

IT Key Metrics Data 2024: Industry Measures – Insights for Midsize Enterprises

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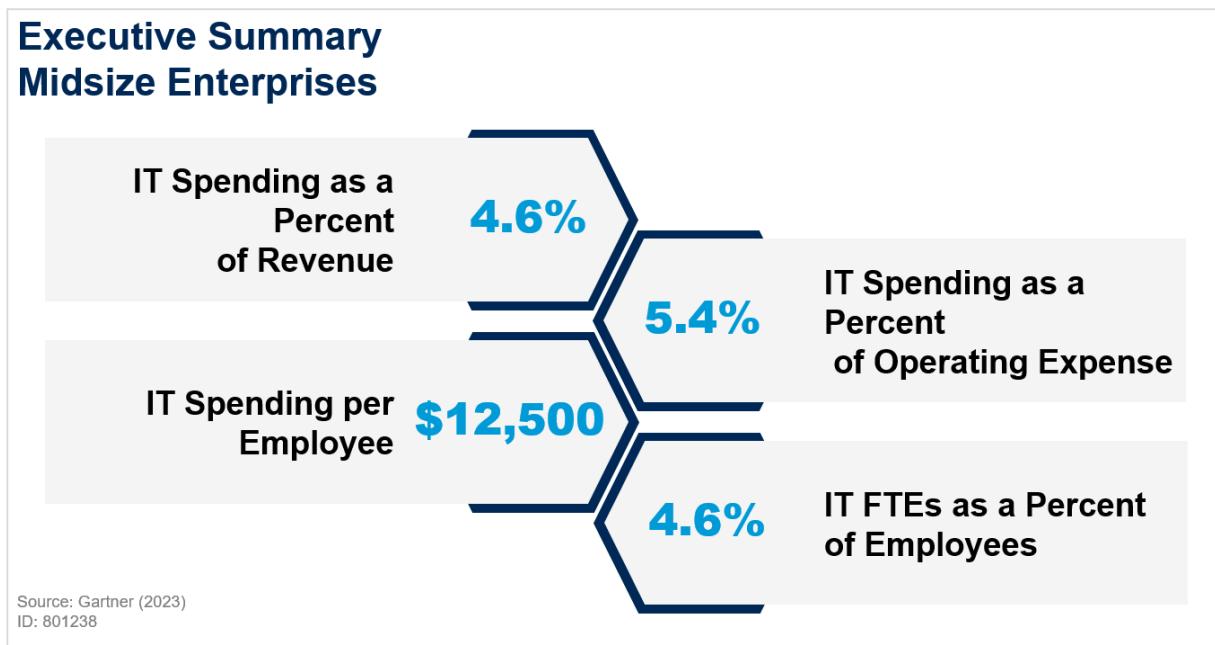
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Initiatives: [Technology Finance, Risk and Value Management](#)

This analysis provides insight into IT Spending and Staff results for Midsize Enterprises based on the Gartner Industry Enterprise IT Spending and Staffing Framework. These benchmarks can be part of a program to improve cost management through transparency and regular calibration as a best practice.

Overview

Figure 1: Executive Summary for Midsize Enterprises



Key Findings

- All of the metrics published in this report are based on the IT Spending and Staffing model outlined in the [Framework Definitions](#) document.
- The 2022 cross-industry median IT spending as a percent of revenue for midsize enterprises is 4.6%, compared to the median of 3.0% for all enterprises.
- The 2022 cross-industry median IT spending as a percent of operating expenses for midsize enterprises is 5.4%, compared to the median of 3.7% for all enterprises.
- The 2022 cross-industry median IT spending per employee for midsize enterprises is \$12,500, compared to the median of \$11,424 for all enterprises.

Recommendations

- Use the [Gartner IT Budget Tool](#) to establish a baseline comparison report of your IT spend and staff levels to:
 - Put IT spending and staffing into perspective for stakeholders by developing comparable external reference points.
 - Track IT spending and staffing consistently over time.
 - Identify the sources of IT spending and variances from peers in order to support optimization activities.
- Benchmark numbers represent reference points and not best practices or targets. Use the results of your personalized IT Budget Benchmark in context to identify cost and value optimization opportunities and improve cost management. Review your results with a Gartner Expert to identify next steps.

Benchmarking is a foundational component of cost management and mature IT financial management practices.

As CIO's and IT leaders evolve IT financial management practices, benchmarking continues to be a foundational capability to identify opportunities for smarter spending.

Figure 2: 4-Step process to Identify Opportunities for Smarter Spending



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To support Step 1, the [Gartner IT Budget Tool](#) I can help to analyze costs vs. the industry to identify optimization opportunities.

The below resources are available to support your cost benchmarking exercise.

- Refer to [Framework Definitions](#) and [Frequently Asked Questions](#) to understand the scope and definitions of Enterprise IT spending and staffing.
- Use [IT Budget Practitioners Guide](#) to prepare your IT spending and staffing data for comparison.
- Review [IT Budget Next Steps](#) document to help interpret your benchmark.
- At any time during the process you can schedule an [inquiry](#) to get assistance with completing the IT Budget Tool, or to review your results.

As needed, additional benchmark tools are also available for deeper analysis and insights.

- [End-User Services & Application Portfolio Budget & Efficiency Tool](#)
- [IT Key Metrics Data Comparison Tool: Data Center & Network](#)

Note: Access is dependent on your level of Gartner subscription.

This research provides an overview of the key findings on spending and staffing trends from midsize enterprises around the world. For the purposes of this research, midsize enterprises are considered as organizations with between USD \$50 million and \$1 billion in annual revenue.

For detailed information and metrics specific to each of the listed ITKMD vertical industries and for IT spending and staffing metrics for larger enterprises review "[IT Key Metrics Data 2024: Index of Published Documents and Metrics](#)"

2023 IT Investment Measures

IT Spending as a Percent of Revenue

IT spending as a percent of revenue is the most recognized measure of total IT investment relative to top-line business results. Note that IT spending as a Percentage of Revenue (and IT Spending as a percent of Operating Expenses) are calculated based on the current year's IT spending, divided by the previous year's revenue. We make the calculation in this way because the IT budget for a future year is based on experience from the current year. However, for practical reasons, we use the previous year's revenue because the current year's financial information is not available to us at the same time as the IT spending numbers.

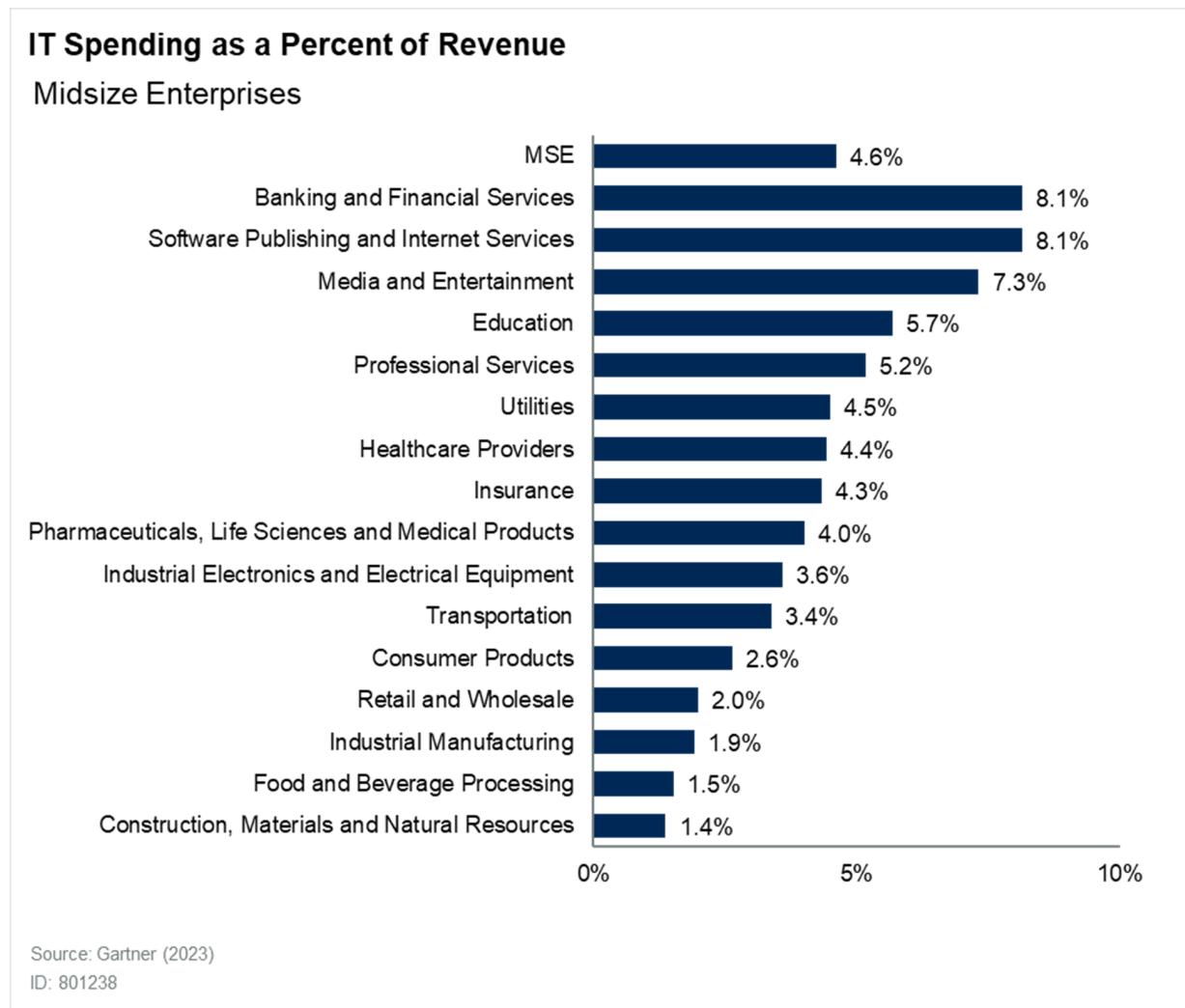
The value of this measure is that it assists in identifying the competitiveness of investment levels relative to the most fundamental measure of business performance: revenue. While this has been viewed as a must-have and readily available metric for many enterprises, common misuses include:

- Looking at a single year rather than multi year 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 of the calculation
- Considering just the median rather than the range of values or the upper and lower quartiles, which can be found in Gartner ITKMD reports specific to vertical industries.

