



The EATEL Business 2019 IT BUDGET GUIDE

2018 was an unprecedented year in two main areas: business growth and IT spending. Whether or not the economy continues to improve, IT expansion is projected to continue accelerating through 2019, giving tech executives an unprecedented opportunity to drive business success and increase their influence within the organization.

This guide will help IT executives write better budgets easier. The following pages contain brief overviews of trends driving IT spending, convenient resources for budget-writing, and answers to challenging budgeting questions. Ultimately, readers will be able to better leverage the momentum of favorable economic conditions and increase the value of IT to the company.

BUSINESS IS GOOD: A Summary of Trends Affecting IT Spending

2018 was an excellent springboard for IT growth in 2019 for several reasons, including:

- **Favorable economy.** The United States re-emerged as the world's top economy in 2018 for the first time since the recession.
- **Tax cuts.** Signed in 2017, the Tax Cuts and Jobs Act reduced the corporate tax rate from 35 percent to 21 percent beginning in 2018, leading to substantial business re-investments in capital.
- **Aging infrastructure.** The number of companies aging out physical infrastructure is peaking as businesses switch over to cloud-based and as-a-service solutions.

As a result of this economic rising tide and aging equipment, 89 percent of companies expect to increase their IT budgets in 2019, according to a late 2018 IT survey of 700 businesses by IT marketing firm Spiceworks.¹

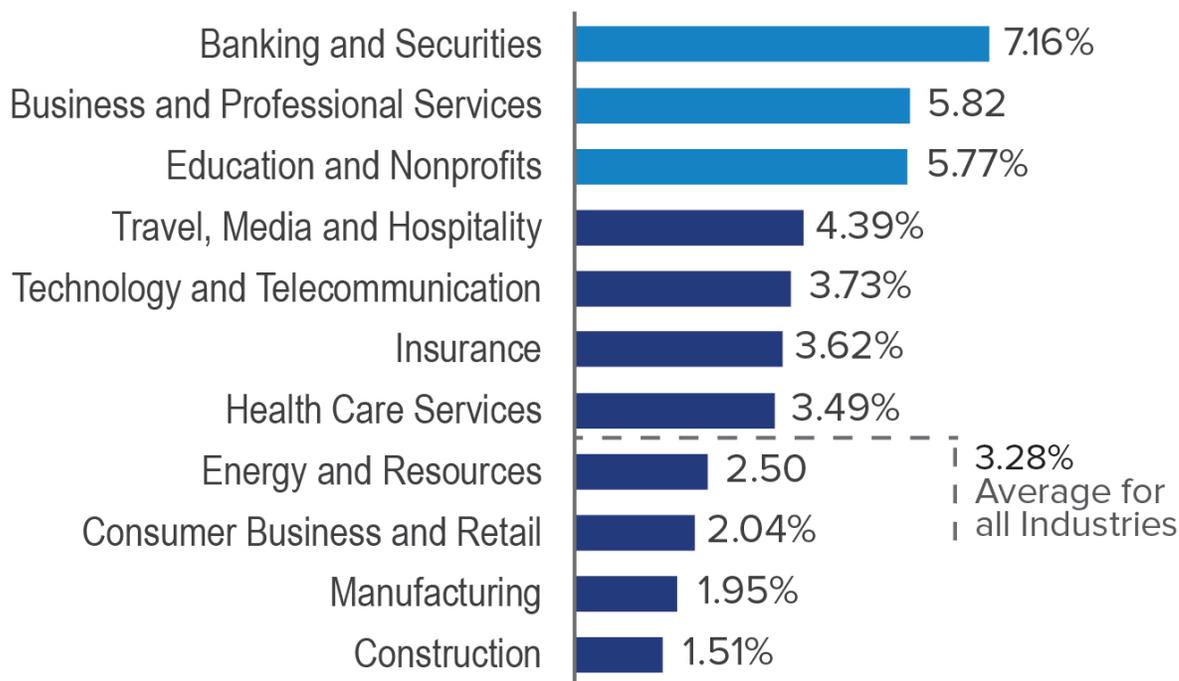


SHOULD YOU ASK FOR MORE MONEY?

