

2009 Network Plans and Priorities Mid-year Update: Enterprise Remains Resilient in a Challenging Economy

Introduction and Key Findings

In November of 2008 it became apparent that the worsening global economy was going to have a major impact on many industries, including telecommunications. At the time, a survey of the Webtorials user base found that while most Users were expecting a moderate decrease in telecommunications budgets, they were also anticipating that networking capabilities would only increase in importance, even as funding failed to keep pace.¹ At the end of June of 2009, a follow-up survey went out to the Webtorials community to determine how their outlook had changed due to current market conditions. As before, Users were the primary focus, but service providers and manufacturers provided their perspective as well.

The key findings of this analysis are:

- Survey respondents expect economic conditions to continue to have a negative impact on IT operations.
- Respondents overwhelmingly expect budget allocations to decrease most for conferences requiring travel; staff salaries, telecommunications services, and local conference budget allocations are the only areas seen as more likely to stay the same than decrease. Telecommunications services is seen as the most likely area in which the budget allocations would increase.
- Respondents think that the importance of IT and the desire for new IT capabilities will both increase, but that increased funding will not be allocated

Overall, the responses of those taking the survey at the end of June 2009 are very similar to those from November 2008, despite the eight intervening months. Perhaps the similar values of some economic metrics accounts for this - one imagines that a follow-up survey coinciding with the lowest values of the Dow Jones Industrial Average in mid-March might have found a great deal more pessimism!

Whatever the reason for the similar survey results, respondents still expect that the growth in importance of networking assets and capabilities that has occurred over the last thirty years will only continue, IT professionals will be asked to do more with fewer dollars over the next year. For most companies, then, a focus on efficient, cost-productive investments in networking assets, services, and personnel will be crucial to surviving the current market downturn and thriving in the eventual economic revival.

¹ The original survey analysis can be found at <http://www.webtorials.com/main/resource/papers/kubernan/sotm-09-1/2009-Network-Trends.pdf>

Overall Impact of the Current Economic Conditions

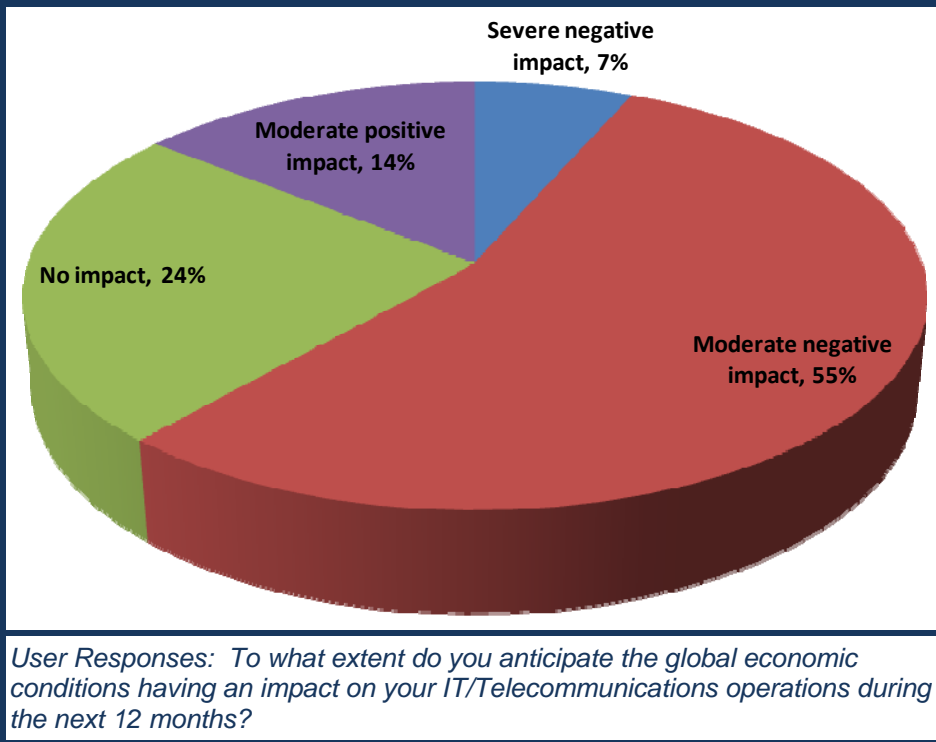
Similarly to before, the Webtorials community was asked “To what extent do you anticipate the global economic conditions having an impact on your IT/Telecommunications operations during the next 12 months? (Note that a positive impact could result from IT/Telecommunications enhancing productivity.)” As **Figure 1** shows, the Users’ expectations are largely unchanged from November, with only a small increase in those foreseeing a moderate negative impact from current economic conditions (55% now vs. 50% in November). Indeed, the percentage of those foreseeing a severe negative impact has in fact decreased, from 9% then to 7% now. Moreover, fully 38% saw either no impact or a positive one – down slightly from 41% in November.