IT spending as a percent of revenue alone does not highlight why spending levels are at, above or below median (which are often misinterpreted as “good” or “bad”), nor does it reflect IT’s contribution to business performance. Thus, IT spending as a percent of revenue needs to be considered in tandem with other IT intensity measures, as well as the context of business objectives, the rate of change and the overall circumstances affecting the numerator, as well as the denominator, of the calculation.

Overall the median cross-industry IT spending as a percent of revenue for midsize enterprises was 4.6%, see Figure 3, compared to the median of 3.0% for all enterprises.

When using these figures as a “planning assumption” for when enterprise revenue shifts into another threshold, many would be tempted to believe that their enterprise “must” change their IT spending levels. This is a false assumption. Each organization has different goals, markets and business models, and exploring the reasons for different IT spending levels is out of the scope of this document. These metrics should be used as a check for long-term goals, as hard targets for optimization, or to defend and justify IT spending levels for growing or mature enterprises.

Figure 3: IT Spending as a Percent of Revenue**Gartner**

Note that IT spending as a percent of revenue is calculated on the basis of the current year's IT spending, divided by the previous year's revenue. We make the calculation in this way because the IT budget for a future year is based on experience from the current year. However, for practical reasons, we use the previous year's revenue because the current year's financial information is not available to us at the same time as the IT spending numbers.

IT Spending as a Percent of Operating Expense

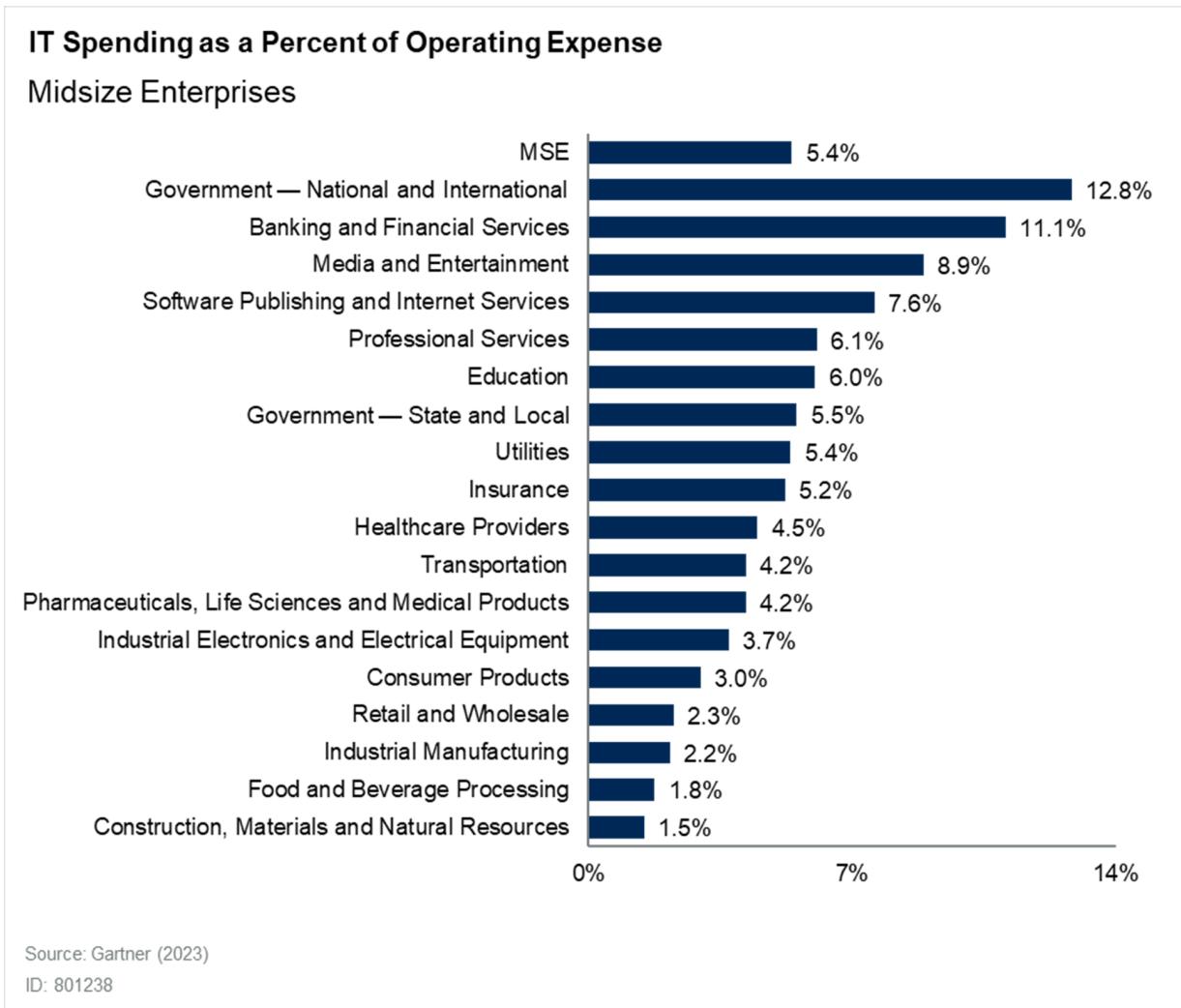
IT spending as a percent of operating expense is another view of IT investment level in terms of the role IT plays in overall business spending patterns.

While revenue may be subject to external-market-based volatilities, business operating expense typically remains much more consistent and predictable year over year. Therefore, it better reflects the overall business investment strategy. Typically, organizations with a greater level of IT investment relative to operating expense view IT as a strategic enabler, and this can improve business performance and productivity levels.

Although many enterprises prefer to use IT spending as a percentage of revenue for creation of planning assumptions, the metric for IT spending as a percentage of operating expenses is often preferred by government enterprises because of the ambiguity of using "revenue" as an indicator of IT spending. Also, where goals for enterprise operating expenses are a primary consideration, many private sector enterprises also consider IT spending as a percentage of enterprise operating expenses.

The median for the cross-industry segment IT spending as a percent of operating expenses for midsize enterprises in 2023 is 5.4%, see Figure 4, compared to the median of 3.7% for all enterprises.

For many IT and business leaders, there is a tendency to think that the larger the enterprise, the lower IT spending levels would be as a percentage of enterprise operating expenses. However, the ultimate business goals of the enterprise should dictate IT spending levels, and as such, make this hypothesis false in many circumstances.

Figure 4: IT Spending as a Percent of Operating Expense**Gartner**

Again, this metric is calculated based on the current year's IT spending, divided by the previous operating expense. We advise clients to keep this in mind when comparing their own data with Gartner metrics.

IT Spending per Employee

IT spending per employee is often used to determine the amount of IT support the organization's workforce receives. For IT Spending per Employee both the data for the numerator and denominator (IT Spending and Employees) were both collected for the current year (2023).

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.

An increase in IT spending per employee is often viewed as a negative trend. However, this may not always be the case, as a decrease in employees (or a lack of increase of additional employees when business improves) can result in a higher value, simply because there are a smaller number of employees that are divided into the same or increasing IT spending size. Therefore, the overall trend may have been impacted by continuing lower levels of general employment and the fact that, in many cases, organizations have returned to profitability, but have been reluctant to increase hiring. For information-intensive enterprises, an increase in their figure for IT spending per employee may indicate a productivity improvement, due to automation or digitization.

