



2027 IT Budget Playbook

Where to Invest, Where to Cut, and How to
Make Every Technology Dollar Work Harder



EXECUTIVE SUMMARY

For years, building an IT budget meant taking last year's number, adjusting for inflation, adding a few new initiatives, and hoping the result was enough to support the business. That approach is no longer sustainable.

Technology is becoming simultaneously more important and more expensive. Artificial intelligence is creating entirely new investment requirements across infrastructure, software, data, cybersecurity, and employee productivity. Cloud environments continue to introduce variable costs. Cybersecurity threats are expanding. Technical debt is becoming an increasingly visible constraint on modernization. And IT leaders are being asked to deliver all of this while controlling costs and demonstrating measurable business value.

The result is a fundamentally different budgeting challenge for 2027. The question isn't simply, "How much should we spend on IT?" It is: "Where should we invest, where should we optimize, and what technology spending will create the greatest business impact?"

The market signals suggest that companies will have more IT budget to work with in 2027. Forrester's newly released 2027 Budget Planning Guides found that more than 80% of business and technology leaders expect their overall budgets to increase over the next 12 months, **with as many as one-quarter anticipating increases of 10% or more**. Among technology decision-makers specifically, **82% expect budget increases**.

2027 IT BUDGET OUTLOOK



82%

of technology decision-makers
expect their budgets to increase.



80%

of business and technology
leaders expect overall budget



1 in 4

anticipate increases
of 10% or more.

At the same time, Gartner reports that 52% of CIOs identify cost reduction as becoming a more important objective over the next two years. Gartner recommends that CIOs treat cost optimization as a way to fund growth rather than simply cutting technology spending. That tension defines the 2027 IT budget.

The businesses that outperform will not necessarily be those with the largest technology budgets. They will be those that allocate their budgets around business outcomes, eliminate low-value spending, strengthen their technology foundation, and create enough flexibility to invest in emerging opportunities such as AI.

This playbook provides a practical framework for doing exactly that.

The 2027 IT Budget Is Entering a New Era

Technology spending is no longer simply an operating expense supporting the business. For many companies, technology is the infrastructure through which the business operates, serves customers, protects data, manages employees, and creates competitive advantage. The spending environment reflects that shift.

Gartner forecasts worldwide IT spending will reach \$6.31 trillion, up 13.5% year over year.

IT services alone are forecast to exceed \$1.87 trillion, while software spending is projected to grow 15.1%. Data center systems are forecast to grow an extraordinary 55.8%, driven largely by AI infrastructure demand.

Forrester’s forecast similarly projects U.S. technology spending to reach \$2.9 trillion, representing 8.3% growth. Forrester expects computer equipment spending to grow 25% and software spending 11.8%, reflecting continued investment in AI infrastructure, cybersecurity, databases, and AI platforms.

AI is becoming a major component of IT spending. Gartner’s latest forecast projects worldwide AI spending at \$2.59 trillion in 2026, up 47% year over year, with AI infrastructure, AI services, software, and cybersecurity all experiencing significant growth. Gartner forecasts AI spending to reach more than \$3.3 trillion in 2027.

These numbers don’t mean every business should dramatically increase its AI budget. They mean that AI is changing what IT budget needs to account for.



AI initiatives require more than licenses. They require:

