Optimize Your IT Staffing Levels in 3 Steps

Published 14 August 2023 - ID G00760398 - 19 min read

By Analyst(s): Cesar Lozada, Sid Sahoo

Initiatives: Technology Finance, Risk and Value Management; CIO Leadership of Culture and People

For CIOs to get the optimal return on their spending on IT staff, they must evaluate how staffing levels will impact the delivery of IT services for business continuity and enterprise performance. Use these three steps to balance cost efficiency with the continued enablement of business outcomes.

Overview

Key Findings

- Failure to align IT investment and related staffing levels to business outcomes leads CIOs to focus on short-term cost goals rather than long-term objectives and sustainability.

- Responding to fast-changing economic or business circumstances, CIOs may have to cut services and the staff associated with providing the services, which affects business outcomes, ultimately stifling the value IT can deliver.

- CIOs who take a reactionary or undisciplined approach to cost and staffing decisions may face unintended consequences as economic conditions change, which impacts the enterprise's ability to sustainably succeed.

- Leading digital organizations differ from others in how they allocate staffing resources, in both insourced versus contract full-time equivalents and across IT functional areas, providing CIOs with a guide to build up their technology organization to meet innovation goals.

Recommendations

CIOs charged with managing IT resources and staffing levels should:

- Align future IT value-impacting deliverables by mapping efforts and staffing requirements to stated business goals and objectives.

- Benchmark and rightsize enterprise IT staffing levels to include those allocated within business units to ensure each role is properly placed to drive the enterprise's strategic priorities.
- Use role segmentation frameworks to prioritize roles and subsequent contributions toward enabling business outcomes.
- Leverage staffing distributions from leading digital organizations to develop a needs-based talent strategy to meet innovation goals laid out by enterprise objectives and outcomes.

Introduction

As CEOs and CFOs turn to cost optimization efforts as an alternative to raising prices in response to the most recent economic fluctuations, [1] executive leaders state that investments in workforce, talent management and technology are categories their organizations will cut last. [2] Although enterprise leadership looks at eliminating other activities across the organization, namely investments in mergers and acquisitions, for improved sustainability and environment, and for physical network expansion, [2] CIOs must consider developing an action plan. The plan should analyze, understand and align with (potentially) fluctuating business objectives during times when the enterprise faces economic turbulence. It must ensure that IT has the relevant roles, skills and capacity to meet enterprise objectives by investing in upskilling and process improvements, and building teams that blend IT and business domain roles. [3]

As CIOs evaluate their IT budgets and enterprise IT spending, reflexively, their first instinct to manage costs is to target discretionary IT spend (that is, projects in progress). Although spending in these areas may be reduced, CIOs must also consider staffing levels associated with cost reduction efforts. Given 34% of enterprise IT spending is allocated to personnel salaries and benefits, [4] CIOs must focus on the impact technology cost reduction has on the IT staff that are in place to support enterprise IT investments. Will the suspension of IT projects or other discretionary IT spending activities adversely impact IT staffing levels? Will CIOs have to realign their staffing levels consistent with cost reduction plans? What level of spend and staffing do CIOs need to meet business objectives in the current economic environment? This research not only provides CIOs with the steps (see Figure 1) and considerations necessary to evaluate their own IT organization's staffing levels, but also provides a means to discuss cost reduction actions with the CFO and corporate finance.

Figure 1: 3-Step Process to Evaluate IT Staffing Levels

As CIOs plan and prepare for potential changes in enterprise IT spending, they must consult with legal and HR to review any workforce reduction plan or action ensuring compliance with laws, regulations, bargaining agreements, discrimination testing and similar employment considerations.

Analysis

Step 1 — Align IT Value-Impacting Deliverables and Staffing Levels With Business Outcomes

To ensure optimization of existing staffing levels, CIOs must focus on how IT's capabilities impact business outcomes. By focusing and aligning with business outcomes, CIOs must reengage with executive leadership and business stakeholders to determine the new priorities and plans they are pursuing. These new priorities and plans will generally fall into one of three categories for success: revenue/value impact, cost-efficiency and risk mitigation (see Map IT Value Stories to Business Outcomes That Matter).

