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IDC Study Finds U.S. IT Executives Cutting Budgets and Consolidating Assets in 2008

28 Apr 2008

FRAMINGHAM, Mass., April 28, 2008 – With talk of recession dominating business discussions in the United States and worldwide, senior IT executives in the U.S. are already feeling a negative effect on their budgets for new projects in 2008. The impact of a slowing economy was confirmed in recent IDC interviews with 27 CIOs and senior IT leaders.

"These in-depth interviews show a significant shift towards cost reduction rather than revenue generation as a driver for IT investment. Being able to deliver IT services more efficiently, as a response to the economic downturn and to recent mergers and acquisitions, is setting today's IT agenda. Responding to compliance and industry structural changes, such as the popularity of generics in the pharmaceuticals industry, are also key factors in deciding which IT projects get funded and which get deferred," said Henry Morris, senior vice president of Software and Services Research at IDC.

The interviews, conducted as part of IDC's Software and Services Leading Indicators research service, focused on the issues currently facing technology leaders in both large public (70%) and private (30%) companies across a variety of industries. The interviews did not include public sector and educational organizations.

Key findings from IDC's interviews include the following:

- Many U.S. IT organizations are already reducing their spending for 2008, with more than half of the executives citing existing negative impact on the budgets from the economy. Approximately one-half of the remaining interviewees were citing a neutral effect to-date, but in general were expecting a negative future impact.
- Nearly 70% of the executives indicated that funding is moving back to being more centralized, in part for better control and efficiency.
- Infrastructure improvement, including data center consolidation and virtualization, application consolidation, and data consolidation, was most frequently mentioned as a priority aimed at achieving lower cost, higher performance IT.
- Almost all of the interviewees (25 of 27) are engaged in some form of application modernization, citing a large remaining core of aging applications. Many of these applications are industry specific. Complicating factors include legacy client/server architectures and hard to support languages, including COBOL and Visual Basic.
- IT executives in the U.S. are facing real skill shortages in areas like SAP, .Net, VOIP, and Java, as well as business analysis, security administration, and project management. However, these executives, who are also faced with an aging U.S. IT workforce, are very open to acquiring these skills externally.

The presentation, *IT Executive Views: IT Priorities and Investments* (Doc #212005) offers highlights from IDC's in-depth interviews with 27 CIOs and senior IT leaders. The presentation was developed for an IDC Webcast held April 17, 2008.

IDC's Software and Services Leading Indicators research service, conducts 3-4 surveys per year aimed at understanding the state and progression of enterprise IT maturity, the major perceptions and influencing factors represented by business and IT executives and stakeholders, and the opportunities for software vendors and services providers. For more information about

IDC's Software and Services Leading Indicators research service, please contact Melissa Bambauer at mbambauer@idc.com.

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