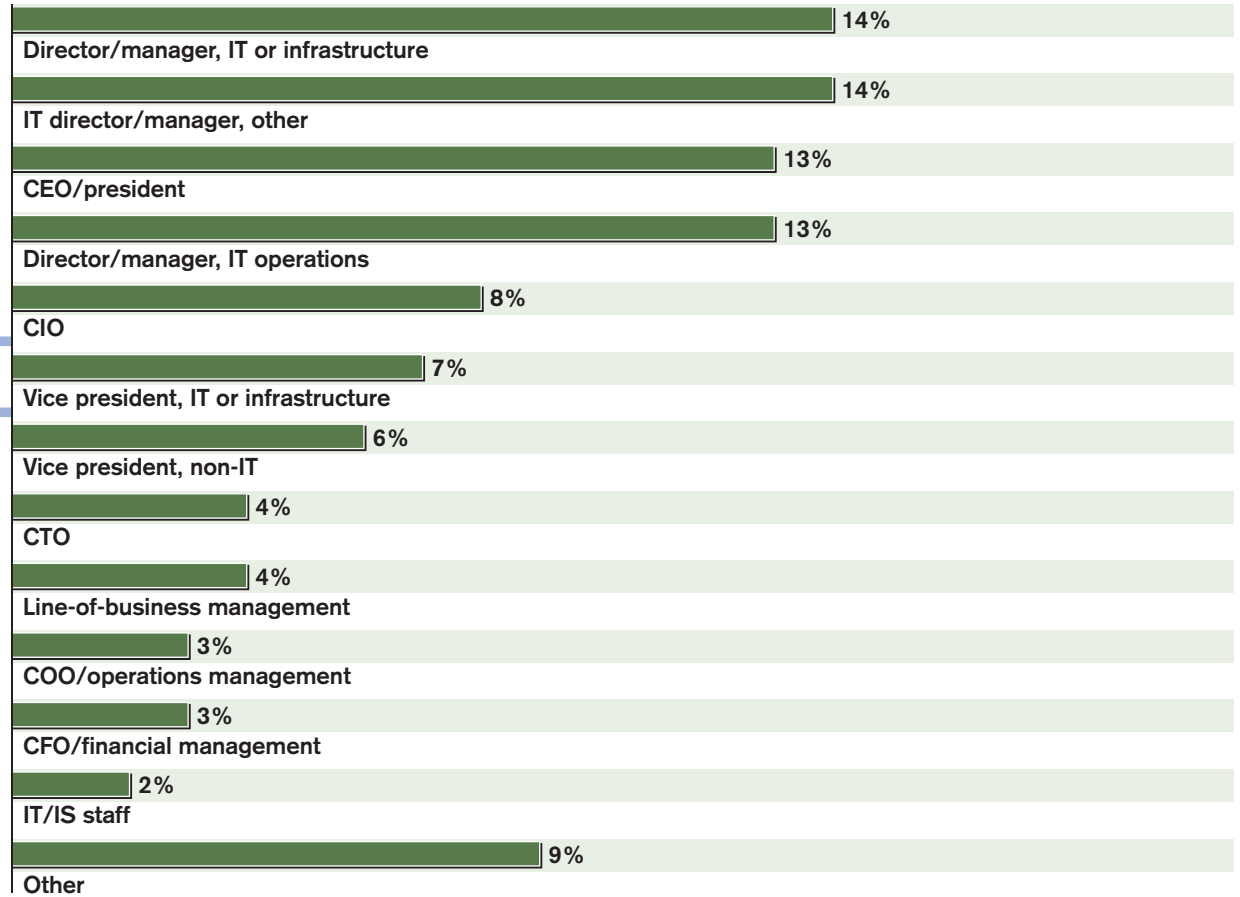
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Figure 13

Job Title

Which of the following best describes your job title?