In developing their cost management plans, CIOs must analyze and align IT's initiatives with the business outcomes executive leadership is looking to achieve in response to the economic environment (see Executive Summary Video: Developing Outcome-Driven Metrics for the Digital Era). It is important for CIOs to document and track the IT initiative's costs and staffing resources necessary to ensure successful outcomes are achieved. They must communicate these plans to executive leadership to show complete transparency into what IT is doing. Then, articulate the business outcome the initiative is driving toward; how its success will impact revenue/value, cost and/or risk; and how IT will measure its impact, whether the initiative is run-the-business or change-the-business.

CIOs must evaluate the initiatives that do not align with new business priorities, and document costs and staffing resources that can be either realigned or removed from the cost base. They need to evaluate which costs and staffing levels should be preserved, then benchmark and rightsize the IT organization in support of new business priorities.

Step 2 — Benchmark and Rightsize Enterprise IT Staffing Levels

Recognizing not every role is created equally, CIOs must adjust their IT staffing levels consistent with the enterprise's strategy. Here are some considerations in how to appropriately maintain and manage IT staffing levels:

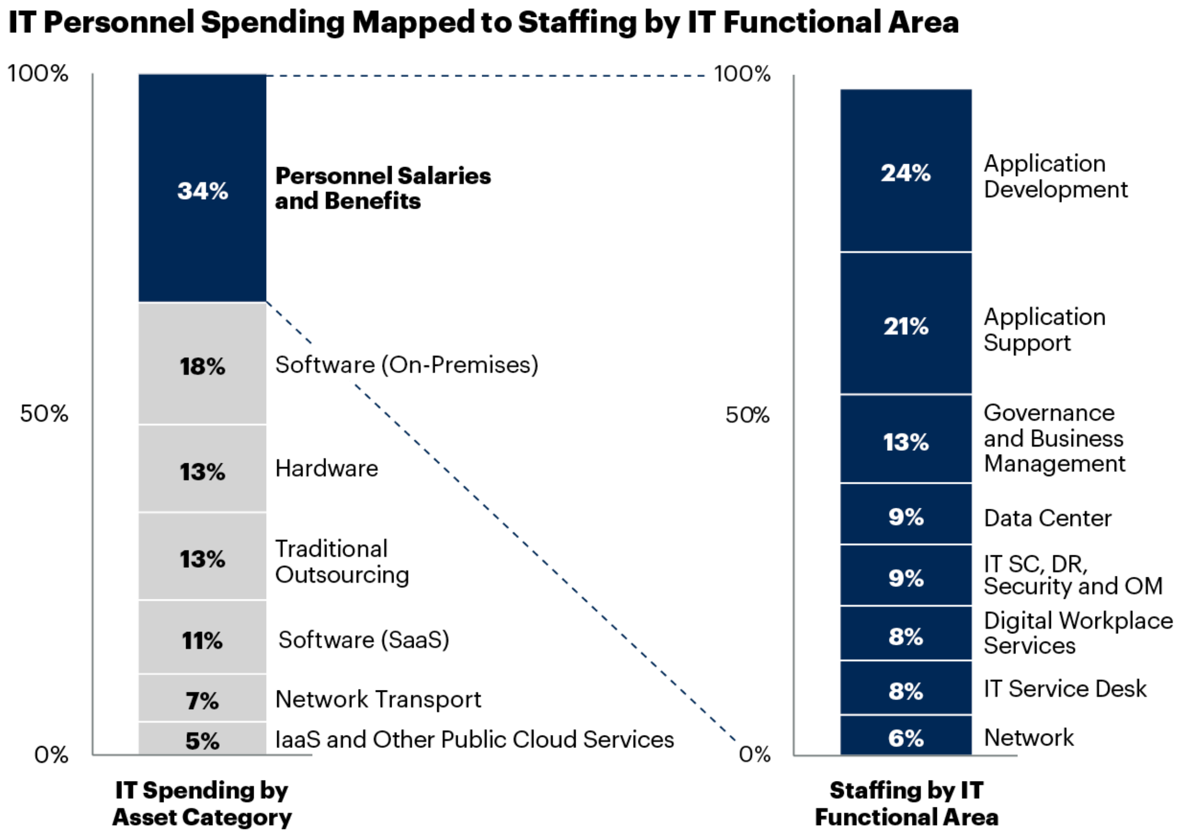
- Fast-growth startup organizations tend to invest in information and technology (I&T) [5] — roughly 80% of IT spend is on change-the-business capabilities — and could find IT staff critical to continued growth.
- Transform-centric organizations — those undergoing digital modernization or transformation efforts — generally increase their IT spend upward of 58% allocated to change-the-business activities, which typically manifest themselves in increased staffing levels across application teams. [6]
- Steady-state, mature organizations, which typically allocate 71% of enterprise IT spend on "keeping the lights on," [7] should assess all projects and IT support requirements to prioritize staffing needs.

