

# IT Key Metrics Data 2023: Industry Measures – Professional Services Analysis

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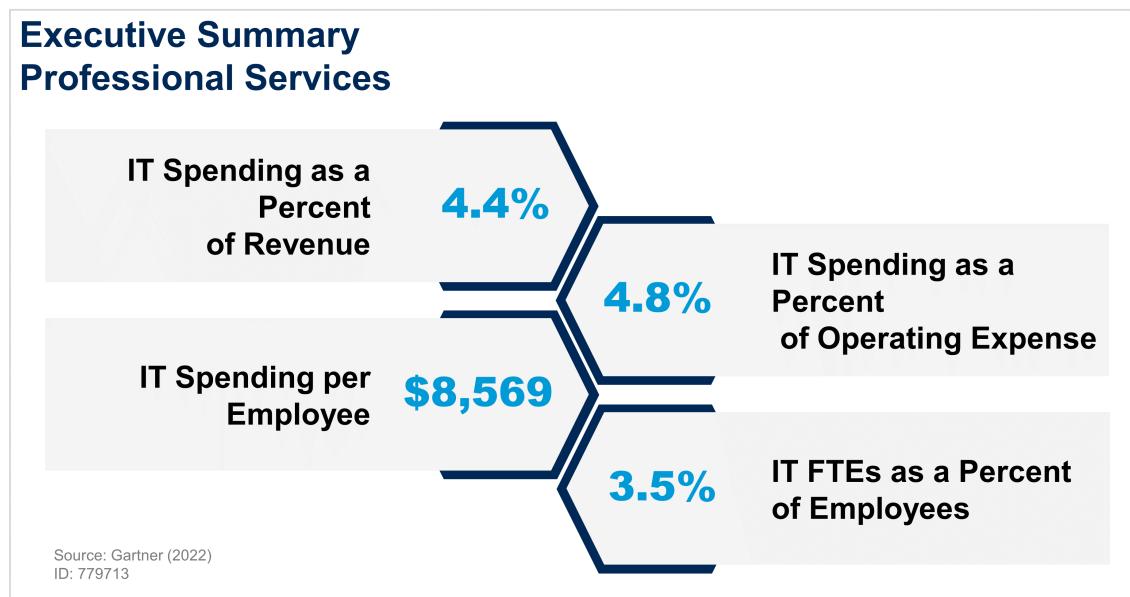
By Analyst(s): Eric Stegman, Jamie Guevara, Shaivya Kaushal, Nick Michelogiannakis

Initiatives: [IT Cost Optimization](#), [Finance](#), [Risk and Value](#)

This analysis provides insight into metrics for the Professional Services Industry from that dataset. CIOs and IT Leaders should measure and benchmark their organization's IT metrics using the IT Budget Tool. 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 Professional Services



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## 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 Professional Services industry median IT spending as a percent of revenue is 4.4%, up from 4.1% in 2021.
- The 2022 Professional Services industry median IT spending as a percent of operating expense is 4.8%, up from 4.5% in 2021.
- The 2022 Professional Services industry median IT spending per employee is \$8,569, down from \$9,491 in 2021.

## 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](#) can help to analyze costs vs. the industry to identify optimization opportunities.