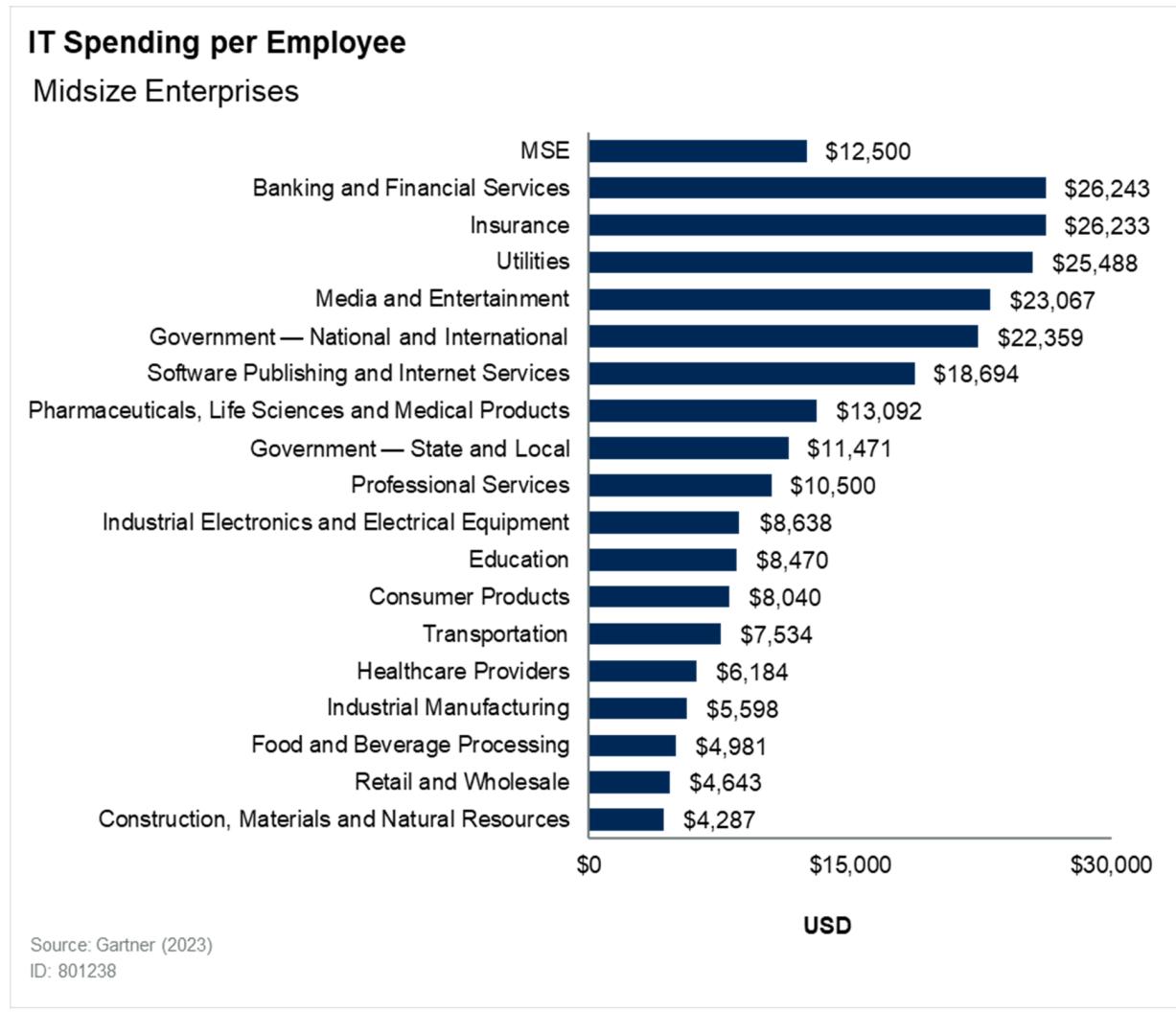
The median for the cross-industry segment, IT spending per employee for midsize enterprises is \$12,500, see Figure 5, compared to the median of \$11,424 for all enterprises.

Depending on the specific industry, the tendencies for a lower IT spend per employee figure will be driven by the labor intensity of the business model, the information intensity of the business model and possibly the size of the enterprise.

The industries with the highest level of IT spending per employee are those that typically tend to be the most information-intensive, and include banking and financial services, insurance, and national and international government.

Industries that are more labor-based, tend to have much lower IT spending per employee.

Figure 5: IT Spending per Employee



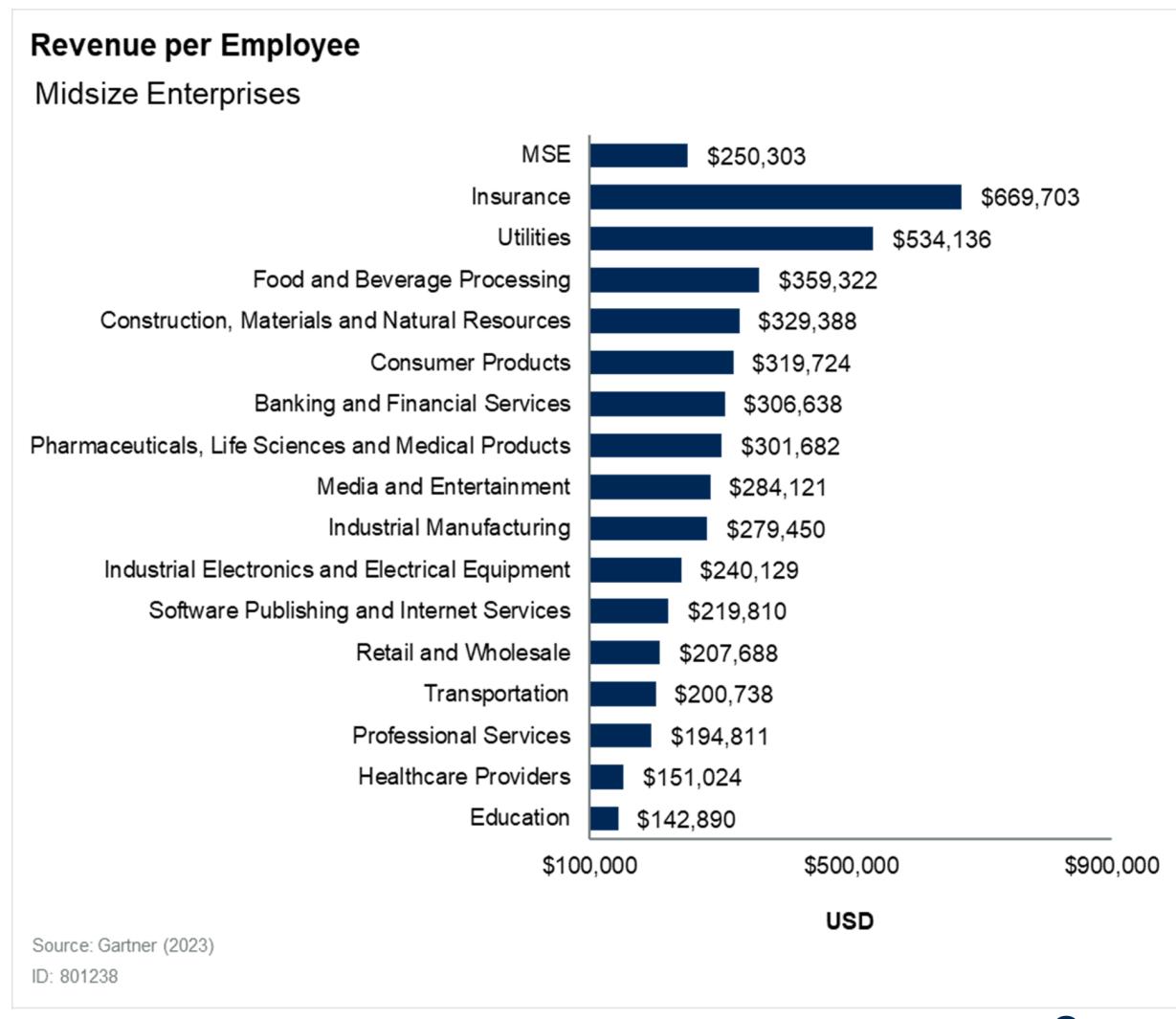
Business Productivity Ratios

Revenue per Employee

Revenue per employee can help determine employee productivity in terms of revenue generation intensity. This measure is typically influenced by the company business model and staffing strategy. Enterprises with highly labor-intensive operations tend to generate lesser revenue per individual as compared to those enterprises which are highly automated. Effective and efficient uses of IT enable business processes to be streamlined, thus increasing employee productivity in terms of business results. While revenue may represent top line business results, it does not represent an organization's ability to generate income. This measure should be considered within the context of the enterprise operating model which drives operating income and profit margin as well as within the context of the total workforce strategy.

The median for the cross-industry segment, Revenue per employee for midsize enterprises is \$250,303, see Figure 6, compared to the median of \$348,361 for all enterprises.

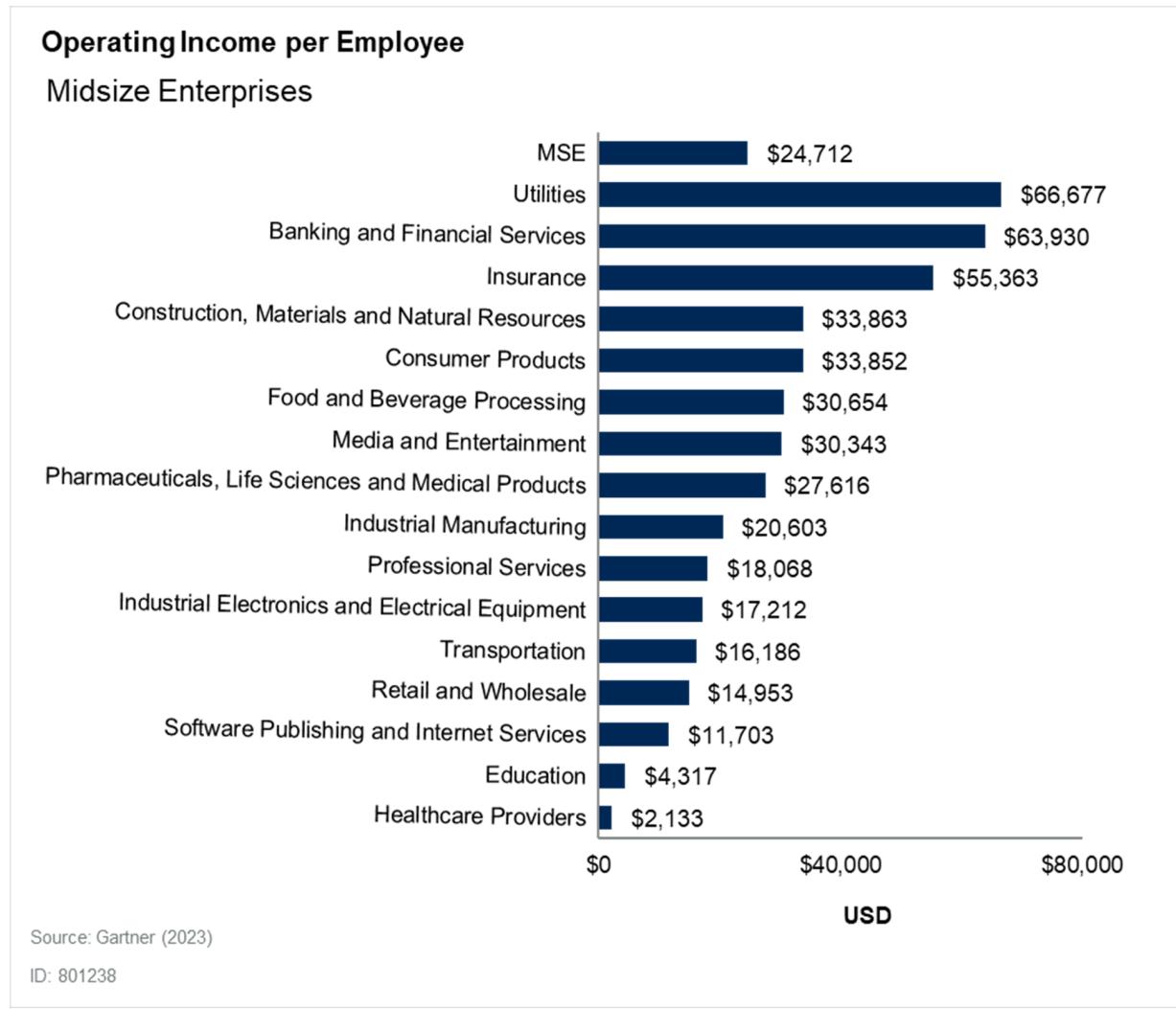
Figure 6: Revenue per Employee (\$000 USD)



