IT Key Metrics Data 2024: Working with IT Budget and Comparison Tools

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Initiatives: Technology Finance, Risk and Value Management

> IT spending and staff benchmarks are key building blocks for mature cost management practices. Not all benchmarks are equal, therefore CIOs and IT Leaders should leverage both top-down benchmarks for business value optimization discussions, as well as bottom-up benchmarks for more targeted cost optimization efforts.

Overview

The IT Budget and IT Key Metrics Data self-assessment comparison tools provide CIOs and their teams with the means to benchmark their organization vs. published IT Key Metrics Data cohorts. Benchmark results help identify where smarter spending opportunities may exist to improve cost management practices.

What It Is

Key Findings

- Gartner research and advisory benchmarking solutions deliver multiple views of IT spending to enable effective cost management through comparisons against published metrics.

- Analyzing costs through benchmarking is the first step towards smarter spending.

Recommendations

- Before launching any new assessments, make sure you review the available Practitioners Guides and Framework Documentation to align your data to the Gartner cost model.

- Start with a top-down approach of cost evaluation by leveraging the IT Budget tool to assess total IT spending vs. the industry and establish a baseline.

- Utilize the IT Key Metrics Data Comparison Tools for a bottom-up benchmark by technical function based on your mission-critical priorities or the largest gaps identified in the IT Budget assessment.

- Maximize value through an inquiry call with a Gartner Expert to support data validation and alignment activities as well as to review results and discuss next steps

Challenges faced by today's IT organizations

IT and enterprise leaders are challenged constantly with dynamic and disruptive market conditions, wherein the organization is evolving, and technology is changing. Gartner's IT Budget and IT Key Metrics Data comparison tools enable today's IT leaders to tackle those challenges through the power of research, fact-based approach and continuous improvement. Typical challenges include but not limited to:

- Cost pressure & budgeting

- Limited view of cost baseline & mix

- Inwards thinking and lack of external visibility

- Investment opportunities & progress measurement

How can IT Key Metrics Data help me face those challenges?

All enterprise changes, regardless of magnitude, require fact-based decisions regarding IT investments and costs. A critical evaluation of IT capabilities — past, present and future — is the cornerstone of delivering business value. By leveraging the IT Budget and ITKMD comparison tools you can gain some of the most important benefits needed to steer towards smarter spending.

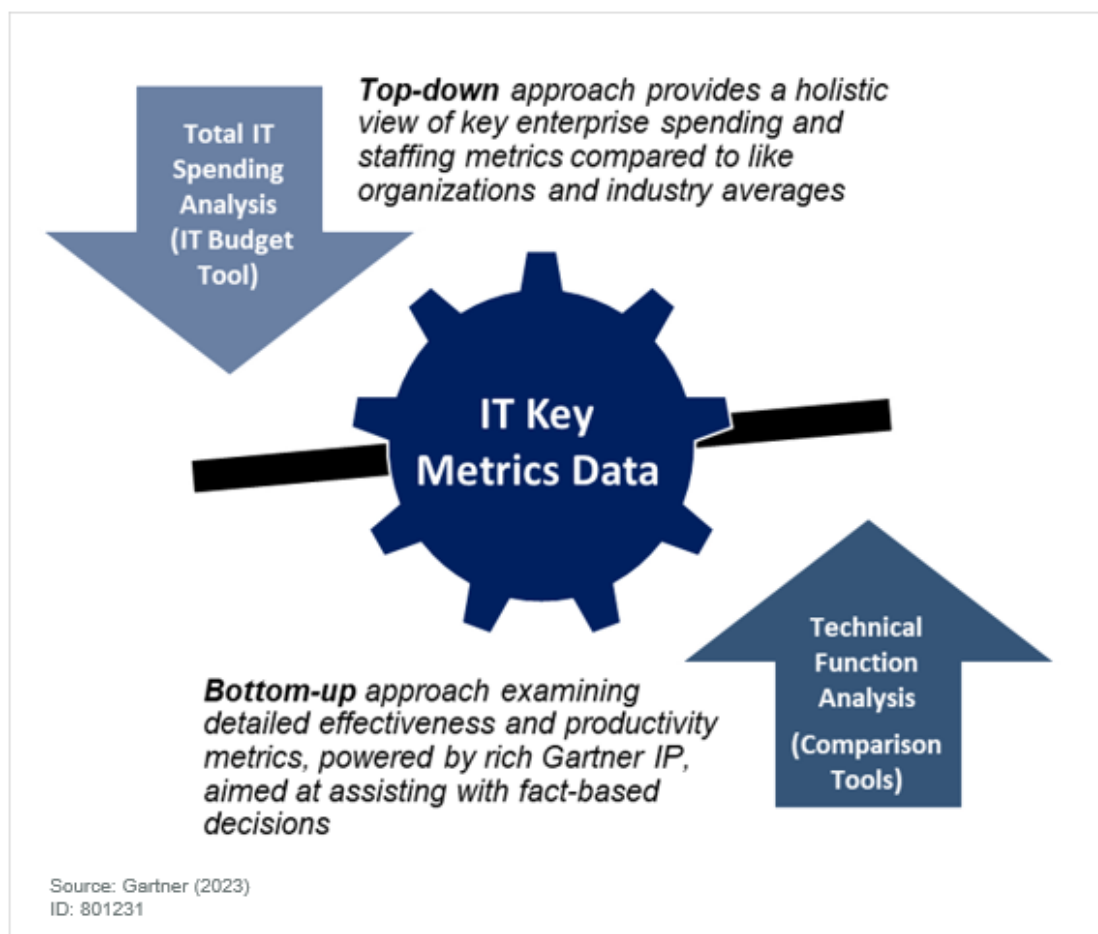## Figure 1: Key benefits of using the Gartner self-service tools

