

2023 Security Budget

Benchmark Summary Report

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Executive Summary

Cybersecurity budgets were not immune to the inflationary pressures and global instability of 2023. However, their impact was moderate compared to the widespread budget and staff cuts made in other areas, including in IT.

To uncover the specifics of recent annual budget developments, IANS and Artico Search jointly fielded its fourth annual Compensation and Budget survey in April 2023. We received detailed budget data from 550 CISOs that forms the basis of this report.

Security budgets continued to grow, albeit at a reduced pace

Cybersecurity budget growth for the 2022–2023 budget cycle was 6%, a modest figure following double-digit increases in 2020 and 2021.

Budget growth was lowest in cyber-mature sectors, such as tech, finance and healthcare.

In 37% of cases, CISOs reported flat or declining security budgets, year-over-year (YOY), compared to 21% in the 2021–2022 cycle.

In the latter part of Q4 2022, many CISOs reported that their approved 2023 budgets were being slashed as part of an overall budget tightening.

— Steve Martano, Artico Search

Most budget increases were linked to extraordinary circumstances

Of the CISOs with budget increases, 80% (50% of all CISOs in the sample) indicated the main driver was something other than the typical annual change, such as a security incident, company repositioning or a major industry disruption. The latter situation resulted in a 27% budget boost, on average. Companies impacted by a security breach added 18% to their budget.

CISOs prioritized people over tools

Security staff growth also slowed down this year, with a 16% increase in budget allocated toward hiring, compared to 31% the previous year, but still higher than the 6% average budget growth. CISOs explain that they have sufficient tools, but they lack people to optimize them.

Staff and compensation remains the biggest security spending category, claiming 38% of the overall security budget.

Security's share of the IT budget grew YOY

This year, security's share of IT budgets averaged 11.6%, continuing its steady rise over the past four years and indicating an increase in security spending relative to IT spending.

Tech and finance firms have above-average security budgets proportional to their IT spending. Retail and healthcare trend below average.

We also observe outsized security budget percentages at venture capital-funded companies, typically tech firms, and those backed by private equity. For nonprofit organizations and private firms with a mutual or partnership setup (a common structure for finance or legal firms), the budget percentage is below average.

In 2021 and 2022, as private company valuations soared and funds invested heavily, they emphasized security program maturity to safeguard their assets.

— Matt Comyns, Artico Search

Security Budget Annual Growth Shows Restraint

Throughout the last year, companies worldwide made deep cuts in enterprise tech spending, instigated by global financial uncertainty, recessionary fears and inflation. Amidst these conditions, security budgets generally continued to rise, albeit at a more tempered pace compared to prior years.

In the most recent cycle, the average budget increase for our sample of CISOs was 6%—a significant slowdown from the 17% increase in the 2021–2022 budget cycle, marking a 65% reduction in growth (see top chart).

Across industries, the decline in budget growth was most prominent in tech firms, which dropped from plus-30% growth in 2021–2022 to plus-5% in 2022–2023.

A significant erosion in growth was also observed in the healthcare and finance sectors. These industries generally have more mature cyber programs due to their longer history of frequent cyberattacks and sector-specific cyber-regulations.

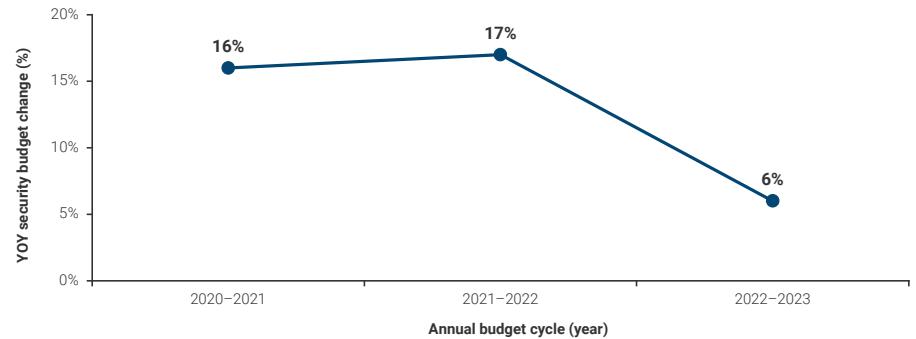
Industries with developing cyber programs, such as manufacturing and consumer goods and services, generally saw bigger security budget growth.

Steve Martano confirms these budget trends:

What we are seeing is that security is not immune to the economic woes that impact the overall financial situation of their company, but it is somewhat insulated as tech budgets are cut at a higher rate than security budgets.