Once they have aligned IT's strategy and priorities with business outcomes, CIOs should next focus on how and what the enterprise spends on IT staffing. To effectively manage IT resources, CIOs must be able to understand where spending and staffing are allocated, as well as potential activities that will ensure enterprise sustainability. Gartner refers to this as "IT financial transparency" (see Drive IT Success With 5 ITFM Fundamentals: Benchmark, Budget, Invest, Manage and Allocate Cost). It is this transparency that enables CIOs to not only understand how their budget is traditionally constructed (an asset/general ledger view), but also how to translate and articulate spending and staffing to business stakeholders (see CIOs Must Master Multiple Views of Spend to Manage IT Finances).

Given these multiple views of the IT budget, it is important to not simply focus on technology spend, but also on the 34% allocated to personnel salaries and benefits (see Figure 2). When CIOs are determining where spending reductions might come from, any reduction or elimination of projects or services in progress should also map back to the IT staff that supports them. What must also be considered, particularly for projects that are suspended or delayed, is what to do with their assigned staff. Depending on how long a delay is intended, decisions must be made as to whether or not to keep staff through temporary cost reduction options, such as furloughing or reassigning them. Consideration must be made on the risk of losing skilled staff and the time and costs of recruiting or hiring back the staff once the project recommences.

As projects and services are being targeted for alignment with changing business priorities, CIOs can take this opportunity to revisit benchmark metrics as a point of comparison for both enterprise IT spending and staffing to then rightsize the IT organization. Gartner's IT key metrics research provides data for 21 industries, allowing for a comprehensive comparison of where spending is taking place and where staff is allocated (see IT Key Metrics Data 2023: Definition of Industries). Time permitting, CIOs are encouraged to complete the IT Budget & Efficiency Benchmark, followed by reviewing the results with a Gartner expert for advice and recommendations on next steps. Figure 2 illustrates cross-industry benchmarks of how IT personnel spend maps to staffing by IT functional area (see IT Key Metrics Data 2023: Industry Measures — Cross-Industry Analysis).

Figure 2: IT Personnel Spending Mapped to Staffing by IT Functional Area



Source: Gartner

IaaS = infrastructure as a service; SaaS = software as a service; SC = service continuity; DR = disaster recovery; OM = operations management
Note: Totals may not add up to 100% due to rounding.

760398_C

CIOs can conduct a variance analysis comparing IT staffing levels across the business with Gartner's IT staffing metrics. This will aid in identifying which functional area is sufficiently staffed, overstaffed or understaffed. As with any benchmark, it's about understanding the story a comparison tells and how well it does or does not support your enterprise and IT strategy (see IT Key Metrics Data 2023: Working with IT Budget and Comparison Tools and The Executive Guide to Capability Strategic Plan Alignment With Enterprise Strategy). Table 1 illustrates the comparison between the cross-industry average percentages and a hypothetical staffing distribution for an organization.

Table 1: Variance Analysis — IT Staffing by Functional Area

IT Functional Area	Cross-Industry Benchmarks	Sample Company Data	Variance
Data Center	9%	6%	-33%
Network	6%	6%	0%
Digital Workplace Services	8%	15%	88%
IT Service Desk	8%	9%	13%
Application Development	24%	23%	-4%
Application Support	21%	14%	-33%
Governance and Business Management	13%	17%	31%
IT Security, Operations Management, Service Continuity and Disaster Recovery	9%	10%	11%

Source: Gartner (August 2023)

Comparing IT staffing levels by functional area with a variance analysis allows for an objective assessment of where current personnel are allocated, and begins the process of rightsizing functions across the IT organization. As shown in the example in Table 1, the largest functional areas to focus on staffing would be digital workplace services (88% variance), governance and business management (31% variance), and IT service desk (13% variance). It is in areas like these where CIOs can evaluate their IT staffing strategy to ensure the general health or sustainability of the enterprise.