Benchmark your organization's most significant IT efficiency metrics against the industry standard, Gartner IT Key Metrics

Establish a baseline, identify cost optimization opportunities and plan out IT supply-side & demand-side goals and targets

Evaluate the alignment between your IT budget and your enterprise's objectives to grow and transform the business

Discuss next steps and action items with a Gartner Expert based on your organization's results

Measure progress to support recurring budgeting and planning workshops/exercises and identify future priorities

Source: Gartner (2023)
ID: 801231

Gartner

IT Budget and IT Key Metrics Data Benchmark Guide

Gartner's IT Key Metrics database is enriched every year with new information from organizations following the two approaches to compare their data as seen in the figure below. Typically, the Top-down approach will drive financial transparency and identify areas of opportunity for improved efficiency. On the other hand, the Bottom-up approach is best suited for organizations who already have set their targets and are looking to justify the root causes of their gaps through more technical and focused metrics.
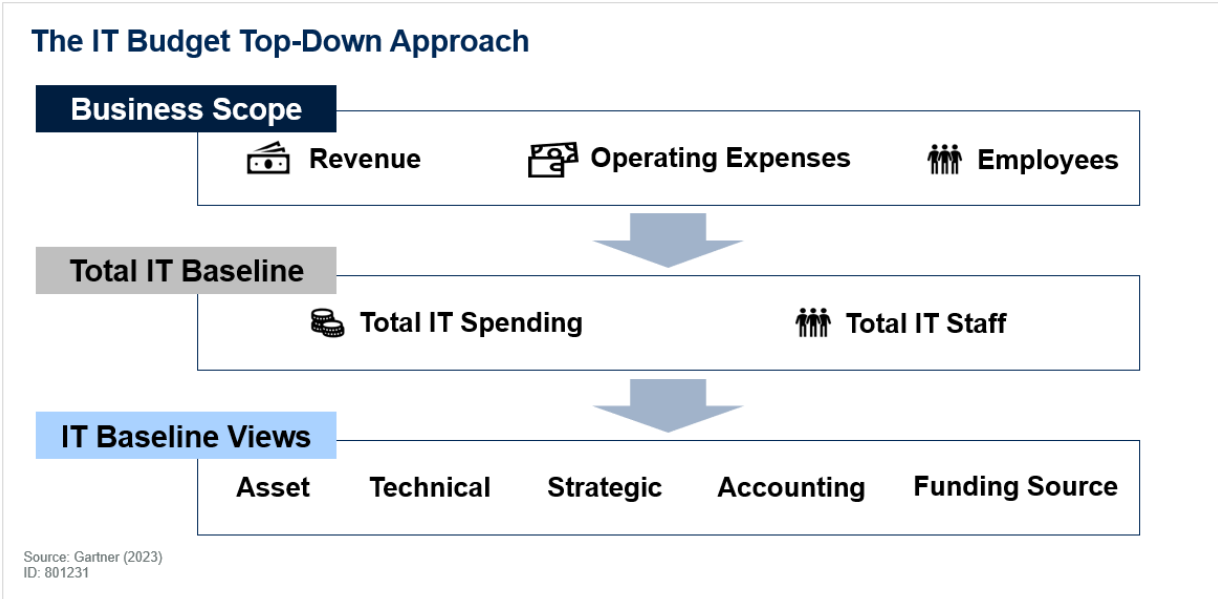
Figure 2: Gartner's two approaches to benchmarking

