# Making Sense of What's Different for IT Budgeting in 2023

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No two years are the same, but the past several years have been more different than most. Simultaneous shortages, accelerations, and increased risk are forcing business leaders to rethink how they use and invest in IT.

Technology was important before the pandemic, but now it's center stage.

In this report, we'll look at what's driving the key changes for IT budgeting in 2023, how companies are responding, and which data and insights can help leaders make the best decisions for their companies. We also share what Leapfrog Services, an MSP that's been managing IT for medium-size businesses for 24 years, is seeing within our client base.

**The IT budget drives change. Investing appropriately ensures companies can keep up, stay secure, and prosper in 2023 and beyond.**

**"Despite some mixed economic signals and various business challenges around the world, technology executives must approach the 2023 planning cycle with a growth mindset. The lessons from the pandemic are clear."**
*— Christopher Gilchrist, Steadfast Technology Decisions Will Deliver Business Value In 2023, Forrester[1]*

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# Overview:
# What's driving the changes and how are they connected?

## Multiple simultaneous accelerations

**COVID-19** kicked off a chain of events impacting every IT budgeting area for 2023.

Companies rushed to **digital transformation** to stay in business, completing projects that would have typically taken months within weeks. A McKinsey Global Survey of executives found companies accelerated digitization for interactions and internal operations by three to four years, while their share of digital or digitally enabled products accelerated by seven years.

For many companies, the rush to transform left a wake of IT challenges to deal with later — primarily security gaps, hybrid-environment issues, and other technical debt. But the shortened timelines proved modernization doesn't have to happen slowly and confirmed the cloud is a scalable, flexible way to engage with customers, deliver services, and get work done.

**An essential task in 2023 is to pay off any remaining technical debt created by rapid digital transformation and other reasons.**

The lockdowns and logistics problems that threw a wrench in **supply chains** continue, yet companies still need new hardware. The first wave halted production of critical components like microchips used in all kinds of finished goods, including technology equipment, and new variants led to new slowdowns. As economies boomed back, demand skyrocketed for scarce goods, contributing to **global inflation**.

Supply chain shortages, volatility, and logistics shortcomings haven't been resolved yet, and almost all technology components cost more than they did pre-pandemic and can take much longer to get.

**In 2023, companies need to budget more for the same IT components and be prepared to wait up to a year for delivery.**

As existing IT equipment ages out, companies are forced to either risk a cascade of potential problems as they wait for new equipment, move to the cloud, or find creative workarounds. Most companies are choosing cloud options — they're available now and they work.

**"Within months, most companies mobilized teams that figured out how to conduct business online and to work remotely at fundamentally different levels. We saw business leaders breaking down traditional barriers, working across functional silos to drive innovation, and using data and AI to sense and respond to changes in the external environment."** — *Karalee Close, Priorities for the C-Suite in 2022, BCG[2]*

# Global factors accelerating IT changes
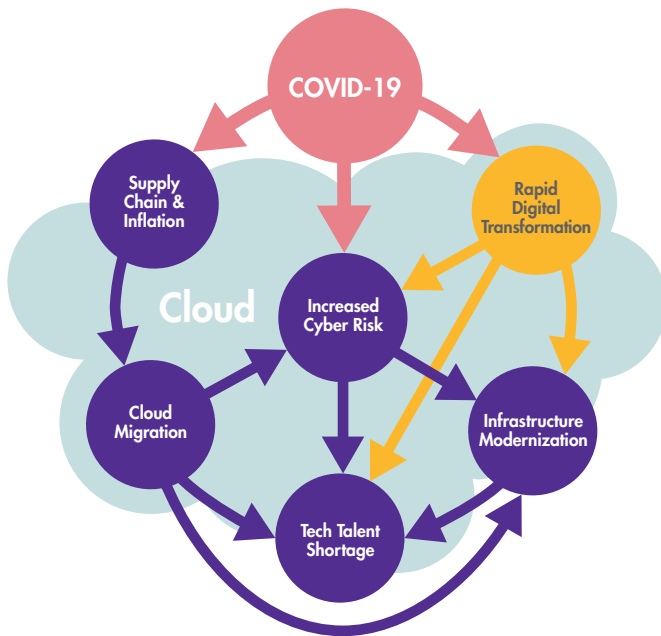


*The five key changes for IT budgets in 2023 are all cloud-related, some more than others. About 50% of Supply Chain changes, about 70% of Tech Talent Shortage and Infrastructure Modernization changes, and 100% of Cloud Migration and Increased Cyber Risk changes are directly related to the cloud.*

**Cloud migration** and the OPEX model can defer a large CAPEX investment because there are fewer physical things to buy. But keep in mind prices are now higher for cloud services, too, and subscription costs add up over time. Companies also need to invest resources to make change happen, including migration and integration, training employees on new platforms, and managing IT environments that have become more heavily hybrid.