Therefore, the overall picture is largely unchanged, and many users are still optimistic that the desire to cut long-term costs will lead to further IT investments through the growing use of telepresence² and managed services to improve productivity despite falling budgets. Telepresence solutions are of particular interest because they can be used to minimize direct costs from travelling and indirect costs from having key personnel in transit instead of working.

The “Users,” as referred to above, are the respondents who classified themselves in answering the questionnaire as “a professional involved in some aspect of installing, operating, planning, and/or designing an enterprise communications network.” This group represents 53.5% of the respondents.

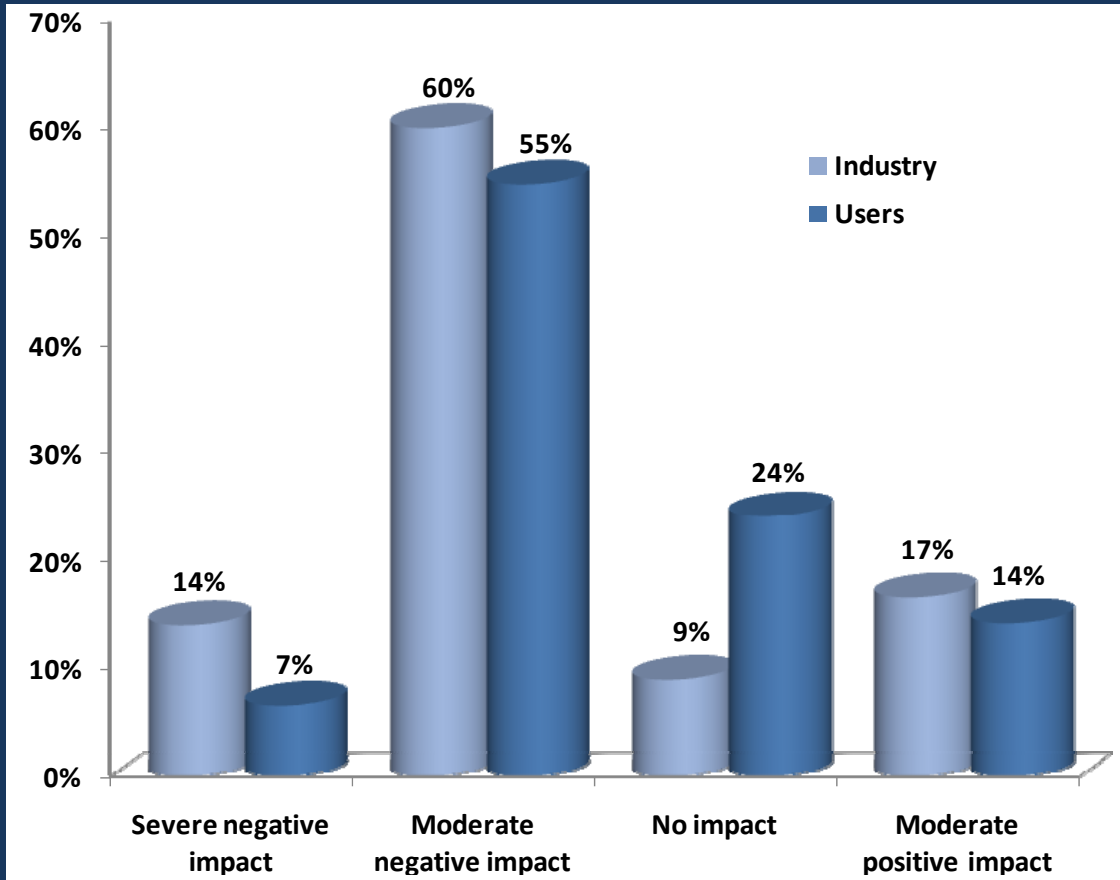
The remaining 46.5% of respondents, whom we’ll refer to as “Industry Respondents,” classified themselves as “an equipment manufacturer, vendor, service provider, integrator, VAR or consultant involved in some aspect of installing, operating, planning, and/or designing

Figure 1: Users’ Anticipated Changes in Telecommunications Budgets



² In this report, “telepresence” is used to refer to advanced high-definition teleconferencing regardless of products from any specific vendor.