Although a full-time equivalent position counts as one associate on a personnel roster, CIOs also require a methodology or process to evaluate the importance and value the role brings to both IT and the enterprise as a whole.

Step 3 — Use Segmentation to Identify Roles Critical to Strategy Execution

CIOs who draft IT cost management plans tend to focus on the short-term impacts, rather than how those reductions will impact business continuity and long-term enterprise sustainability. This step is to determine whether the right talent distribution is working on projects that will transform (strategic), grow (core) or run (foundational) the business/organization. As they evaluate IT roles across the enterprise, CIOs must determine which of these roles are considered essential to meet current challenges and align with IT's strategic initiatives that impact future business outcomes. Therefore, it should be noted that the focus of a role segmentation process is to identify which roles benefit both the IT organization and the enterprise, not the person in the role. Doing so provides CIOs with the capability to articulate their current environment with senior leadership, while also providing a mechanism to open dialogue with HR on enterprise IT roles.

The focus of a role segmentation process is to identify which roles benefit both the IT organization and the enterprise, not the person in the role.

CIOs should leverage a workforce segmentation framework that guides them to successfully manage selections that best enable survival and innovation during their assessment and evaluation (see Table 2). It also helps prevent reactionary responses to worsening economic conditions that lead to short-sighted reductions in workforce with unintended consequences for current performance and future business growth (see How to Develop an IT Strategic Workforce Plan).

Table 2: An Example of a Role Segmentation Scheme

(Enlarged table in Appendix)

Role Segment	Characteristics
Strategic	■ Typically consists of 10% to 15% of the roles in IT. ■ Vital to achieving strategic goals and tomorrow's success (the "A" jobs). ■ Often requires emerging, specialized and/or "hot" IT skills, as well as strong business competencies. ■ Selected based on impact and value, not job titles or job levels. ■ Over time, may move into "core" as the organization's competitive strategy becomes the mainstream best practice. ■ Significant risk to strategy execution if not filled with the best talent — "A" jobs for the "A" talent. ■ Key talent management objective: Source and secure high-quality talent pipeline for these roles.
Core	■ Typically consists of 20% to 25% of the roles in IT. ■ Key to achieving operational excellence and today's success. ■ Often possesses hard-to-replace enterprise knowledge. ■ Over time, may evolve into foundational roles as the organization's strategy changes. ■ Moderate risk to strategy execution if turnover is high and skills gap exists in these roles. ■ Key talent management objective: Develop and retain talent for these roles.
Foundational	■ Consists of 55% to 65% of the roles in IT, the majority in infrastructure and operational support functions. ■ Internally facing and keeping internal operations working smoothly. ■ Potential short-term risk to strategy execution in a talent gap with potential turnover. ■ Key talent management objective: Streamline or outsource these roles for improved operational excellence.
Misaligned	■ Most IT organizations have up to 5% of their staff misaligned. Skill sets are no longer aligned with the organization's strategy and direction. ■ No risk to strategy execution if these roles leave or there is a shortage in this area. ■ Key talent management objective: Reduce, redirect and redeploy resources over time.

Source: Gartner (August 2023)

