Run, Grow, and Transform IT Budgets for 2023

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There are many approaches to IT budgeting, yet the Run, Grow, Transform (RGT) model remains a preferred classic for a good reason.

Gartner developed it to help companies successfully plan and invest in IT and help CIOs decide how to allocate IT resources to support those investments.

It looks at your overall IT budget through the lens of the three areas of IT planning — Run, Grow, and Transform. Each requires a separate annual budget. While distinct, these three different budgets impact each other and should be planned simultaneously as part of your annual IT budgeting process:

Run Budget: What it costs to operate IT
Grow Budget: What it costs to scale
Transform Budget: What it costs to innovate

Your Run budget is a relatively straightforward concept, but there can be some confusion about the differences between your Grow and Transform budgets. Both aim to drive business results, but they address different objectives. The explanations below will help you differentiate them.

If you're using the model for the first time, start by mapping your current resources into the three budget areas. This provides a high-level view of the balance between them, where your IT spending may not align with your business goals, and where you might want to make changes to resolve shortfalls, gaps, or overspending.

Look at your overall IT budget through the lens of the three areas of IT planning — Run, Grow, and Transform.

Your IT roadmap and key differences for 2023 budgets

Your IT roadmap is your organization's most important IT planning document. It shows the current state of your IT environment and represents your strategic level IT planning for the next few years. It typically includes a general timeline for planned improvements and projects with related justifications and costs.

Your IT department and IT partners often review and consult your IT roadmap, and most organizations make it available to all participants involved in the IT budgeting process.

Participants involved in your IT budgeting process will also need to be aware of what's different about IT budgeting for next year.

The top five differences that will likely impact each of your three 2023 IT budget areas are:

- 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

Allocating dollars for each budget area is a balancing act, and these current circumstances can make it even more complex.

Let's look at how to plan for each area.

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Run Budget

What will it cost to operate your IT environment in 2023?

Your Run budget, or your IT operations budget, is the portion of IT expenses that keeps your IT environment productive and secure. It covers the cost of what it takes to run your organization as planned. It's also known as MOOSE — Maintain and Operate the Organization, Systems, and Equipment.

Cyber insurance, which protects against loss from cyber events, also falls within the Run budget.

Most companies spent 65% of their total IT budget on Run* last year, but you should expect it to continue to be more expensive to operate IT. Many cloud platforms, including Microsoft, raised prices in 2022, and many companies failed to plan for the increase. Include potential price increases in your 2023 Run budget. **Run costs include:**

Management and Maintenance		
Component management	Clouds and cloud services	Cybersecurity
App integration and management	Data integrity and backups	Compliance
End-point management	Capacity tracking	Data and network security
Lifecycle management	IT support	Disaster Recovery (DR)

Keep in mind…
Investing in a standards-based, secure IT environment is a business and competitive imperative, regardless of market conditions. Well-run and funded IT operations help prevent business disruption, financial loss, and damage to your reputation resulting from cybercrime or critical failure of IT systems.

While not the most exciting part of an IT budget, your Run budget is the most foundational to a functioning business.

Grow Budget

What will it cost to scale IT to add more business this year?

Your Grow budget includes initiatives that track with your strategic plan and involves scaling the IT you already have to grow your business. Successful Grow budgets fund the extra capacity needed for infrastructure components and cloud services.

The cloud enables growth easily. Before the cloud, forecasting what you needed to support growth was more challenging. Now you can subscribe to more resources with the click of a button without buying and configuring equipment. Using the cloud strategically keeps your Grow budget flexible — it enables you to grow incrementally while also preparing for exponential growth.

In 2023, given supply chain volatility, focusing your Grow budget on cloud technologies allows you to still execute on your business goals. **Grow costs include:**

Capacity	
Network capacity	Computing power
Cloud capacity	Licenses
Storage capacity	Additional staff (in-house or outsourced)

Keep in mind…
Investing in Grow often means you need to increase your Run budget, too — operations for Grow activities will be folded into your Run budget in subsequent years.

For example, if you want to double the number of transactions you can handle in a week, IT operations need to be able to handle it. Buying more capacity (Grow budget) is one aspect and operating it (Run budget) is another.

Transform Budget

What will it cost to fund your transformative business initiatives?

Your Transform budget is about the IT investment it will take to go to market or run your business in a different way. It involves digital transformation activities such as:

- Moving customer engagement online across all channels
- Building mobile apps and digital services to compete for market share
- Using AI-driven technologies to speed and automate service delivery

When developing initiatives like these for 2023, ask your solutions architect to use technologies and platforms most likely to maintain market adoption. Popular solutions stick around, making it less likely you'll need to migrate later. **Transform costs can include:**

Initiatives	
Researching (internal teams and/or outside experts)	Integrating the initiative
Planning integration with your existing systems	Training and/or hiring staff to use and run the new technology
Building the test environment to pilot the solution	Rolling out the initiative
Building the initiative system-integration component, such as an API	Securing and monitoring any new software and integrations

Keep in mind…
Once your transformation initiatives are successful, you'll want to continue to operate them and, possibly, scale them.

Make sure your IT department or partner is at the table when budgeting for Transform initiatives so you can factor in the cost of operating and growing your initiatives once they succeed.

More OPEX, volatility, and opportunity

With more companies migrating to the cloud out of necessity and continuing to adjust to inflation and the aftermath of the COVID-19 pandemic, 2023 is an opportunity to **develop an IT budget** that achieves your strategic initiatives while keeping a sharp eye on today's realities and the future.

Increased investments in IT will likely continue each year moving forward — business forecasters believe the investments will pay off, and Leapfrog agrees.

Technology will continue to be a primary driver that fuels business growth, and when you pay close attention to the balance between your Run, Grow, and Transform budgets, you will be in the best position to leverage your IT.

Flexibility and priorities

When working with our clients on their IT budgets, Leapfrog advises that they factor in flexibility to respond to changing circumstances, including any potential costs related to delayed product delivery or project starts.

We also emphasize that they **modernize IT environments** to take advantage of digital transformation more quickly and deploy strategies that **address increased cyber risk**, two of the most critical factors in most 2023 IT budgets.

Solid Run, Grow, and Transform budgets — and a clear understanding of your IT roadmap and today's realities — will drive better business outcomes and a more prosperous 2023.

*IT Spending and Staffing Benchmarks 2022/2023, Computer Economics, Avasant Research

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

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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.

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Our managed IT services include:

Security Management
Cloud Management
Infrastructure Management
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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.