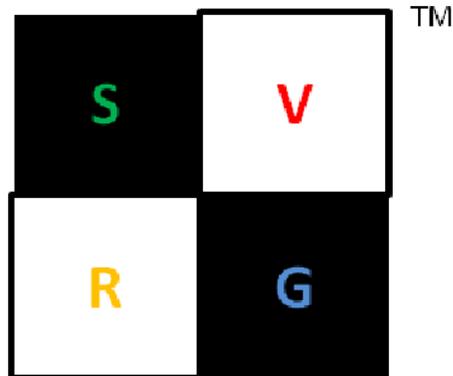# INFORMATION TECHNOLOGY OUTLOOK 2011

Trends, Initiatives, and Goals of IT Executives

November, 2010

S V R G ™

Silicon Valley Research Group Inc.
Creating Markets. Accelerating Profits.™
www.siliconvalleyrg.com

Executive Summary

Silicon Valley Research Group conducted a survey of IT executives in a wide range of industries to get a first-hand feel for what some of the expectations, goals, and challenges would be for these companies in 2011. We asked about hiring trends, plans for purchasing, and proposed initiatives for the year.

IT executives are still nervous about the economy, with most predicting sales will remain more or less flat for 2011. While a few companies are looking to expand, most are still working with limited staff and are focused on simply maintaining their status quo. These IT leaders are focusing on streamlining their processes, finding ways to keep costs low, and beefing up security.

> *"...IT leaders are focusing on streamlining their processes, finding ways to keep costs low, and beefing up security..."*

IT managers and leaders are looking for vendors that can support their initiatives and business goals, and not just by selling them their product. They are interested more in developing a long-term relationship with their vendors that provides customer service, with vendors coming to executives with solutions to their business problems rather than just pitching a product.

Introduction

As 2010 draws to a close, indicators about the economy are still mixed. The U.S. Bureau of Economic Analysis (BEA) found that profits from current production increased $47.5 billion in the second quarter of 2010, down from the previous quarter,[1] and the internal funds available to corporations for investment increased $61.1 billion, which was double than the previous quarter. The International Monetary Fund (IMF) predicts that U.S. gross domestic product will increase 2.3 percent in 2011.[2] A survey conducted by the National Association for Business Economics (NABE) predicted a slightly higher expansion of 2.6 percent,[3] and Kiplinger predicts a 3% growth in 2011.[4]

What does that mean specifically for IT departments? Are these departments hiring or cutting staff? Are they searching for ways to improve innovation or laying low? What are the IT initiatives of some of the largest companies in the United States?

Silicon Valley Research Group surveyed 70 IT executives, managers, and vice presidents from a variety of industries around the United States, such as financial, healthcare, government and manufacturing, about their outlook on the industry for 2011. Survey respondents represented companies ranging in size from half a million employees to less than 500.

This survey discovered what IT executives are saying about their plans for 2011, what they think is happening with their companies and the economy, and how they are adapting their plans to fit their new budgets. Respondents provided insight on spending, initiatives, technology, equipment and staffing needs, what they planned to cut and what they planned to keep. Silicon Valley Research Group also uncovered how executives would prefer to be approached when being offered a new product or service.

Predictions for 2011

IT Outlook

According to our survey, there is still much trepidation about the U.S. economy and how businesses will fare over the next 12 months. This is supported by findings reported by Kiplinger and the IMF. The IMF predicts that GDP will remain low for as long as unemployment remains high.

In our survey, executives were conservatively optimistic about the economy in 2011, with about half (43.5%) predicting that spending in the technology sector would remain the same, while the other half (42%) believed that spending will rise. As a bright spot, those who foresaw a rise in technology spending predicted it to increase by as much as 25%. A few responders (14.5%) predicted they would be spending less than last year, and that technology spending by their company would be down overall by 15%.

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Staffing Needs

Most IT executives surveyed did not expect to hire new employees anytime soon. About half (43.5%) were planning on keeping staff levels as they currently are, and a few (8%) were expecting to trim their staff even further. This is supported by respondents from the NABE study, who reported that cuts in staffing are still in place in most companies.

When asked why their companies were not hiring, the reason most often given (38%) was budget constraints on the company and the IT departments, with 9% of executives specifically mentioning the economy or sluggish sales. A few respondents (6%) said they were hiring consultants or outsourcing work rather than hire full time employees.

Some companies are seeing an upswing in their business, and just under a third of companies (29%) reported they were planning on hiring new staff in 2011. For these businesses the reasons provided for the upswing were varied, from new product releases to new plant openings to need for additional support staff. This is a good sign that companies predict seeing sales slowly pick up over the course of the years, and supports predictions by the IMF and BEA that economic spending will increase in 2011.