Top-down approach provides a holistic view of key enterprise spending and staffing metrics compared to like organizations and industry averages

Total IT Spending Analysis (IT Budget Tool)

IT Key Metrics Data

Technical Function Analysis (Comparison Tools)

Bottom-up approach examining detailed effectiveness and productivity metrics, powered by rich Gartner IP, aimed at assisting with fact-based decisions

Source: Gartner (2023)
ID: 801231

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Top-Down Approach: Benchmark Total IT Spending and Staff vs. the Industry

Gartner recommends starting with the top-down approach using the IT Budget tool as the first step for IT budgeting and strategic business-value optimization. The tool's high-level IT spending and staff metrics are complemented by clearly defined distributions that contextualize the baseline.
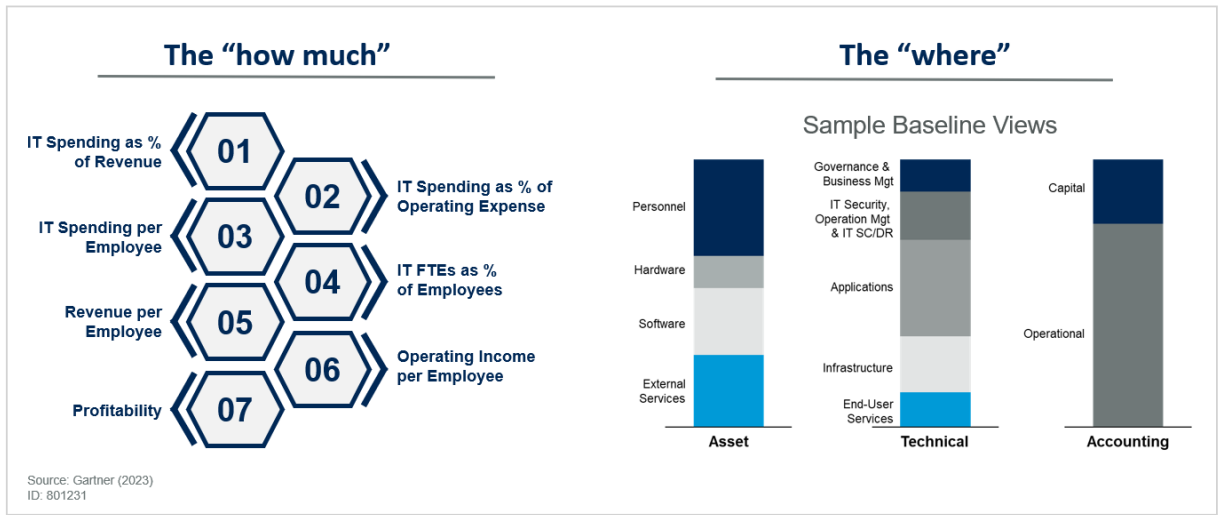
Figure 3: The IT Budget Tool's top-down approach

The IT Budget Top-Down Approach

Business Scope
- Revenue
- Operating Expenses
- Employees

Total IT Baseline
- Total IT Spending
- Total IT Staff

IT Baseline Views
Asset · Technical · Strategic · Accounting · Funding Source

Source: Gartner (2023)
ID: 801231

Gartner

The high-level metrics offer leaders a stake in the ground to determine where their IT organization is today and answer the question of how much they spend compared to others. On the other hand, the more detailed distributions give a better understanding of the organization's baseline and help determine where the optimization opportunities lie. In the figure below you can find sample metrics that answer both questions.

