



Gartner IT Key Metrics Data

2012 IT ENTERPRISE SUMMARY REPORT

This report contains database averages and only represents a subset of the published metrics and prescriptive analysis available through Gartner Consulting's Benchmark Analytics capabilities.

Gartner IT Key Metrics Data 2012: IT Enterprise Summary Report

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Thank you for your participation in the IT Key Metrics Data Survey. This IT Key Metrics Data 2012 Summary Report provides an overview of IT Spending and Staffing Key Metrics.

Sourced from Gartner research notes (RN): RN# G00226792 *IT Key Metrics Data 2012: Executive Summary*, RN# G00226807 *“IT Key Metrics Data 2012: Key Industry Measures: Cross Industry Analysis: Current Year,”* this document only contains a subset of the published content.

The Gartner IT Key Metrics Data reports contain relevant database averages from a subset of metrics and prescriptive engagements available through Gartner Benchmark Analytics. These database averages do not account for individual variations of unique competitive landscape, business scale, IT complexity or demand which may be justified by specific business needs. Complexity and demand for IT services should always be considered in the context of a cost or performance evaluation as these factors often dictate long term support requirements. IT Key Metrics Data should be used as a high level directional indicator and in the creation of planning assumptions and not viewed as an absolute benchmark.

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Gartner IT Key Metrics Data Series Overview

IT Key Metrics Data is part of the Gartner Benchmark Analytics range of solutions, and offers a macro-level look at Gartner's global database of comprehensive cost and performance measures. IT Key Metrics Data provides you with immediate access to authoritative data on IT staffing and investment levels, as well as key technology cost and performance metrics. These metrics enable improved budget and investment decisions with regard to the changing environments of business and IT.

The IT Key Metrics Data annual publication series contains more than 2,000 IT metrics published by way of 92 Gartner Benchmark Analytics research notes. In addition to the key IT financial metrics in this research, a variety of IT productivity and staffing metrics are available in the areas listed below. Some reports show vertical industry tendencies, while others tend to be cross-industry perspectives. Many of the metrics show averages by revenue scale or size of IT infrastructure environment supported (i.e., number of servers, number of desktop/laptops).

These key metrics reports are broadly defined by five key areas of the IT portfolio:

- **Key Industry Measures**
 - Enterprise-level total IT spending and staffing metrics across 21 vertical industries, including current year and multiyear averages. Metrics based on enterprise size are often provided.
- **Key Infrastructure Measures**
 - Technology-domain-specific unit cost, productivity and performance measures for the IT infrastructure environments, including current year and multiyear averages for the mainframe, Windows server, Unix server, storage, end-user computing, IT service desk, data and voice network environments. Metrics by workload size are often provided.
- **Key Applications Measures**
 - Application development and application support spending and staffing metrics, project measures, life cycle phases, productivity and quality measures (current year and multiyear).
- **Key Information Security Measures**
 - Enterprise-level total spending and staffing measures by industry and region.
- **Key Outsourcing Measures**
 - Enterprise-level total spending and staffing measures by industry and region.

For a complete outline of all related published research in the series, see RN# G00226797

[IT Key Metrics Data 2012: Index of Published Documents and Metrics](#)

(<http://www.gartner.com/resId=1872515>).



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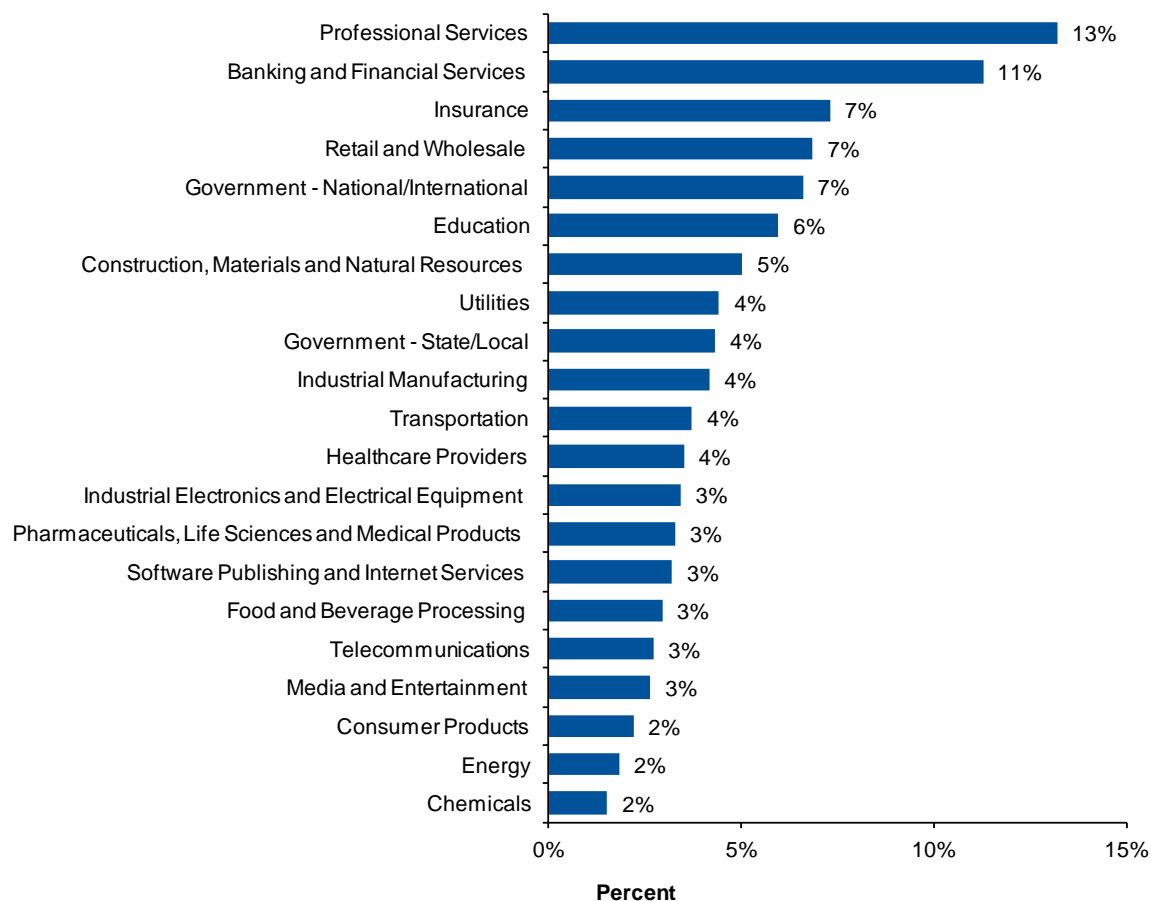