Figure 2: Users' vs. Industry Respondents' Anticipated Changes in Telecommunications Budgets



Users are still anticipating less severe changes than Industry Respondents.

enterprise corporate networks, representing my own opinions about industry trends.”

As shown in **Figure 2**, Industry Respondents are still significantly more pessimistic than Users, and have actually grown more so since November. The starkest changes among Industry Respondents are in “no impact” and “severe negative impact,” as the percentage of those foreseeing “no impact” declined from 13% in November to 9% now, and those anticipating a “severe negative impact” rose from 8% to 14%. Speculatively, these differences may stem from differing overall effects of the recession upon different industries, or may be an artifact of when the recession began to affect them.

Just as before, in addition to the graphical representation of the responses, we calculated an index for the Users and for the Industry Respondents. In this analysis, a response of “Severe negative impact” was assigned a value of -2, “Moderate negative impact” a -1, “No impact” a 0, “Moderate positive impact” a 1, and “Extreme positive impact” a 2. Then, the assigned values were averaged.

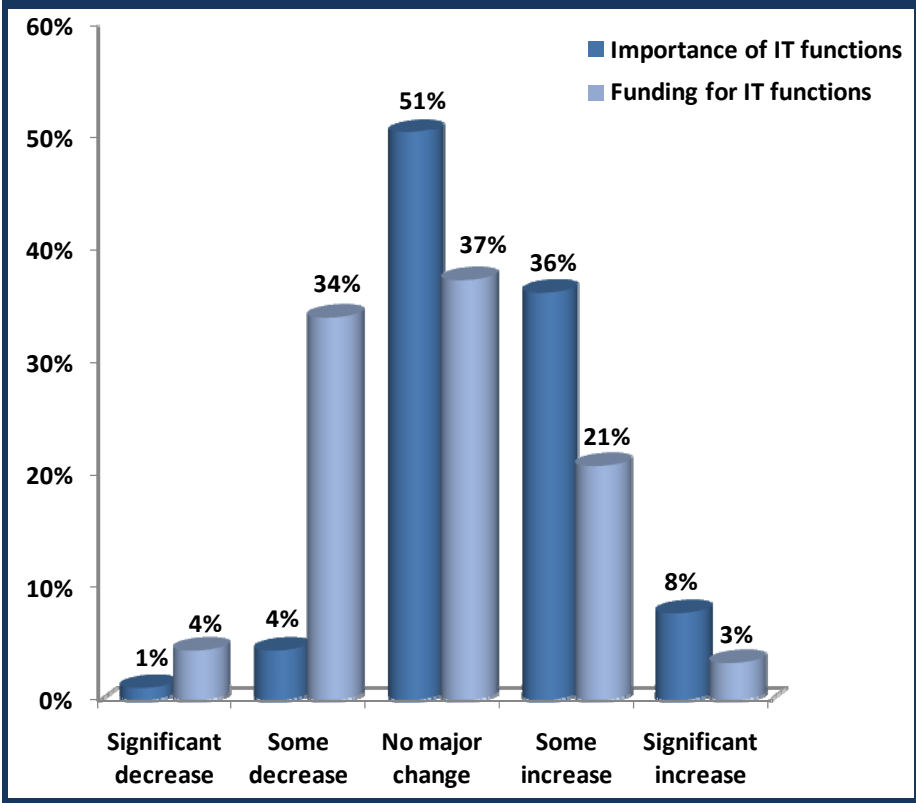
As one might expect, the index value for Users was practically unchanged – worsening slightly from -0.51 to -0.54. Industry Respondents’ index, by contrast, fell sharply from -0.58 to -0.72. While it remains to be seen whether the Users or Industry Respondents have a more realistic long-term outlook, the Users’ continued enthusiasm for telecommunications products and solutions tends to suggest that the situation is somewhat better than it seems from inside the telecommunications industry itself.