Operating Income per Employee

Operating income per employee is often employed as a measure of cost efficiency and productivity at an enterprise level.

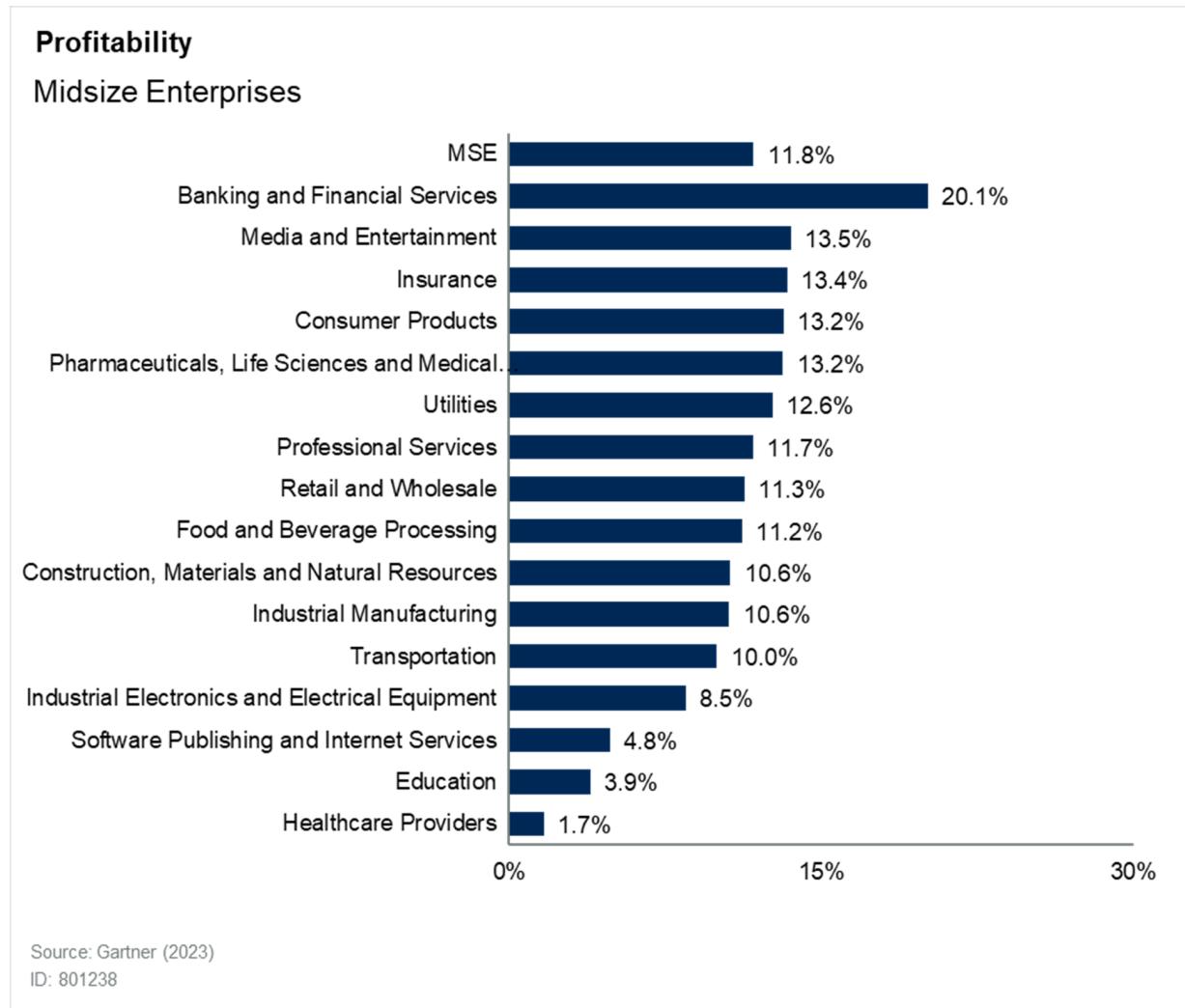
The median for the cross-industry segment, Operating Income per employee for midsize enterprises is \$24,712, see Figure 7, compared to the median of \$35,726 for all enterprises.

Figure 7: Operating Income per Employee

Profitability

Profitability is a measure of an enterprise's cost-efficiency and can help outline the enterprise's position relative to the industry as it is often related to investment patterns.

The median for the cross-industry segment, Profitability for midsize enterprises is 11.8%, see Figure 8, compared to the median of 11.1% for all enterprises.

Figure 8: Profitability**Gartner**

IT Budget Distributions: Uncover the Facts

Up to this point, the figures have shown spending trends overall, without distinguishing between the strategic, financial or operational categories that compose them. Through these categories, you can draw conclusions about critical investment areas, key investment themes and competitive spending levels.

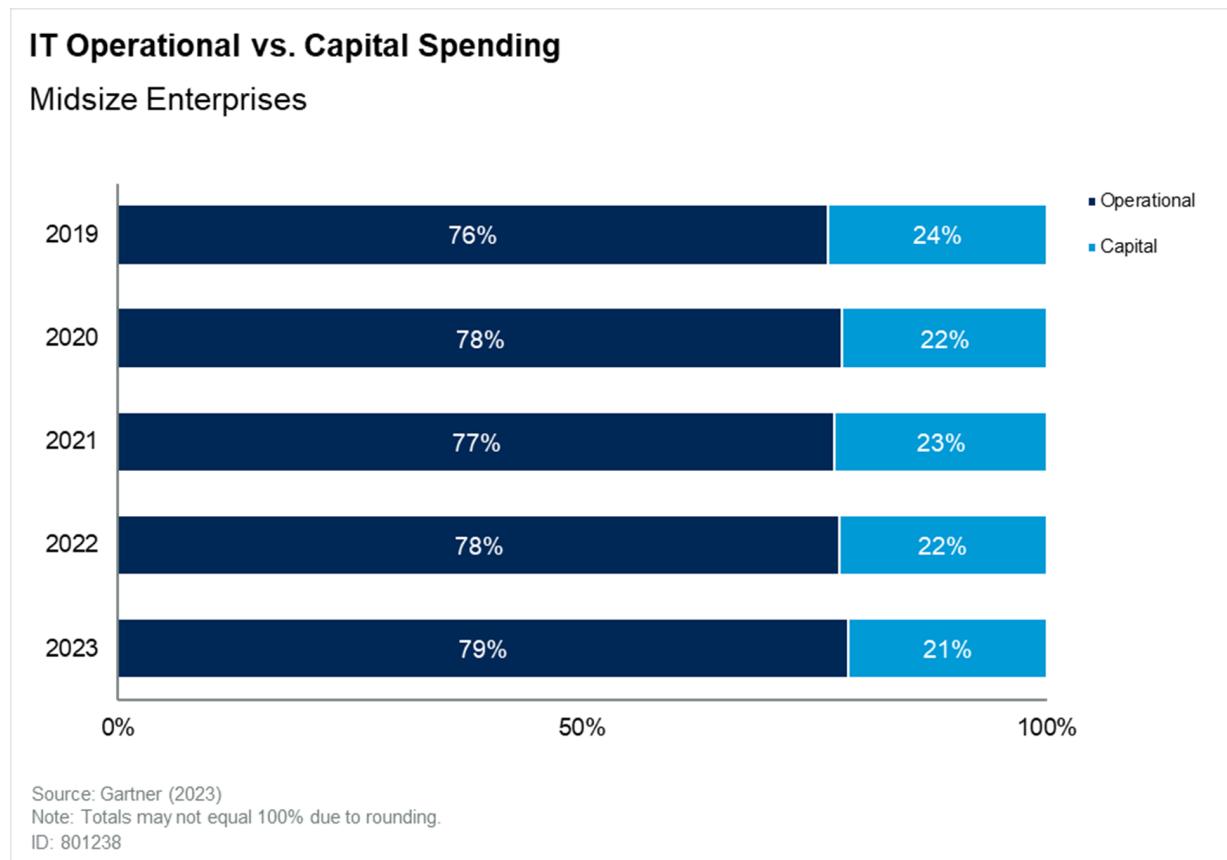
IT Operational Versus Capital Spending

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

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.