IT Key Metrics Data 2012: IT Enterprise Summary Report

Looking Ahead

The measures that follow highlight key spend and sourcing measures in the IT Enterprise. The measures explored should help to identify overall trends, although individual variations from these trends may be justified by specific business needs and objectives, as well as differences due to the size and complexity of an organization's IT environment.

Demographics: Distribution by Industry

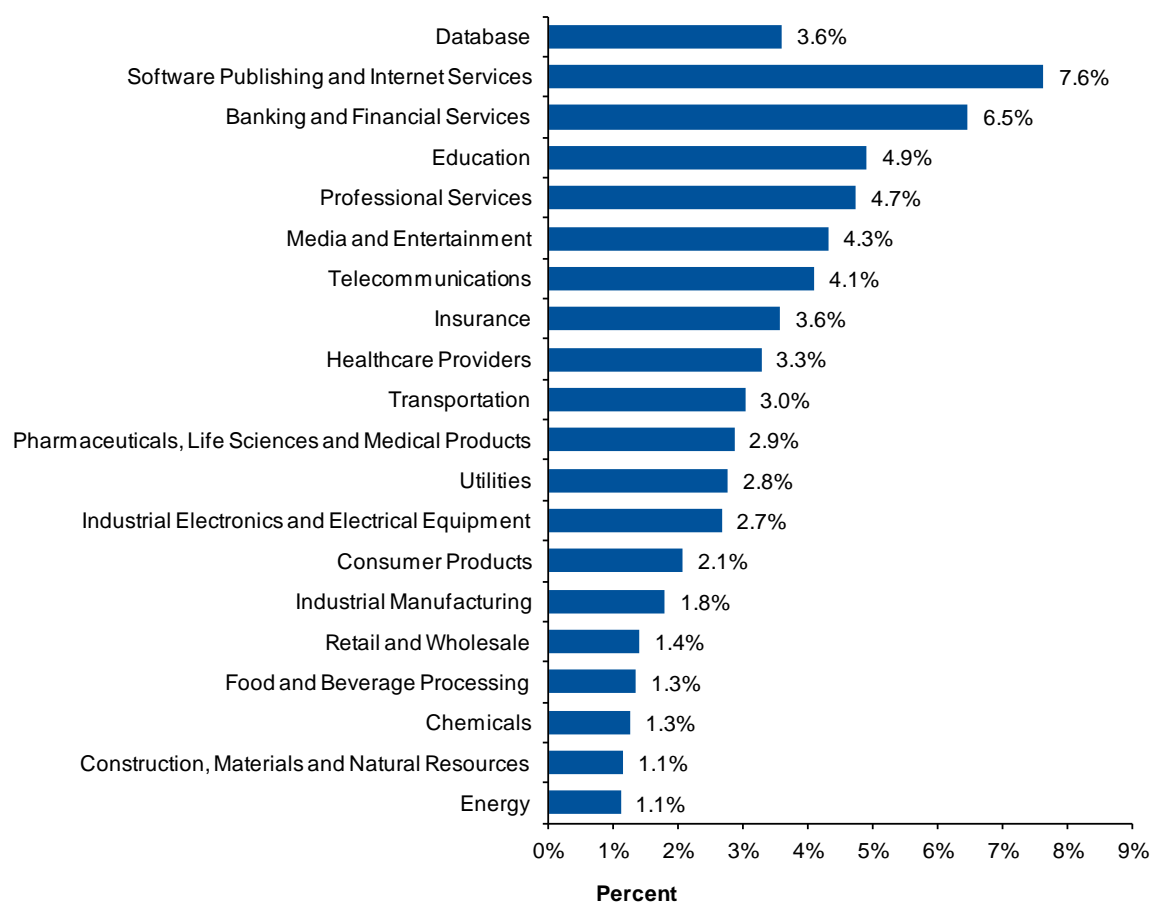


Source: Gartner IT Key Metrics Data 2012

Sample = 2,688



IT Spending Key Metrics: By Industry: IT Spending as a % of Revenue - 2011



Source: Gartner IT Key Metrics Data 2012

For the purpose of this research, Gartner has defined "total IT spending" as the following:

- "The best estimate of total spending at the end of the 12-month budget period for IT to support the enterprise. IT budget/spending can come from anywhere in the enterprise that incurs IT costs, and it is not limited to the IT organization. It is calculated on an annualized 'cash out' basis, and, therefore, contains capital spending and operational expenses, but not depreciation or amortization."

