

# 2021 IT Planning and Budgeting Guide



# Table of Contents

- Looking Back & Moving Forward . . . . . 1
  
- Getting Technology Buy-In . . . . . 1
  
- Budgeting Approaches for 2021 . . . . . 2
  
- Smart Forecasting & Vendor Costs . . . . . 4
  
- Benchmarking & Your Peers . . . . . 5
  
- Conclusion . . . . . 6

# Looking Back & Moving Forward

About a year ago, everyone with a voice or a keyboard was talking about “2020 vision,” a moderately clever play on the well-known benchmark for visual acuity. Ironically, many were utterly blindsided by the events of this year. However, the unexpectedly huge changes so many firms were forced to undergo have taught us countless lessons, and the time has come once again for technology decision makers to put everything they’ve learned into planning and budgeting IT initiatives for 2021.

This year has proved that investments in IT have real value. Some firms were ready for the distributed workplace transition—some were not. They may have had intentions to look into newer collaboration software eventually, but they learned a lesson in 2020 about putting important IT initiatives on the back burner. Now it’s time for the people who were on the frontlines of business transformation this year, technologists, to revisit strategic roadmaps and start presenting where they think they need to take the company in 2021 and beyond.

This guide comprises useful tips for technologists as they approach 2021 budget and planning discussions. It will cover how to get buy-in from non-technologists, budgeting approaches to consider in a constantly shifting world, smart forecasting, and even smarter reporting. With these in mind, you’ll be better prepared for this year’s budgeting process, so your firm can be better prepared for whatever next year brings.

## Getting Technology Buy-In

IT needs to be in the room when companies are making budgeting and planning decisions. This has been especially important this year because planning progress has not always been linear, and technologists need to be in lockstep with other decision makers as strategies shift back and forth.

### Get on the same team.

The key to winning the faith of company budget stakeholders is to approach your requests as business-driven initiatives and to create real partnerships with those business owners who will benefit from them. IT projects shouldn’t be driven solely by IT, or even presented solely by IT. They should be driven by the interests of the larger business, and the decision makers leading those business goals should be the ones advocating the loudest for both transformative and essential IT projects.



*Worldwide IT spending is projected to increase by 4% in 2021.<sup>1</sup>*

1. Gartner

To get those advocates on their team in the first place, technologists' job is to present the reasoning for their projected requirements in a risk-based way. Discuss the potential costs associated with not properly maintaining core infrastructure or staying abreast of changing security threats. If there is a known issue you are seeking to mitigate, bring up the actual numbers of the costs incurred the last time it fell to the wayside. This will mean more to management than just showing them a line item with the broad project description and price.

### **Speak the language.**

COOs and CFOs want to understand what they are budgeting for. Give them more than just a bunch of numbers. Give them a reason to believe in the importance of the initiatives you are bringing to the table. There is responsibility on both sides: technologists ought to do their homework and demonstrate value in their budget requests, and management at the same time needs to remain curious, and not write off all “tech talk” as “a bunch of ones and zeroes.” If both sides work to understand each other, then they can find across-the-board investment in the most important technology initiatives for the sake of the business.

## **Budgeting Approaches for 2021**

### **Make your budget an ongoing concern.**

Budgeting is most effective and least daunting when treated as an ongoing process. If you try to measure your actuals from the previous year, forecast for the upcoming year, and set up expectations for future projects all in one go each October, you will have a harder time wrangling the necessary data than if you start measuring actuals on an ongoing basis, and dynamically build your budget around that reality.

### **Look outside the IT organization.**

Remember also that IT and its requirements do not exist in a bubble. To accurately budget for your technology needs you must look at the entire enterprise and the business goals that exist throughout. For example, if your firm has a goal of 10% growth over the coming year, the IT organization will have to increase some of its costs to accommodate for that growth. Requirements like this ought to be thoughtfully considered as part of the budgeting process, which is what makes it so important for technologists and business leaders to stay in lock step throughout. This process cannot be fully siloed; it only truly works when there is collaboration and inclusion between departments.

If getting everyone who has a say in the budget on the same page sounds like a herculean feat, keep in mind that it all becomes more manageable when you don't treat the initiative as one monolithic event. Start early, have a streamlined system in place, measure and track actual costs as you incur them, and the task of creating and defending a plan for each coming year will seem much smaller.

## Break down your budget items by priority.

Have a base case that covers all the immutable items your company will absolutely need to function, no matter what. Then, rather than a “nice-to-have” list, consider the downside scenario. If something goes wrong what are the things that you may have to start stripping away to save costs? Tier that list by varying levels of extremity. If we don't quite meet our Q2 sales goals, what might we jettison to make up for that loss? If we lose one of our largest clients, how will we cut costs while still maintaining functionality? Consider what is possible and what is not firmwide. Once again, this will require cross-departmental collaboration and understanding.

## Be transparent around contingencies built into the budget.

This year has proved the value of a considered contingency plan for any business's budget. When it comes time to plan for 2021, look at historical outliers and put a number in your budget that makes sense for your firm and acknowledges the potential for major changes. Then, present this number wisely. While including some cushion can prove to be very useful when abnormalities inevitably do crop up, you never want it said that you are “padding numbers.” Where prudence necessitates a little wiggle room, make clear note of the amount and reasoning behind it to protect your reputation and your company. If it looks like prices will be going up in some area, but you are unable to say by how much, for example, remain in integrity by including extra budget for that contingency, and then explaining up front why you had to include that, and why it may not all add up at the end of the year. Remember, you might not have every budgetary wish granted for you, but sneaking extra cushioning past your stakeholders is not the solution.