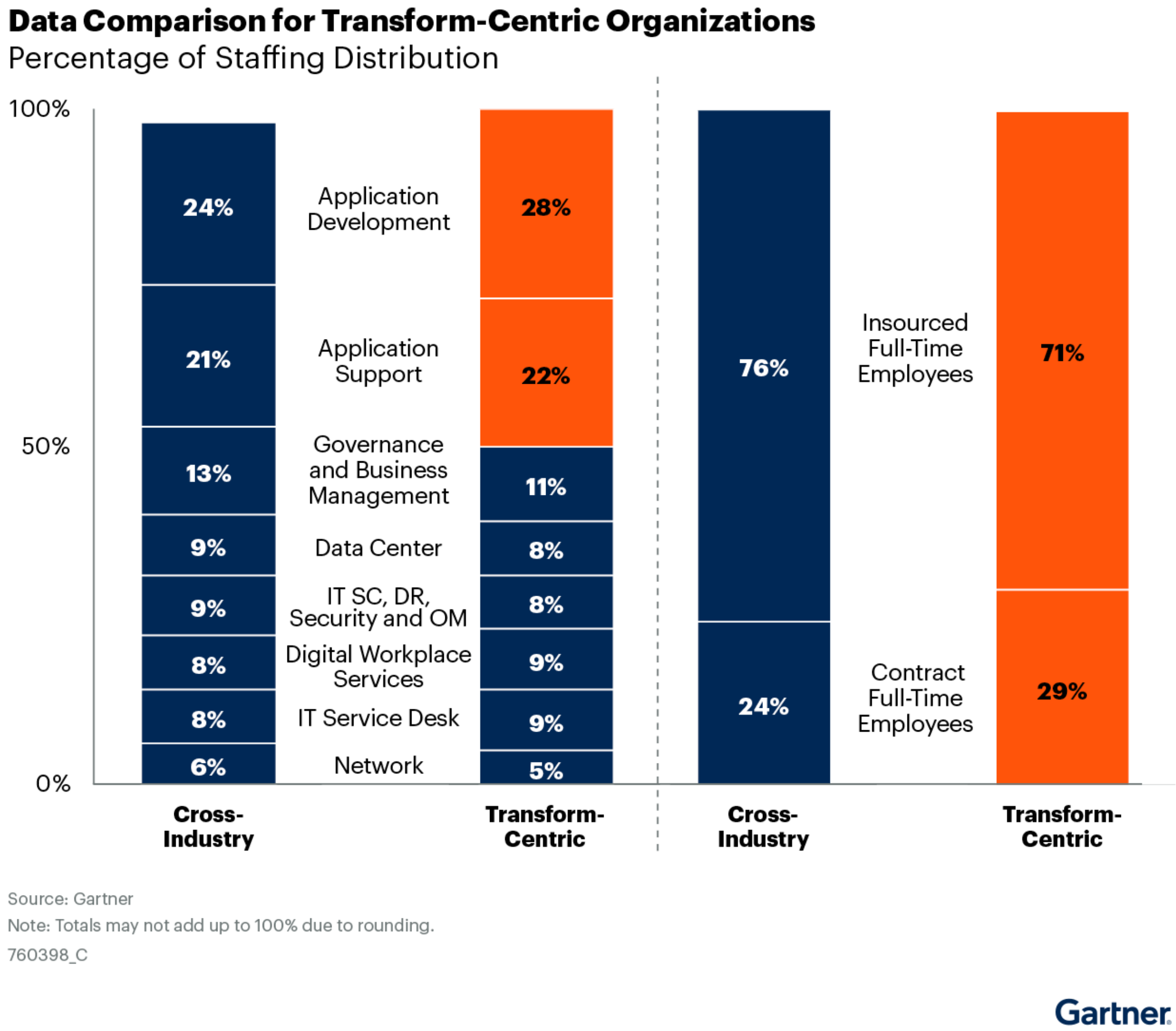
Using a role segmentation scheme similar to the outline in Table 2 allows CIOs to differentiate the IT roles identified in the rightsizing exercise that are also categorized as "foundational" or "misaligned." CIOs can communicate the results of the role segmentation process with the CEO, CFO and HR as part of their enterprisewide workforce segmentation plans. They should allow for a comprehensive evaluation of the workforce and cost savings associated with potential reduction in workforce (see Note 1).

Develop a Needs-Based Talent Strategy Leveraging IT Staffing Levels From Leading Digital Organizations

A resilient workforce model must be reconfigured so that talent and the work can be effectively aligned to respond to future business scenarios. [8] Speaking with clients, and from Gartner expert experience, staffing allocation is based on what the organization prioritizes and how they will execute to get there. For leading digital organizations noted as growth-oriented or transform-centric, [9] this may mean higher-than-benchmark staffing in the applications space coinciding with increased change-the-business spend allocation and additional IT contractors to augment the workforce. CIOs must determine where their workforce is today, how value-added technology investments and initiatives are aligned, and then where/how to support those initiatives by shifting human capital to areas that will matter (see Step 2).

As CIOs develop their one- to two-year IT staffing forecast, [10] it is important to not only focus on enterprise needs, but also where those resources should be allocated to achieve them. To replicate staffing ratios from transform-centric organizations, CIOs can use their IT staffing data to ensure they have an appropriate staffing distribution to meet the enterprise's innovation goals. Figure 3 illustrates where staffing levels vary from the market norm and how these transform-centric organizations build their contractor roles for execution.