Data: *InformationWeek Analytics* Outlook 2010 Survey of 360 business technology professionals



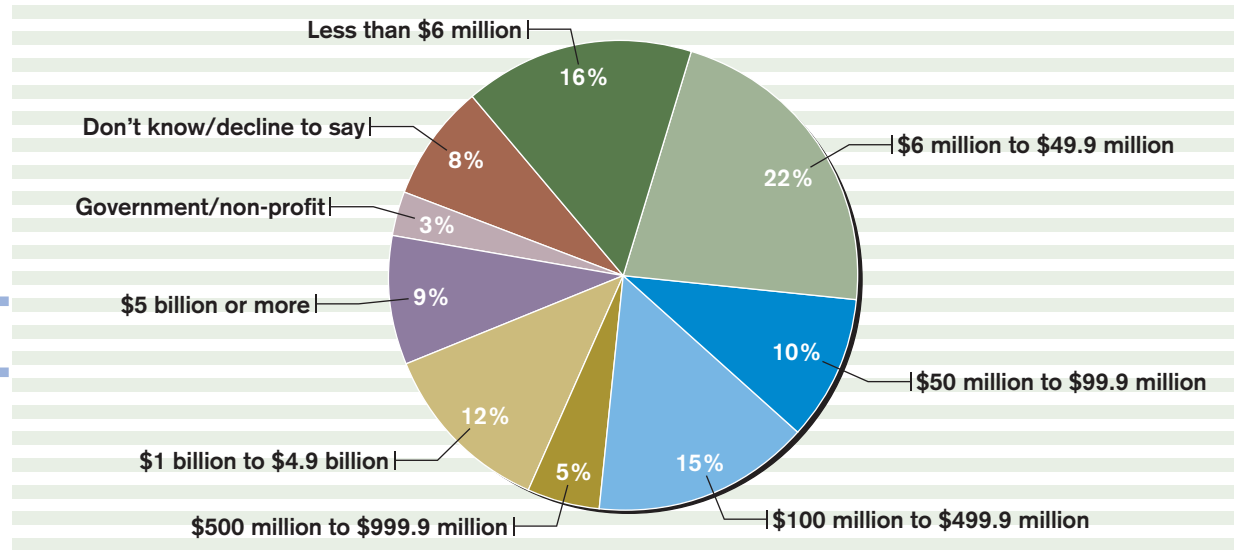
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Figure 14

Company Revenue

Which of the following dollar ranges includes the annual revenue of your entire organization?



Data: InformationWeek Analytics Outlook 2010 Survey of 360 business technology professionals