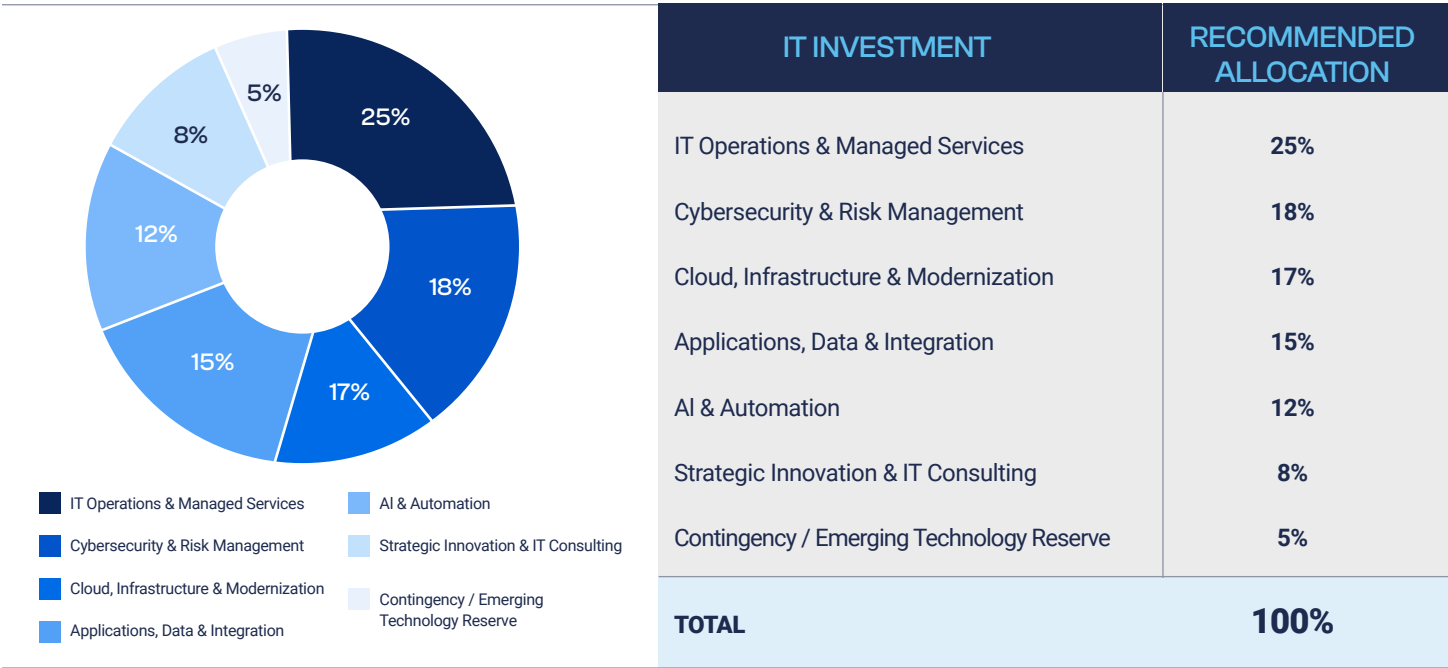
- | | |
|----|---------------------------|
| 01 | Clean and accessible data |
| 02 | Secure identities |
| 03 | Modern infrastructure |
| 04 | Reliable networks |
| 05 | Cloud capacity |
| 06 | Governance |
| 07 | Cybersecurity |
| 08 | Integration |
| 09 | Employee training |
| 10 | New workflows |
| 11 | Ongoing management |

This creates an important budgeting principle: Don’t budget for AI as a technology purchase. Budget for the foundation required to make AI useful, secure, and scalable.

The 2027 IT Budget Allocation Model

Every business will have different requirements, but a useful starting point for a mid-market organization is to divide the IT budget into six major categories.

RECOMMENDED 2027 IT BUDGET ALLOCATION



This is not intended to be a universal benchmark. It is a strategic allocation model designed to help organizations evaluate whether their current spending reflects their business priorities. The percentages should move based on company size, industry, technology maturity, regulatory requirements, growth plans, and existing infrastructure. The more important principle is that the budget should deliberately balance run, protect, modernize, and transform.



25%

IT Operations & Managed Services

Keep the business running but stop paying premium prices for routine work. The first responsibility of an IT organization is operational stability. Employees need working devices. Networks need to remain available. Applications need support. Infrastructure needs to be maintained. Users need help. Systems need to be monitored and patched.

But operational IT can become a budget trap. When highly skilled internal IT employees spend their time resolving password issues, troubleshooting devices, monitoring systems, performing routine maintenance, or responding to repetitive tickets, the organization is effectively using expensive strategic talent for commodity work.

The 2027 budget should therefore distinguish between work that requires strategic internal expertise and work that can be standardized, automated, or managed by a specialized provider. Managed IT services can help organizations shift routine operational responsibilities away from internal teams while providing access to broader technical expertise. This is particularly important as IT skill requirements become more specialized.

IT operating model budgets should consider:

01	Managed service desk	07	Patch management
02	24/7 monitoring	08	User onboarding and offboarding
03	Endpoint management	09	Automation
04	Network management	10	Field services
05	Infrastructure management	11	Co-managed IT
06	Device lifecycle management		

2027 budgeting question:

How much of our IT budget is paying for strategic capabilities and how much is paying people to keep yesterday's environment running?

18%

Cybersecurity & Risk Management

Security cannot be the line item you fund after everything else. Cybersecurity should be treated as a foundational business investment rather than a standalone technology category.

Gartner's 2026 CIO research emphasizes that cybersecurity, resilience, vendor risk, technical debt, and data protection must be addressed as AI and cloud expand the attack surface.

The 2027 budget should therefore evaluate security across the entire environment.