IT spending/budget includes, from a resource or cost perspective:

- Hardware, software, personnel (including contractors, travel, benefits and training), outsourcing (external IT services like consulting, system integration, data and voice transmission), disaster recovery, and occupancy costs associated with supporting IT within the enterprise.
- Occupancy costs include fully burdened costs for the facilities being used by the IT staff supporting the enterprise. Some examples include office space, furniture, electricity, maintenance, property taxes, security and office supplies. Occupancy costs for space dedicated to IT functions, such as the data center, including power/heat management and raised floor, are also included. Occupancy costs also include all taxes (except value-added tax where it is recovered or refunded to the organization).

IT spending/budget includes, from an IT domain or activity perspective:



- The data center (i.e., mainframes, servers, storage), end-user computing devices (desktops, laptops, PDAs, smartphones), voice and data networks (including, but not limited to, voice and data transmissions, fixed and mobile telephony, and Internet access services), IT service desk, and applications (development and maintenance).
- IT support functions, such as the office of the CIO; supervisory management; finance and administrative costs, such as purchasing; asset management; process management; and marketing of IT services.
- Dedicated data processing equipment used in operations, production and engineering environments — examples are computer-aided design/computer-aided manufacturing (CAD/CAM) and standard computing equipment used in devices for factory automation, and tablet PCs used by healthcare professionals.

IT spending/budget does not include:

- Costs for technology or services that are resold. Examples include salaries for developers involved in building commercially packaged software, or IT-skilled employees who provide services for the organizations' clients.
- Operational technology that is equipment-built or purchased for non-data-processing purposes, but which has computerized components. Examples include robotic manufacturing machines, automated teller machines, specialized point-of-sale devices, scanners and blood pressure monitors.
- Depreciation or amortization expenses, which could lead to double counting from an accounting perspective.
- Internal "cross charges" and corporate allocations related to expenses such as reductions in workforce, redundancy, relocations, retirement, human resources and chairperson's salary etc.
- Business data subscriptions and services (such as Bloomberg), even if they are managed by the IT organization.

Revenue is defined as:

- "The enterprise revenue associated with the business units supported by the IT organization (banks should use total interest income plus noninterest income minus provision for loan losses, while insurance companies should use gross written premiums and other income)."

The value of this measure is that it assists in identifying the competitiveness of investment levels relative to the most fundamental measure of business performance: revenue. While this has been viewed as a must-have, "back pocket" metric for many enterprises, common misuses include:

Looking at a single year rather than in terms of multiyear trends

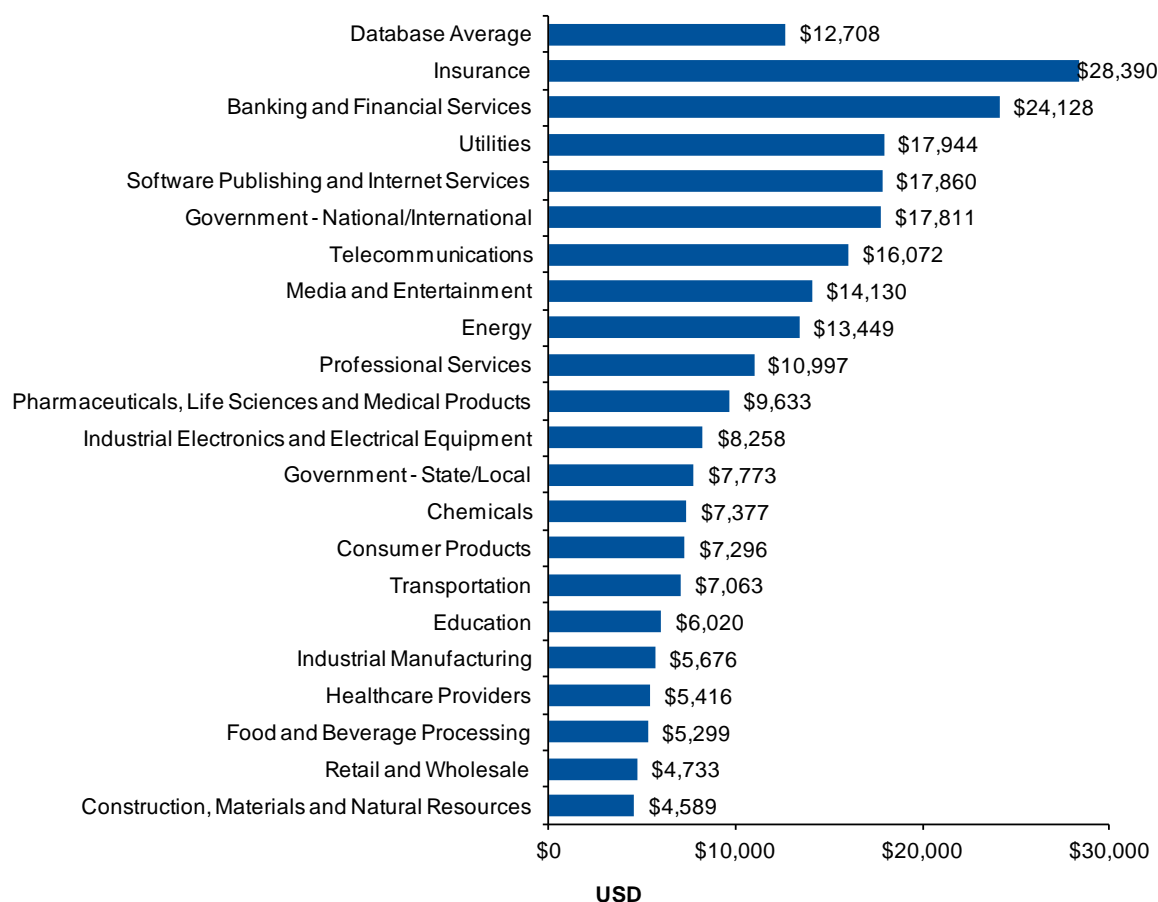
Basing decisions on the assumption that this figure will not change in the future, sometimes dramatically