Expectations versus Funding

As mentioned in the key findings above, over the next 12 months Users will be expected to provide a higher level of services without a commensurate increase in funding to do so. The respondents to the questionnaire were asked “In what way do you see the changes during the next 12 months in each of the following areas?” and were then given the options of “Significant decrease,” “Some Decrease,” “No major change,” “Some Increase,” and “Significant Increase.”

As shown in **Figure 3**, which is limited to responses from Users, slightly more than half of the respondents will, on the average, have no major change in importance, while only 37% will experience no major change in funding. Comparing the columns on the left of center, the percentage with a decrease in funding is dramatically higher than the percentage with a decrease in importance. Similarly, as shown in the columns to the right of center, a

Figure 3: Importance versus Funding for IT Functions

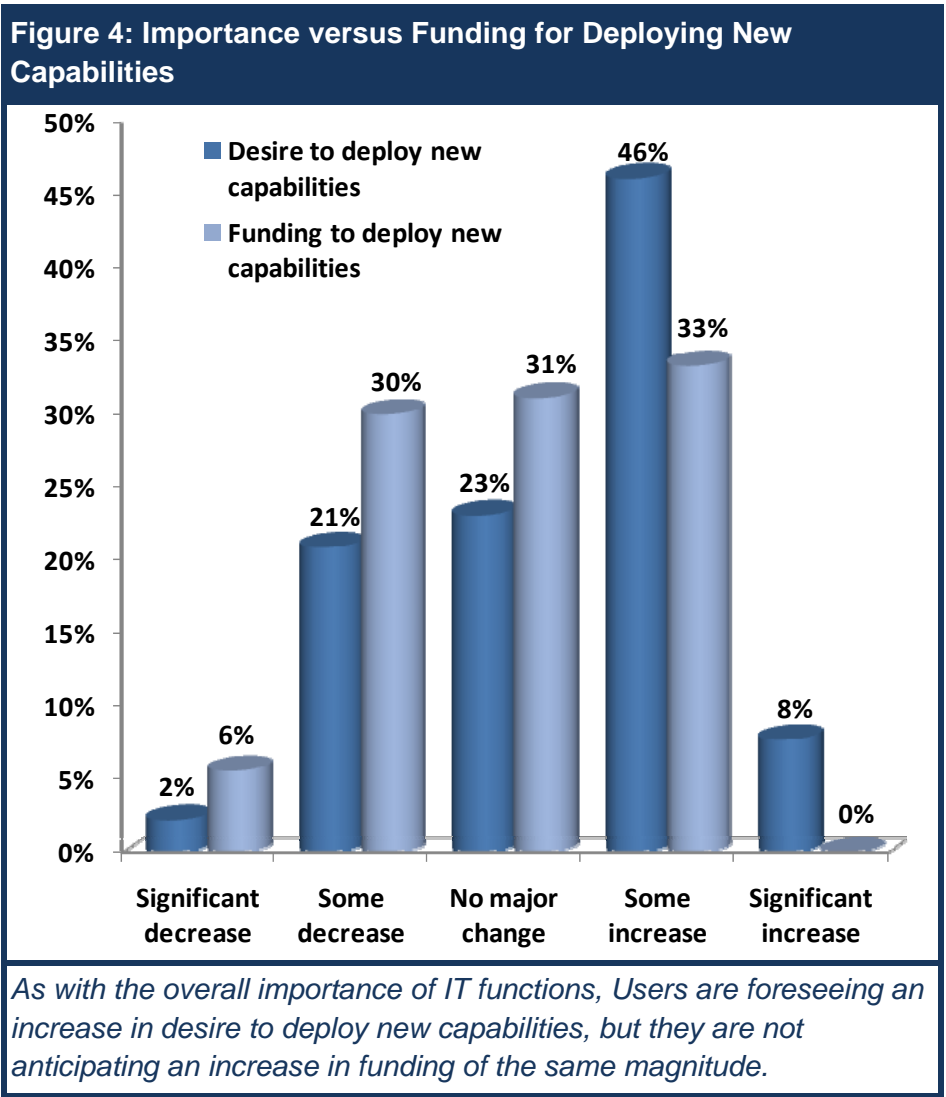


Users are foreseeing an increase in importance for IT functions, but they are not anticipating an increase in funding of the same magnitude.

drastically higher percentage are anticipating an increase in importance than are anticipating an increase in funding. These data represent a shift towards greater importance for IT since November, with only 5% of Users foreseeing a decrease in IT's importance now, versus 13% then.