The resources below 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.*

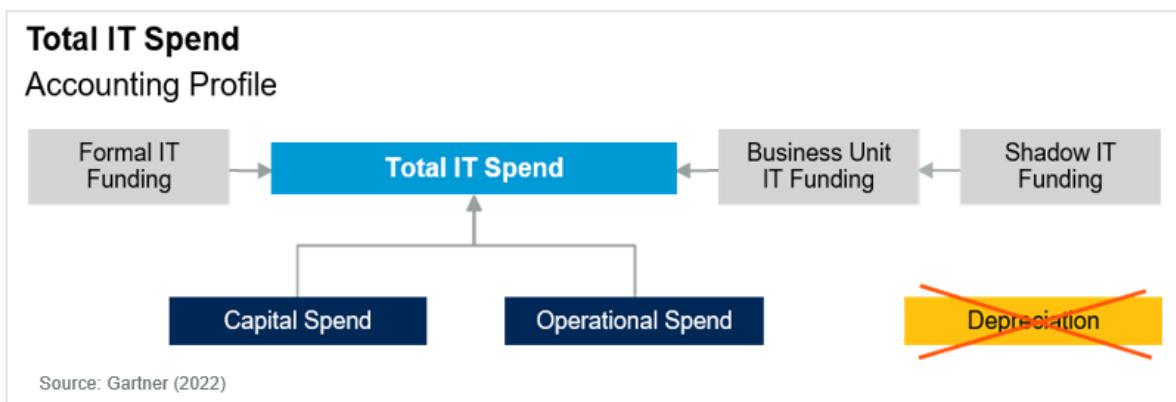
## IT Investment Measures

### Total IT Spending/Budget

“Total IT spending” analysis is based on the definition below.

The best estimate of total spending at the end of the 12-month budget period for IT to support the enterprise. IT spending/budget can come from anywhere in the enterprise that incurs IT costs, and it is not limited to the IT organization. It includes estimates by enterprises on decentralized IT spending and or “shadow IT.” It is calculated on an annualized ‘cash flow view’ basis, and, therefore, contains capital spending and operational expenses, but not depreciation or amortization.

Figure 3: Total IT Spend

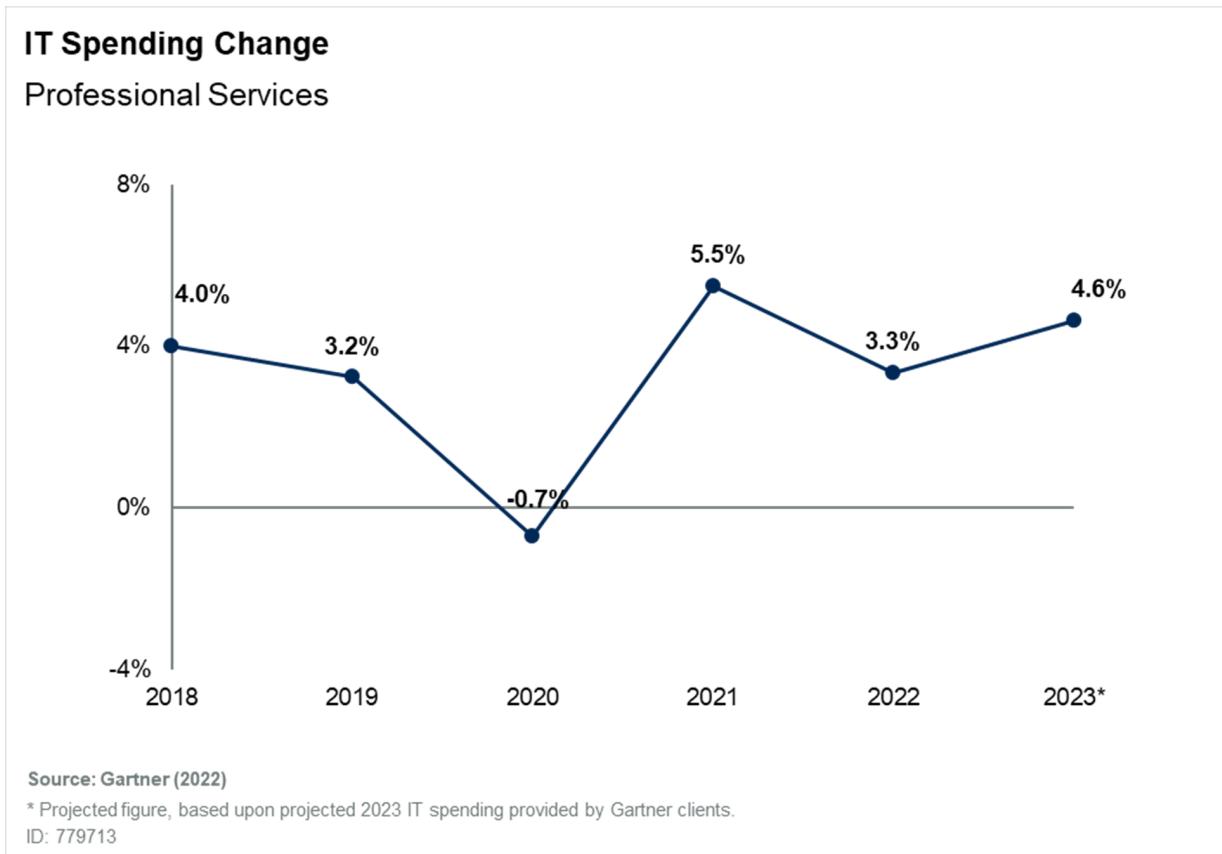


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Total IT Spend is further defined in [“IT Key Metrics Data 2023: Industry Measures – Framework Definitions.”](#)

