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## The Movable IT Budget

**Jim Ericson**  
 Information Management Blogs, January 5, 2010

With 2009 reviews and prognostications thankfully behind us, it's time to get our feet back on the ground and get back to listening to our readers.

One thing I've been asking people about is the IT budget process and whether an annual refresh is sufficiently flexible to cope with a dynamic services market and hungry business users. Is it possible that we'll see a greater move over time away from capital expenditure and toward discretionary spending?

I am under no illusion that most IT-related spending for 2010 is not already decided. The bigger the company, the more likely it is that capital spending has been vetted and locked in. The same thing will happen next year. Just looking through our own page and search engine traffic at *Information Management* over the last year, it's clear that a lot of businesses are still sorting through hardware and software plans for in-house data centers, data warehousing, business intelligence and analytics. Others are investing internally in MDM and other advanced data projects.

Replacing desktops and hubs is one thing, but given the growth in cloud, SaaS and the broader service provider market, at some point you wonder whether a well thought out sunken cost - an investment that will yield steady value over five or six years - still sounds like a good idea. Will we be thinking differently about cost and value two years from now? How much of this gear do we really want to own now and can our investment answer a new confounding question that's sure to pop up in six months?

Not just infrastructure but managed or semi-managed services for a particular area of expertise - HR, CRM, BI, analytics - are creeping into due diligence in bigger organizations. Startups are proliferating at a rate I wouldn't have believed three years ago, they are all getting better at what they do and slowly moving upstream. The biggest platform vendors are hedging their bets and straddling the line between their old sales/consulting model and software/services on demand.

Here are two sides of the coin. First, Pacific Crest, a securities investment house, put out a [research note](#) a couple of weeks ago predicting an IT refresh cycle and a strong rebound in server and storage spending - which sat in the doldrums all of last year. The usual winning names are evident in their list: Microsoft, Oracle and Sun, HP and Cisco.

An example of the flip side hit my mailbox last week from SaaS productivity provider InfoStreet. The message? Ditch your servers, let us worry about managing and upgrading your operating system, let your remote workers handle CRM away from the office and your administrators manage security through a Web client.

Both propositions are already true. Depending on where you sit, discretionary IT spending is either a problem or a solution. Small and midsized businesses (like those targeted by InfoStreet) are grabbing functionality they couldn't afford to buy outright. And while most of SaaS might not yet appeal to the Fortune 500, it might well look good to divisions and departments in those organizations with a goal and timeline in mind, headquarters planning be damned. The wildcard is the change in both supply and demand, and the better that service providers get at meeting discrete needs on a pay as you go basis, the more attention they will attract.

Big companies still buy to own with easy justification and often, good reasons for doing so beyond entrenched IT careers. But if 90 percent of IT costs really is "keeping the lights on," that proposition can't help but slip over time. It's a bit like the lease or buy problem new car owners have always faced. A 10-year plan for ownership always starts costing money - and opportunity - after a

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certain few years depending on your luck and foresight. As the Soviet Union found, a five-year plan can leave you in the dust.

That's a long time ago but big internal investments among capitalists are also watched warily these days. It never looks good to have to backtrack on a decision that appeared wise two years ago (much less three months ago), especially if your competitor suddenly does something that looks very smart. In a market changing as quickly as this one, it feels good to keep your money in your wallet.

People I talk to run the gamut and I'm here to listen and learn, so any of you small, medium or large business managers out there are welcome to chime in with your thoughts.

**1 Comments**

I would agree that recent software and IT process developments are to the immediate benefit of SMBs, given the SMBs need not part with major capital to gain agility and market advantage (temporary?) via these trends (SaaS, Cloud Computing, leveraging of certain 're-emerging' BPM suites and practices, et al.). Additionally, I would expect a plurality of major players, at least those with more nimble and/or down-sized IT shops (recession) to more aggressively educate their business partners on the possible advantages (turn around time, if nothing else) of the new offerings. Coupled with streamlined capital investment, especially if ROI can be established, ameliorated security concerns, and phasing out of legacy platforms, up for re-fresh, over time, the new offerings should seem attractive to the 'big's' as well. What does concern me is the ongoing focus by some on custom development and ownership when all signs point to IT survival being predicated upon agility, responsiveness to customer needs, and need to partner with the LOBs on immediate growth and profitability. Finally, allowing or encouraging business units or divisions to grow their own IT solutions, without consideration of enterprise goals, interoperability, data sharing and the like seems not to support long-term ROI.

Posted by: Bruce C | January 6, 2010 3:51 PM

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