Budget Growth Drops to a Third of Last Year's Overall Budget Change

Year-over-year change in the security budget



The Size of Security Budgets in 2023

Today, most CISOs use security budget as a percentage of the IT budget as a key metric for internal reporting and external benchmarking purposes. This CISO Compensation and Budget study has been tracking this metric over the past four years. Since 2020, it has increased from 8.6% to 11.6% this year, indicating an increase in security spending relative to IT spending (see chart to right).

Here's Matt Comyns, co-founder and president, Artico Search, take on the data:



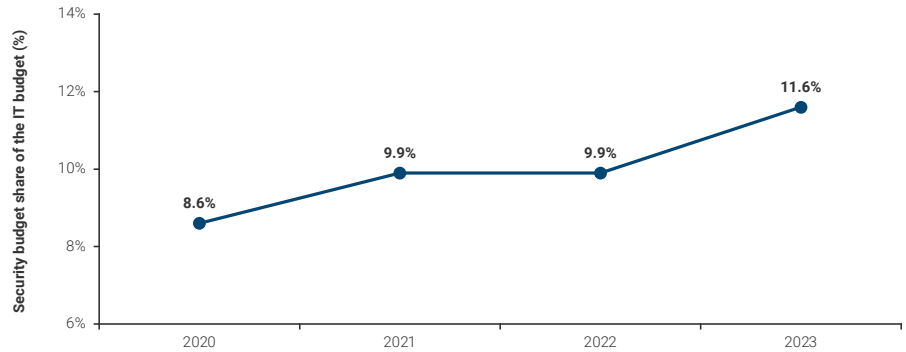
The CISO's budget is increasing as a percentage of the IT budget because IT budgets are being cut at a faster rate than security budgets, and, in many cases, security budgets are being increased. Furthermore, security is becoming more expensive and complex, while IT is becoming increasingly commoditized.

The budget percentage varies greatly from org to org

In this year's sample of 550 CISOs, one-third of the respondents spend less than 6% of the IT budget on security. At the high end, 40% of CISOs control 10% or more of their organization's IT budget. A small number of CISOs indicated their security budget is near or exceeding 100% of the IT budget. than 15% of the IT budget allocated to security—well above the overall average.

Security Budgets as Share of IT Budgets Are Trending Up

The company's annual security budget as a percent of the IT budget



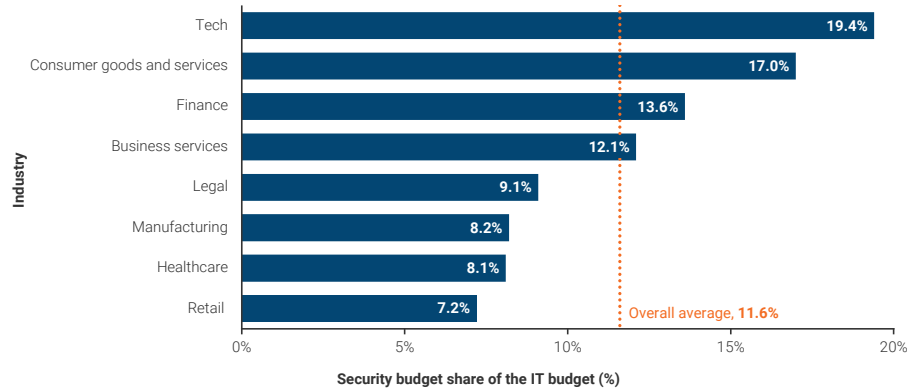
Tech firms have the largest budgets proportional to IT spend.

The variability in budgeting reflects differences in risk profiles, cyberthreat levels and cyber program maturity. This is, in part, guided by a firm’s size and industry sector.

In the sample, tech and consumer goods and services sectors lead, with more than 15% of the IT budget allocated to security—well above the overall average. (see chart below)