### IT Spending Percent Change

IT spending percent change helps to put context around the directional movement of annual IT spending/budget levels.

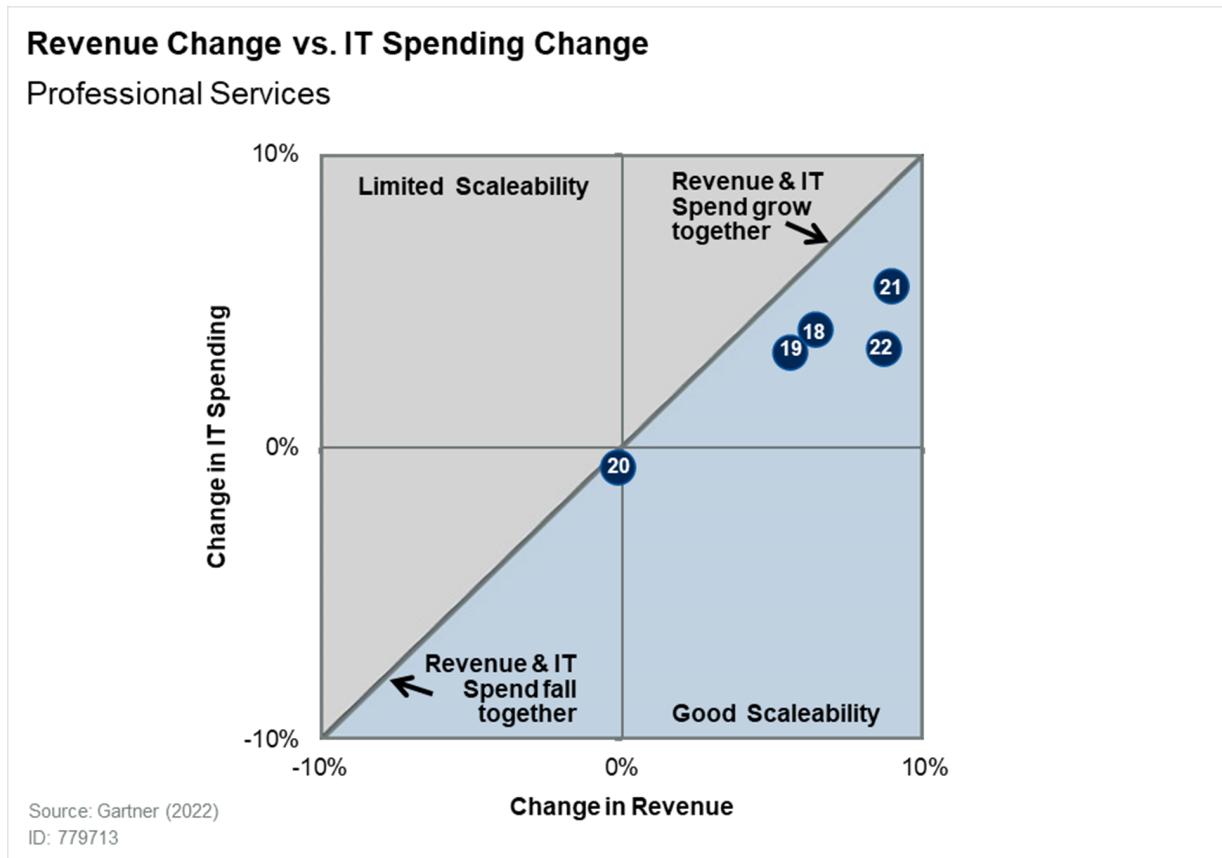
**Figure 4: IT Spending Percent Change****Gartner**

### Agility: Revenue Percent Change Versus IT Spending Percent Change

Revenue percent change versus IT spending percent change identifies the relationship between IT investment and key business pressures. Is the business growing revenue, and at what rate? Is IT spending/budget moving in the same direction? Is the change in IT spending leading or trailing revenue change?