Failing to understand and address changes in the numerator and the denominator

Considering just the average rather the range of values (which can be found in Gartner IT Key Metrics Data reports specific to vertical industries)



IT Spending Key Metrics: By Industry: IT Spending per Employee - 2011(\$US)



Source: Gartner IT Key Metrics Data 2012

IT spending per employee is often used to determine the amount of IT support the average company employee receives.

For this metric "Employees" includes:

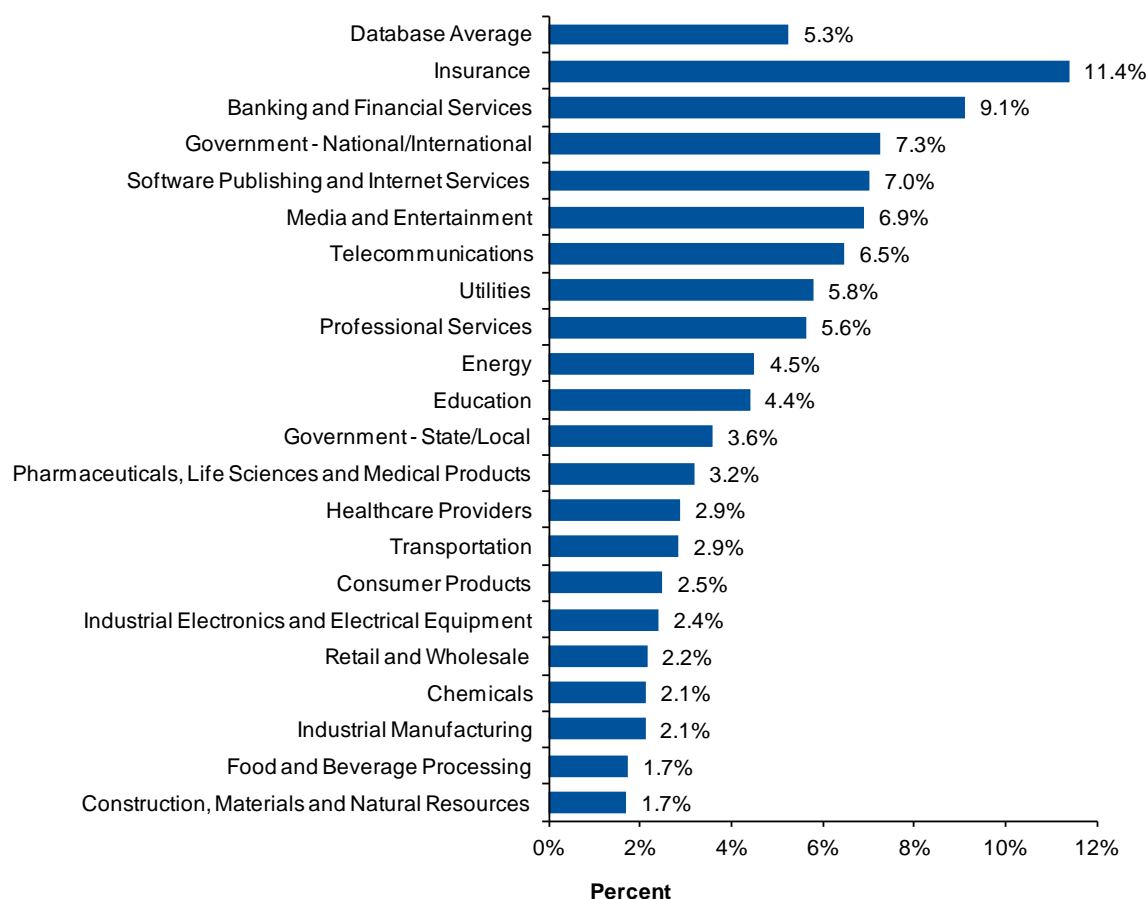
- The count of employees (i.e., head count, excluding enterprise contractors and consultants), regardless of whether these employees are frequent users of the technology supported by the IT organization. This includes full-time and part-time employees, or as reported in the public record."