From an economic perspective, it seems that if there was any year to increase the IT budget, now is the time.

Of course, overarching economic trends don't necessarily tell the story of each industry and every company. To get an idea of whether business IT spending is at an appropriate level, it is practical to cross-compare economic data with industry norms. The most recent public industry-data available is from a 2017 Deloitte survey of 747 enterprises in 2017, which reported the following spending percentages in IT as a part of their budgets: ²

IT Budget as a Percentage of Revenue



Source: Deloitte 2016-2017 Global CIO Survey, N=747

Deloitte Insights | deloitte.com/insights

In addition to economic trends and industry data, company size is also a key determining factor in IT spend percentage. A recent survey completed by IT thinktank Alinean Inc. indicated that midsize companies (100-299 employees) spend an average of 4.1 percent of their annual budgets on IT (or roughly \$13,000 per employee), while larger enterprises spend about 3.2 percent. ³

WRITING A BETTER BUDGET

In addition to covering the bases, a well-thought-out budget will also account for growth, demonstrate savvy, and paint a clear picture of value.

There are many ways to accomplish this, but the three important pieces of a successful budget include:

1. Segmentation and labeling
2. A strategic accounting of planned growth and innovation
3. A comprehensive, granular breakdown of expenses

1. Segmenting the Budget

There are many ways to carve a budget in addition to cost categorization. Layering data with segmentations and labels improves a budget by accounting for planning and urgency, and by speaking for stakeholder concerns outside of the department.

For example, many IT budgets label line-items by priority. Adding high, medium, and low designations to cost categories help budget reviewers understand why some items are allotted more than others, without giving the impression that some initiatives have just been erased.

Another common practice is which costs are recurring, and what are one-time expenses. This helps to explain large variances, such as for hardware refreshes, and will help accounting with their projections.

Finally, it's good practice to help the finance team by indicating which costs are capital or operating expenditures. Many finance professionals prefer budgets that are lighter on capital costs, since capital depreciates, and because IT hardware refreshes are so costly.



A BETTER BUDGET *(continued)*

TRANSFORMATIONAL PROJECTS

What qualifies as a “transformational project,” and how should you approach a new transformation?

Transformational and growth projects change the way a company does business. The large-scale projects can involve the entire business, such as the implementation of a sales or marketing automation tool. Or they can be IT self-contained, such as a change in network architecture, or a complete overhaul of critical systems

The projects most always involve developing a clear vision for the future of IT, getting executive buy in, and laying a stable foundation for project of scope. Hot transformational topics in 2019 include edge computing, digital transformation, and more as-a-service solutions, especially for cybersecurity.³

2. Structuring for Growth and Innovation

One of the most important IT budgeting segmentations involves planning for growth. After all, most IT leaders want to do more than maintain the status quo for the business. Especially since a passion for experimentation and new technology is what draws many successful IT pros to the field in the first place.

However, risk aversion in other areas of the company can make it hard to drive change, and business executives can be hard sells on new tech initiatives. For this reason, it’s important to have a budget with a built-in innovation mechanism. Risk, failure, and iteration are all easier for stakeholders to accept when planned for.

