



AMERICAN
STRUCTUREPOINT
INC.

How Much Should My Company Spend on IT?

COMMON TECH BUDGETS AND HOW THE MONEY IS BEING SPENT



Is your organization dedicating enough of the budget to technology? Where does your competition invest their IT dollars, and how does your company stack up?

On a daily basis American Structurepoint helps clients with their IT-related initiatives, and some of the most common questions we get revolve around budgeting. Deciding on a budget requires more than just flinging numbers onto a spreadsheet. Today, businesses are confused and uncertain as to what an appropriate IT budget is, and they don't have a clear vision for how these funds should be spent. This white paper helps to answer some common IT budgeting questions, examines industry benchmarks, and shares insight into where businesses today are investing their IT budgets.



How much should my company spend on IT?

Recently, one of the nation's leading developers of assisted-care facilities approached American Structurepoint with a dilemma. Their company was catapulting with growth, they were building new facilities all across the country, and revenues were climbing. While all this was blissful, internally the organization was struggling with their IT infrastructure and support services.

The growth and profitability of the company was outpacing their technology. This client knew the status quo was not an option. That's when they came to American Structurepoint with a common question...“How much should we be spending on our IT services and infrastructure?”

Of course, before recommending a budget our team dove in and performed a thorough assessment to understand their current systems and gather information regarding the quality of IT services they had been receiving. We interviewed employees inside the organization to find out what they had been experiencing and to learn more about their technology needs. We assessed their current IT staffing levels and the capability of the employees managing the technology, and only then we were ready to propose a complete and customized technology budget.

After the assessment, we recommended to this organization they allocate at least 4 to 6 percent of their annual revenue to IT spending.

If you're curious to know what other organizations, even your own competition, may be spending on IT as compared to overall revenue, a good place to start is with the data from *CIO Magazine*. The publication conducts an annual State of the CIO survey, and for 2013 it found that the average IT budget, as a percent of revenue, is 5.2 percent. This is a slight increase from 2012 averages, which were at 4.7 percent.

Ultimately, our recommended budget for our client, of 4 to 6 percent, turned out to be in line with these industry standards. In order to produce a reasonable technology budget it's critical that a company go through the assessment phase to review the network and its related systems from several angles (users, hardware, and current IT vendors). Finding a trusted IT consulting firm to guide this process is ideal, as it allows for an unbiased, all-inclusive assessment, along with sound budgeting advice that's in line with the overall business objectives.

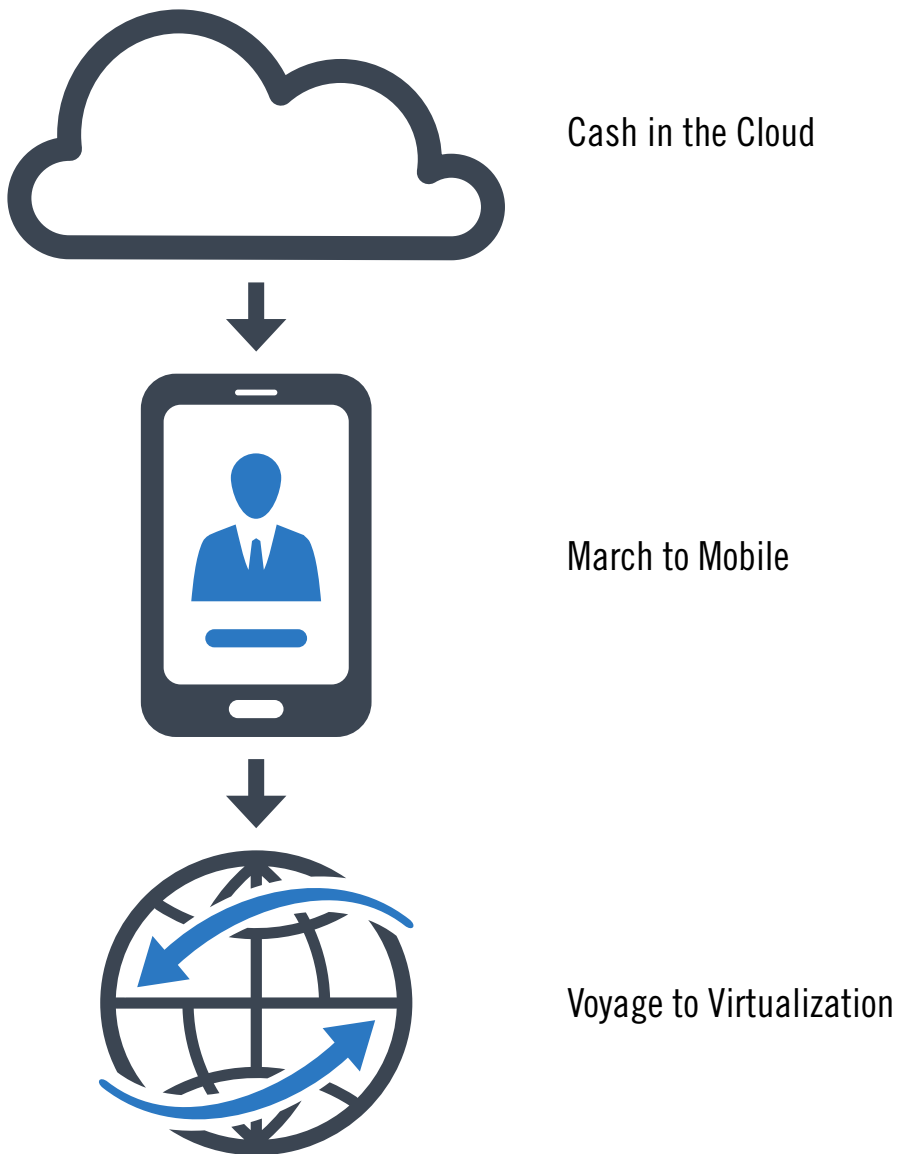
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Where is the money going?