**Migrating more computing to the cloud in 2023, when possible, is the best solution to keep moving business forward.**

The **tech talent shortage** and related salary increases are impacting timelines as well as bottom lines. Companies need workers with specialized skills, and these workers were in high demand before the pandemic. Experts who know how to translate infrastructure into code for software-defined solutions and security specialists with specific competencies are among the most sought after, yet high demand for IT workers covers the entire IT spectrum.

**Budgeting to recruit, train, and keep the tech talent you need is a critical 2023 priority.**

**Increased cyber risk** runs through nearly all of the changes for 2023 IT budgeting — and cybercriminals know it. Bad actors immediately began taking advantage of security gaps introduced by rapid digital transformation and continue to devise new lines of attack that are ever-more disruptive for companies and profitable for themselves.

**"CompTIA, a nonprofit association for the IT industry, counted more than 443,000 employer job postings for tech positions in the US in April, bringing the total to 1.6 million so far in 2022. That's a 40% increase in US tech positions over the same period in 2021. At the same time CompTIA puts the US unemployment rate for technologists at 1.3%."**
*— Mary Pratt, 10 Ways Inflation Will Impact IT, CIO magazine[3]*

Money isn't the only current motivation. Cybercriminals can hit thousands of victims at once to disrupt supply chains and the economy for geopolitical reasons by infiltrating ubiquitous enterprise software. Add growing vulnerabilities — such as aging systems, zero-day threats, and poorly monitored endpoints — and companies face multitudes of risks simultaneously.

**Most companies plan to spend more in 2023 to quickly address these risks and protect their businesses and business continuity.**

**Modernizing infrastructure** is the answer to many of these challenges. It provides the foundation for more effective and sustainable business options, prepares environments for further digital transformation (including leveraging AI), and does a better job protecting data — new technology and methodologies are more nimble and have built-in security capabilities.

Companies that were born in the cloud or had modernized pre-pandemic had a leg up, and the rest now understand the value of being ready to reassess, pivot, and quickly adjust.

**In 2023, forward-thinking companies are budgeting to systematically modernize their IT infrastructure to take advantage of as many options and opportunities as possible.**

## The cloud is the connection

**All of the main differences in IT budgeting for 2023 deal with circumstances generated by the pandemic and involve the cloud either entirely or partly:**

- Supply chain volatility and inflation
- Cloud migration
- Increased cyber risk
- Tech talent shortage
- Infrastructure modernization

When companies develop 2023 IT budget strategies that address the changes holistically, their IT investments will align with their business priorities and pay off long into the future. These changes were coming anyway. COVID-19 just sped them up.

Let's take a closer look at how these differences impact decisions about your 2023 IT budget.

"When an organization has stabilized and optimized its existing IT estate and is ready to realize next-level cloud value, it will need to rethink its approach to technology infrastructure, networks, people and workplaces. That's no easy thing to do. But those who can find the right balance will unlock new levels of competitiveness and unleash a wave of innovation opportunities." — *Philippe Chauffard, et al., Ever-ready IT infrastructure report, Accenture[4]*

"We're seeing that companies' increase in technology spending as a response to pandemic-necessitated upgrades is not going to slow down anytime soon. In fact, with the need for greater investment in IT infrastructure to build out new capacities like more efficient artificial intelligence and cloud services in addition to an increased understanding of cybersecurity risks, we're expecting spending to continue to increase as companies recognize the critical importance of this investment." — *Anurag Rana, Corporate Cloud Spending May See Strong Growth in 2022, Finds Bloomberg Intelligence, Bloomberg Digital Economy Index (DEI)[5]*

# Discussion:
# 5 Key IT budgeting differences in 2023

## 1. Supply chain volatility and inflation

Before the pandemic, technology products were plentiful — it would take about a week from purchase to delivery of network infrastructure components. Delivery dates are now up to 50 times longer.

"Shortages around network switches, access points, and firewalls are particularly challenging," says Chris Teater, Purchasing Coordinator at Leapfrog Services, "although the second half of 2022 has been marginally better for firewalls. Backorder times are up to a year and all the popular manufacturers are in the same boat — they can't get what they need to put their hardware together. It's just not out there."

Teater says one of the most challenging parts of dealing with the shortages is aligning project timing for clients. "The pricing we get from distributors is only good for so long. Our clients need to plan far enough ahead to meet project deadlines and get their orders in early."

### Shortage workarounds
"Most of the time, IT budgeting for physical infrastructure has been about doing a design, giving it to the sourcing department to find the needed components at the best price, then planning out the project. Now that's flipped on its head," says Emmett Hawkins, CTO at Leapfrog Services.