But how much should a business invest in growth, and how much should it reserve for normal operations? Ex-Google CEO Eric Schmidt popularized a 70:20:10 split for growth and innovation that, when adapted for IT budgeting purposes, breaks out as follows:

- Spend 70 percent for core business operations (meeting payroll, keeping the lights on)
- 20 percent spending for growth initiatives
- 10 percent for transformational projects

This is also known as the Run the Business/Grow the Business/Transform the Business split, as described by Gartner.⁴



A BETTER BUDGET *(continued)*

3. Breaking Down Expenditures

Granularity is important when breaking down IT budget expenses. For convenience, the following list contains a common and comprehensive organizational structure for IT budget line-items:

- **Personnel**
 - Salaries/Benefits
 - Training
 - Perks
 - Remote Workers
- **Productivity Software**
 - CRM Licensing Fees
 - Project Management Software
 - Communications Software
- **Hardware**
 - Desktop
 - Laptops
 - Tablets And Mobile
 - Power And Climate
 - External Storage
 - Printers
 - Telephony
 - Servers
- **Disaster Recovery**
 - Data Backup
 - Hot Site/Cold Site Costs
 - Auditing Fees
 - Software
 - Contractors
- **Telecommunications**
 - Internet
 - Phone
- **Infrastructure**
 - Data Center
 - Network Support
 - Server OS
- **Cybersecurity**
 - Specialist Training
 - Contractors
 - Network Awareness
 - Employee Education
 - Perimeter Solutions

National trends indicate shifting priorities on the aforementioned categories. While changes vary based on industry and company size, a 2018 survey by IT research firm Spiceworks found the following:

- Hardware takes up most of the IT budget, followed by software, which combined account for more than half of spending.
- Hosted and cloud-based services take up between 20-25 percent of spend at companies of all sizes.
- Cybersecurity is the fastest growing category, especially in managed services. ⁵

KEY COST CATEGORY:

HOW MUCH BANDWIDTH DO YOU NEED?

Bandwidth is given special attention in this guide because it is a subject that comes up frequently around budget time.

So how much bandwidth is just enough? The simplest way to calculate how much bandwidth a business needs is as follows:

Your business needs a 1.5 Mbps connection for each employee.

However, large businesses and savvy budgeters may do well to dig a little deeper into their bandwidth needs. To arrive at a more detailed answer regarding business bandwidth needs, consider two key questions:

- **How many computers do you have?** More workstations means more consumption.
- **What does each person do?** Heavy bandwidth tasks like teleconferencing and cloud application usage will require more resources than web browsing and emailing.

Once the inventory is complete, create a spreadsheet that looks something like this:

Task	Bandwidth Consumption Estimate (Mbps)		How Many People?		Total Required
Large file downloads	2				
VoIP video phones	1				
Emailing files	1				
Cloud services	1				
Music (Spotify, Pandora)	0.5				
Web browsing/research	.5	*		=	
Video conference/ Webinar hosting	4				
Video streaming	2				
Large file upload	2				
Data backup	2				
Office 365 and Salesforce	0.5				

The total of the final column is a solid estimate of how much bandwidth the business will need.

PRACTICAL OUTSOURCING FOR BUDGET OBSTACLES

Invariably, problems emerge during the budget-writing process. Some areas may be under expensed, other may be spiraling out of control cost-wise, and rarely are there enough resources for all priorities.

But creative use of outsourcing can address some of these issues. The most common budget problem that can be overcome through outsourcing is addressing insufficient resources to enable business growth.

Infrastructure is a main culprit here since it tends to be a high-maintenance and expensive area of the business. Often, infrastructure-as-a-service adoption will have a dramatic impact on a budget, enabling a business to re-focus resources on advancing growth projects.

The second budget problem that can be addressed through outsourcing is controlling security costs. As ballooning security expenses continue to crowd out other IT priorities, security has become the fastest growing category for outsourcing. A recent survey of 147 IT firms by the technology research organization Computer Economics found that 47 percent planned to increase their cybersecurity outsourcing spend in the upcoming year.⁶

Finally, outsourcing is an important budget tool to adjust lopsided segmentations, priorities, and CAPEX/OPEX distributions. For example, budgets that use the high/medium/low priority designations for project expenses can instantly move items from low to high priority simply by using partners who have the bandwidth to focus on them. Companies might also save money by moving depreciating CAPEX costs to cheaper OPEX arrangements that have low entry expenses and good long-run value.