This measure helps to establish a link between IT investment and automation levels within the context of the workforce that supports revenue. Variations in this measure can represent niche-industry-specific delivery processes for service or product delivery, and, thus, should be viewed in conjunction with revenue and operating income per employee. Organizational staffing strategies and the use of contract employees can also impact this measure.



IT Staffing Key Metrics: By Industry

IT FTEs as a % of Total Employees (2011)



Source: Gartner IT Key Metrics Data 2012

IT employees as % of total employees is an additional measure of IT support and IT intensity from a human capital perspective.

We define an IT FTE as follows:

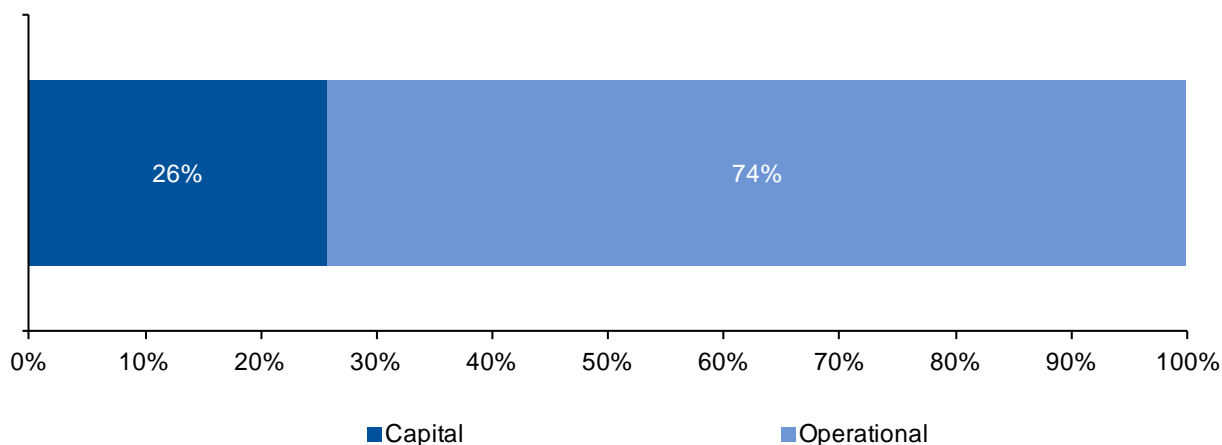
- An IT FTE represents the logical staff to support functions performed by the physical staff, measured in calendar time. This includes all staffing levels within the organization, from managers and project leaders to daily operations personnel. This also includes insourced FTEs and contract FTEs. However, this excludes the staff of a third-party vendor (e.g., IT outsourcing), which is not operationally managed by the in-house staff, but rather is managed by the vendor.

Understanding the relative level of IT staff dedicated to supporting the business can also assist in identifying whether the staff size is appropriate. This should be considered within the context of the overall enterprise sourcing strategy and future-state objectives. Variables to consider in tandem with this metric include IT staffing distribution, contract vs. insourced FTEs, and IT outsourcing as a percent of IT spending, as well as the enterprise sourcing strategy (i.e., does the total employee count accurately represent the organization's workforce that is supported by IT? Do you have the ability to track the total number of internal users supported by IT?



Cross Industry IT Resource Distributions

IT Operational vs. Capital Spending



Source: Gartner IT Key Metrics Data 2012

IT operational vs. capital spending helps to portray the IT investment profile for an organization in a given year.

IT operational expense is defined as:

- "The total day-to-day operations and maintenance expenses for this fiscal year that have not been capitalized. These do not include any amortization and depreciation expenses."

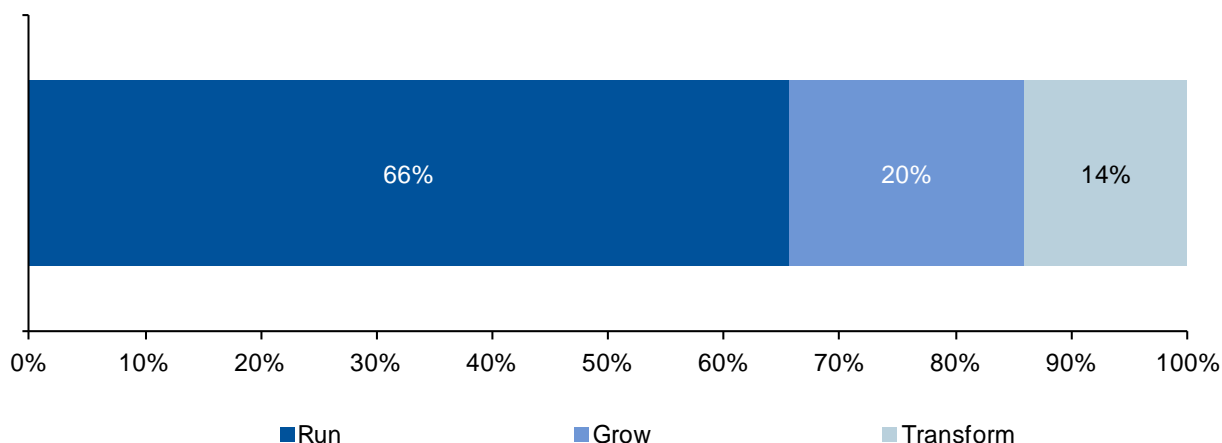
IT capital spending is defined as:

- "The total capitalized IT spending for the fiscal year (i.e., the full value of capitalized assets acquired in the fiscal year). This includes investments in new application development and IT infrastructure."