Mapping year-over-year business growth to IT budget growth can be a powerful tool to understand the role that IT plays in the evolution of the business.

**Figure 5: Agility: Revenue Percent Change Versus IT Spending Percent Change**



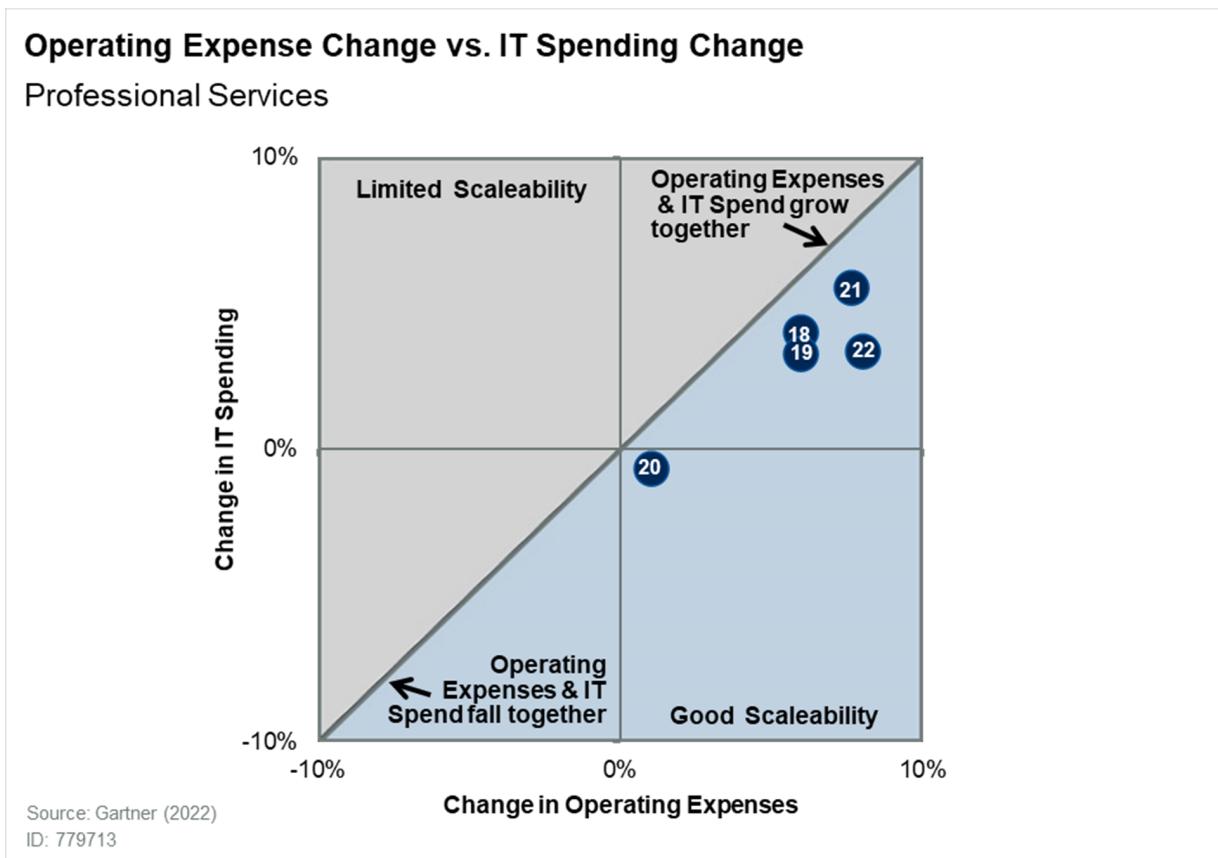
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### Agility: Operating Expense Percent Change Versus IT Spending Percent Change

Operating expense percent change versus IT spending percent change highlights the relationship between IT and the business spending (for example, decreased spending in IT and increased spending on operating expenses can sometimes indicate that the business has not recognized value from its IT investments).