Key investment areas include:

IDENTITY

- + Identity and access management
- + Privileged access
- + Multifactor authentication
- + Identity monitoring

ENDPOINTS

- + Endpoint protection
- + Endpoint detection and response
- + Device management

NETWORK

- + Network security
- + Segmentation
- + Monitoring

DATA

- + Data protection
- + Encryption
- + Backup
- + Recovery

DETECTION AND RESPONSE

- + Security operations
- + SIEM
- + Managed detection and response
- + Threat hunting

RISK

- + Vulnerability management
- + Penetration testing
- + Security assessments
- + Third-party risk

The 2027 budget should also account for the fact that AI is creating new security requirements. AI systems can introduce new data exposure risks, new identities and access paths, Shadow AI, new application vulnerabilities, governance challenges, and increased attack surfaces

2027 budgeting question:

If our organization experienced a serious cyberattack tomorrow, would our current investment meaningfully reduce the impact—or simply help us discover the problem?

17%

Cloud, Infrastructure & Modernization

Build the foundation before funding the next wave of technology. One of the biggest mistakes organizations can make in 2027 is funding new technology while allowing the underlying IT environment to deteriorate. AI makes this problem even more significant.

Most mid-market businesses obviously won't be building AI data centers. But they will increasingly consume AI through cloud platforms, SaaS applications, embedded AI capabilities, and AI-powered workflows. That means the underlying environment matters.

+ Aging hardware	+ Disaster recovery
+ Network capacity	+ Infrastructure monitoring
+ Cloud architecture	+ Data center requirements
+ Cloud optimization	+ Device lifecycle
+ Storage	+ Network resilience
+ Backup	+ Technical debt

Forrester's 2027 guidance reinforces this principle:

organizations should invest in the operational foundations that make AI effective while targeting technical debt that slows productivity and modernization.

2027 budgeting question:

Can our current infrastructure support the technology strategy we want to execute over the next three years? If the answer is no, infrastructure modernization needs to move higher on the priority list.

15%

Applications, Data & Integration

AI is only as useful as the data and systems behind it.

One of the biggest misconceptions about AI investment is that buying an AI tool creates an AI capability. It doesn't. AI needs context, data, access to business processes and integration with the systems employees already use. IDC's latest research highlights this shift. IDC forecasts worldwide digital transformation software spending to reach \$640 billion by 2029, with software increasingly becoming the primary engine of digital transformation.

For 2027, companies should evaluate their application and data environments through the lens of business outcomes.

Budget for:

- + Application modernization
- + SaaS optimization
- + Data integration
- + Data quality
- + API management
- + Business intelligence
- + Automation
- + Workflow redesign
- + Application rationalization
- + Legacy system remediation

The goal isn't simply to buy more software.

It is to create a technology environment where information can move efficiently across the organization.

2027 budgeting question:

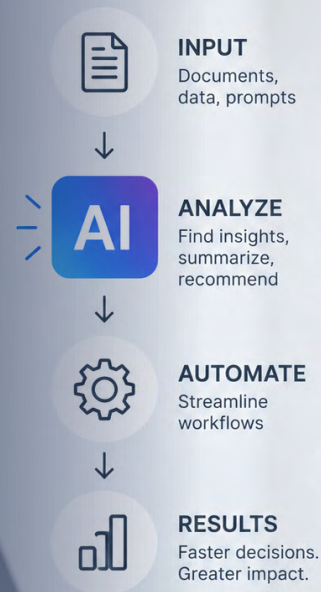
Can our applications and data actually support the AI and automation initiatives we're planning? If not, the data and integration layer may deserve more funding than the AI application itself.

AI & Automation

12%

AI deserves its own budget category in 2027, but that doesn't mean businesses should create an unlimited AI spending bucket.

Forrester's 2027 research makes an important point: **increased spending alone won't produce better outcomes.** Organizations need stronger operational foundations, AI expertise, governance, and new ways of working. Forrester specifically recommends eliminating AI initiatives that lack governance, ownership, success criteria, or a defined path to scale. That provides a useful framework for AI budgeting.



Every AI initiative should have:

01	A defined business problem
02	A measurable outcome
03	An accountable owner
04	A defined user group
05	A data requirement
06	A security and governance assessment
07	A success metric
08	A scale-or-stop decision point

Potential 2027 investments include:

	AI readiness assessments
	AI strategy
	AI governance
	Employee AI productivity
	AI-enabled service desk
	Workflow automation
	AI agents
	Data preparation
	AI security
	AI-enabled applications

2027 budgeting question:

Which three AI initiatives could produce measurable business value within 12 months and what must be true for each to succeed?