"Now we need to design for flexibility by building in options in case components aren't available when we need them. Adding options can lead to a more expensive design, but you don't have to redesign the project if the timing is critical."

We also develop workarounds, such as buying whatever components are available — we'll buy older models and replace them with new ones later or substitute larger ones if they're affordable.

### Supply chain modernization
Lack of supply is only part of the problem. The technology used to manage the supply chain is also playing a big role.

Each of the steps in the supply chain is powered by technology, but manufacturers and logistics companies have been slow to adopt new technologies. They've yet to modernize and centralize their systems to have enough visibility and agility to accommodate rapid changes in demand. Relying on platforms that don't integrate was a recipe for disaster when the pandemic hit.

**"Supply chain organizations in every sector are urgently rethinking how manufacturing supply chains can operate more effectively and resiliently by reassessing traditional supply chain strategies, reducing network complexity, integrating key functions, redesigning processes, and harnessing the power of digital tools wherever they can to transform their supply chain ecosystems."** — Paul Tate, Manufacturing Supply Disruptions to Last Well Into 2023, Manufacturing Leadership Journal[6] — *Chris Teater, Leapfrog Services Purchasing Coordinator*

**"The pricing we get from distributors is only good for so long. Our clients need to plan far enough ahead to meet project deadlines and get their orders in early."** — *Chris Teater, Leapfrog Services Purchasing Coordinator*

## Expect to pay more

When companies can find the products they need, the prices are often higher by double-digit percentages than pre-pandemic. Despite the increases, investment in data centers is still projected to grow, but at a lower rate than in 2022 and lower than new investments in software and IT services.

### Worldwide IT Spending Forecast (Millions of U.S. Dollars)

| | 2021 Spending | 2021 Growth (%) | 2022 Spending | 2022 Growth (%) | 2023 Spending | 2023 Growth (%) |
|---|---|---|---|---|---|---|
| Data Center Systems | 191,001 | 6.4 | 212,217 | 11.1 | 221,590 | 4.4 |
| Software | 735,869 | 14.7 | 806,800 | 9.6 | 902,182 | 11.8 |
| Devices | 808,580 | 16.0 | 767,872 | -5.0 | 790,888 | 3.0 |
| IT Services | 1,207,966 | 12.8 | 1,283,192 | 6.2 | 1,389,169 | 8.3 |
| Communications Services | 1,458,966 | 3.8 | 1,464,551 | 0.4 | 1,505,733 | 2.8 |
| **Overall IT** | **4,401,944** | **10.2** | **4,534,632** | **3.0** | **4,809,561** | **6.1** |

Source: Gartner (July 2022)

Gartner Forecasts Worldwide IT Spending to Grow 3% in 2022: CIOs' Investment Plans Are Not Expected to Be Deterred by Inflation or Currency Volatility

A major accounting dilemma for 2023 IT budget planning is deciding whether to make the financial commitments and incur liability for initiatives that may not begin until 2024. Economists predict high inflation will likely continue through next year, exacerbating timing decisions.

### Budget advice and caveats

- **Don't expect manufacturers to be able to pinpoint exact delivery dates**
- **Budget for more flexibility than usual**
- **Use vendor list prices for budgeting then try to negotiate later**
- **Ask vendors about product life cycles before purchasing**
- **Be decisive when you find available products to avoid missing out**

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## 2. Cloud migration and converting to OPEX

Companies are running out of workable hardware assets. When they originally bought the equipment, they planned to use it for a three-to-five-year lifecycle and made decisions about on-premises versus cloud based on various factors, cost being only one of them.

Today, companies are being forced to use public clouds because they can't find replacement servers for their data centers, and equipment to build private clouds isn't available either. Massive hyperscalers like AWS, Microsoft, and Google are first in line for new equipment while the rest of the world waits for what's leftover — or is willing to pay a premium.

For most, the answer today is to rent.

### Dealing with technical debt
But there's more to moving to the cloud than deciding it's your best option. Companies can't jump to the cloud if they have too much technical debt.

Technical debt is the work it will take to correct technologies operating in environments that were either rushed into production or put on the back-burner. It was such a problematic issue before the pandemic that international conferences helped companies learn how to manage it. Technical debt worsened during the pandemic with the rush to remote work and digitally transform.

If a company has the kind of technical debt that makes its apps unable to migrate or incapable of supporting higher bandwidth — or is unstructured or unorganized — there's work to do (and budget for) before moving to the cloud. For some companies, it might be best to start all over in the cloud and not deal with the debt.

### Higher cloud costs
Companies also need to factor in the higher cost of cloud services. Like everything else, fees have gone up. Cloud service prices have increased by 12–20% since pre-pandemic and the increases impact all three budget areas — Run, Grow, and Transform. The good news is the price increases have not been as high in 2022 as they were in 2021.