Respondents were also asked more specifically about the importance versus funding for "deploying new capabilities" for the coming year. As shown in **Figure 4**, desire to deploy new capabilities still outstrips funding for them, just as in November. The good news is that both desire and funding for new capabilities have increased in Users' estimations since then, with a 54% now reporting an increase in desire for new IT capabilities now vs. 46% in November, and 33% foreseeing an increase in funding, vs. 28% in November. Furthermore, the percentages of Users anticipating drops in desire and funding for new capabilities over the next 12 months is also lower than in November, with 23% now foreseeing a decrease in desire for new capabilities (down from 32%), and 36% now anticipating a decrease in funding (down from 40%).

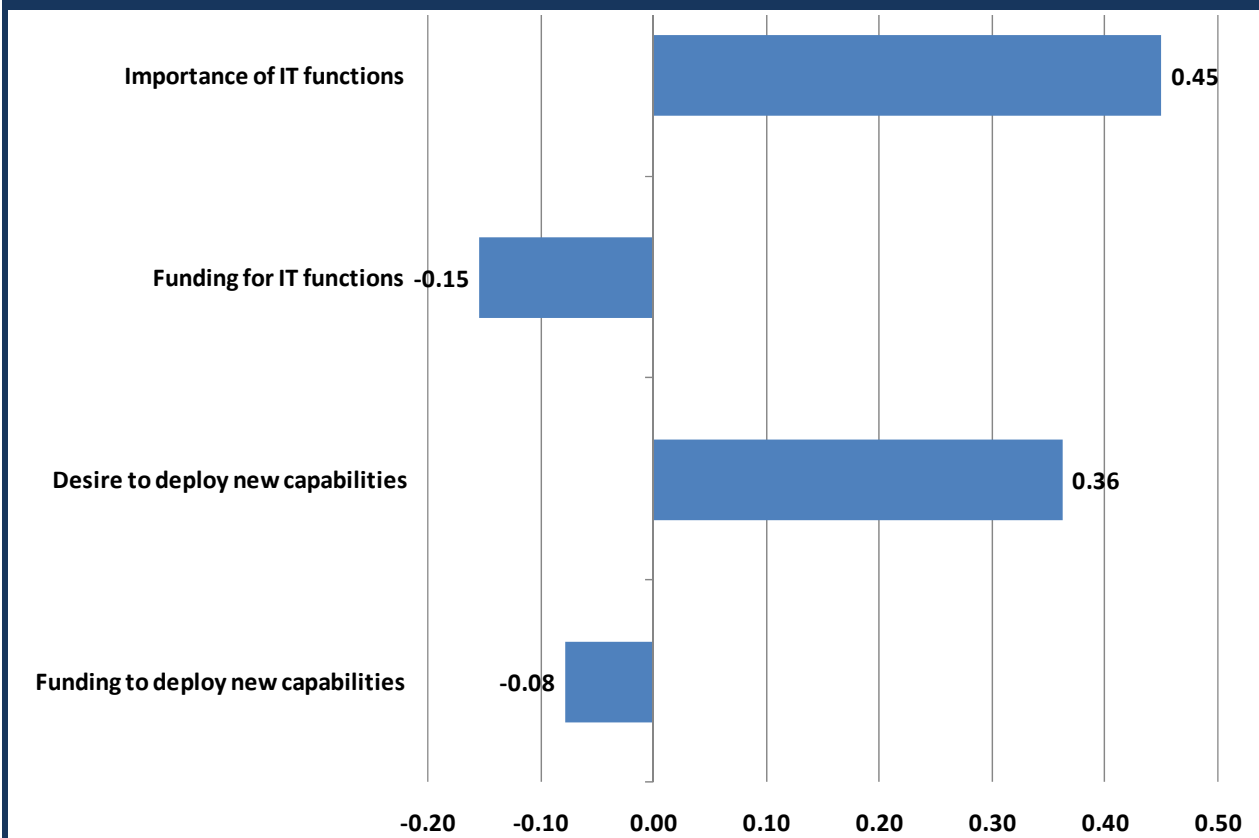
64% of Users think they will see an increase or no major change in budget, and fully 75% anticipate the same for the desire to deploy new IT capabilities. These findings should be very good news to the pessimistic Industry Respondents above – opportunities definitely exist for skilled salespeople and marketers.