Figure 4: IT Budget Tool sample metrics

The "how much"
- 01 IT Spending as % of Revenue
- 02 IT Spending as % of Operating Expense
- 03 IT Spending per Employee
- 04 IT FTEs as % of Employees
- 05 Revenue per Employee
- 06 Operating Income per Employee
- 07 Profitability

The "where"
Sample Baseline Views

Asset: Personnel, Hardware, Software, External Services
Technical: Governance & Business Mgt, IT Security, Operation Mgt & IT SC/DR, Applications, Infrastructure, End-User Services
Accounting: Capital, Operational
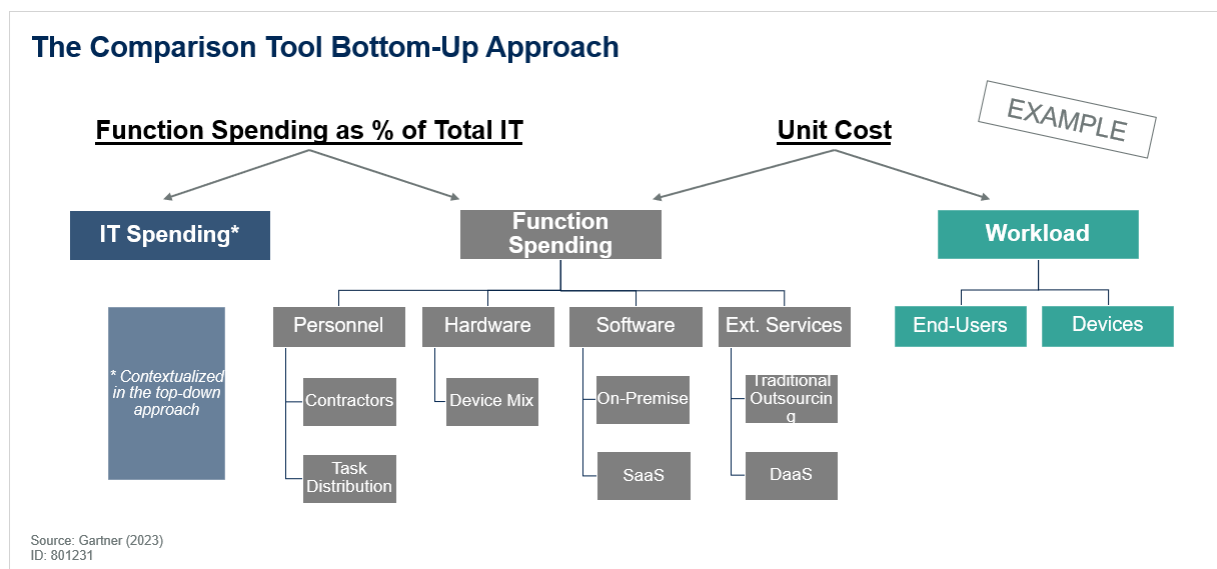
Source: Gartner (2023)
ID: 801231

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Gartner advises organizations to recalibrate benchmarks each year to update cost views vs. the industry for structured cost and value optimization programs.