There were clear differences in hiring needs depending on the size of the company. The largest companies surveyed were mixed on their staffing needs, some with plans to hire and some others with plans to continue trimming staff. Medium-sized companies have cut many employees over the last two years (according to the BEA), but are now beginning to hire staff and increase spending. This is supported by our findings that almost all (89%) of medium-sized companies planned on either maintaining the same amount of staff or hiring new employees. A few respondents (8%) did mention additional staff cuts. A small number of companies (3%) planned to reduce training opportunities for their staff in 2011 as a way of cost-saving.

IT Initiatives

Rather than start brand new programs or begin to develop labor-intensive products, there is a push by IT executives in the coming year to focus inward, and make their companies run smoother and function stronger, with more efficiency and higher productivity.

The initiatives proposed for 2011 by the executives in our survey all focus on making processes more intuitive and simple, data more secure, and technologies within the company more integrated with each other. As more business processes become automated and integrated with IT systems, IT departments are focused on their infrastructure to ensure they have adequate storage, bandwidth, and resources to keep their businesses running smoothly. Decisions makers within the IT industry are not looking to adopt a new product right now unless it helps them streamline and consolidate their company's data and processes.

> *"...IT departments are focused on their infrastructure to ensure they have adequate storage, bandwidth, and resources to keep their businesses running smoothly..."*

Priorities and Initiatives for IT Executives in 2011
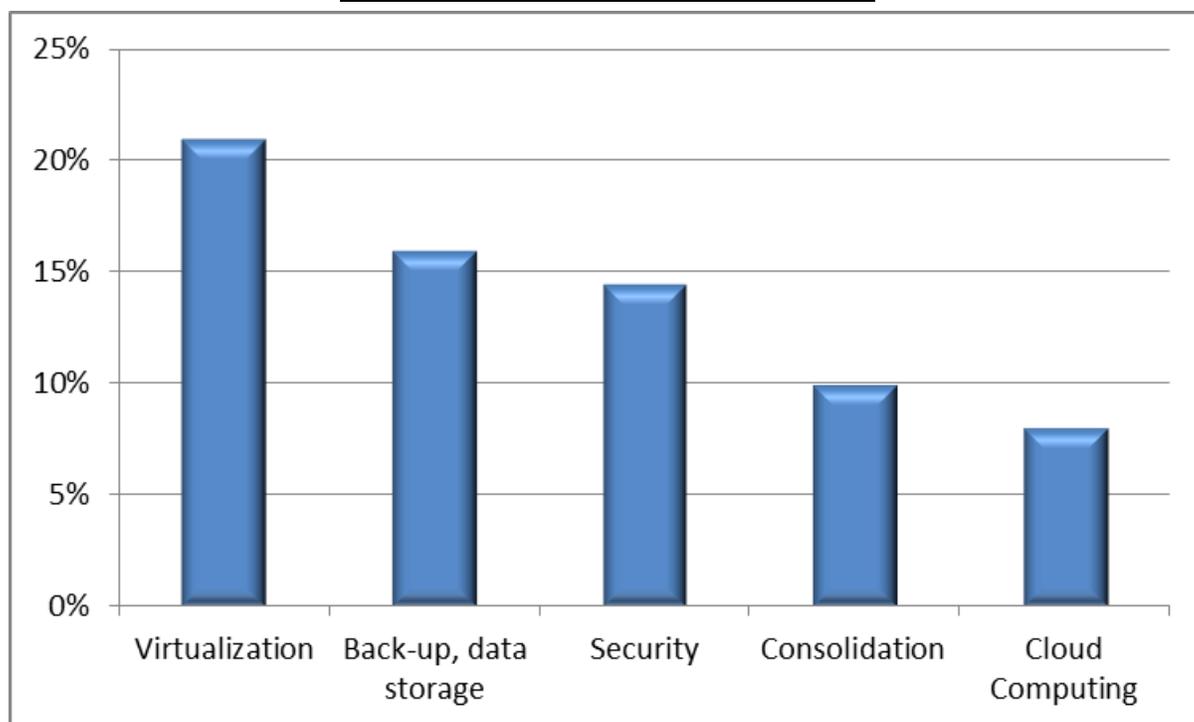
*Note: Data percentages do not equal 100% due to multiple choice questions.*

IT Executives' goals for 2011 fell into three main categories: Virtualization (20%), Data Storage (15%), and Security (14%). Cloud computing (8%) and consolidating services and programs (9%) were the next two most popular initiatives.