For more information, see "[CIOs Must Master Multiple Views of Spend to Master IT Finances](#)."

Figure 9: IT Operational Versus Capital Spending



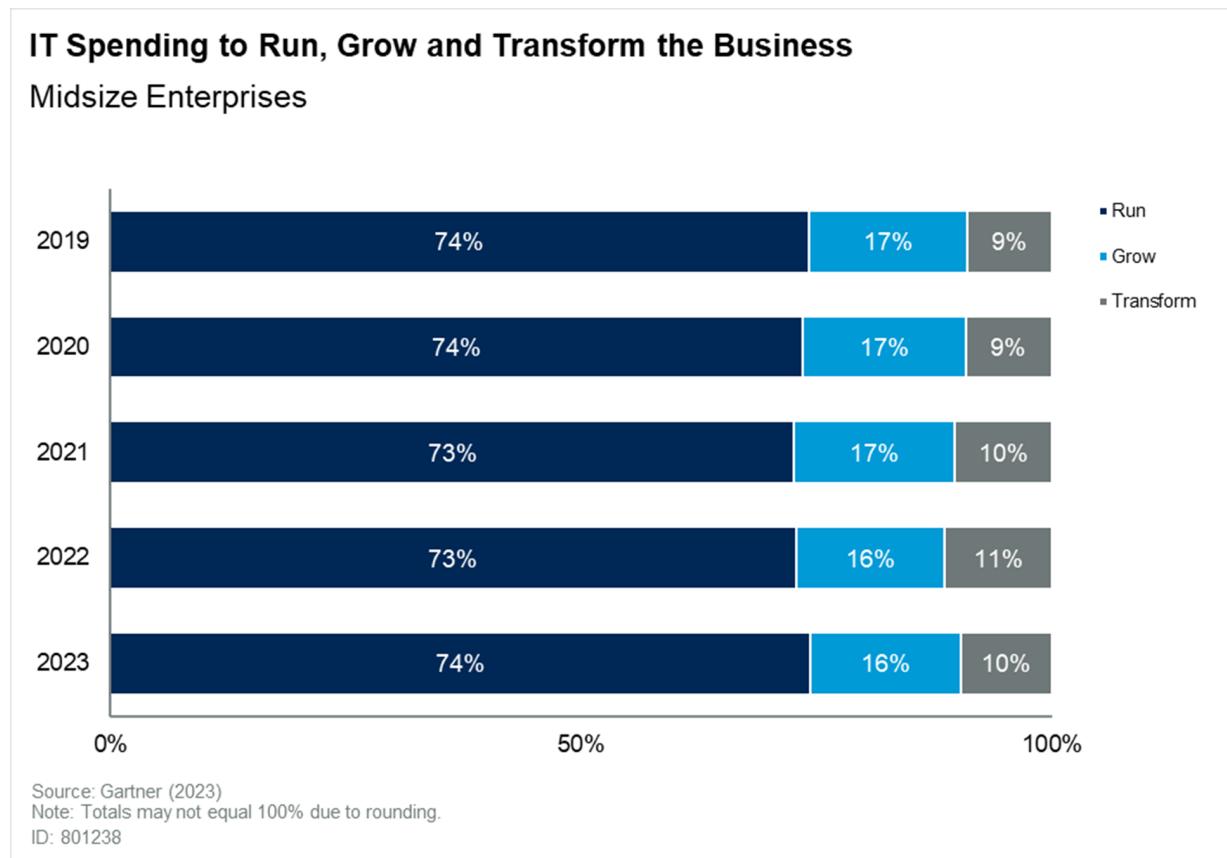
Strategic IT Spending Portfolio: Run, Grow and Transform the Business IT Spending

The distribution of IT spending to run the business, grow the business and transform the business provides a view of the IT investment profile or “portfolio” 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.

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 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.

Figure 10: IT Spending to Run, Grow and Transform the Business**Gartner**

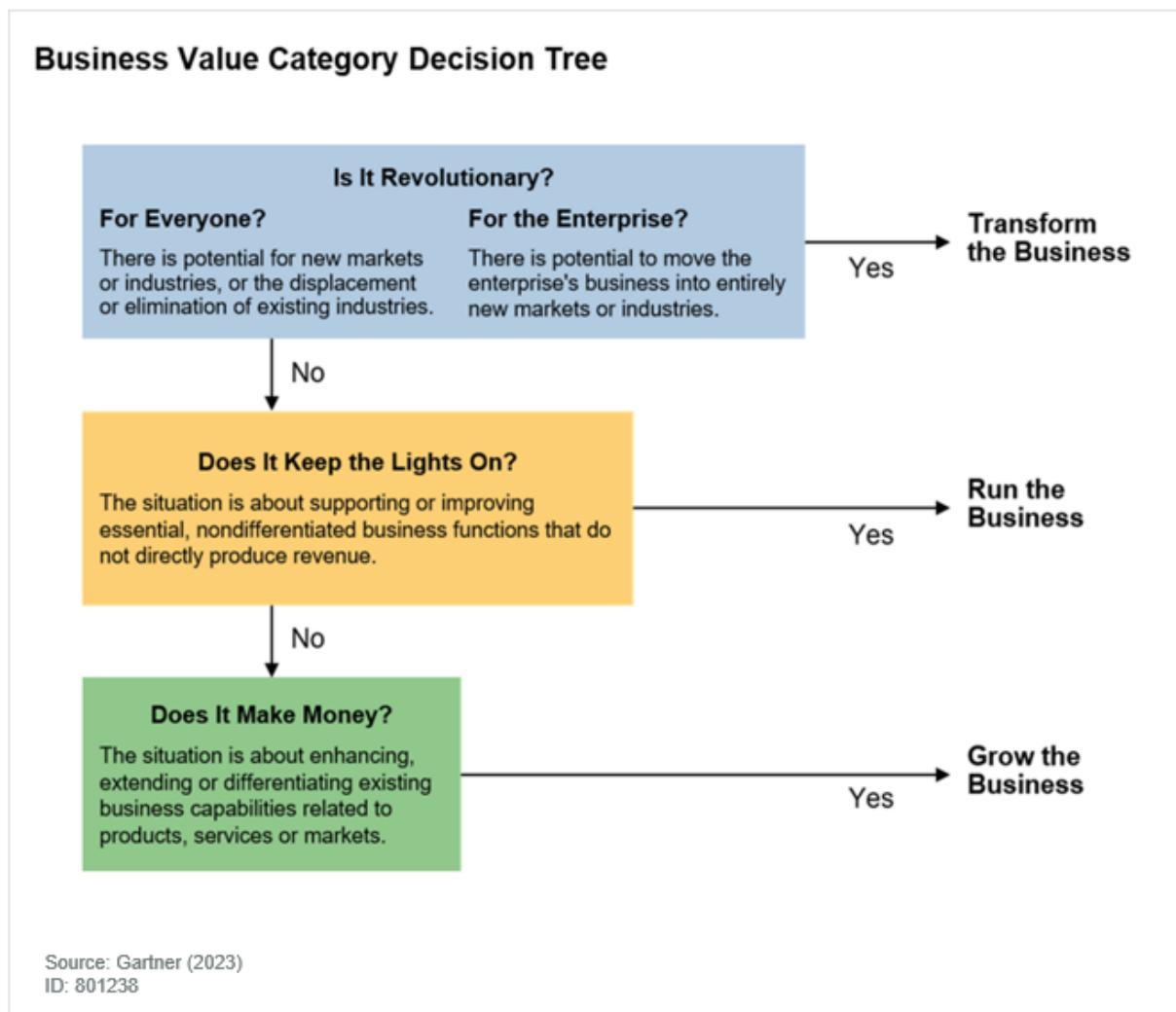
Subtle hints of an industry's IT investment profile can be seen in a higher percentage of IT spending devoted to the grow and transform categories, which comes at the expense of the run category from a percentage perspective.

Determining the Business Context for Value

As organizations leverage the run, grow and transform the business concepts at a macro level, Gartner has found it helpful to define various IT investments (and portions of investments) with the same basic framework to illustrate the projected impact at the individual IT initiative and project levels.

With a basic understanding of the framework, as outlined here, organizations can apply the decision tree (see Figure 11) to select the category that best describes business value for their IT initiatives.