Tech Firms Have the Largest Security Budgets Proportional to Their IT Spend

The company’s annual security budget as a percent of the IT budget



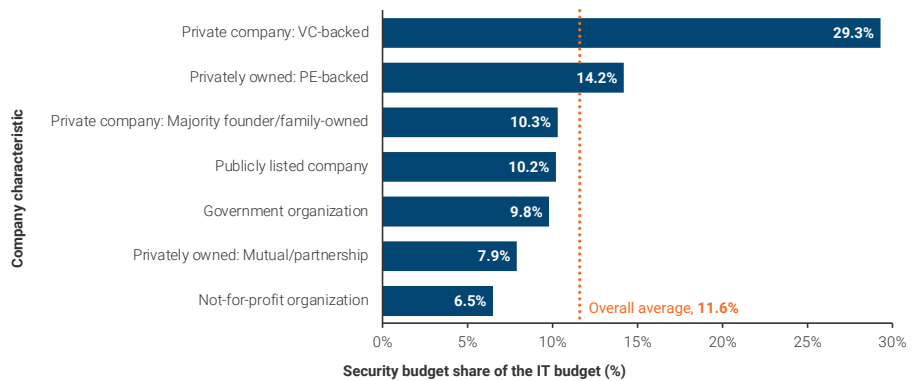
Venture Capital firms have an outsized security budget percentage.

In the sample, 22% of CISOs work at companies backed by venture capital (VC) or private equity (PE). Many of them are tech firms. Compared to publicly listed companies, not-for-profit organizations and other forms of private enterprises, VC-backed firms have an outsized security budget percentage, averaging nearly 30%, which is more than two times the overall percentage. PE-backed firms average 14.2%.

Matt Comyns isn’t surprised by these differences:

Firms Funded by VC or PE Investment Have Relatively High Security Budgets

The company’s annual security budget as a percent of the IT budget



Many VC- or PE-backed firms operate in the tech sector, where we observe higher budget percentages for security. In addition, they are more likely to be young, small and heavily reliant on cloud technology compared to publicly listed companies or government organizations with legacy tech and established infrastructure to manage.

Key Growth Drivers of Security Budgets

Zooming in on the subset of CISO respondents who received a budget increase (63% of all respondents), we asked them to provide the primary reason behind this increase.

In 20% of cases, the increase was a routine annual adjustment, corresponding to an average budget increase of 7%. For 17% of respondents, the top reason was an increased risk. In these situations, the average budget growth was 11% versus a change in risk appetite increasing budget by 22%.

A major industry disruption, such as highly publicized breaches, shot up budgets for 27% for 8% of CISOs. The majority of respondents in this subgroup are in the healthcare sector, which was shaken by several large cyberattacks.

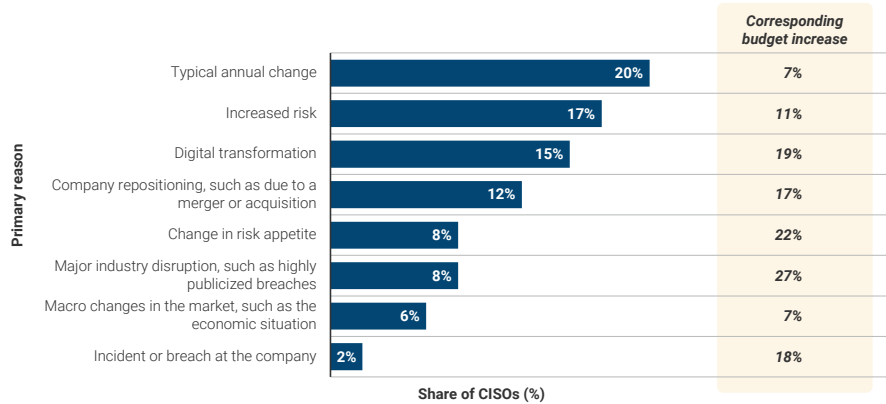
Steve Martano points to the 15% of respondents who identified digital transformation as the primary reason for their 19% budget increase:



In many cases, strategic priority projects, such as long-term digitalization projects, were excluded from budget freezes. These are often initiatives approved by the board and presently being executed and driven by company leadership.

Top Reasons Behind Budget Increases

No. 1 reason for security budget increases and the corresponding average percentage increase to the budget



How Security Budgets Break Down

This section provides data about the security budget broken down into the common spending categories provided by CISOs.

Our survey data shows staff and compensation continues to be the largest category, claiming 38% of the security budget. Off-premises software represents 21% of the security budget versus 9% for on-prem software. Outsourcing averages 11% of the security budget (see chart to right).

Cloud-based architectures outspend on-prem designs on staff

Clearly, allocations for on-premises software at companies that have their architecture mostly or fully based in the cloud are bigger than those with mostly off-premises designs. Furthermore, on-prem architectures have higher allocations for outsourcing, on-premises software and hardware.

More notably, as shown in the chart below, companies who are fully in the cloud have a higher allocation for staff (47%) than companies who are fully on-prem (35%).