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Computer Economics of Avasant Research reports in its 2022-2023 IT Spending & Staffing Benchmarks Executive Summary that IT budget growth is broad with 80% of companies increasing operational budgets. In 2020, 11% of respondents reported that cloud subscriptions accounted for at least three-quarters of their business software spending, and it sharply increased to 17% in 2022. Conversely, capital budgets only made up 13% of total IT budgets in 2022, a sharp decrease from 21% in 2016.

According to the report, the survey finds that most organizations are giving IT departments the resources they need to operate effectively.

### Security, cost management, and efficiency

Beginning in July, Leapfrog starts getting requests to help with budgeting and pricing for next year's cycle. Since Leapfrog buys hardware and cloud services nonstop, our procurement department can usually turn around ballpark pricing and delivery estimates within a few weeks. "Some clients prefer to work with us on updating their IT roadmaps before they start to budget so they can determine the priority order for spending and level out their spending spikes," says Paul Grulke, Account Manager at Leapfrog Services.

"This year, we're seeing more of a security focus from our clients, followed by switching to the cloud," he adds. "In particular, we've seen a surge in activities related to getting cyber insurance coverage, but I anticipate we'll see less of that in 2024 because our clients will have already completed or be close to completing the necessary updates to qualify. We're also seeing a significant uptick in DR planning and penetration testing."

On the other hand, many of Leapfrog's new clients are looking for infrastructure designs that include minimal physical assets to avoid the responsibilities of owning, securing, managing, and patching so many devices. Avoiding equipment aging out at inconvenient times for the business is also a high priority.

Leapfrog is seeing the same cloud migration increases as reported in the same Gartner survey sourced above — about a 12% increase in spending on SaaS and about 7% less on data centers.

### Temporary solutions

Our clients understand that changing circumstances require changing approaches, but not all are excited to make them. The data from our client base shows that ROI is typically higher with CAPEX over several years than OPEX (OPEX can be twice as expensive), which isn't encouraging from a budget perspective. And if they have internal IT teams that have spent entire careers managing traditional environments, moving to the cloud even temporarily represents a loss to them.

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We assure clients we can revert them back or design a hybrid solution once supply chains have normalized. The goal is to do what it takes for their IT to meet their business goals and preferred spending models.

When moving to the cloud is not a viable temporary option, Leapfrog works to design solutions to help modernize their environments as best as possible, regardless of supply chain shortages.

**Budget advice and caveats**

- **Budget for migration projects and ongoing management in addition to subscriptions**
- **Read the fine print to avoid signing up and paying for more cloud services than you need**
- **Consider locking in fixed commitments on more extended contracts to get better deals**
- **Use a partner to manage transitions more easily and affordably**
- **Consider staying power when choosing cloud service providers to avoid remigrating after an M&A**

# 3. Increased cyber risk

Cyber risk is hitting companies from every direction. A recent [CNBC Technology Executive Council survey](#) finds that almost three-quarters of respondents said they're spending more to protect their business from cyberattacks compared to a year ago, and none said they're spending less.

Companies know they have to spend more to protect, defend, contain, and monitor their IT environments because their current security isn't advanced enough.

### Vulnerable older systems

The most significant risk in 2023 is to older systems — legacy platforms in particular, especially if they're running out-of-date operating systems. These systems have more vulnerabilities, and securing them is more disruptive to business operations than the process of securing newer systems.

Updating is a tough decision for a company, however. It doesn't want to get rid of the system because it was a sizable investment and is core to their business, and it doesn't want to invest a lot of resources modernizing an app that already does exactly what it wants. Yet, these companies know they have to act because their systems make them a much more likely target for cybercriminals.

The plan to secure older systems and legacy environments should be dealt with immediately, systematically, and worked into the 2023 IT budget and roadmap.

### Increasing zero-day threats

Zero-day threats, or when there's a gap between the discovery of a software vulnerability and the patch to fix it, are another major security issue for 2023 budgets. The threats keep coming faster and hackers can weaponize them more quickly.

"Even for MSPs like Leapfrog, zero-day threats have been uniquely challenging over the last 24 to 36 months," Hawkins says. "We have automated patching systems, but from the date we're aware of a zero-day threat to the time hackers can exploit it, it can be in the negative — our security team can get an alert from one of our threat feeds at noon, and when we check in logs, we see hackers had already begun trying to exploit it the previous day."

Internal IT departments and MSPs need to have the budget to be as fast or faster than hackers and mitigate vulnerabilities at their roots.

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### Poorly secured endpoints

Endpoint vulnerabilities can be equally risky even though the devices aren't core to business. They provide points of access into environments that are otherwise secure.