Figure 11: Business Value Category Decision Tree



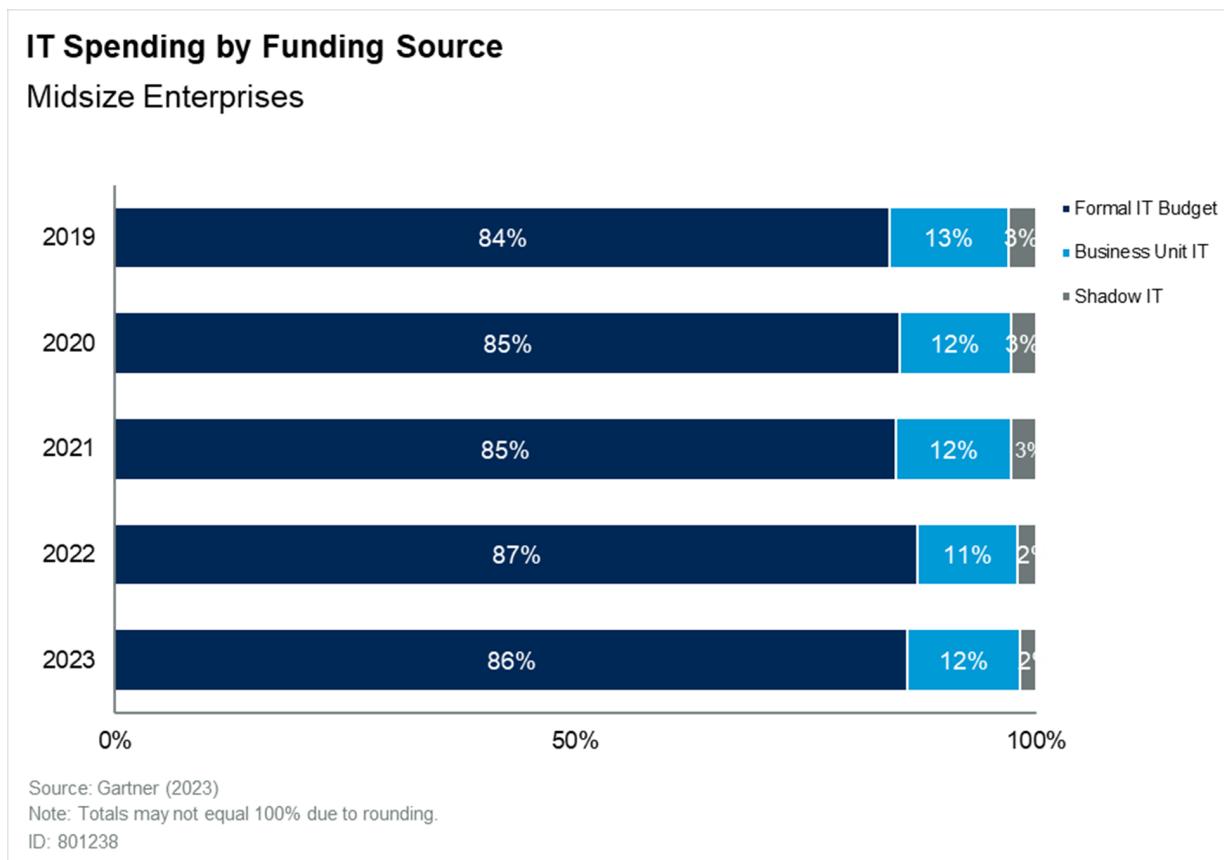
To better understand what the Strategic IT spending distribution looks like for top performers and its impact on their top-line metrics, you can review [IT Key Metrics Data 2024: Industry Measures – Strategic Investments & Business Outcomes](#).

IT Spending by Funding Source

IT spending can come from several different sources within an enterprise or organization and is not restricted to the formal IT Budget. Additional spending can occur within business unit budgets and be what is known as "shadow IT."

Understanding how much IT spending occurs outside the formal IT budget allows organizations to gauge the true extent of their IT spending and ensure for example that IT budget cost cutting exercises do not simply result in IT spending occurring elsewhere in the business. Getting the right mix of the formal IT budget, business unit IT and shadow IT can depend upon many factors and needs to be appropriate for the circumstances of the individual organization. Shadow IT can occur because the business wants to move faster than the formal IT departments processes allow and can lead to a lack of central governance and control. However, not all shadow IT should necessarily be viewed as "bad."

Figure 12: Distribution of IT Spending by Funding Source



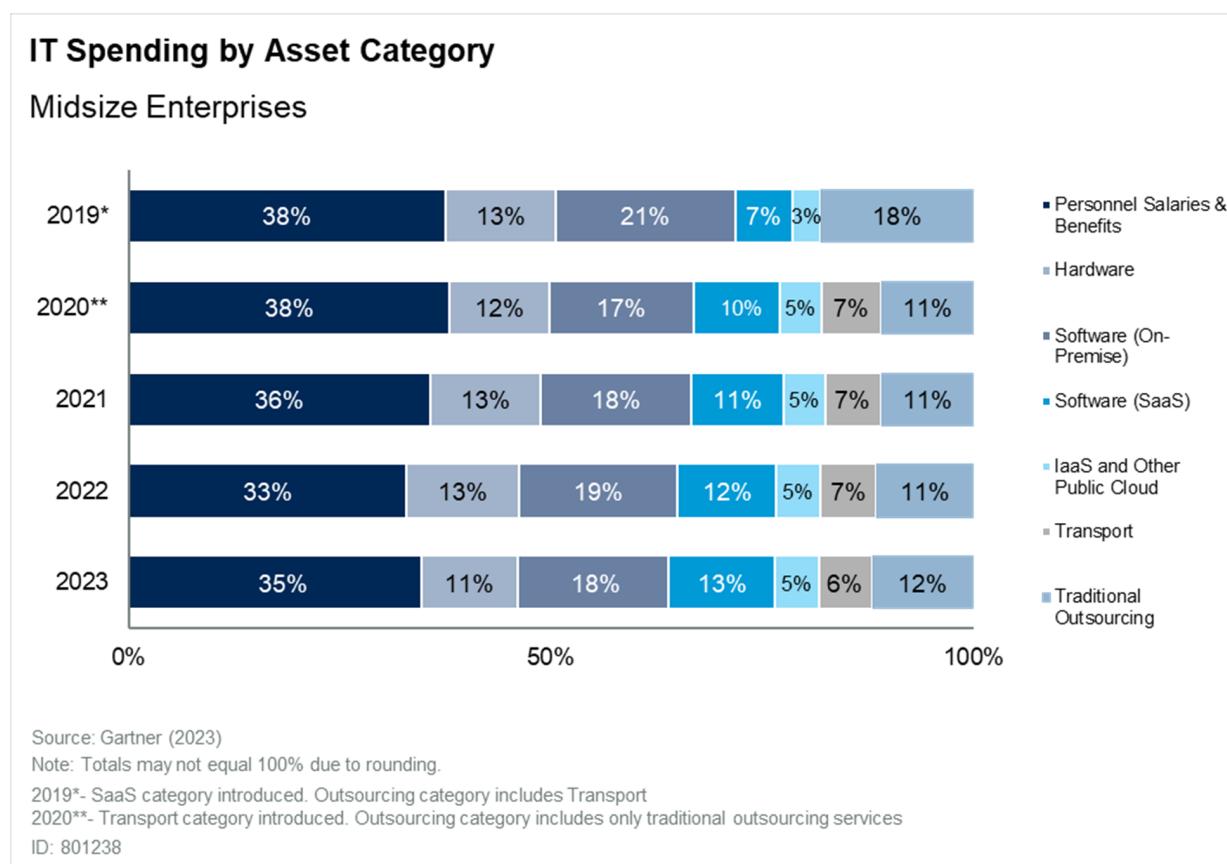
See "[Executive Essentials: Compose Your IT Operating Model to Generate Value](#)" for more details.

IT Spending by Asset Category

The distribution of spending between asset categories (hardware, software, personnel, outsourcing and public cloud) can show the dynamics of IT investments. For the purpose of this research, personnel include occupancy/facilities costs, outsourcing includes network transmission, and public cloud is a combination of SaaS IaaS and other public cloud services.

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 (for example, IT hardware, software, personnel and occupancy/facilities costs) versus services delivered by a third party (for example, 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.