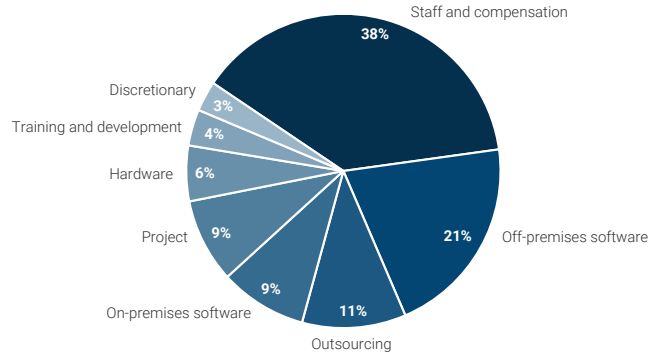
Steve Martano explains:



There's a macro transition to the cloud that's happening across all industries and cloud-based systems require more budgeting for people. The move to the cloud means a change for security teams who now need to hire cloud architects, cloud engineers, and cloud compliance professionals. Professionals with these skill sets are not easy to find and are expensive.

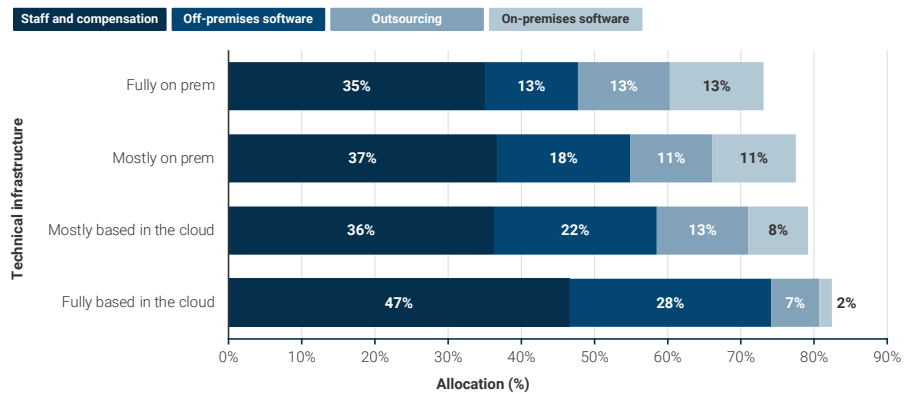
Staff and Compensation Claims the Largest Budget Share

Breakdown of the annual security budget



Firms With Cloud-Based Architectures Spend Nearly Half Their Security Budget on Staff

Breakdown of the annual security budget



Methodology

IANS and Artico Search fielded its fourth annual CISO Compensation and Budget survey in April 2023. From April until August, we received survey respondents from more than 660 security executives from a diverse set of companies by size, location and industry. Of them, 550 respondents completed the budget section in the survey.

Key steps in the research process are:

Survey design

We improve our surveys on an ongoing basis by incorporating feedback from respondents and adding topics based on client demand.

Respondent recruitment

We recruit from last year's already vetted respondents. We grew the sample by recruiting from diverse CISO audiences.

Data hygiene

The survey design and data collection process include precautions to prevent fake respondents and survey response errors. For example, respondents can skip questions if they don't have access to the requested information.

Analysis

A five-member team runs the analysis, builds the storyline and writes the report. This is a multidisciplinary team with combined expertise in data science, cybersecurity, CISOs' key imperatives and cyber-executive talent and recruitment.

Objectivity

This research is neither influenced by nor paid for by third parties. We report on the data objectively and free from personal bias and opinions. Clarifying insights are drawn from Artico's cyber practice and clearly marked as quotes.

Sample breakdown

Twenty-three percent of respondents work in the finance sector, 19% in healthcare and 15% in tech. The "other" category includes, among others, education, government, transportation and utilities.

Nearly half of the CISOs in the sample work at privately held companies, 17% represent small-cap public companies, 18% mid-cap firms and 14% large-cap organizations.

Respondents provided a range of budget data, including the absolute and relative size of their company's security budgets, the annual growth rate of the budget and how the budget breaks down into a set of commonly used spending categories. Using respondents' data, we calculated averages (the statistical mean).

About Us

This publication is created in partnership between IANS and Artico Search.

Artico Search

articosearch.com

Founded in 2021, Artico Search's team of executive recruiters focuses on a "grow and protect" model, recruiting senior go-to-market and security executives in growth venture, private equity and public companies. Artico's dedicated security practice delivers CISOs and other senior-level information security professionals for a diverse set of clients.



IANS

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