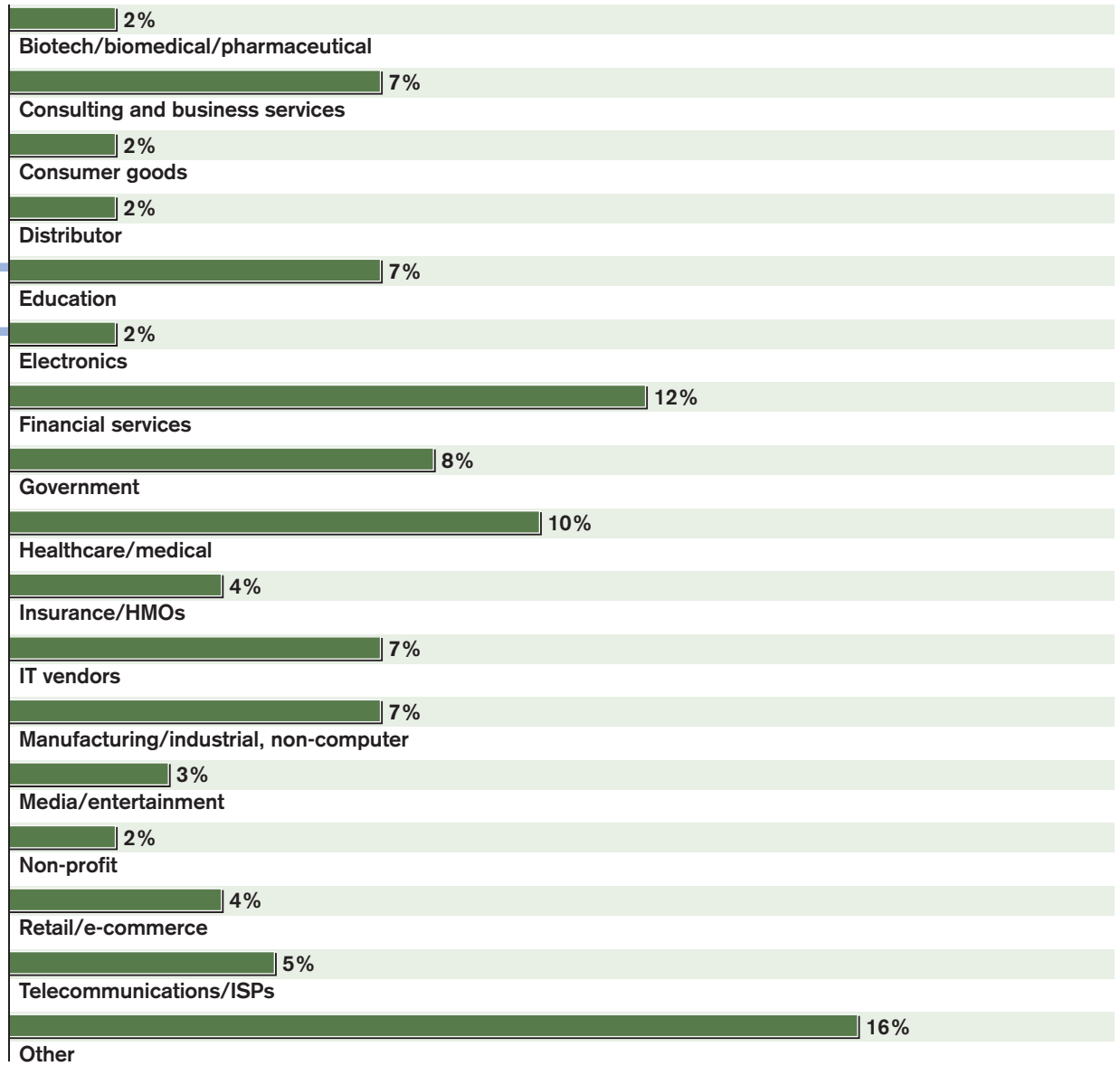
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Figure 15

Industry

What is your organization's primary industry?



Data: *InformationWeek Analytics* Outlook 2010 Survey of 360 business technology professionals



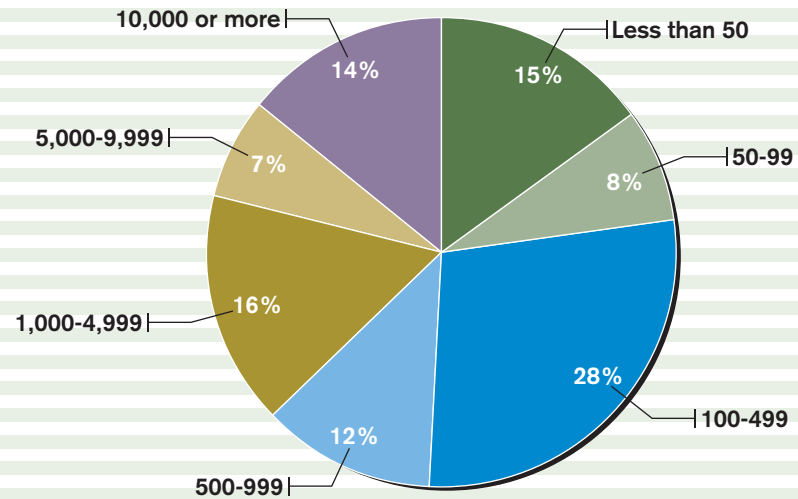
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Figure 16

Company Size

Approximately how many employees are in your organization?



Data: InformationWeek Analytics Outlook 2010 Survey of 360 business technology professionals