Figure 13: Distribution of IT Spending by Asset Category

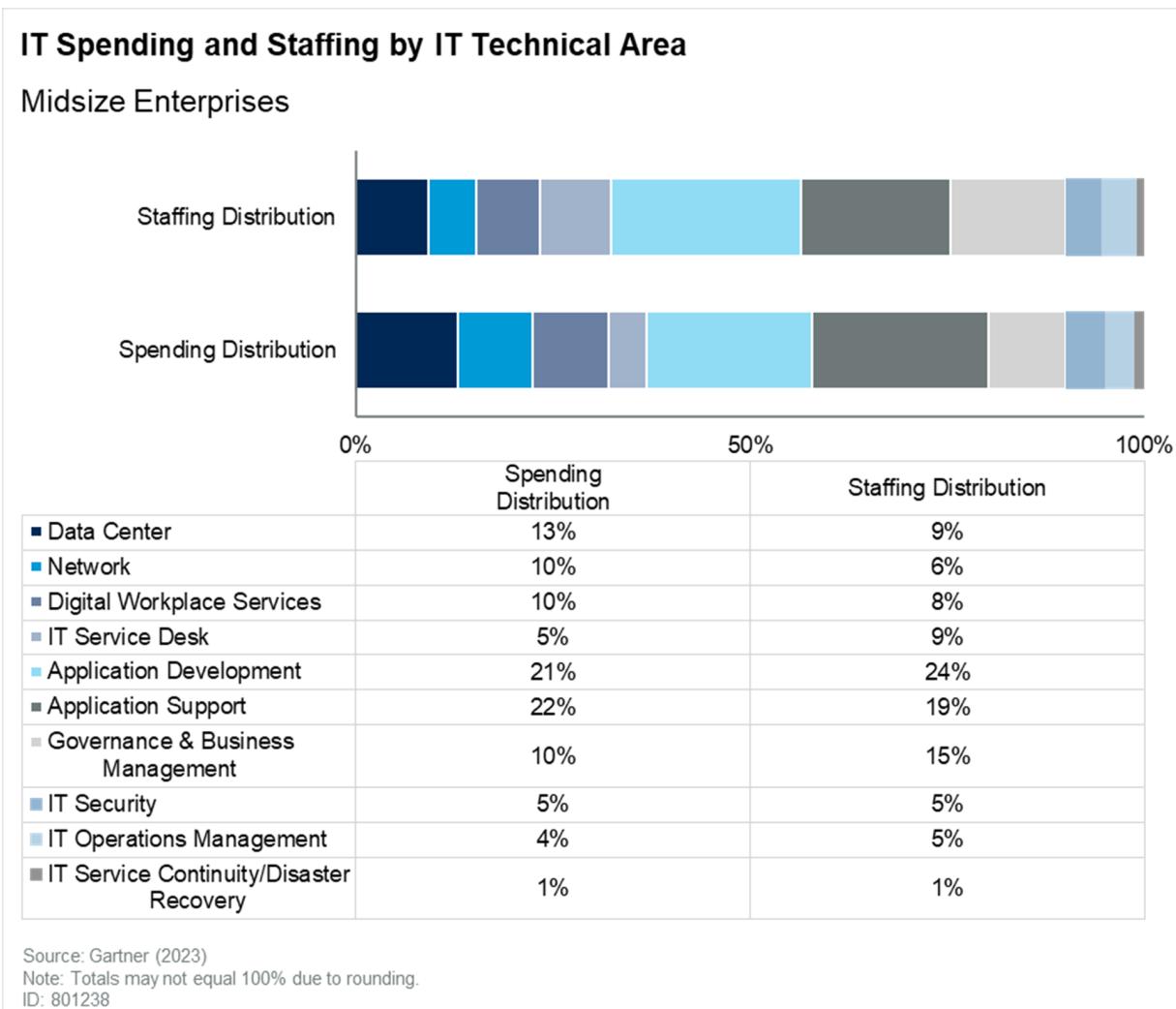


For more details on Public Cloud Spending Trends, refer to [IT Key Metrics Data 2024: Industry Measures – Public Cloud Spending Trends](#)

Distribution of IT Spending and Staffing by IT Technical Area

The distribution of IT spending and staffing by IT technical area provides a view of key IT resource consumption in the context of the overall IT portfolio.

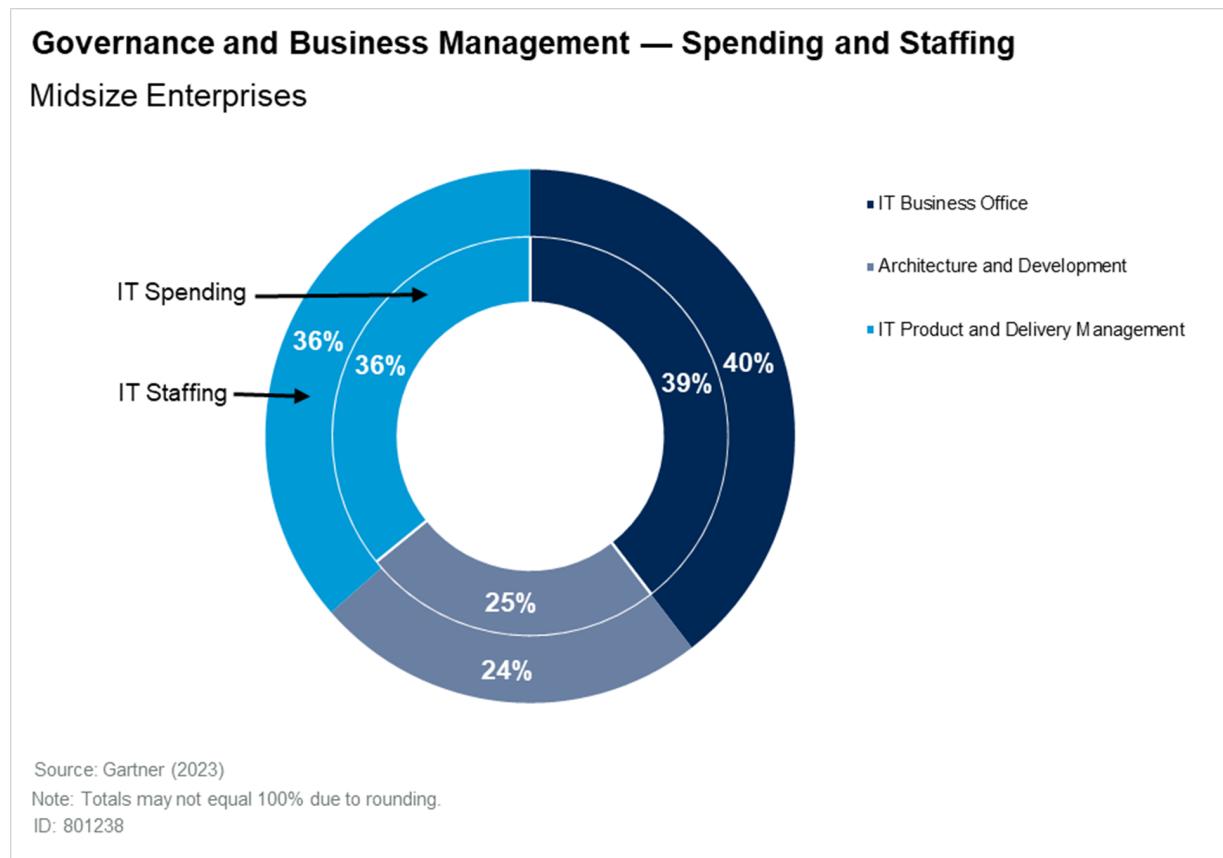
Figure 14: Distribution of IT Staffing and Spending by IT Technical Area



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Distribution of IT Spending and Staffing by Governance & Business Management

Figure 15: Distribution of IT Spending and Staffing by Governance & Business Management



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IT Portfolio Trends: Staffing

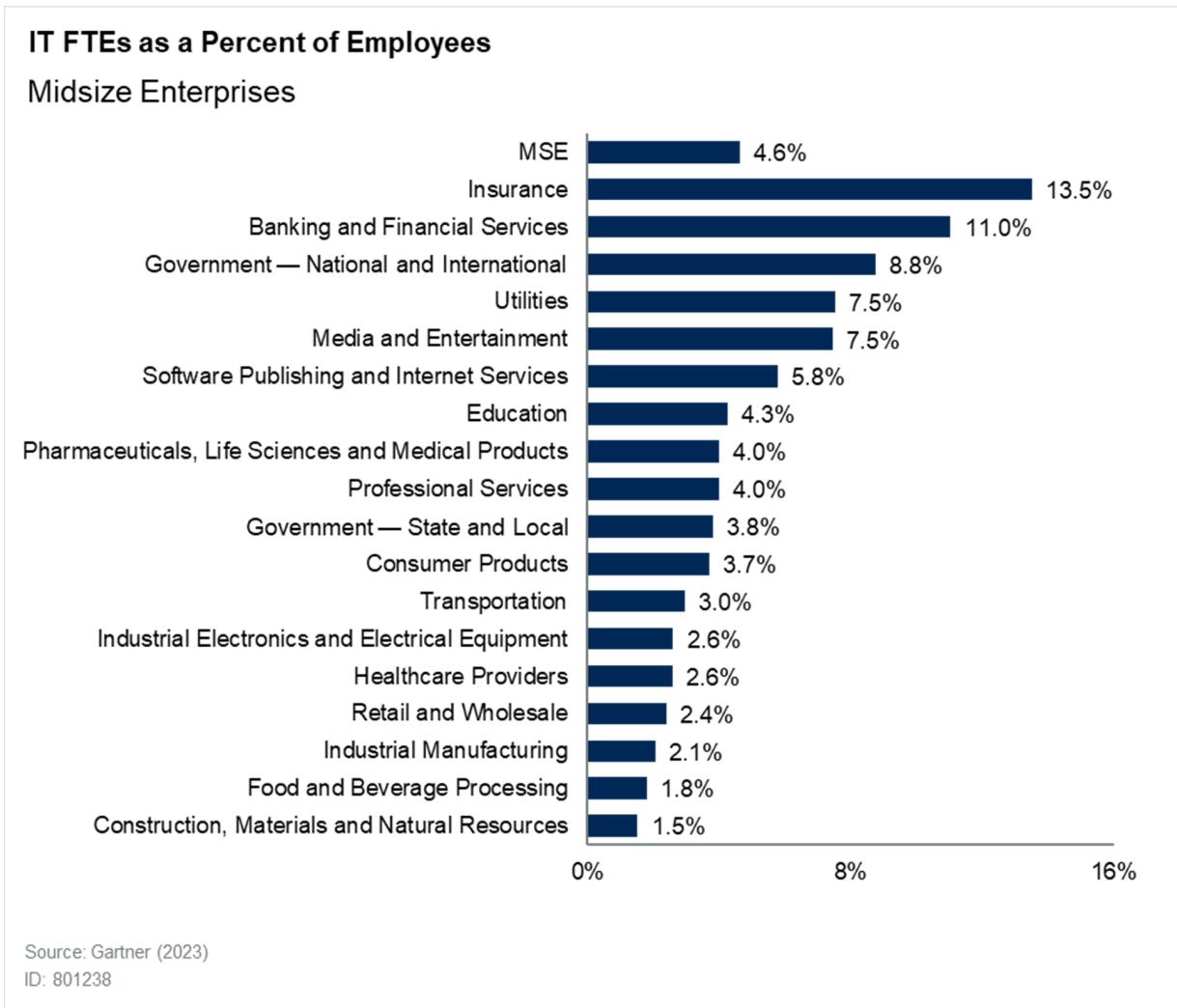
As we have seen in preceding figures, internal staff typically represents more than one-third of the overall IT investment, which demonstrates the considerable human component of the IT portfolio. As such, it is critical for organizations to understand whether they are staffed adequately, whether their human resources are effective and whether they are sufficiently trained and motivated to meet changing business needs. The following metrics provide a broad view of IT staffing levels among the organizations we studied.

IT Full-Time Equivalents as a Percent of Employees

IT FTEs as a percent of employees is a key measure of IT support and IT intensity from a human capital perspective.