As with the impact on budgets, we calculated indices for the importance and the funding both for IT functions and for the desire to deploy new capabilities. Once again, a response of “Significant decrease” was assigned a value of -2, “Some decrease” a -1, “No major change” a 0, “Some increase” a 1, and “Significant increase” a 2. Then, the assigned values were averaged. Also, once again, a value of “-1.0” would indicate an overall consensus of a moderate decrease while a value of “+1” would indicate a moderate increase.

While **Figure 5** (again limited to Users’ responses) is significant and shows that there is much more of an increase in importance/desire than there is in funding to support these increases, the good news is that from an overall perspective, the anticipated funding is higher than it was in November, and that desire to deploy new capabilities has grown dramatically, suggesting that additional funding may soon follow, or that efficient allocation of current funding can produce some of the desired productivity gains, while Industry Respondents willing to make a deal will find many more opportunities now than in last November.

Figure 5: Weighted Importance versus Funding for Overall IT Functions and Deploying New Capabilities



Users are anticipating a stronger increase in the overall importance of IT functions than in the desire to deploy new capabilities. However, the lack of funding for each is essentially equal.

Figure 6: Anticipated Budget Changes in Specific Areas

	Significant decrease	Some decrease	No major change	Some increase	Significant increase	Weighted change
Staff salaries	2%	27%	58%	11%	1%	-0.18
Telecommunications services	4%	31%	46%	17%	2%	-0.19
Staff (headcount)	6%	43%	41%	9%	1%	-0.43
Staff training	15%	36%	32%	13%	3%	-0.47
Conference attendance - local	11%	33%	50%	3%	2%	-0.48
Contractor services	11%	41%	36%	10%	2%	-0.49
Capital equipment	13%	40%	32%	13%	1%	-0.51
Conferences requiring travel	35%	39%	21%	3%	1%	-1.03

Users were asked to indicate their expected changes in budgets for a select group of specific areas.

Budgets in Specific Areas

The survey respondents were asked to indicate the extent to which they saw their budgets changing from current levels over the next 12 months in several specific areas. The responses from Users are shown in **Figure 6**. In the figure, the categories are listed in order of *decreasing* change. That is, the items listed from top to bottom have increasing cuts.³