This information is typically available in most accounting or IT finance departments, and, thus, it may be easy to obtain year over year. This metric can provide visibility into the cyclical nature of capital investments (such as hardware, software and large service contracts) compared with recurring operational expenses (such as personnel, facilities and maintenance expenses). The challenge is in leveraging this information to communicate the linkage between IT investment and business results, because it is a traditional accounting view of IT cash flow and does not highlight how IT investment enables improved business performance.



Strategic IT Spending Categories: IT Spending to Run the Business, IT Spending to Grow the Business and IT Spending to Transform the Business



Source: Gartner IT Key Metrics Data 2012

The distribution of IT spending to "run the business," "grow the business" and "transform the business" provides a view of the IT investment profile to support business performance. In some industries, it is not uncommon to see a high "run" focus — typically because organizations in the industry are not planning strong changes in business model growth or high organic growth — which often translates into a more "cost center" role for IT in the industry or niche sector.

Classifying IT spending into categories that show impact on business outcomes or success can aid alignment and quantify underinvestment in IT. Gartner uses the following portfolio spending categories and defines them as follows:

Run the business:

- This is an indicator of how much of the IT resource is consumed and focused on the continuing operation of the business. It includes all nondiscretionary expenses as part of the run-the-business cost.

Grow the business:

- This is an indicator of how much of the IT resource is consumed and focused on developing and enhancing IT systems in support of business growth (typically organic growth). Discretionary investments are more likely to be included in the grow-the-business or transform-the-business cost.

Transform the business:

- This is an indicator of how much of the IT resource is consumed and focused on implementing technology systems that enable the enterprise to enact new business models. This is very much a "venture" category and would be represented by activities such as a brick-and-mortar retailer moving to online shopping; a traditional bank offering online banking (or moving into offering insurance services); or a commercial airline offering new freight services.

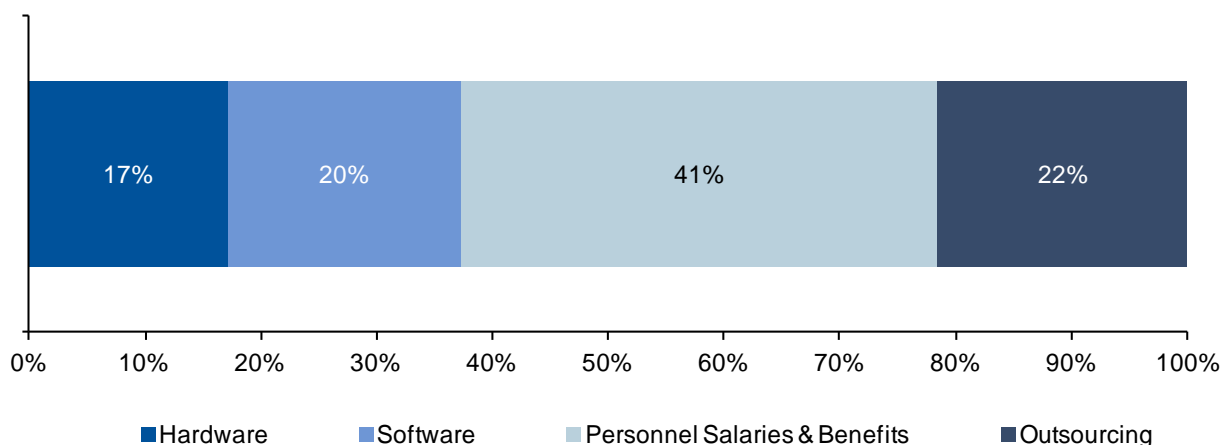
Gaps in business alignment can be found by examining IT spending as it relates to the day-to-day operations of a business (run), the organic growth of the business or productivity improvement (grow) and its support of major business transformation, new products, services or business models (transform).

A common misconception with this measure is that an IT initiative that may transform the IT organization, such as data center modernization or virtualization, should be classified as a "transform the business" investment. While these IT initiatives do transform the IT



organization, they should primarily be classified as "run the business" investments because they support pre-existing IT services. IT transformation often leads to new business process improvements that enable the business to grow or build new revenue streams; therefore, these costs would need to be evaluated and distributed based on IT service and business performance. The run, grow and transform the business framework should always be viewed in business terms with respect to how IT will enable the business to grow or transform revenue, operating income and/or profit margins.

IT Spending Distribution: Hardware, Software, Personnel, Outsourcing



Source: Gartner IT Key Metrics Data 2012

The distribution of spending between hardware, software, personnel and outsourcing costs can show the dynamics of IT investments. For the purpose of this research, personnel includes occupancy/facilities costs.