The goal should be to move from: "Where can we use AI?" to: "Where can AI measurably improve the business?"

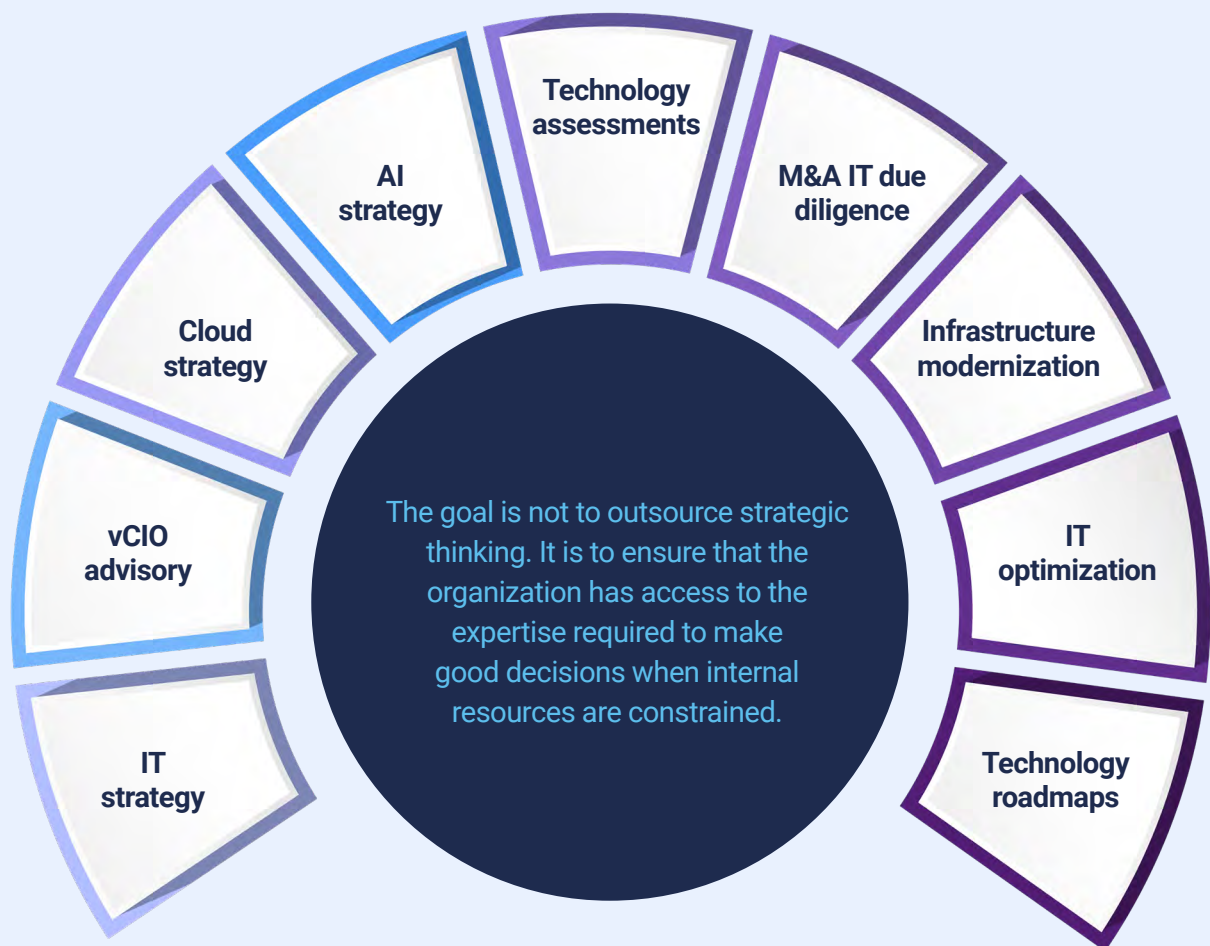
8%

Strategic Innovation & IT Consulting

Your IT team needs time to think about the future.

A common problem with IT budgets is that almost all spending is allocated to keeping the current environment operating. That leaves little room for strategy. Strategic IT consulting can help organizations evaluate technology investments, develop roadmaps, optimize infrastructure, plan cloud initiatives, prepare for AI, strengthen cybersecurity, and align IT investments with business objectives.

This category can also support major initiatives such as:



2027 budgeting question:

How much of our IT budget is dedicated to deciding what we should do next—not simply maintaining what we already have?

5%

The Emerging Technology Reserve

Don't spend your entire budget before the year begins.

Technology moves too quickly for a 12-month budget to be completely predetermined.

