

Strategic Technology Budgeting for Businesses

6 min read



We can't escape it. Whether you're operating a business or being a customer, technology seems to be infused into every aspect of our lives.

Key Takeaways

- **What Is Technology Budgeting and What Should an IT Budget Include?:** Technology budgeting is the process of deciding how much your business can afford to and plans to spend on technology-related items and services during a set financial period.
- **Understand the Different Kinds of Tech Spend ROI:** When it comes to deciding what kinds of tech you'll spend money on in your company, it's important to understand the different kinds of benefits and potential returns that technology can deliver.
- **Don't Skimp on Security:** An IT breach can result in major monetary losses in addition to an enormous loss of trust from your clients and significant damage to your company's reputation.

There's an app for nearly everything from ordering groceries to finding freelance talent, signing up for fitness classes, and finding your next date. Plus, AI and machine learning are, now,

becoming infused in most business experiences from customer response management and marketing to personal stylist services and product subscription boxes.

As a business leader, however, the sheer amount of technology and advanced tools that are available for innovating, streamlining, automating, and integrating nearly every aspect of your operations can be overwhelming – not to mention expensive. Technology doesn't come cheap, and integrating it into your business can cost you even more in terms of time, learning curves, and adjusting processes.

According to PxC's 24th Annual CEO Survey (2021), almost half of the participating CEOs said they planned to increase their technology spending by at least 10%. However, 53% didn't believe they were generating significant value from these investments. ^[1]

So, before you decide to hire a developer to make an app for your company or purchase a machine learning tool to determine your clients' buying behavior, you have to think carefully.

It's up to you to keep a close eye on your technology budget, what you decide to include, how much you choose to spend, and to determine whether and to what degree the tech you choose to adopt can actually help strengthen your company.

What Is Technology Budgeting and What Should an IT Budget Include?

Technology budgeting is the process of deciding how much your business can afford to and plans to spend on technology-related items and services during a set financial period.

The IT budgeting process can be complex and complicated because, like other operational expenses, technology costs should also help to improve efficiencies, saving you money, and/or improve the services you offer, helping to generate revenue.

A business's technology budget might include the following items:

- Hardware
- Wires and cables
- Peripheral devices
- Software
- Subscription services
- IT operations and overhead

- Website design and developers
- Energy consumption
- Repairs
- Upgrades
- Cybersecurity or IT security (physical security of your network, firewalls, anti-virus protection, etc.)

So, when you're sitting down to hash out your next year's technology budget, the following technology budget best practices can help you determine what's working for you and what's not in addition to what tech to take on and what tech costs you might cut going forward.

10 IT Budgeting Best Practices

1. Understand the Different Kinds of Tech Spend ROI

When it comes to deciding what kinds of tech you'll spend money on in your company, it's important to understand the different kinds of benefits and potential returns that technology can deliver.

For example, some technology exists strictly for in-house use. It does not affect your customers in any tangible way. This type of tech might not differentiate you from your competition in terms of what the clients see, but it can save you money by automating repetitive tasks, saving time, and increasing operational efficiency.

Other kinds of tech can differentiate you from your competition. For example, StitchFix, an online personal stylist service, uses machine learning and special algorithms ^[2] to help determine their clients' ideal fit and style to personally select pieces that will work for them. This technology was a game-changer within the personal stylist space, automated the process, and made this high level of styling available to the average person.

StitchFix's machine learning didn't just differentiate their company from the competition, but it also streamlined the jobs of their stylists, making the business model more efficient overall, as well. This is the kind of technology investment that is most valuable to a business because it offers a double-whammy payoff by not only differentiating a company but also improving its operational efficiency.

2. You Don't Have to Keep Up With the Joneses

Business budgeting is different in every business.

While you might find similarities in IT budgets within industries, small business budgeting is always going to look different than large, corporate budgeting. While keeping an eye on what your competition is up to, it's important to remember that you represent a unique business. So,

yes, it's important to remain competitive and keep up with the competition, but you should not always automatically follow what the competition is doing.

Before automatically purchasing the same tech as your competition, ask yourself whether those products truly make sense for your business model, whether they can significantly improve your services, and how they will continue to keep your company ahead of the curve.

3. Know Whether Your Business and, More Importantly, Your Clients Are Neophiles

With every new technology you adopt, there is going to be a learning curve – not only in your business but also among your customers who use your services and will likely need to change the way they interact with and do business with your company as a result of new tech being adopted.

With AI and machine learning tools on the rise, we're about to see an incredible surge in new technology trends.