SOLUTIONS FOR ANY BUDGET: PARTNER WITH EATEL BUSINESS

Your dollars are precious; how are you putting your resources to work?

Do you want to focus more on growing and transforming, and less on simply operating?

Or are you looking to cut capital costs, and make a leap to the hybrid cloud?

For more than 15 years, EATEL Business has enabled partners to get the most out of their budgets while helping them thrive in a changing world.

We're multi-disciplinary and equipped with top-tier data centers and high-quality talent. Some of our best specialties include:

- [Affordable Disaster Recovery](#). Data loss and disasters will affect every business in time. We use best-of-class software like Veeam and Zerto, and combine them with our private world-class data centers and innovative processes for a budget-friendly DR solution you can be confident in.
- [A More Perfect Cloud](#). Why buy expensive hardware that will just need to be replaced in four years? Our cloud is housed with our Tier III data center network: local, accessible, and affordable. We're happy to give you a tour of our Baton Rouge or Shreveport, LA facilities.
- [Managed Cybersecurity](#). The #1 cost contender for ballooning IT budgets, cybersecurity can nonetheless still be affordable AND effective. Our fully managed solution, backed by POWERFUL Fortinet technology, keeps businesses safer than ever.

[Schedule a risk-free consultation](#) today by emailing business@eatel.com, visiting www.eatelbusiness.com or calling (866) 625-4100.

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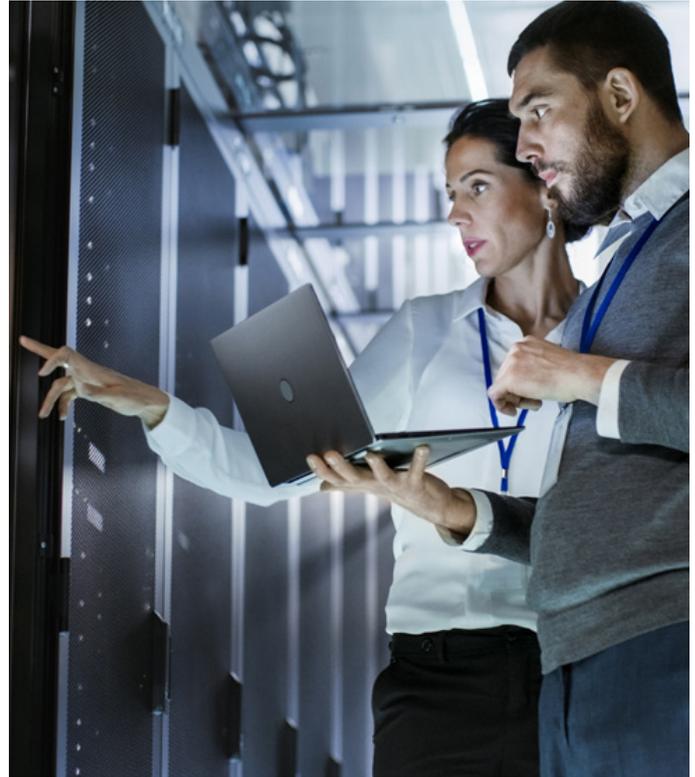
ABOUT EATEL BUSINESS

EATEL BUSINESS IS A LOUISIANA-BASED PROVIDER OF DATA-CENTER SOLUTIONS, TELECOMMUNICATIONS, AND MANAGED IT.

Our focus is to provide comprehensive business solutions all under one brand, so businesses can operate more efficiently. Over the years, we have expanded to 38 states, and will continue to help businesses prosper through innovation.

We deliver our solutions with the highest focus on customer service. Our business partners can rest easy knowing their critical data and systems are in great hands with people they like and trust. White glove service, along with in-house support, helps clients succeed.

With decades of experience, a customer-focused service philosophy, and an extensive product portfolio to meet any business need, EATEL Business is MORE THAN A PROVIDER.



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