The definitions of each category are as follows:

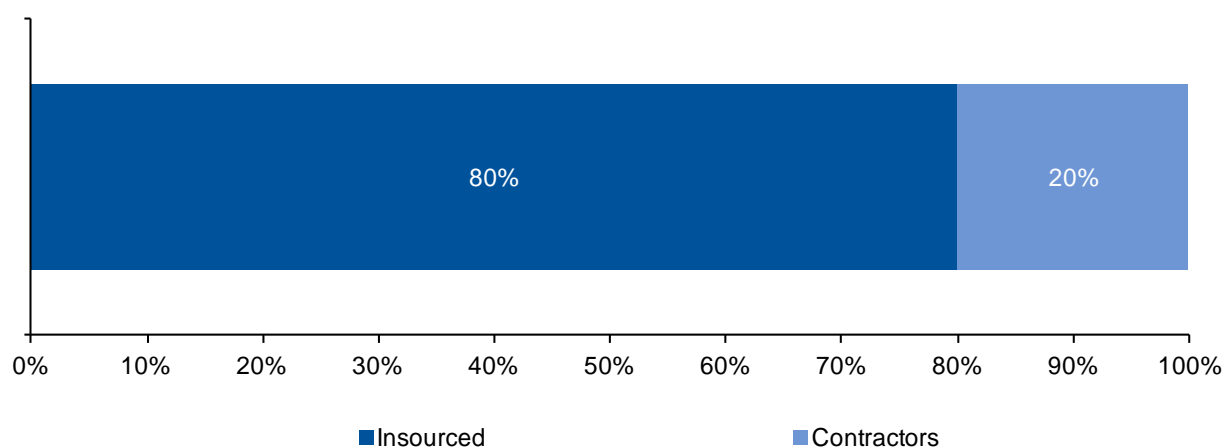
- **Hardware Expenses:** These include all hardware expenses described in the IT budget/spend definition.
- **Software Expenses:** These include all software expenses described in the IT budget/spend definition.
- **Personnel Expenses:** These include:
 - **Salary and Benefits Expenses:** These should include salary (including overtime pay), benefits and "other" employee costs, such as travel and training for all IT FTEs. The "benefit load" should include costs for bonuses, paid holidays, vacations, medical/dental coverage, life and accident insurance, retirement plans, stock plans, disability, Social Security, unemployment compensation, dependent care, tuition reimbursements and employee assistance programs (for example, physical exams, exercise programs and similar costs).
 - **Occupancy/Facilities Expenses:** These include fully burdened costs for the facilities being used by the staff that supports the enterprise. Some examples include office space, furniture, electricity, maintenance, property taxes, security and office supplies. Occupancy costs for space dedicated to IT functions, such as the data center (including power/heat management and raised floor), are also included.
- **Outsourcing Expenses:** These include the fees for third-party or outsourcing contracts in which "outsourcing" is defined as "any situation in which the full operational responsibility for IT services is completely handed over to an external service provider (e.g., subcontracting microfiche, print, maintenance, procurement,



system management, equipment)." This includes outsourced transmission services/expenses.

This measure can be helpful in adding context to the IT investment strategy from a sourcing perspective, in terms of accounting-based resources that may be insourced (e.g., IT hardware, software, personnel and occupancy/facilities costs) vs. services delivered by a third party (e.g., outsourced services and data/voice transmission costs). As an organization increases or decreases the level of third-party/outsourced services, it may find an inverse effect in its associated personnel, hardware and/or software expenditures, depending on the scope of third-party services retained and on business requirements. The cyclical nature of capital investments in IT hardware and software may also play a significant role in an organization's IT spending outlay during a given year.

Distribution of IT FTEs: Insourced vs. Contractor



Source: Gartner IT Key Metrics Data 2012

The distribution of IT FTEs: insourced vs. contractor can help provide a view of the IT staffing strategy.

Insourced IT FTEs are defined as:

- FTEs who are employed by the IT organization (excluding contractors and consultants). These include all full-time and part-time employees supporting the IT environment, as defined by IT budget/spending.

Contract IT FTEs are defined as:

- Contract FTEs (contractors) are supplemental to your staff and are "operationally" managed by the in-house staff. These include all full-time, part-time and temporary contractors supporting the IT environment, as defined by IT budget/spending.

IT contract labor or contractor usage can be an effective approach to maintaining flexibility and agility when business conditions are changing. However, keeping contractors for extended periods can be costly and limit process standardization.



Performance Measurement Solutions from Gartner

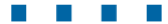
Average-performing organizations spend up to 41% more on IT than their more successful peers.

Though cost control is now a must-have for any enterprise serious about its supply-side competitiveness, focus among executives has broadened to include value-creating demand-side elements such as employee productivity, customer retention, revenue growth and competitive advantage. There is a pressing need to ensure that IT spending (on average, 4% of revenue) drives business value and financial performance — not simply keeping the lights on.