Bottom-up Approach: Focused benchmark of a single technical function

While the top-down approach is a great way to answer the questions of "how much" and "where", IT leaders are often faced with the question of "why" IT costs what it does. This question is often asked through the use of relative spending (technical area spending as % of total IT) or on a unit cost basis. To answer that, IT leaders need to understand what are the cost drivers within each technical area and whether that spending is appropriate for the respective workload or user base. To that end, the bottom-up is the best-suited approach. It examines in depth the spending assets within the assessed technical area and also reviews the workload from a supply (devices, contacts etc) and demand (end-users) perspective where applicable.
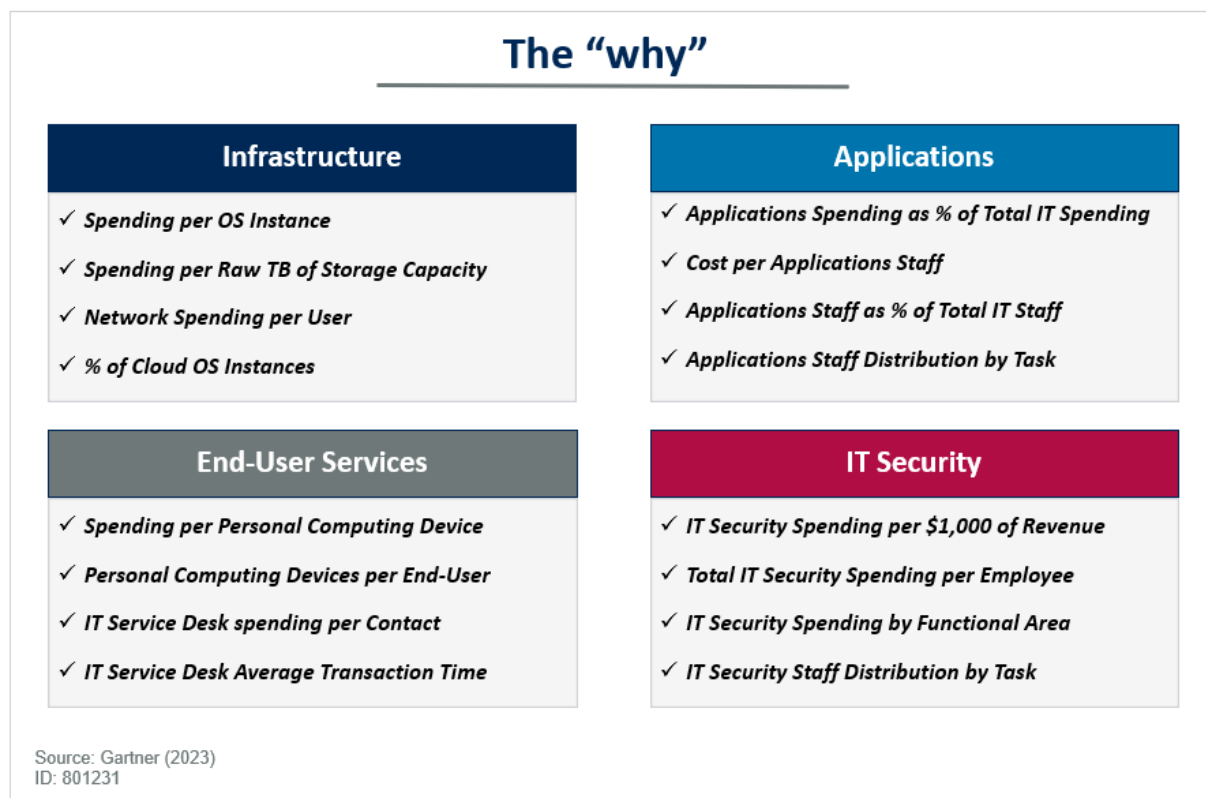
Figure 5: The comparison tools bottom-up approach

The Comparison Tool Bottom-Up Approach

Source: Gartner (2023)
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In the figure below, you can find sample metrics for each of the available technical functions. Please keep in mind that this is not a comprehensive list and that the full list of available metrics for each technical function can be found in the IT Key Metrics Data 2024: Index of Published Documents and Metrics
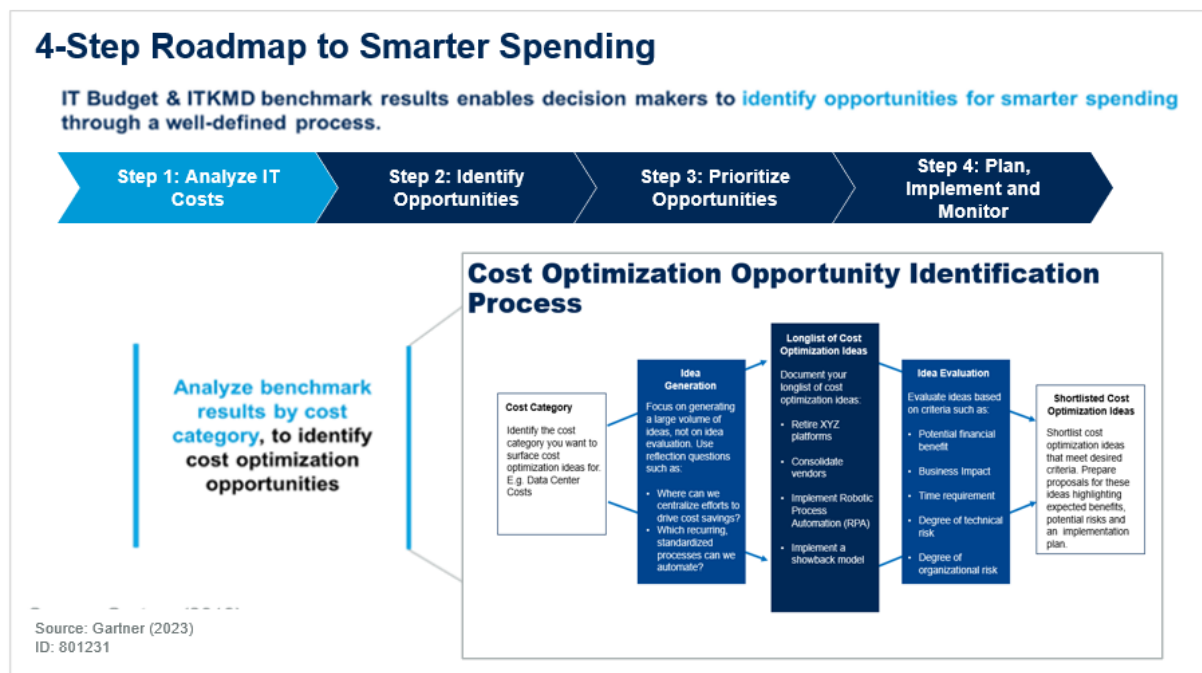
Figure 6: Comparison Tools Sample Metrics