## Adopt a budget-savvy mindset.

Not every company has a smart budgeting culture, and differences in how various decision-making teams think about and approach financial planning bear out in the results their firms can expect to see. A smart budgeter does their homework, is disciplined with tracking and forecasting, and above all, treats company money as if it were their own. Ask yourself, “Would I spend that money if it were mine?” If the answer is no, don't expect your company to feel differently.

### Pro Tip:

*Calculate your per-user cost and see where there are actually economies of scale. Don't just assume that the cost per user will go down as the number of users goes up, because there are so many factors at play that that's not always the case.*

# Smart Forecasting & Vendor Costs

A smart forecaster creates their budget line by line. Don't just guess what costs are going to look like in the next year. If you can do all of your math in 20 seconds based on a rough estimate of inflation or a gut feeling, the stakeholders whose buy-in you so badly need will be able to tell. Do your homework and demonstrate trustworthiness. Provide a rationale based on past experience, what you hear from colleagues, and concrete, quantifiable data points.

Vendor management is not entirely divorced from this conversation, especially when it comes to forecasting. This will be another area to carve out some flexibility wherever you can, because business does change, and you want to be prepared for when your requirements change along with it.



*59% of IT professionals agree their top challenge is budgeting and finding cost reductions.<sup>2</sup>*

It's important to understand what you are paying for with vendors, when renewals are, where increases in licensing tiers will occur, and to keep track of those and other contract terms, so that you are not caught unawares under the scrutiny of budget stakeholders when those costs do start to roll in.

The line-by-line approach can also give you an advantage on this side of the budgeting process, in vendor negotiations. Just as your firm's management can tell if you haven't done your homework, vendors have done enough contract negotiations

to know whether you are truly being budget conscious and giving them a considered amount to work around, or just trying to bluff your way to a lower price.

## Reporting on Performance vs. Budget Over Time

Tracking actual costs over time not only makes next year's budgeting easier, but can also give you an idea of how well you did when you made the current year's plan. If you find your numbers to be accurate, on the whole, you will gain credibility for your forecasting skills.

On the other hand, if you notice that your actuals are not matching up with what you budgeted for, tracking costs continuously gives you the ability to address those discrepancies and make the necessary changes in real time, before things get too far off from your projections. Yet again, a strong, collaborative relationship with your finance team will serve you well in your quest to stay on top of actual spend.

2. IT Data Center & Infrastructure Report

And finally, in a best-case scenario, being aware of the relationship between your projected and actual spend allows you to keep track of any extra capital you may be building up in a sort of slush fund that you can invest, put towards larger, transformational projects, or roll forward in anticipation of future developments.

It is your job as the IT owner to keep on top of the reporting of your actuals. There are often little errors here and there that can contribute to an inaccurate representation of your departmental spending. Regardless of how often your firm requires a formal budget review, you have a vested interest in keeping continuous, personal records of what you spend, where, and why.

## Benchmarking & Your Peers

Benchmarking is a game of comparisons, and what stakeholders really want to know when you present your budget to them is whether you took the time to look at available peer data before choosing what you thought would be best. In any area of spend, you have many options available to you. If your company has a culture of discipline, they will be concerned with optimization, making sure company money doesn't go towards an inferior product. You can win them over by pulling two or three vendor options you know others in your field have worked with, comparing both products and prices to find the best one, and presenting your findings with a concise, coherent explanation of the research you did.

Often, CFOs and COOs want to know how their firm compares to its peers. They want to be sure they aren't left out of the latest hardware and software trends, and they don't want to pay more for the same value. To get a feel for where you fall among your competitors, you can work with a vendor who is able to do extensive peer analysis for you, or build a very strong network of peers you trust. Even if you are competitors, you can truly all benefit from sharing what insight you have into industry benchmarks. If you know what to expect in terms of vendor pricing, you can save your firm a lot of money and trouble by getting competitive pricing in contract negotiations. Of course, you don't have to share your company's "secret sauce." When something is more innovative or more specific to you, there's no need to go around broadcasting how you do it and how much you spend on it, but for the more basic areas of spend, the best way to understand what your peers are doing is to understand your peers, and that means allowing them to understand you, too.

# Conclusion


Just as your business needs to bring IT experts into the room when budget decisions are being made, technology decision makers need to bring an understanding of the end user's perspective. Your users are the lifeblood of your company, so to stay aligned with business goals, it will be important to take their priorities into consideration as you build your plan for the upcoming year. Get employee feedback on the current situation, the transitions you've been

through over this year, and what they are most concerned about going forward. Find out if the quick decisions you had to make in response to the pandemic are truly working for them. If your users are not yet comfortable with the new technology you've adopted, you may need to invest in further training and socialization.

Planning and budgeting is never easy, and with less stability to fall back on this year than ever, it may appear even more daunting. However, you will be able to handle it, and perhaps improve your budgeting process permanently, as long as you proceed with integrity, dedication, and collaboration.

For a third-party review of your IT roadmap and budget for 2021, contact Eze Castle Integration at [eci.com/contact](http://eci.com/contact).

*3. HRM's COVID-19 Business Index*



*42% of the US  
Labor Force is now  
working remotely  
full-time.<sup>3</sup>*

## About Eze Castle Integration

Eze Castle Integration is a global leader in end-to-end technology solutions to financial and professional services industries. We allow 800 forward-thinking organizations around the world to reach new performance levels through innovative technology solutions that drive business transformation.

Eze Castle Integration is headquartered in Boston and has offices in Chicago, Dallas, Hong Kong, India, London, Los Angeles, Minneapolis, New York, Philadelphia, Philippines, Portugal, San Francisco, Singapore and Stamford.

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