However, before you hop on board and decide to budget for all the new automation trends, take a long, hard look at your business, your brand, your employees, and your target market. Are your business and its market made up of tech-savvy experts who are always on top of the latest tech? Or is your business built more on a foundation of individuals who prefer to tread more carefully into new tech, preferring to wait until new ideas have been carefully tested and vetted before adopting?

Just because new tech is on-trend or it seems like everyone is adopting the latest, you don't have to follow suit. If it fits your brand, go for it. If it doesn't, don't worry about hanging back (for a little bit – you don't want to become completely outdated) and wait to adopt until you know you and your customers can comfortably move toward using the new technology.

4. Innovation vs. Integration: You Don't Always Have to Start From Scratch

Plenty of large corporations have the technology budgets to hire their own developers to start from scratch, writing proprietary software, algorithms, and machine learning code that's unique to their businesses. This kind of innovative technology is incredibly expensive. Plus, it's also highly risky as your company will be testing it, working out the bugs, and hoping that the investment pays off.

Instead of pioneering new tech avenues, your company stands to benefit a lot from the software and tech ideas that other businesses have already proven. Before hiring someone to innovate on behalf of your company, take a look at what already exists and see if you can't find a useful way to integrate existing technology, instead.

Read More: [How to Grow Your Business Like a Deloitte Technology Fast 500 Company](#)

5. Know How Technology Will Work for You Before Purchasing

Before you purchase any new tech, you should have a very clear picture of how it will help your company. Will this new tech differentiate you from your competition, giving you an edge? Will your customers be able to use it? Or does the new tech help solve an internal, operational issue?

Then do your best to estimate how much revenue the new technology could generate and/or how much cost it will save you as a result of improving efficiency. Compare these estimates to the cost of the tech to decide whether or not it's worth the price tag.

6. Don't Skimp on Security

You would never put a door that doesn't lock on your business. So, don't skimp on IT security, either. It might be more difficult to understand and more difficult to see, but your network, your technology, and every single device that's connected to it represent open, unlocked doorways into all of your company's (and customers') data.

An IT breach can result in major monetary losses in addition to an enormous loss of trust from your clients and significant damage to your company's reputation. Don't let your company learn this lesson the hard way. Instead, spend generously on [cybersecurity](#) (and follow all of the security rules that your IT professionals put into place).

Read More: [Major Failure in the C-Suite: CEOs Need to Take More Caution In Cybersecurity](#)

7. Be Sure Your Customers Are Willing to Pay for It

Technology is expensive, and before you decide to innovate or adopt a new tech product that directly affects your customers, you need to be sure that the technology improves your services enough that your customers will be fully on board and willing to pay for it. Or you need to be certain that without the technology, your customers will leave you for the competition.

If you can't confidently say that either scenario will happen, then the technology might not be worth the investment.

8. Create a Framework for Tech Implementation That Actually Works

There is always a learning curve with new technology. When implementing a new system into your operations, you not only need to provide training to your employees so that they know how to use it, but you also need to revise your operations, processes, roles, and responsibilities to ensure that you're making the most of the investment you've made in this new tech.

When implementing a new system, it can be extremely helpful to break down walls between departmental silos to create a committee of employees from every department that the

technology affects. Allow them to work together and steer the process of integrating the technology into the company's daily operations.

9. Don't Forget About Employee Buy-In

People like their comfort zones and instinctively resist change. As a result, your employees will likely be resistant to new technology and be slow to adopt it into their daily workflow.

It's important that you communicate the benefits of new technology clearly to your employees so that they understand its value and can clearly see that you aren't just asking them to jump through another hoop while they overhaul their day-to-day processes.

Read More: [Small Business Technology Trends For 2022](#)

10. Reassess Subscriptions on the Regular

You can't come in with the new if you don't also sometimes go out with the old. Each time you create a technology budget, carefully assess every single item that you include. If there are software subscriptions or other expenses for old tech that you no longer need or use, be sure to cancel these items so that you don't waste money on technology that is no longer helping to drive profits.

Measure the Impact and ROI of the Technology You Adopt

No savvy business leader should ever adopt new technology, implement a new process, or make any strategic change without a solid plan for measuring its success.

Be sure you understand how new technology should affect your operation and your bottom line. Plus, have a solid back office to back up these processes, so that you can track the proper metrics to calculate the ROI of every dollar you decide to spend on tech.



Frustration from inaccurate financials ends
HERE.

SPEAK TO AN EXPERT

[1] <https://www.pwc.com/ceosurvey>

[2]

<https://www.forbes.com/sites/tomdavenport/2021/03/12/the-future-of-work-now-ai-assisted-clothing-stylists-at-stitch-fix/?sh=41c41c353590>