The "why"

Infrastructure
- ✓ Spending per OS Instance
- ✓ Spending per Raw TB of Storage Capacity
- ✓ Network Spending per User
- ✓ % of Cloud OS Instances

Applications
- ✓ Applications Spending as % of Total IT Spending
- ✓ Cost per Applications Staff
- ✓ Applications Staff as % of Total IT Staff
- ✓ Applications Staff Distribution by Task

End-User Services
- ✓ Spending per Personal Computing Device
- ✓ Personal Computing Devices per End-User
- ✓ IT Service Desk spending per Contact
- ✓ IT Service Desk Average Transaction Time

IT Security
- ✓ IT Security Spending per $1,000 of Revenue
- ✓ Total IT Security Spending per Employee
- ✓ IT Security Spending by Functional Area
- ✓ IT Security Staff Distribution by Task

Source: Gartner (2023)
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You can take up any of the focused online assessments, available under "IT Key Metrics Data Comparison Tools" series. The completion process is similar to the top-down approach and each tool has embedded its dedicated support documentation.

Next Steps: Identify opportunities to improve cost management and shift toward smarter spending

Regardless of the selected approach to benchmarking, it is important for IT leaders to keep in mind that cost optimization is an ongoing discipline and not a point in time. As seen in the figure below, benchmarking is only the first step towards smarter spending and developing a continuous improvement culture & mindset will be critical in the success of your organization.

Figure 7: 4-Step Roadmap to Smarter Spending

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Conclusions

IT Key Metrics Data is a Gartner Benchmark Analytics solution that delivers indicative IT metrics in a published format as directional insight for IT organizations. This solution is further enhanced by the leverage of different comparison tools that can provide valuable information to IT leaders and ensure that their information is compared in a consistent manner to the industry standards.

To learn more about Gartner Benchmark Analytics contact your account executive or schedule an inquiry.

Recommended by the Authors

Some documents may not be available as part of your current Gartner subscription.

"IT Key Metrics Data 2024: Industry Measures — IT Budget Practitioners Guide to Establish a Baseline"

"IT Key Metrics Data 2024: Infrastructure Measures — Practitioners Guide to Establish a Baseline"

"IT Key Metrics Data 2024: End-User Services Measures — Practitioners Guide to Establish a Baseline"

"IT Key Metrics Data 2024: Applications Measures — Practitioners Guide to Establish a Baseline"

"IT Key Metrics Data 2024: IT Security Measures — Practitioners Guide to Establish a Baseline"

"Map IT Value Stories to Business Outcomes That Matter"

Document Revision History

IT Key Metrics Data 2023: Working with IT Budget and Comparison Tools - 8 December 2022

IT Key Metrics Data 2022: Working with IT Budget and Comparison Tools - 16 December 2021

IT Key Metrics Data 2021: Working with IT Budget and Comparison Tools - 18 December 2020

Recommended by the Authors

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Three-Year Roadmap for IT Financial Management to Optimize Business Outcomes