Figure 3: Data Comparison for Transform-Centric Organizations



Other Factors to Consider

In managing IT staffing levels, CIOs must also weigh the cost savings from releasing employees in fluctuating economic circumstances with the cost of rehiring should business and economic conditions improve. Some associates may use their time off to seek new opportunities and may not be available when the prior employer is prepared to return to previous staffing levels. CIOs should maintain open dialogue with HR as staffing levels are impacted and in evaluating labor markets and for midsize enterprises, because keeping a good versatile employee allows for managing projects and initiatives with the best talent situation available.

Evidence

[1] **2023 Gartner CEO and Senior Business Executive Survey.** This survey was conducted to examine CEO and senior business executive views on current business issues, as well as some areas of technology agenda impact. The survey was fielded from July 2022 through December 2022, with questions about the period from 2022 through 2024. One-quarter of the survey sample was collected in July and August 2022, and three-quarters was collected from October through December 2022. In total, 422 actively employed CEOs and other senior executive business leaders qualified and participated. The research was collected via 382 online surveys and 40 telephone interviews. The sample mix by role was CEOs (n = 277); CFOs (n = 95); COOs or other C-level executives (n = 19); and chairs, presidents or board directors (n = 31). The sample mix by location was North America (n = 169), Europe (n = 105), Asia/Pacific (n = 102), Latin America (n = 29), the Middle East (n = 11) and South Africa (n = 6). The sample mix by size was $10 million in revenue to less than $50 million (n = 3), $50 million to less than $250 million (n = 51), $250 million to less than $1 billion (n = 102), $1 billion to less than $10 billion (n = 190) and $10 billion or more (n = 76). Disclaimer: The results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.

[2] **2022 Gartner Inflation Response Survey.** This study was conducted to understand the strategies organizations are using to manage higher input costs from wage, salary and freight inflation. The research was conducted online, during May through June 2022 among 130 respondents from North America, EMEA, Australia and New Zealand, across multiple industries. Respondents were CEOs or CFOs of midsize, large or global enterprises. Disclaimer: The results of this study do not represent global findings or the market as a whole, but reflect the sentiment of the respondents and companies surveyed.

[3] 2023 IT Talent Outlook for Large Enterprises.

[4] From Figure 17 in IT Key Metrics Data 2023: Industry Measures — Cross-Industry Analysis.

[5] “I&T” refers to information and technology used to clarify the scope of the I&T operating models that extend beyond the IT organization. I&T emphasizes how the entire enterprise uses information and technology as strategic assets, whether or not they’re owned and controlled by the IT department (see Use the Service-Optimizing I&T Operating Model to Become a Business-Centric Provider of I&T Services).

[6] Sample data collected and collated for strategic IT investments (n = 57) based on transform-centric organizations based on Figure 7 in IT Key Metrics Data 2023: Industry Measures — Strategic Investments & Business Outcomes.

[7] IT spending to run the business from Figure 16 in IT Key Metrics Data 2023: Industry Measures — Cross-Industry Analysis.

[8] Reconfigure Your Technology Workforce Model to Be Resilient in Uncertain Times.

[9] Strategic-based cost management views of grow-the-business and transform-the-business as defined in IT Key Metrics Data 2023: Industry Measures — Framework Definitions.

[10] Gartner's IT Score for CIO data shows 63% of mature IT organizations incorporate one- to two-year forecasts for IT staffing needs into its workforce plans, including skills, competencies and headcount, compared with 31% of all other organizations.

Gartner IT Score for CIOs benchmark data was collected from October 2020 through 15 February 2023, n =1,860 organizations:

- Mature IT organizations (organizations that score in the top 20th percentile of the overall maturity score), n = 372
- Rest of the organizations, n = 1,488

Gartner's IT Score for CIO offers the best of Gartner expertise and peer-based research. The IT Score for CIO builds on the previous version of the IT Score, bringing it up to date with the latest research and best practices in CIO.