Plotting the growth in business operating expenses alongside year-over-year IT investment growth can give a better sense of business and IT alignment, especially when viewed over multiple years.

Figure 6: Agility: Operating Expense Percent Change Versus IT Spending Percent Change

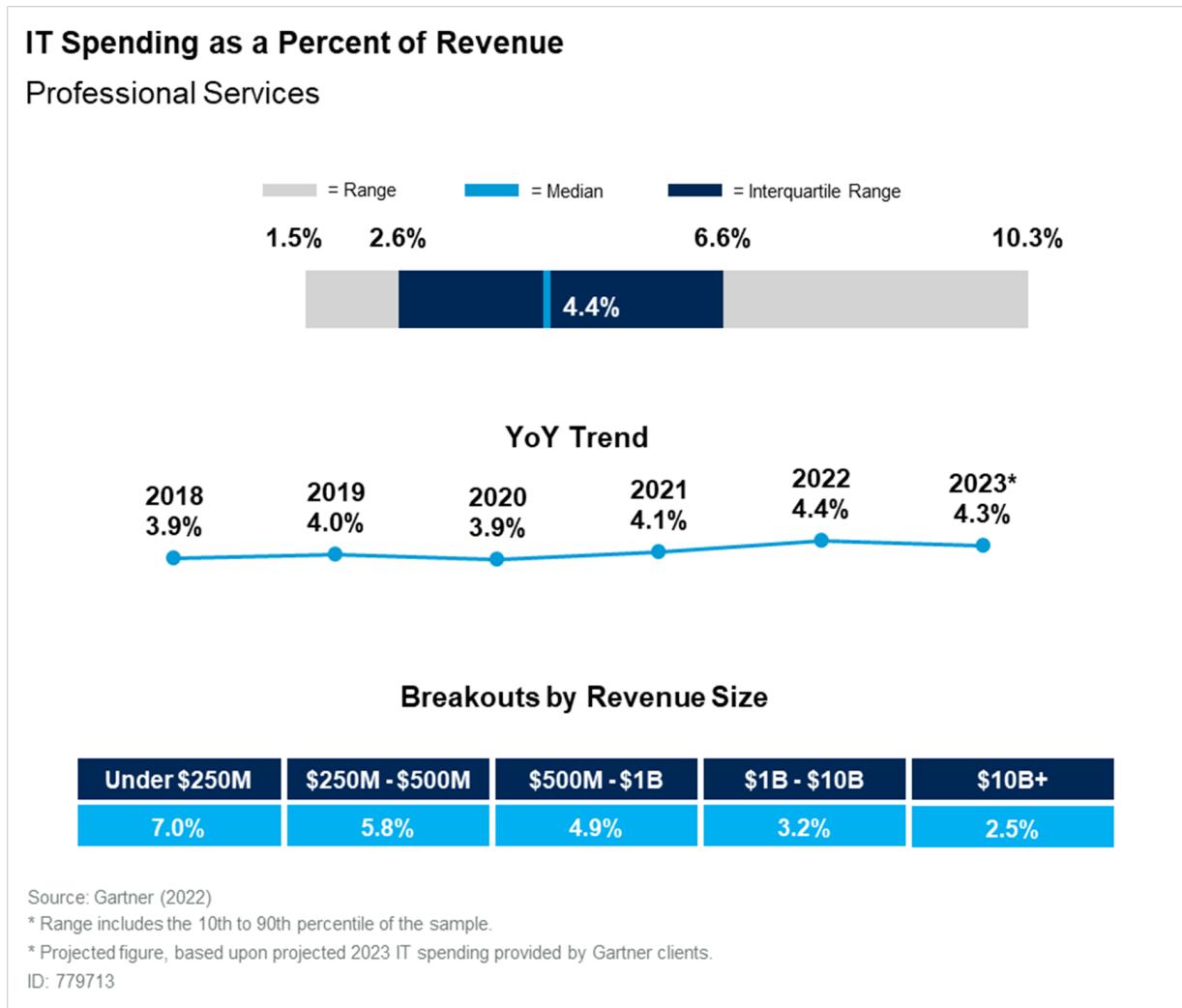


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## IT Spending as a Percent of Revenue

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 percent of revenue is 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.

