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Organizations Increase IT Spending by More Than 20% in 2017

Companies' average IT budgets increased sharply to \$107 million in 2017 -- representing a 23% increase over the average IT budget in 2016 (\$86.6 million), according to the Society for Information Management (SIM) IT Trends Study, which was released Thursday. Over 760 organizations and 469 Chief Information Officers (CIOs) participated in this year's study.

The annual study, which has been conducted since 1980, found that IT spending as a percentage of revenue rose from 5.04% in 2016 to 6.08% in 2017. This 20% increase is the largest annual increase in IT spending observed since 2012 when economic pressures from the Great Recession began to subside.

While an overall upward trend in IT spending suggests organizations are valuing the contributions of IT in supporting and driving business strategy and transformation, the study reveals considerable differences in spending across industries. Industries spending the most (as a percentage of revenue) on IT include: IT Hardware/Software (15.9%), Not-for-Profit (11.6%), and Financial Services/Insurance/Banking (9.7%). This contrasts the industries spending the least on IT: Retail/Wholesale (1.4%), Construction/Architecture (1.6%), and Energy (1.9%).

In total, 74% of organizations reported an increase in their year-over-year IT budget while only 20% reported a decrease. "While small annual increases and industry differences are not uncommon," said Professor Leon Kappelman, the study's chief scientist, "an increase of this magnitude nearly a decade into an economic recovery, and while IT operating costs are falling, points to a significant increase in IT investments aimed at increasing capability, strategic value, and digital transformation."

The study also found that hiring for IT has continued its steady upward trend with 61.3% of organizations experiencing an increase in recruiting and hiring of IT personnel in 2017 (up from 56.1% in 2016 and 49.3% in 2015). This trend is expected to continue as 70% of organizations are predicting further increases in their IT workforce in 2018.

Interesting trends associated with CIO tenure and background were also reported. The average tenure of a CIO increased to 6.67 years in 2017 (average of 5.44 years over the preceding four years). A surprising 23.8% of CIOs have a non-IT background, up 164.4% from 9.0% in 2013. The study also found that only 21.0% were hired from inside their current organization, which represents a 20% decrease from last year and nearly a 29% decrease from 2015. "Although IT leadership was once the exclusive domain of technical experts, business savvy is clearly becoming more important," said Professor Kappelman who chairs the Information Technology and Decision Sciences Department at the University of North Texas' College of Business. "Increasingly companies are finding they must go into the market to find the IT leadership they need."

Cybersecurity and data breaches continue to dominate headlines and these issues are front-and-center for the industry and the larger business community. While IT leaders report that cybersecurity is the top IT issue for their organizations and is most personally worrisome to them, the study found a decrease in cybersecurity spending as a percentage of IT budgets this year (5.3% of the IT budget in 2017 compared to 6.2% in 2016). "However, given the 20.6% increase in IT budgets this year, this still means



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cybersecurity spending as a percent of total revenue increased in 2017, and we expect this trend will continue,” Professor Kappelman noted.

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About the Methodology

Since 1980, the Society for Information Management (SIM) has conducted a survey of its members to identify IT management concerns and to better understand who IT leaders are, how they manage, and what they do. The 2017 study gathered 1,178 responses from 769 unique organizations. 469 respondents were the CIO or highest ranking IT executive within their organization. Responding organizations spanned 30 different economic sectors and represents a diverse cross-section of organizations throughout the United States. Data was collected over a nine-week period from April 10, 2017 to June 11, 2017. The *SIM IT Trends Study 2018 Comprehensive Report* will be released for \$995 on November 9, 2017 and available to SIM members at no charge on that same day.

About the Society for Information Management (SIM)

The Society for Information Management (SIM) (<http://simnet.org>) is the world’s premier organization for IT leaders. Since 1968, SIM has inspired the minds of the most prestigious IT leaders in the industry -- including CIOs, senior IT executives, prominent academicians, consultants, and other IT leaders. Today, SIM is comprised of almost 5,000 members who come together to share, network and give back to their communities through the collaboration of SIM’s 40 local chapters.