Hawkins says, "The number of endpoint vulnerability announcements is constant, often five or six in a given day. The only way to be confident you're securing your endpoints is to use automation, tools, and platforms that allow your cybersecurity team to quickly identify vulnerabilities within your system and then do something about them. Using an Endpoint Detection and Response (EDR) tool is a must to prevent business from coming to a halt."

### Malicious disruptions

In previous years, companies were hyper-focused on ransomware prevention because it was the most likely attack scenario — extortion was the motivation. While extortion is still a primary motive, hackers with geopolitical motivations want to disrupt. Their goals are to interrupt the U.S. economy, our trust in our systems, and our way of life. Activities related to the war in Ukraine have underscored the risk.

Companies need to look at their risk calculus from multiple angles, including reputation and service disruption protection.

"Most of our clients are B2B companies that deliver something into the economy — transportation, highway systems, healthcare, financial services, forestry, and many other things," Hawkins says. "Geopolitical enemies that attack and disrupt any of these businesses or supply chains can further their cause even if they don't steal or do anything concrete. The disruption itself is a win."

### A word about caution fatigue

After years of upended routines in response to the pandemic, some people are tired of being inconvenienced for safety's sake. Noncompliance with cybersecurity policies can introduce unnecessary risk.

Hawkins says, "While we understand the need for split-second productivity and do all we can to make our security solutions as minimally impactful as possible, part of our job includes helping clients understand that to stay secure, there's a minor convenience cost in addition to the monetary cost."

**"The only way to be confident you're securing your endpoints is to use automation, tools, and platforms that allow your cybersecurity team to quickly identify vulnerabilities within your system and then do something about them. Using an Endpoint Detection and Response (EDR) tool is a must to prevent business from coming to a halt."** — *Emmett Hawkins, Leapfrog Services CTO*

## Budget advice and caveats

- Invest in continual good cyber hygiene for resiliency and business continuity
- Reduce attack surfaces in priority order
- Don't cut corners — follow best practices and update your policies with every change
- Plan for additional annual security investments to continue as cybercriminals find new lines of attack
- Invest in highly trained security experts for optimal ROI

"Advances in cybersecurity rank highest among all emerging technologies considered as very important by respondents ahead of Artificial Intelligence and the metaverse. At the same time 68% of the survey respondents said that the tools currently available to them to address cybersecurity threats range from not adequate to moderately adequate. With the recent spike in cyberattacks globally, the report projects an even greater allocation of resources to security products and services going forward."
— *Veronika Henze, Corporate Cloud Spending May See Strong Growth in 2022, Finds Bloomberg Intelligence, Bloomberg online*[7]

## 4. Tech talent shortage

The tech talent shortage is a different supply chain issue, and human resources are harder to find and more expensive than pre-pandemic.

The [ManpowerGroup Employment Outlook Survey](#) for the third quarter of 2022 found that technology skills are the most in demand in the U.S., with 31% of employers reporting having difficulty filling the roles.

### Extreme competition
Companies are having a tough time filling internal roles, especially with competition from tech companies, MSPs, MSSPs, and professional firms that can pay higher salaries and bigger signing and retention bonuses.

According to John-David Lovelock, research vice president for the General Managers team at Gartner, CIOs will likely lose this war for talent. He refers to Gartner research that shows CIOs will also likely spend an average of 11% more on IT consulting services this year.

The global shortage of tech talent is expected to taper off by the end of 2023 as companies complete their most pressing digital transformations and have had the time to train and retrain their IT staff. Yet, companies should still expect to pay about twice the inflation rate for salary increases in 2023 compared to pre-pandemic.

### Fluidity and work-life balance
Most surveys show that compensation is the top driver in attracting and retaining IT talent. Recruitment remains relentless, and remote working along with advanced online tools have made it easier for employees to connect with new opportunities, conduct midday interviews, and move easily from one company to another. [High tech-talent turnover within internal IT departments](#) is part of the Great Resignation.

"The biggest hiring hurdle we've faced is a majority of post-pandemic employees who want to work 100% remotely to add flexibility to work-life balance," says Donna Krüger, Leapfrog Services Director of HR. "Leapfrog places a high value on maintaining our culture and our ability to solve problems quickly as a team, which can be accomplished more effectively with our hybrid work model. It gives people the opportunity to have relationships with coworkers that are more than virtual."

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**"The costs of tech won't be going down, but the more spent on tech, especially tech that increases productivity, the greater the potential savings on labor cost, so the net outcome can be less overall spend. At a time when the cost of acquiring and training talent, and then retaining it is high, this adds to the deflationary case for tech investments even if a company is spending a higher proportion on tech."** — *Eric Rosenbaum, The corporate spending that can't wait for a recession to pass, CNBC.com[8]*

## Continual training

Leapfrog's growth, turnover, and wage-increase rates are in line with other MSPs, but Krüger says there's more to it than monetary compensation, "Salaries are being adjusted to be competitive. Offering benefits, like annual training, makes a difference. Staying current is important to tech workers and vital for growth and career advancement regardless of industry."