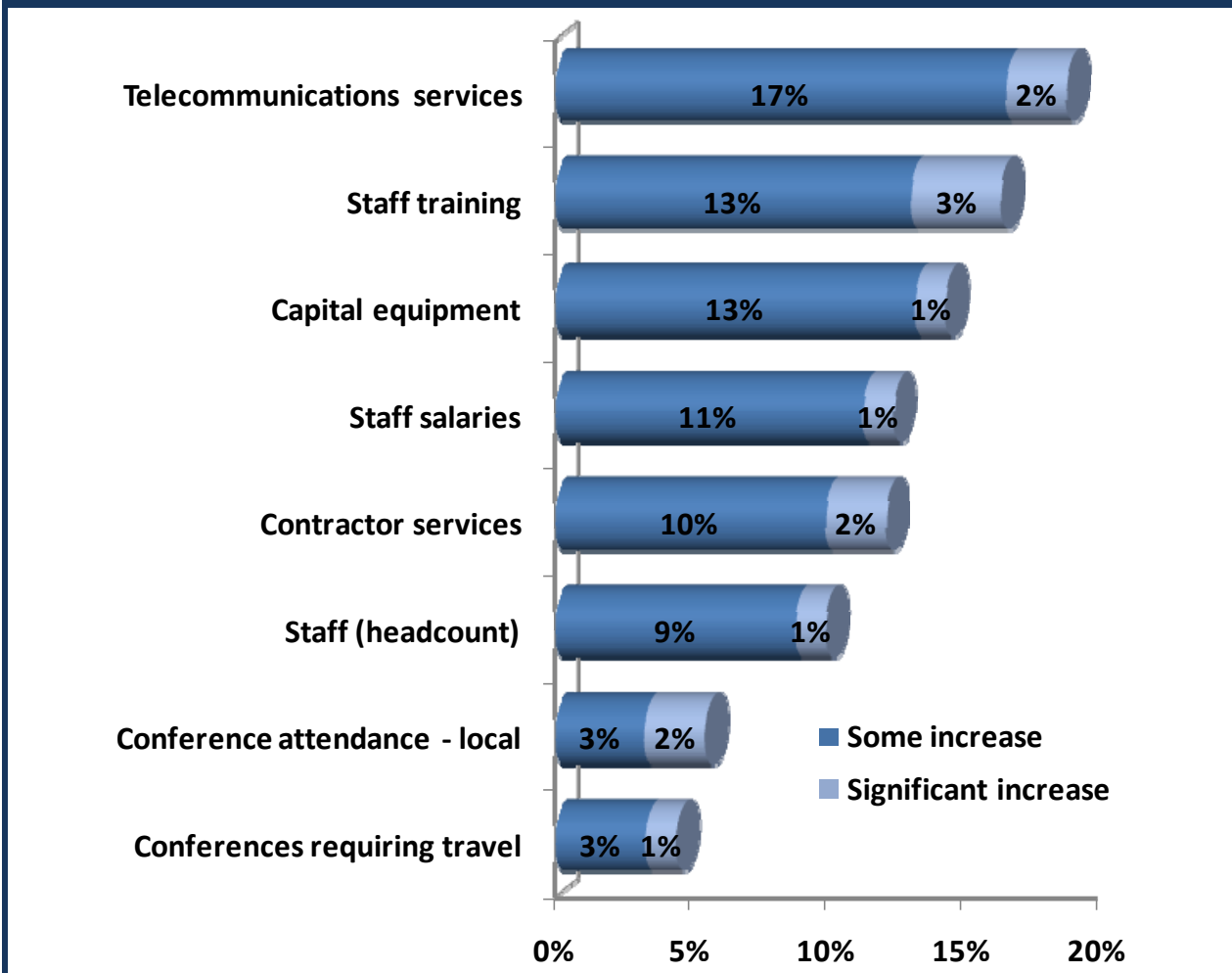
The last column shows a weighted change, just as in prior sections, such that the respondents with a significant increase or decrease were assigned a value of plus or minus “2,” a moderate increase was assigned a plus or minus “1,” and no change a zero. Then, the results were averaged.

As in November, staff salaries and telecommunications services are still least likely to see cuts over the next 12 months, and telecommunications services were seen as the area most likely to experience increases in budget over that time frame, perhaps reflecting the enthusiasm covered above for new IT capabilities. Furthermore, “conferences requiring travel” is still seen as the area most likely to see cuts, and virtually certain not to see increases. In general, weighted change indexes indicate that budgets are more likely to shrink over the next 12 months than they were in November 2008, when the first survey was taken, although most indices remain very similar to their November counterparts.

While still focusing only on the responses from Users, **Figure 7** shows exclusively the areas in which there are anticipated budget increases. Again, “Telecommunications services” deserves particularly close attention.

³ In the survey itself, the various items were presented to the survey-taker in a random order to prevent bias based on the placement of each item within the question.

Figure 7: Anticipated Increases in Budgets in Specific Areas



Users anticipate more increase in the budget for “Telecommunications services” than any other area.

These data represent a somewhat different picture from November, as “contractor services” has fallen out second place, as staff training and capital equipment have climbed. This may suggest that Users have made whatever increases in managed services or contractor employees they were intending on making and have shifted their focus to improving and retaining their current staff. Furthermore, “telecommunications services” remains most likely to see increases in budget, perhaps due to the already noted desire and funding for new IT capabilities.

Conclusion

Despite the many changes the global economy has undergone, this Webtorials community survey has indicated that much remains unchanged in Users' attitudes and outlook since November. This fact alone is good news of a sort, as Users have maintained a mostly positive outlook in the face of sometimes dire economic times. However, there does seem to be an increase in possibilities for Users and telecommunications industry professionals alike to capitalize on opportunities that present themselves as global economies recover.

Users' continued optimism suggests that they took necessary steps to weather the current recession. Now is the time, as some countries have officially registered economic growth, to begin planning for recovery.

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