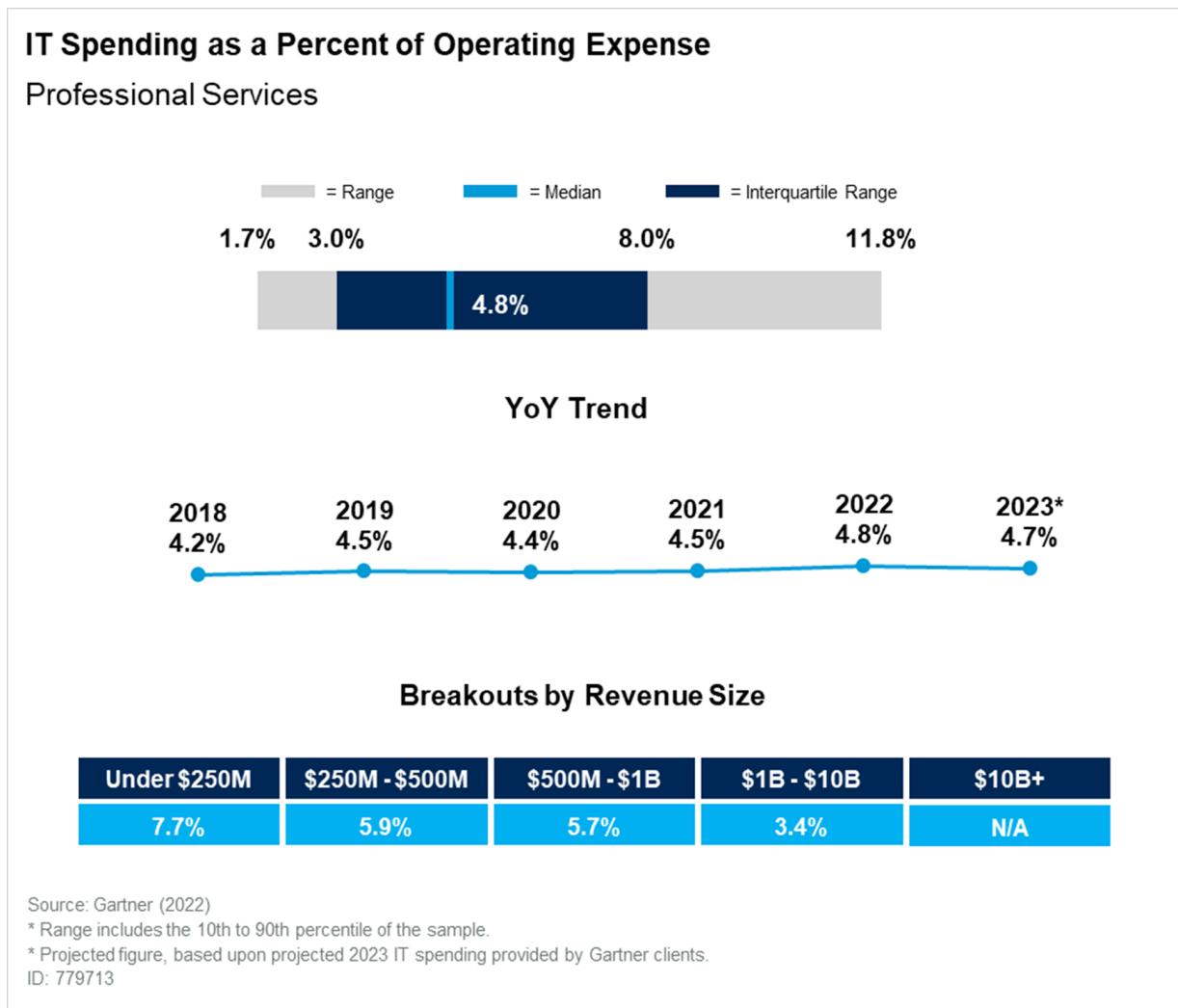
**Figure 7: IT Spending as a Percent of Revenue**