As an IT provider that needs to understand upcoming changes before they're released, Leapfrog stays ahead of the pipeline and trains in advance. Budgeting to continually train and retain staff is part of the landscape for anyone who employs tech workers, and it can be difficult for companies that aren't MSPs to get the same value from their training budget.

## Ownership from the inside

Leapfrog has numerous clients with internal IT departments. In many cases, they've been successful in addressing some of the tech talent shortage by placing people on their IT teams who were already within the organization but in other departments, such as the accounting department.

Moving a person who already knows the business to a position focusing on how applications can drive the business forward gives companies a head start. It can deliver better and faster results than recruiting and training. Internal IT system owners don't have to be experts in maintaining infrastructure when the company partners with an MSP.

## Budget advice and caveats
- **Be realistic about your ability to find, train, and retain — plan timelines accordingly**
- **Look for talent to drive the business forward rather than replace former employees**
- **Avoid overstretching your current employees**
- **Reward your top talent**
- **Hire internal IT resources for a competitive edge and outsource day-to-day management activities**

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# 5. Infrastructure Modernization

The goal of infrastructure modernization is for a company to get its technology house to take advantage of new technologies while remaining secure. The strategy is to design a purpose-built environment that supports a hybrid environment with improved agility and security. The timeline is set by the amount and type of work needed — the sooner a company modernizes, the more quickly it can execute new business initiatives.

IT infrastructure is the foundation.

### Access to powerful tools

Leapfrog's Hawkins compares the modernization timeline to buying an electric vehicle and wanting to drive it before installing the charging system and updating the meter at your house. Having compatible infrastructure first saves you from investing in something before you can use it and then rushing to modernize your infrastructure afterward.

Waiting to modernize reduces a company's ability to act quickly, which may mean missing out on opportunities.

Powerful, advanced cloud tools continue to roll out — business analytics tools are among the most popular and misunderstood. Companies can subscribe to the tools (from services like Amazon, Google, and Microsoft) but these tools need the data already in the cloud. For many companies, data migration projects should be in their 2023 budgets.

### Two types of modernization

Michael Burnette, Chief Service Officer at Leapfrog Services, assesses client IT environments and executes designs and related support. He says that this year, Leapfrog is seeing about a 20% decrease in infrastructure investment due to cloud migration and a 10% increase in upgrading on-premises infrastructure.

Not all companies can move to the cloud. "For instance, some of our clients in manufacturing rely on networked industrial equipment, so their infrastructure needs to be fully on campus," Burnette says. "Instead, they're investing in modernizing their heavy infrastructure to make it easier to manage, such as implementing more modern feature sets and integrating systems, which in turn makes the infrastructure easier to secure."

Other clients are all-in on modernization that includes as much cloud as possible.

**"Our clients who are continuing to migrate are moving to hosted PaaS (Platform as a Service) and IaaS (Infrastructure as a Service) to take the place of physical infrastructure. Most SaaS (Software as a Service) migrations have already been completed, much of it years ago."** — *Michael Burnette, Leapfrog Services, Chief Service Officer.*

"Our clients who are continuing to migrate are moving to hosted PaaS (Platform as a Service) and IaaS (Infrastructure as a Service) to take the place of physical infrastructure. Most SaaS (Software as a Service) migrations have already been completed, much of it years ago," says Burnette. "Moving platforms and infrastructure to the cloud saves clients from having to deal with the problems that come along with older technology, which can become vulnerable and unpatchable — it's from a different era."

He says that while some new clients initially want to get rid of all infrastructure and servers and use the cloud for everything, Leapfrog highly recommends keeping some line of business applications and systems on-premises and moving the rest to the cloud.

### "Infrastructure first" paradigm
Many business advisers continue to stress that rapid transformation for growth is most important. Leapfrog agrees with the premise but disagrees with the idea that speed is more important than the methodology for modernization.

By rushing, companies end up with shadow IT and more technical debt and often integrate new tools that are unmanaged into their environments. All of these things can be dangerous for the company. Following the "infrastructure first" paradigm sets up companies for successful modernization, rollouts, and ongoing success. It all starts with the budget.

### IT investments are core to business
Jamie Dimon, J.P.Morgan Chairman and CEO, said in his most recent annual letter to shareholders that investing in the waves of technological innovation that continue to come faster and faster isn't something companies do once and then expect expenses to decrease dramatically. Rather, the optimal paradigm is continual improvement that keeps up.

To pull this off, Rodney Zemmel, a global leader of McKinsey Digital, says that it's up to the CEO to get the full leadership team to have the same set of priorities and focus on having a roadmap for talent and capability that's as detailed as their IT technology roadmap.