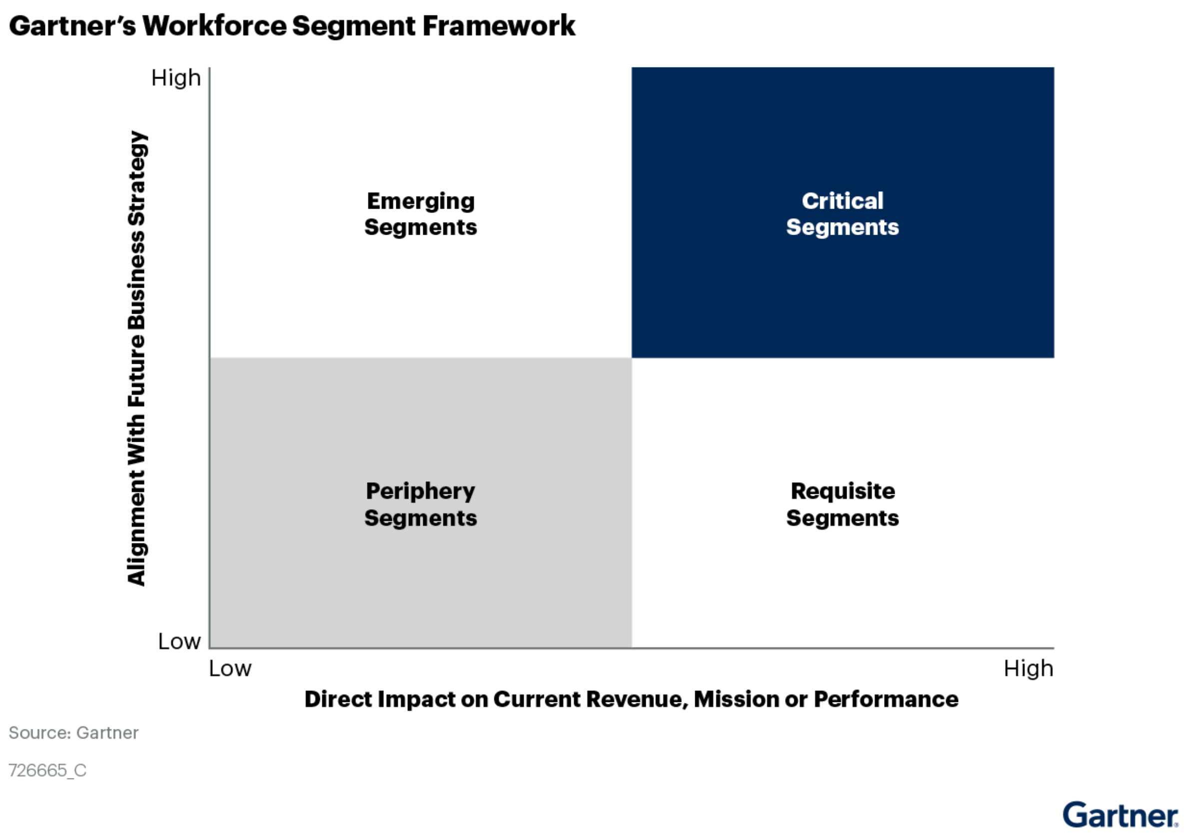
Maturity is measured on a scale ranging from 1 (low) to 5 (high). It measures how advanced an organization's development is in a functional activity relative to Gartner's expert assessment of practices associated with that activity. Each activity comprises several subactivities, and each subactivity is given as a yes or no question. Each question is weighted 1 through 5, depending on how progressive the activity is according to Gartner analysis. Roughly, a 1 is considered a below average or 10th-percentile practice, while a 5 is considered a 90th-percentile practice. Activity maturity is calculated as the average of responses to the subactivity questions.

Importance is measured on a scale of 1 (low) to 5 (high). Importance measures how important each functional activity is to the overall effectiveness of the function in meeting its business objectives.

Note 1: Gartner's Workforce Segment Framework

Gartner's Workforce Segment Framework is from How to Make Workforce Reduction Decisions Using Segmentation Strategies (see Figure 4).

Figure 4: Gartner's Workforce Segment Framework



Enterprise leaders must consider the risks associated with reductions to particular workforce segments in the following terms:

- **Core segments:** Essential employee groups without which the organization would face immediate loss of revenue, reductions in in-demand output or products, or disruptions to operational continuity. Their loss could jeopardize the organization's ability to deliver on current contracts or agreements.