Purchases

Almost all IT executives are challenged with smaller budgets and less manpower for the foreseeable future. Trying to justify new purchases in this climate can be tough.

**Things IT Executives Would "Do Without" in 2011**
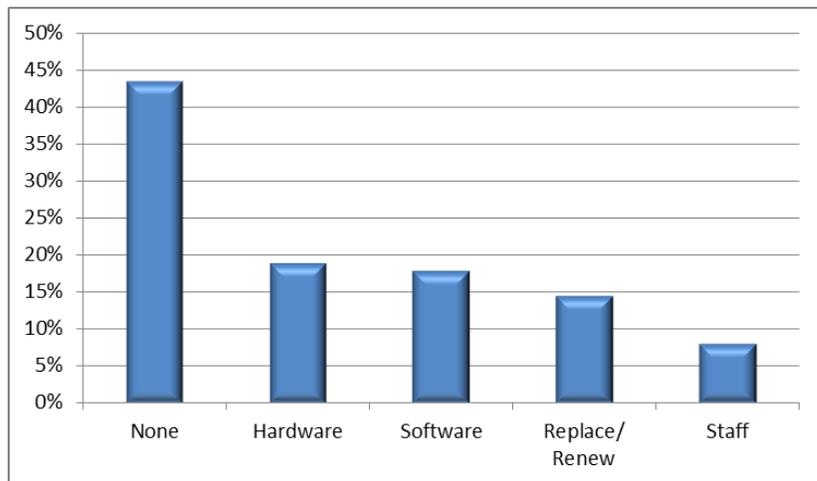
When making purchases for the needs of the coming year, most executives said they could not cut any more items out of their 2011 budget, already feeling the pinch from slashed budgets from 2009 and 2010. Many executives also reported they would be extending the replacement cycle for replacing older systems, or waiting to upgrade to new software versions, instead waiting for more prosperous years.

"...most executives said they could not cut any more out of their 2011 budget, already feeling the pinch from slashed budgets from 2009 and 2010..."

Our survey also asked if there was anything that IT Executives would not even consider putting on the budget chopping block. While a number of responders said no (44%), there were a few things that IT executives were willing to allocate resources to despite tight budgets.

"Items I Would Not Curtail Spending On"
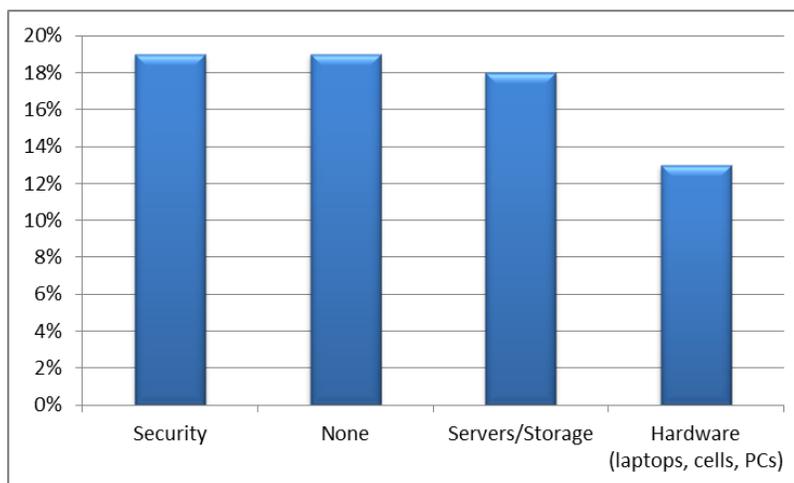
For a large number of IT executives (19%), one item that was considered too important to skimp on was security. Making sure their company had sufficient IT infrastructure was also important, with 18% of respondents saying that servers and storage were too important to consider trimming out of the budget. Hardware such as laptops, cells, PCs were a primary concern for 13% of executives when considering their budgets for 2011.

"...For a large number of IT executives (19%), one item that was considered too important to skimp on was security..."

Outlook Summary

Overall, IT executives are cautiously optimistic. Companies are starting to see the economy improve, but at tectonic speeds. IT executives are beginning to take on projects and initiatives that fell by the wayside over the past two years, but are doing so slowly with a focus on what is most absolutely needed.

Building a Relationship: How to Pitch to IT Executives

Silicon Valley Research Group also inquired IT executives for how they would most prefer to be approached by hardware and software vendors offering them new products or business solutions. We found that IT executives are very particular in how they would like to be approached and what they expect out of a vendor offering them a service or new product.