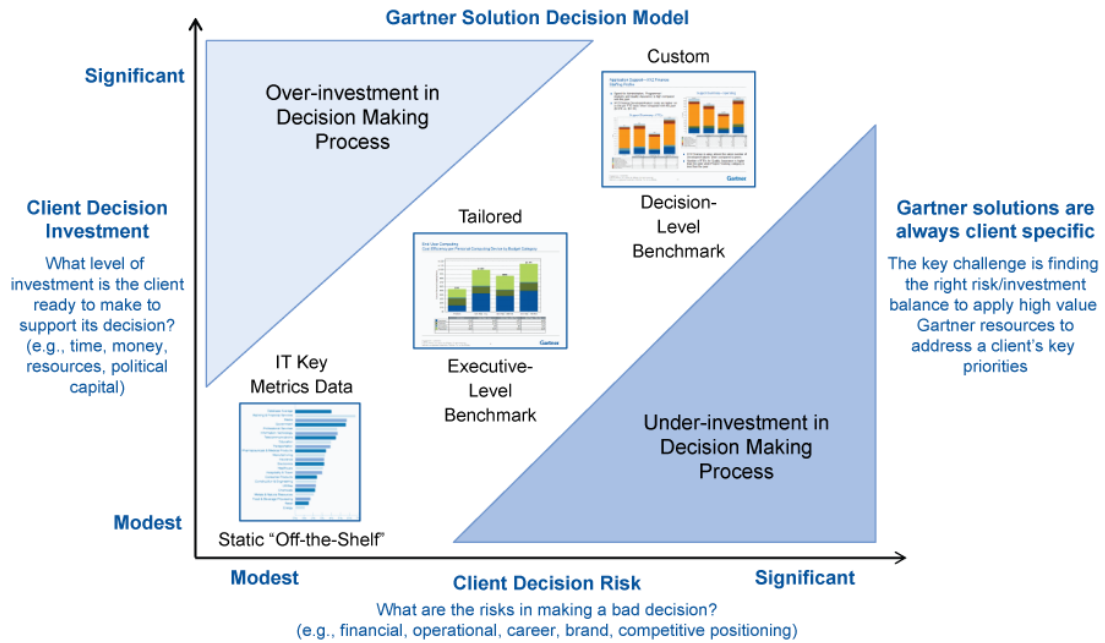
We understand the key issues you're facing.

Many IT optimization efforts fail due to an inability to recognize the importance of a holistic approach. Ideas are often one-dimensional and evaluated on their cost-saving potential, with insufficient insight into customer, competitive and operational factors or the organization's ability to execute. Analytics are often too narrow and short-sighted, capturing point-in-time comparisons to static benchmarks without regard to the broader market context of supply and demand. Previous efforts focused on extracting costs from the IT supply side; today's efforts require a focus on business demand to determine if the right IT systems are being supported.

Our benchmarks are a starting point in helping IT organizations identify and assess IT performance against peer organizations.

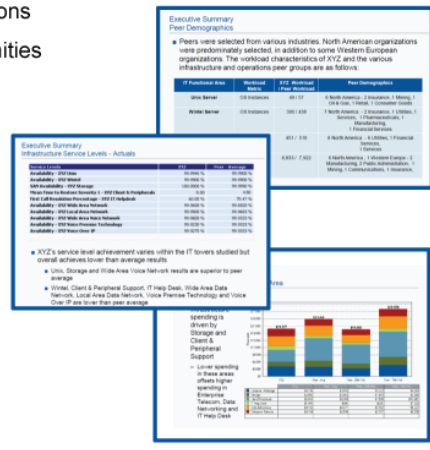


Gartner Consulting Benchmark Offerings “Gartner Benchmark Analytics”



Gartner's Benchmark Portfolio — Cost, Price, Survey — help provide clarity and direction in a dynamic and changing environment

- **Cost Benchmarking**
 - Internally managed IT
 - Compare cost and performance to peers and other organizations
 - Identify optimization opportunities
- **IT Service Catalog Benchmarking**
 - Rate Card Assessments
- **Price Benchmarking**
 - Outsourced IT services
 - Assess outsourcing options and viability
 - Determine current market price for outsourced services
- **Metrics of Comparison**
 - Unit Prices
 - Hardware/Software
 - Facility Costs
 - Labor Costs
 - Personnel Productivity
 - Service Levels
 - Quality



Areas
Application Development
Application Support
ERP Application Support
Enterprise Computing: Mainframe, Linux, Unix Windows
Storage
End-User Computing
IT Customer Satisfaction
IT Service Desk
Local-Area Data Network
Metropolitan-Area Data Network
Wide-Area Data Network
Internet Access Services
Voice Premise Technology
Wide-Area Voice Network



About Gartner

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To participate in more IT Key Metrics Data surveys go to: www.gartner.com/surveys

Gartner Consulting brings together Research insight, Benchmarking data, problem-solving methodologies and hands on experience to improve the return on your IT investment.

Understanding: We know the issues you face

- 80% of the Fortune 500 use Gartner for their key technology initiatives
- We deliver business value in over 1500 high-impact initiatives a year
- Every year, we deliver over 5,500 IT cost and performance benchmarks

Capabilities: The data, tools and capabilities to help

- Gartner solutions address the specific needs of each industry
- All of our solutions are based on Gartner's extensive Research
- Every solution makes use of our performance benchmarking data
- We employ seasoned consultants, with an average of 15 years experience

Experience: We help you deliver tangible results

- Our clients spend 38% less than their peers for the same workload
- Gartner Contract Optimization Services help our clients realize hundreds of millions of dollars of real and measured savings annually
- Our consulting engagements help clients improve performance... and reduce risk

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