- **Requisite segments:** Employee groups that have a direct impact on sales or to margin, but whose skills or work output are not well-aligned with the future needs of the business. It may be that they could be easily rehired during recovery or that their skills are likely to be subject to automation or easily replaced by transferable skills available elsewhere in the organization.
- **Emerging segments:** Employee groups that, although less essential to current day-to-day operations or less impactful on current revenue streams, are nonetheless well-aligned with the organization's strategy and future business objectives. Reductions in these segments create long-term risks for the organization and could impact the organization's ability to recover from this period of crisis quickly. Reductions in these segments may mean impacts to the broader workforce's ability to innovate or respond to changing business conditions, or they may degrade leadership bench strength. Replacing these workers could be derailed by talent risks, such as skills shortages or significant costs associated with rehiring or retraining large numbers of workers on rare, but critical skills.
- **Periphery segments:** These employee groups are generally easier to externally source and are subject to low internal demand compared with other segments. They may often be characterized as having expiring skill sets — for example, design for print advertising. The high external supply also indicates market demand for this talent is relatively low. This group of roles may soon be eliminated by automation. To a lesser extent, some risks apply to this group that apply to the others as well: legal and regulatory compliance, impacts to operational capacity or business processes execution, reputation damage, and loss of morale.

Document Revision History

3 Steps in Evaluating IT Staffing Levels in Times of Uncertainty - 11 June 2020

Recommended by the Authors

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

IT Key Metrics Data 2023: Industry Measures — Executive Summary

IT Key Metrics Data 2023: Definition of Industries

IT Key Metrics Data 2023: Industry Measures — Strategic Investments & Business Outcomes

How to Develop an IT Strategic Workforce Plan

Reconfigure Your Technology Workforce Model to Be Resilient in Uncertain Times

Video: Baseline Your IT Budget With the Gartner IT Budget & Efficiency Benchmark Tool

How to Communicate Value in the Languages of IT, Finance and Business Outcomes

3-Year Roadmap for Strategic Cost Optimization

Tool: Decision Framework for Emergency IT Cost Cutting

7 Rules for Demonstrating the Business Value of IT

Infographic: 7 Value Stories to Communicate the Business Value of IT

Table 1: Variance Analysis — IT Staffing by Functional Area

IT Functional Area	Cross-Industry Benchmarks	Sample Company Data	Variance
Data Center	9%	6%	-33%
Network	6%	6%	0%
Digital Workplace Services	8%	15%	88%
IT Service Desk	8%	9%	13%
Application Development	24%	23%	-4%
Application Support	21%	14%	-33%
Governance and Business Management	13%	17%	31%
IT Security, Operations Management, Service Continuity and Disaster Recovery	9%	10%	11%

Source: Gartner (August 2023)

Table 2: An Example of a Role Segmentation Scheme

Role Segment	Characteristics
Strategic	■ Typically consists of 10% to 15% of the roles in IT. ■ Vital to achieving strategic goals and tomorrow's success (the "A" jobs). ■ Often requires emerging, specialized and/or "hot" IT skills, as well as strong business competencies. ■ Selected based on impact and value, not job titles or job levels. ■ Over time, may move into "core" as the organization's competitive strategy becomes the mainstream best practice. ■ Significant risk to strategy execution if not filled with the best talent — "A" jobs for the "A" talent. ■ Key talent management objective: Source and secure high-quality talent pipeline for these roles.
Core	■ Typically consists of 20% to 25% of the roles in IT. ■ Key to achieving operational excellence and today's success. ■ Often possesses hard-to-replace enterprise knowledge. ■ Over time, may evolve into foundational roles as the organization's strategy changes.

	■ Moderate risk to strategy execution if turnover is high and skills gap exists in these roles. ■ Key talent management objective: Develop and retain talent for these roles.
Foundational	■ Consists of 55% to 65% of the roles in IT, the majority in infrastructure and operational support functions. ■ Internally facing and keeping internal operations working smoothly. ■ Potential short-term risk to strategy execution in a talent gap with potential turnover. ■ Key talent management objective: Streamline or outsource these roles for improved operational excellence.
Misaligned	■ Most IT organizations have up to 5% of their staff misaligned. Skill sets are no longer aligned with the organization's strategy and direction. ■ No risk to strategy execution if these roles leave or there is a shortage in this area. ■ Key talent management objective: Reduce, redirect and redeploy resources over time.

Source: Gartner (August 2023)