Social Media

Social media has surged in popularity,[5] and is being successfully utilized by marketers; according to data accumulated by Technology Review magazine, social media far outranks other forms of display ads.[6] An eMarketer report found that social media has the largest reach per cost of any other form of advertisement.[7]

However, this trend does not apply to IT executives. Many IT executives are skeptical of social media, and while they are comfortable using it for personal reasons, the majority (51%) did not believe or were unsure that social media was an appropriate venue for IT specific marketing, and most don't want to be pitched items in this fashion. Many executives also reported that their company blocks social media sites, and were therefore cut off from any social media marketing while at work.

About a third of those surveyed (31%) did express interest in receiving offers and information using social media. Some offered suggestions such as receiving updates through Facebook and Twitter about product releases and sales, or announcements at conventions. A quarter of managers (24%) are open to the idea of blogs, webinars, and on-line demonstrations. In fact, blogs were mentioned fairly regularly (15%) as a good venue for reaching out to buyers and decision makers.

A few IT executives (8%) still prefer to correspond with vendors using direct communication over the phone or email. A good old-fashioned phone call demonstrates to these decision-makers that a vendor is being specific about who they contact, and not just sending out mass messaging.

Know the Company

What are executives looking for in a sales pitch? Get to the bottom line! Concerns about the economy still weigh heavy on executives and managers' minds. Therefore, in order to convince IT decision makers to adopt new products and to champion it internally, about half (50%) of all IT Executives wanted to see how it would save money, reduce overall costs, and what the return of investment would be.

Almost a quarter (23%) of those surveyed reported that IT execs also want vendors to act like consultants, to get to know the business. Executives want their IT vendors to solve their business challenges, rather than pitch a system and then seeing if it fits; they want solutions not systems. A good number of executives (15%) also indicated they want to test out systems before they buy, via free trial periods or demonstrations. IT decision makers are also interested in continued customer service and support when adopting a new system.

Sales Summary

IT Executives are still very budget conscious and need to be able to argue to their superiors, or even their accountants, that expenditures are worth the investment. By understanding the company's needs, initiatives, and budget constraints, vendors can be well positioned to offer their product to open ears.

Appendix

Survey Respondent Demographics

Respondents to our survey represented 19 different industries in the United States. Job titles of respondents included CEOs, directors, and managers. Executives who took the survey came from fairly large corporations; the largest companies had 500,000 employees, while the smallest had less than 500.

Industries Surveyed and % of Respondents Involved in That Industry

Education	2%
Engineering	5%
Finance	26%
Government	16%
Health	42%
IT	7%
Manufacturing	16%
Media	2%
Other Prof. Service	5%
Public Admin	2%
Publishing	2%
Real Estate	7%
Retail	5%
Telecomm	5%
Transportation	7%
Utilities	2%
Wholesale	3%
Travel	3%
Biotech	3%

Job Titles of Respondents

CIO	11%
VP	11%
Other	16%
Director	31%
Manager	32%

Number of Employees

Over 90,000	9%
90,000-10,000	18%
10,000-3000	31%
Under 3000	42%
Average	28,681
Median	3,600

No. of Hardware (Laptops, PCs)

Average	11,811
Median	2,750

References:

1. U.S. Bureau of Economic Analysis: *National Income and Product Accounts Gross Domestic Product, 2nd quarter 2010 (third estimate); Corporate Profits, 2nd quarter 2010 (revised estimate)*. September 2010.

2. International Monetary Fund (IMF) *World Economic Outlook (WEO): Recovery, Risk, and Rebalancing*. October 2010. http://www.imf.org/external/pubs/ft/weo/2010/02/index.htm

3. *National Association for Business Economics (NABE) Outlook*, October 2010. http://www.nabe.com/publib/macsum.html

4. *Kiplinger Economic Outlook*, updated October 2010. http://www.kiplinger.com/businessresource/economic_outlook/

5. *How Can Market Researchers Get Social? Growing Trends And Current Challenges In Social Market Research*, by Tamara Barber with Reineke Reitsma and Erica Sorensen, Forrester Research, Inc. May 10, 2010.

6. *Snapshots from the Digital Media Marketsphere: An Infographics Presentation*, By Evan I. Schwartz. Technology Review Magazine, MIT. October 2010. http://www.technologyreview.com/business/26436/?nlid=3646

7. *Social Network Users Worldwide, by Region, 2010 & 2015 (% of total)*. Corresponding full-access article: In Institutions We Trust, Or Not. Paul Verna, Senior Analyst. eMarketer. October 19, 2010. http://www.emarketer.com/Article.aspx?R=1007995&dsNav=Rpp:25,Ro:-1,N:701