The technology that your organization decides to acquire must fully meet the needs of individual departments while having an underlying design that is flexible enough to integrate new technologies without compromising daily operations of your business. This is where the assessment and a strategic technology plan can pay huge dividends, helping your business determine where to spend the technology dollars.

Our consultants regularly work with clients to develop and refine their IT budgets, and they've seen large portions of tech spending move toward these three key areas:



Cash in the Cloud

The services delivered through the Cloud are still new—they come with uncertainties, risks, and challenges—but the business advantages are paying off, as we see organizations from all different industries migrate away from the traditional IT model. Not only are our customers allocating more of their budget to the Cloud, but Gartner (a leading IT research company) also sees big money in the Cloud, with spending reaching \$34 billion by 2017.

Traditional IT systems won't go away completely; however, most companies will choose a hybrid environment, much like we described in our white paper, "[Is Your Organization Ready for the Cloud?](#)" The risks and challenges of adopting Cloud services remain the same (security, privacy, compliance), but as time goes by these concerns are slowly diminishing.

March to Mobile

Whether or not your organization is ready to invest into the mobile-device movement, it's hard to ignore the fact that tablets and smartphones are now serious players in enterprise computing. Gartner estimates PC replacement rates will continue to fall through 2017, as tablets become the first-choice companion device for mobile phone users. Many organizations and their employees are spending IT dollars on more advanced, "premium" phones. It's estimated these devices will represent more than 50 percent of total spending on all devices by 2017, despite their declining selling price.

Many organizations are experiencing the "bring your own device phenomenon," which is fueling the use of tablets at work, with employees making the buying decision. American Structurepoint has gone through this trend within our own organization and we've worked hard to define a mobile-device strategy and put standards and protocols in place to determine which mobile devices are allowed on the network and how security and access for these devices are managed. Today, we help our clients navigate the march to mobile and aid them in determining an appropriate mobile-device budget and which mobile-technology investments should be considered. You can read more about the mobile device and tablet craze in our "[Tables at Work](#)" white paper.

Voyage to Virtualization

Virtualization is the single most effective way to reduce IT expenses while boosting efficiency and agility, so it's no surprise more and more companies today are budgeting for the virtualization movement. American Structurepoint helps clients of all sizes determine whether virtualization makes sense for them. Virtualization allows your organization to run multiple operating systems and applications on a single computer; consolidate hardware to get vastly higher productivity from fewer servers; save 50 percent or more on overall IT costs; and also speed up and simplify IT management, maintenance, and implementation of new applications.

When making a business argument for virtualization, we often see that companies prefer total cost of ownership or short-term return on investment (<12 months) as their primary decision-making tools. The majority of our clients recoup their investment in virtualization within one year, with some breaking even within a few months.

Even if your business does not have a virtualization need today, knowing that the technology exists can help you plan for the future, and may be a factor in budgeting. It's been proven that virtualization can streamline an organization's IT infrastructure and workflow, but it must be planned out with a clear understanding of its compatibility with your present and future IT needs.

HOW CAN AMERICAN STRUCTUREPOINT HELP?

In the end, it's important to look at IT budgeting in a different light. American Structurepoint urges clients to consider IT as an investment into the operations and flow of communications, rather than a cost of doing business. With proper budgeting, your company's systems can be deployed in a way that enhances your ability to respond to varying changes in the competitive business environment.

As a true consultant, American Structurepoint can make your IT systems a priority. We don't resell products; instead, our focus is on understanding your business needs to provide you with the best IT solutions and recommendations that contribute to the stability and growth of your organization.

If you would like to discuss an IT budget or look into Cloud, mobile, or virtualization technologies that can improve your bottom line, contact Tony Valasek today.

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