AI capabilities will change. New security threats will emerge. Vendors will change pricing. Business priorities will shift. New opportunities will appear.

That's why the 2027 budget should include an emerging technology reserve of approximately 5%.

This funding can be used for:

- + New AI opportunities
- + Security incidents
- + Emerging technology pilots
- + Unexpected infrastructure requirements
- + New compliance requirements
- + Business-driven technology initiatives
- + Proofs of concept

The reserve also creates an important discipline: Not every emerging technology needs to be funded immediately. Projects compete for the reserve based on measurable business value.

What to Cut From the 2027 IT Budget

Increasing the IT budget doesn't automatically mean increasing every IT line item. In fact, the most effective 2027 budget may involve spending more in some areas while spending significantly less in others.

Look for opportunities to reduce:

Redundant technology:

How many applications perform essentially the same function?

Underutilized SaaS:

Are you paying for licenses employees don't use?

Excess cloud consumption:

Are resources oversized, idle, or improperly architected?

Low-value manual work:

Can repetitive IT tasks be automated?

Aging technology:

Is maintaining legacy infrastructure costing more than replacing it?

Unsuccessful AI pilots:

Does the initiative have a measurable business case?

Technology without an owner:

Who is accountable for the outcome?

Gartner reports that 52% of CIOs expect cost reduction to become more important over the next two years

but the recommendation is not simply to cut. The objective is to continuously optimize IT performance and reinvest savings into growth. That's the difference between cost cutting and strategic cost optimization.



The 2027 IT Budget Scorecard

Before approving the final budget, IT and business leaders should score every major initiative against five questions.

Question

Does it directly support a business priority?

_____ **Score 1–5**

Does it reduce business or technology risk?

_____ **Score 1–5**

Does it improve employee productivity or experience?

_____ **Score 1–5**

Does it create measurable financial value?

_____ **Score 1–5**

Does it improve our ability to adopt future technology?

_____ **Score 1–5**

Initiatives scoring poorly should be challenged. Initiatives scoring highly should receive priority even if they aren't the newest technology. This is particularly important for AI. An AI initiative with a flashy demonstration but no measurable business outcome should lose funding to an infrastructure modernization project that enables multiple future initiatives.

The 2027 Budget Checklist

Before finalizing your IT budget, ask:

FOUNDATION

- ☐ Is our infrastructure reliable and scalable?
- ☐ Have we addressed critical technical debt?
- ☐ Is our cloud environment optimized?
- ☐ Are aging devices and systems properly budgeted for replacement?

SECURITY

- ☐ Is cybersecurity adequately funded?
- ☐ Are identity and endpoint security priorities covered?
- ☐ Do we have adequate detection and response?
- ☐ Can we recover from ransomware or a major outage?

OPERATIONS

- ☐ Are internal IT resources focused on high-value work?
- ☐ Can repetitive work be automated or outsourced?
- ☐ Do employees have reliable IT support?
- ☐ Do we have adequate coverage and specialized expertise?

AI

- ☐ Do we have an AI strategy?
- ☐ Is AI governance in place?
- ☐ Is our data ready?
- ☐ Are AI projects tied to measurable outcomes?

STRATEGY

- ☐ Does every major investment have an executive sponsor?
- ☐ Can we explain the business outcome?
- ☐ Have we identified opportunities to eliminate waste?
- ☐ Have we reserved funding for emerging opportunities?
- ☐ Can our IT strategy support the business for the next three years?



Make 2027 the Year IT Becomes an Investment Strategy

The 2027 IT budget shouldn't be a spreadsheet exercise. It should be a strategic statement about how the organization intends to compete. The market is telling technology leaders that investment is coming. Forrester's latest research shows that more than 80% of leaders expect budgets to increase in the coming year, while Gartner's forecasts show continued double-digit growth across major technology categories and extraordinary investment in AI infrastructure.

But bigger budgets don't guarantee better outcomes. Forrester's guidance is particularly relevant: organizations need to invest in the foundations that make AI effective, trusted data, governance, operational readiness, and the ability to adapt.

That means the best 2027 IT budgets will not simply add money to every category. They will reallocate money toward what matters most and protect the business with stronger cybersecurity. They will modernize the infrastructure that everything else depends on and eliminate technical debt that prevents progress. They will use managed services and automation to make better use of scarce IT talent. They will invest in AI but with governance, measurable outcomes, and a clear path to scale. And they will maintain enough flexibility to respond when the next technology opportunity or business challenge arrives.

The ultimate goal isn't to spend more on IT. It's to get more business value from every dollar invested in technology. That is the real 2027 IT budget advantage.