5 Steps To Successful IT Budgeting in 2023

Developing an IT budget that hits the mark paves the way for strategic success.

Which process will get you there efficiently while prioritizing business goals and opportunities?

Most companies start with last year's budget and work from there. But 2022 budgets were anomalies — in 2020, the pandemic threw off budgets, and in 2021 and 2022, companies focused on shoring up digital transformations that had been made in a hurry, returning to the office, and catching up with back burner items, including paying off technical debt – all while continuing to invest in growth and initiatives to stay competitive.

It's clear now that the new normal needs new thinking. This is the perfect year to take a fresh look at your process.

What are some specific differences in IT budgeting for 2023?

The top five changes that will likely impact your IT budget for next year include:

- Cloud migration and the shift from CAPEX to OPEX
- Inflation, supply chain volatility, and continuing adjustments due to the pandemic
- Massive cyber risk that needs to be mitigated
- Infrastructure that needs to be modernized to leverage digital transformation
- IT staff shortages and higher wages

Here's what to do, regardless of the process you use:

- Start with the right participants at the right time
- Consult your IT roadmap
- Have ample communication between participants and IT before preparing initial reports
- Have a robust strategic alignment session with business and IT at the table
- Develop separate Run, Grow, and Transform budgets within your overall IT budget
- Allow ample time for IT to collect accurate, complete pricing
- Present a budget that explains IT strategies and how they're linked to business priorities

Our recommended budget process in a nutshell:

Leapfrog has been involved in hundreds of IT budgeting processes with our clients and we've seen what works best as those budgets have played out. These are the steps we recommend for developing your most successful 2023 IT Budget — the details that follow combine what's typical for each year with what's different for the coming year:

1. Schedule and invite
2. Prepare reports
3. Deliberate
4. Price accurately
5. Present to leadership

Ready for the details? Let's get started.

1. Schedule and invite

Start now if you haven't already	Typically, we have recommended starting six months before the budget is due — but 2023 is not typical. Given supply chain challenges and other differences this year, 1Q2022 would have been a good time to start. But right now is second best.
Include each person with budget authority	IT budgeting is a team sport. The process works best when all department leads are included in planning and can advocate for what their teams need to meet the company's strategic goals. Each department lead will want to schedule one or more IT budgeting sessions with their team to discuss everyone's ideas.
Include your risk assessment steering committee	Cybersecurity and other security management activities require funding — possibly more than you expect. Your risk assessment findings and proposed solutions are critical pieces of your IT budget.
Include your IT department	Each person with budget authority and expects new technology needs should loop in IT as early as possible. Your IT team needs to be able to make time available for individual meetings.
Schedule your hands-on strategic alignment session	Confirm the date. Everyone with budgeting authority needs to prepare a report even if they're not attending the session. Invite your budget-planning team, a risk-assessment steering committee representative, key department heads, a c-level executive, and your CIO or MSP to attend.

2. Prepare reports

People with budget authority review your current IT roadmap	Everyone who needs IT dollars should be familiar with the current state of your company's IT environment and your strategic-level IT planning for the next few years. Your IT roadmap drives effective IT budget planning.
Determine technology needs for 2023 — and think about 2024	Assess whether existing IT tools and resources will meet your needs over the next 12-24 months. Since it can now take a year to get new hardware, people with budget authority should be aware that some 2023 projects and initiatives may not start until 2024.
Consult with IT on potential new technology needs	Before preparing their final reports, participants should schedule times to talk with IT about their potential needs. The IT team may have insights, recommendations, caveats, and alternatives to suggest in advance.
Finalize reports for budget deliberation	Each person with budget authority needs to clearly define all proposed projects, initiatives, and security solutions in their reports, including the start and end dates.

3. Deliberate collaboratively

Hold your hands-on strategic alignment session	Roll up your sleeves to review, discuss, and prune the wish list to the priorities that are in line with business goals and possible given resource and time realities. Sometimes these sessions are short, but usually not.
Plan your strategy by creating separate Run, Grow, and Transform budgets	Divide your overall IT budget into three areas — each requires a separate annual budget. "Run" is what it costs to operate IT, "Grow" is what it costs to scale, and "Transform" is what it costs to innovate. The technology strategies behind each need to be judged and funded on their own merit.
Get your IT department's insight into each report	Get IT's take on translating the various technology needs in each report into specific technical requirements with ballpark pricing insights. This will give you an idea of what will be required for the final budget.
Look at everything through the lens of your business goals	Tie your IT spending to your business strategy rather than norms from surveys — survey respondents' answers are interesting but their goals aren't your goals. Balance your overall budget enough to meet your productivity, security, and business standards needs, but don't overspend in any particular area.

4. Price accurately

Cost out the approved items from the strategy session	Task IT with getting accurate pricing for the items approved during the strategic alignment session, including the time it will take to implement changes to your environment.
Allow enough time to gather pricing	Accurate pricing is rarely available online, and salespeople may not prioritize your information requests unless you're actively buying. Supply chain issues are exacerbating the process so IT will likely need to develop alternatives for some items. This requires time to research on top of the time it takes to compile the cost of each line item.
Be flexible, with an eye toward security	Be open to ideas from IT about how to work around supply chain issues, keeping in mind that sacrificing security to grow or transform faster is what got a lot of companies in trouble at the beginning of the pandemic.
Consider hiring an experienced consultant	A third-party technology consultant can speed up the pricing research if your team lacks bandwidth. Look for someone who focuses on your industry and has experience with companies like yours.

5. Present to leadership

IT leadership prepares the budget presentation for leadership	Use a proposal format that includes: 1) a summary of the overall budget strategy; 2) summaries of the Run, Grow, and Transform budget strategies; and 3) detailed descriptions of each project and initiative within each budget that includes the cost, required resources, associated risk, and level of difficulty.
Note which recommendations are critical or discretionary	Use a chart to visualize where dollars will be spent to help decision makers see the big picture, what's most important, and that their priorities are covered.
Be prepared to make changes to the first draft	In Leapfrog's experience, about 50% of budgets are sent back for adjustments. Decision makers may want additional meetings or to find ways to make initiatives more affordable.
Be prepared to adjust course during the year	While line-item prices may have been accurate during the budgeting process, in today's environment, prices and delivery dates can change significantly during the year, in addition to changes in other variables that are typical in business (resources, M&A, cyber events, etc.). Regroup to do the best with the budget you have left, given the changing circumstances.
Streamline for next year	If you're not already, track all IT costs and activities (sorted by department), including unplanned expenses, unexpected price changes, contract dates, vendor lead times, and new hire IT-related expenses. While each year is different, especially lately, this data can help you avoid surprises next year.

A budget that's aligned with your IT roadmap and focuses on your priorities

Technology is core to how we run, grow, and transform our businesses. It enables us to operate effectively and prepare for a future that will move even faster. A methodical, holistic IT budgeting process sets you up for success year after year.

When your team comes together to build your IT budget using a systematic, goals-first agenda, the budget that results is more likely to meet the mark and position you for success in 2023 and beyond.

Successful IT budgeting is successful business planning. Leapfrog's goal is for you to have a prosperous 2023!