



*Over the next 3 years how will the enterprise evolve to meet the greater needs for efficiency, scale, and execution?*

For budget planning purposes enterprises view spending in two: either weighted towards capital expenditure (capex) or weighted towards operational expenditures (opex).

Projects with high capex requirements tend to have more predictable future spending than those with high opex simply because more of the spending is done up front.

Folks who work with capex heavy projects tend to talk like “we spend \$10MM per year on our data centers” whereas those with opex sound more like “we pay \$35 per new customer.”

Most importantly, opex weighted projects can be more closely tied to core business metrics: it’s not really feasible to return a few hundred computers if you miss your sales target.

### **Why is this important?**

Well, the cloud is driving a massive change over the next three years from capex to opex spending on technology as companies learn how to use the cloud to make IT spending align better with the business plan.

This means three things:

First, IT budgets will become much less predictable. A significant portion of spending will shift to a cost-per-business action type of spending. For example, if the number of web servers you need varies with the number of users, your budget will shift from \$x per month for servers, co-lo, etc. to \$y per thousand users or page views.

This is a completely new phenomenon for most IT shops and will require new processes, thinking and tools.

Secondly, technology projects will increase in number and variety, and reduce in size, as they move closer to the business. It will become increasingly easy and acceptable for business units to take over their own IT processes, in a shift that will feel similar to anyone who was around when workflows moved off mainframes and onto Windows powered PCs.

Finally, the Chief Information Officer will begin to resemble the Chief Integration Officer as a fifty-year trend of eliminating variation and complexity begins to reverse. Companies that can join many disparate and varied systems together will have a considerable advantage over those who depend on large, monolithic and slow changing services.

Already we are seeing some very large corporations plan big changes to their IT spending. Their goals are a more customized, flexible and scalable approach to projects all across the organization. The main block are the humans, who are having trouble changing thought patterns and hard-earned skills to match this brave new world.

In three years time we will not be seeing the end, not even the beginning of the end of traditional, capex intensive IT spending. But we shall be seeing a change that is long term and permanent, and will take many more years to fully complete.