### Budget advice and caveats
- **The budget is the best place to plan modernization**
- **Data growth will continue, creating constant optimization needs**
- **Pay a premium for scarce, essential equipment**
- **Avoid buying off the gray market — you may not get what you expect or end up with compromised components**
- **Work with an IT partner to plan, implement, and manage your modernization**

**"Resilience isn't all about just cutting costs. It's about being able to bounce back, and to bounce back in the future is going to require continued investments in innovation. You must be able to distinguish yourself from competitors, and if you only focus on efficiency, you'll lose your relevance."** — *Caren Shiozaki, 7 hot IT budget investments — and 4 going cold, CIO magazine[9]*

# Execution:
# The modern mindset

## IT budgets drive change

Each of the differences in IT budgeting for 2023 impact your business. Combined, they require a different way of thinking about IT investing and may create considerable pressure, financial and otherwise, as priorities compete.

Today, technology — especially cloud and security — has taken center stage for business. Or at least it's more evident now.

In reality, cloud and security have been at the core of a high-performing, scalable, and business-aligned IT strategy for about a decade. Many companies had been moving at a slower pace until now, but the pandemic has made it clear that the IT budget is the place to commit to purposeful and holistic modernization.

## Process, flexibility, and communication

Each company has its own IT budgeting process, but after 24 years of working with clients from dozens of industries to develop their IT budgets, Leapfrog has seen some processes work better than others.

Most of our clients are continuing to use their standard annual budgeting process but are keenly aware that rapid technology and marketplace changes necessitate more communication about costs and priorities throughout the year. This year, especially, building in flexibility prepares companies for mid-course corrections and can avoid politically driven decision-making.

### Avoiding friction
Let's say you've budgeted for an initiative and IT runs with it, but during production something comes up and more funds are needed. You're left with the choice of reallocating funds from somewhere else or postponing a key initiative. No department likes to have dollars removed from their section of the pie, but when everyone understands the IT budget is flexible, there's usually less friction.

More communication about flexibility during the planning and between business and IT leadership keeps IT spending aligned with business priorities.

**In reality, cloud and security have been at the core of a high-performing, scalable, and business-aligned IT strategy for about a decade. Many companies had been moving at a slower pace until now, but the pandemic has made it clear that the IT budget is the place to commit to purposeful and holistic modernization.**

**This year, especially, building in flexibility prepares companies for mid-course corrections and can avoid politically driven decision-making.**

**Strengthening relationships**

A recent Gartner study shows only 30% of CFOs and CIOs have the kind of relationships "characterized by strong collegiality and business centricity" that lead to the best decisions about IT spending. Strong relationships are 51% more likely to result in "funding for digital initiatives, 39% more likely to keep digital spending in line with the budget plan and 18% more likely to achieve the intended business outcomes."

Having regular reviews between corporate leadership and the IT team or partner, like the ones Leapfrog strives to conduct with our clients, presents the opportunity to continually review the IT roadmap and budget calendar and discuss anything that may have changed since the last review — including new buying opportunities or price increases.

**Quick Reference Guides**

For more information on the IT budgeting processes we've seen work best, feel free to see these Quick Reference Guides:

• 10 Key IT Budget Questions for 2023
• 5 Steps To Successful IT Budgeting in 2023
• Run, Grow, and Transform IT Budgets for 2023

# Leapfrog's partnership approach to IT budgeting

Unlike IT consultants or typical MSPs, Leapfrog partners with our clients to plan and execute IT that's laser-focused on their business goals, then deploys, manages, and continually enhances their IT environments.

This approach enables us to address upgrades and initiatives from a holistic perspective that also manages costs.

### Teamwork activities that drive effective IT budgets

Building IT budgets is a team sport. As an MSP, Leapfrog's contributions and involvement vary depending on our client. Here's an overview of how we help:

- Provide you with a **budget forecast** for the coming year, including previously discussed needs and modernization recommendations to keep your environment current and nimble

- Connect you with one of Leapfrog's **fractional CIO partners** if you don't have a CIO to lead your IT budgeting process and work with Leapfrog on your final budget (included in of one of Leapfrog's several engagement models)

- Recommend trusted partners when you need to budget for **specialized, third-party services** such as industry-specific strategic technology planning, security program creation, and targeted services including custom software development

- Inform you about the **IT trends** what we're seeing in your industry and industries that may be farther along the IT maturity path than yours

- Recommend the tools and solutions that will work best for your environment **regardless of who sells them**

- Offer **alternative designs and component recommendations** if optimal choices aren't currently available

- Get the most **accurate pricing and timeline expectations** available from all the top tech companies and manufacturers, with which we have long-standing relationships, and from our multiple distributors