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 versus insourced FTEs, and IT outsourcing as a percent of IT spending, as well as the enterprise sourcing strategy — 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? The number of employees does not always equal IT users, and not all employees require IT services. For example, in the transportation and manufacturing space, many blue-collar workers (for example, truck drivers and dock workers) could make up a large percentage of employees but have no IT requirement.

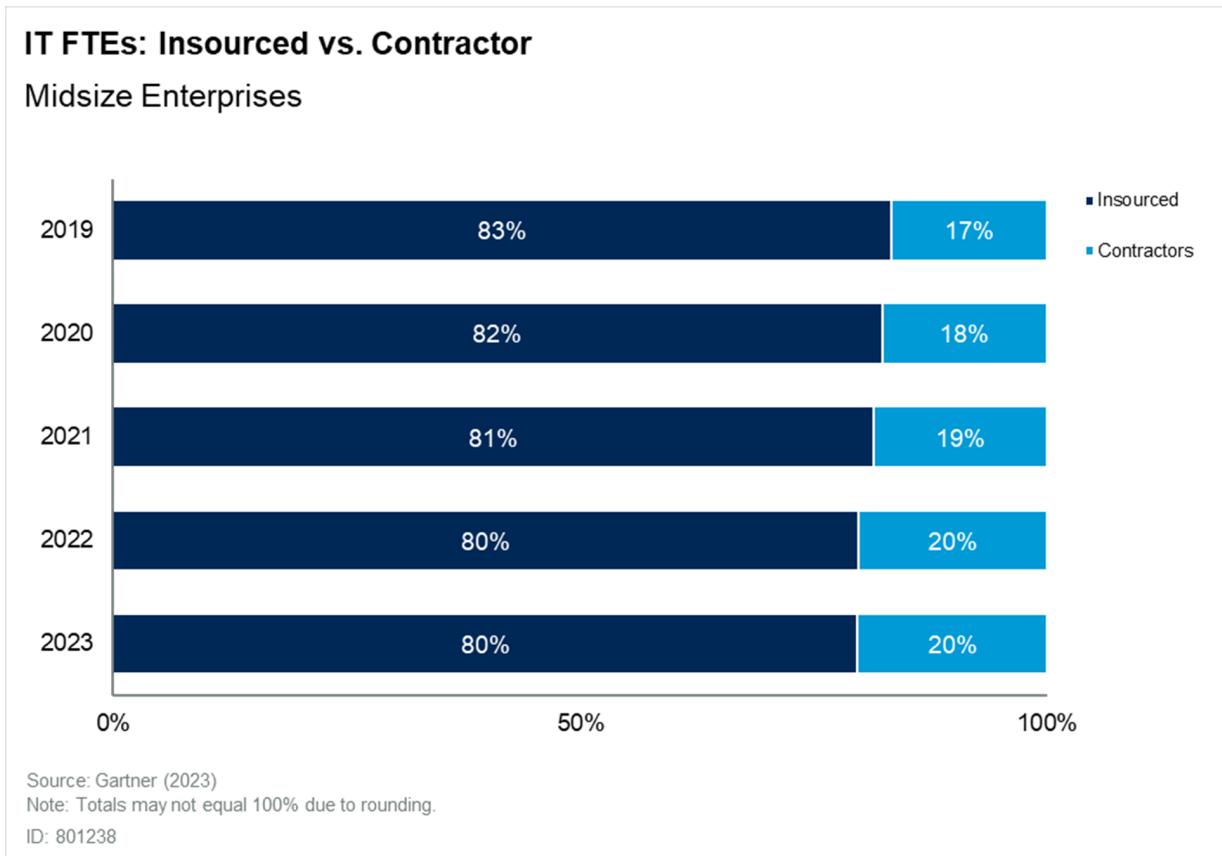
In 2023 the cross-industry segment median for IT FTEs as a percent of employees for midsize enterprises was 4.6%, see Figure 16, compared to the median of 4.0% for all enterprises.

Figure 16: IT FTEs as a Percent of Employees**Gartner**

Distribution of IT FTEs: Insourced Versus Contractor

The distribution of IT FTEs (insourced versus contractor) can help provide a view of the IT staffing strategy.

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.

Figure 17: Distribution of IT FTEs: Insourced Versus Contractor

For more information, see [Making the Case for Your In-House Agency, Part 1: Strategy and Benefits](#)

Conclusion

A successful IT performance measurement program communicates metrics that are important to a target audience. This remains true when communicating IT investments to the business. The metrics and benchmarks that Gartner has identified here provide a high-level view of current trends in IT by industry. They also reveal trends in business alignment, staffing, technology and outsourcing. They can be used to assist in communicating alignment with the business and in evaluating targets in key technology areas. They provide context for key business decisions and internal performance measures.

Recommended by the Authors

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

["Effectively Communicating Cost Optimization Across the Enterprise: A Strategy Perspective"](#)

["Research Roundup for Digital-Outcome-Driven Metrics for Industries"](#)

["3-Year Roadmap for Strategic Cost Optimization"](#)

["The Quintessential Guide to Strategic Planning"](#)

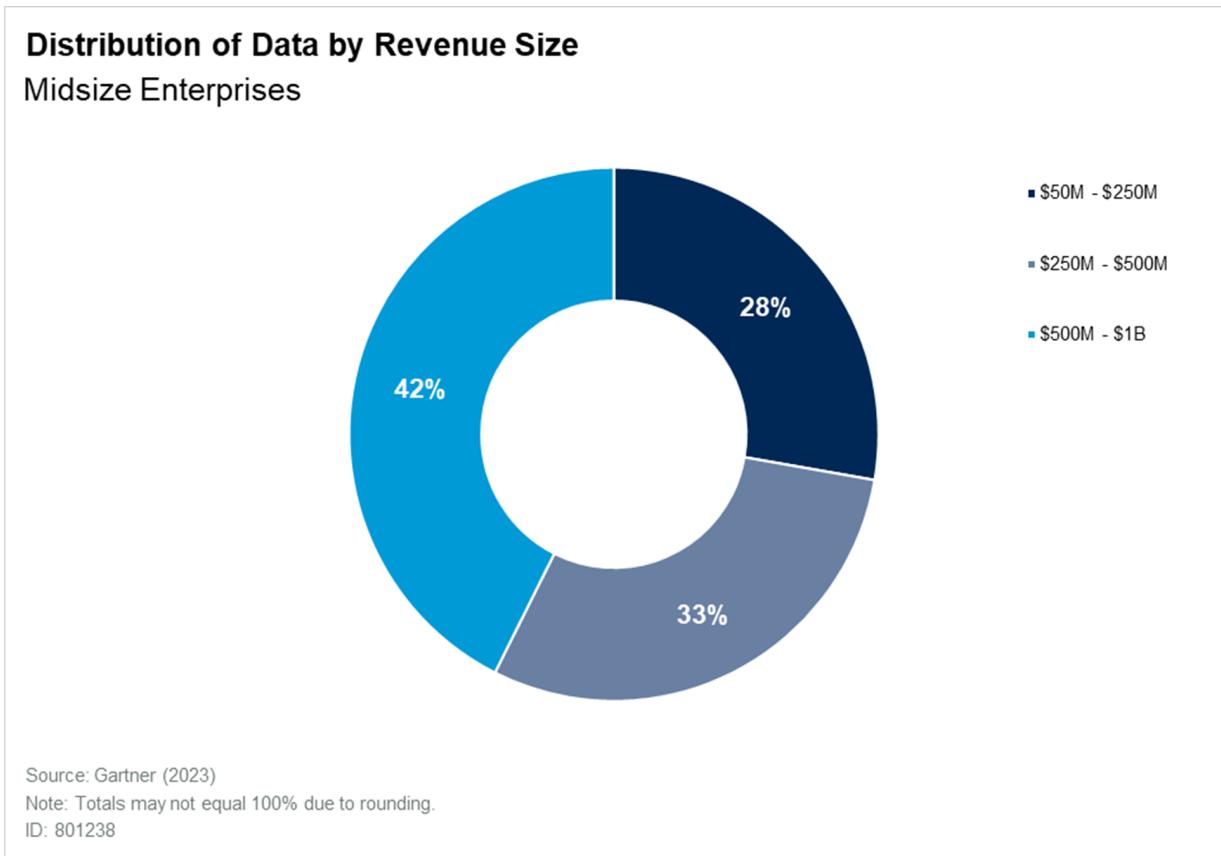
["Strategic Cost Optimization Score for IT"](#)

["The CFO's Guide to Funding the Enterprise's Digital Investments"](#)

Evidence

- This research contains relevant database medians and ranges from a subset of metrics and prescriptive engagements available through [Gartner Benchmark Analytics](#) consulting-based capabilities.
- Employee, income and revenue data is based on the most recently completed fiscal year.
- Calculations were made using worldwide observations.
- Demographics: ITKMD 2024 cohort represents over \$15 trillion in total revenue and over \$562 billion in total IT spend. In 2023, Gartner collected 4,139 data points in total from public and private enterprises from more than 80 countries in 21 industry sectors to contribute toward all of the IT Key Metrics Data series of reports. For more information, including the distribution of data points by region, see ["IT Key Metrics Data 2024: Demographics."](#)
 - For the key industry measures contained in this report, we collected 937 data points, from midsize enterprises. The result is the most comprehensive and authoritative IT spending and staffing data in the industry.
 - For this IT spending and staffing report, "midsize enterprise" is loosely defined as any enterprise with between USD \$50 million and \$1 billion in revenue (for-profit enterprises) or operating budget (government enterprises).

Figure 18: Distribution of Data by Revenue Size



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Document Revision History

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