- Work with you to keep your **IT roadmap and budget calendar** continually updated and on track

> **"Leaders now have an opportunity to address these challenges more deliberately and purposefully. Instead of managing an immediate crisis, they can lay solid foundations for future innovation and growth."** — *Paul H. Silverglate, 2022 Technology industry outlook: An analysis of the four biggest industry trends, Deloitte*[10]

## The Leapfrog Methodology

For your business and IT to be in alignment, your IT systems need to work properly and include the right tools, processes, and expertise to achieve your business results. With Leapfrog's proven methodology, your IT environment becomes secure, reliable, scalable, high-performing, holistic, and ready for new opportunities.
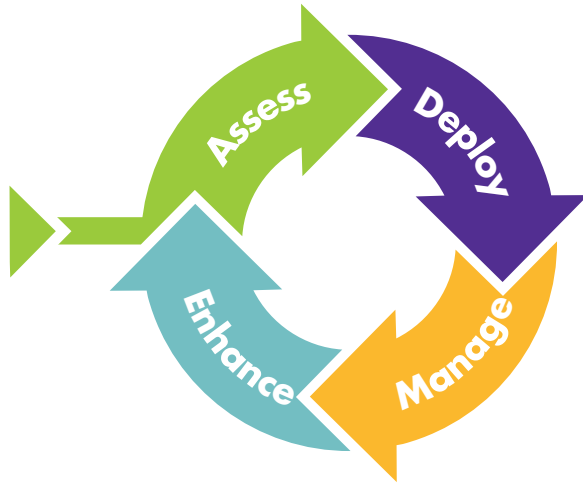
Leapfrog Services hopes you found **Making Sense of What's Different for IT Budgeting in 2023** informative and use the information to help your company leap ahead. We invite you to contact us at. We invite you to contact us at 866-260-9478 or sales@leapfrogservices.com.

### Sourced links

1 Christopher Gilchrist, Principal Analyst at Forrester, Steadfast Technology Decisions Will Deliver Business Value In 2023, Forrester.com

2 Karalee Close, global leader, Boston Consulting Group's Technology Advantage, Priorities for the C-Suite in 2022, BCG

3 Mary Pratt, Contributing Writer, CIO, 10 Ways Inflation Will Impact IT, CIO magazine

4 Philippe Chauffard, Yaarit Silverstone, Ricky Santos, Global leads at Accenture, Ever-ready IT infrastructure report, Accenture

5 Anurag Rana, Senior Software and IT Services Analyst, Bloomberg Intelligence, Corporate Cloud Spending May See Strong Growth in 2022, Finds Bloomberg Intelligence, Bloomberg Digital Economy Index (DEI)

6 Paul Tate, co-founder, Manufacturing Leadership Council, Manufacturing Supply Disruptions to Last Well Into 2023, Manufacturing Leadership Journal4

7 Veronika Henze, Bloomberg Intelligence, Corporate Cloud Spending May See Strong Growth in 2022, Finds Bloomberg Intelligence, Bloomberg online

8 Eric Rosenbaum, Senior Editor at CNBC.com, The corporate spending that can't wait for a recession to pass, CNBC.com

9 Caren Shiozaki, executive vice president CIO at TMST, 7 hot IT budget investments — and 4 going cold, CIO magazine

10 Paul H. Silverglate, partner with US Executive Accelerators at Deloitte & Touche LLP, 2022 Technology industry outlook: An analysis of the four biggest industry trends, Deloitte

## Leap ahead in 2023

*Leapfrog* is an outsourced MSP and MSSP that designs, builds, and manages secure IT environments that are easy to use.

Since 1998, we've been partnering with organizations to solve business problems by solving IT problems. We manage IT in more than 350 locations for organizations across all industries, partner with all of the leading technology providers, and are SSAE 18 SOC 2 and PCI compliant.

To deliver high-performing IT services that are holistic, scalable, and aligned with your business needs, we use a proven methodology to optimize and improve your IT systematically. First, we **assess** your current IT to understand your business and challenges, then we **deploy** updated solutions and proactively **manage** and **enhance** your IT environment.

Leapfrog is proud to have partnered with many of the same clients for decades, and the majority of our new clients come from referrals. Leapfrog clients over the past ten years:

**Our managed IT services include:**

**Security Management
Cloud Management
Infrastructure
Management
Application Management
IT Support Center**

## 96%
say they will continue to partner with Leapfrog for the next 12 months

## 97%
say Leapfrog is more effective than their in-house IT staff

## 96%
are happy with our after-hours support

## 97%
have confidence in Leapfrog security

**If you're ready to take your IT to the next level, Leapfrog is ready to help.** Please call 866-260-9478 or contact us at sales@leapfrogservices.com.