## 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.

**Figure 8: IT Spending as a Percent of Operating Expense**



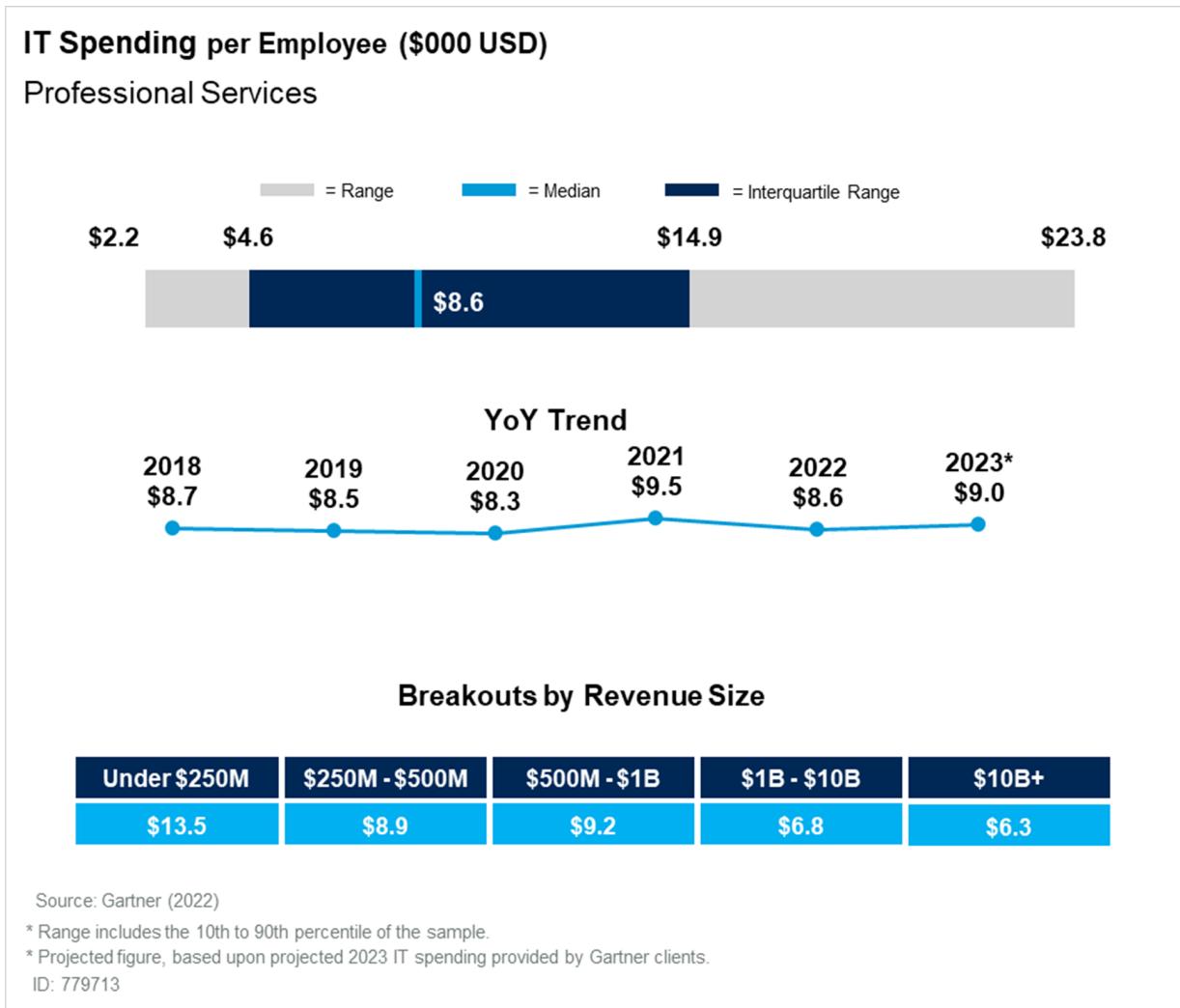
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## IT Spending per Employee

IT spending per employee is often used to determine the amount of IT support the average organization's workforce receives. For IT spending per employee both the data for the numerator and denominator (IT spending and employees) were collected for the current year (2022).

Based on the data it appears that on average IT spending increased at a slower rate than the number of employees. Therefore, we saw a decline in IT spending per employee from 2021 to 2022.

Figure 9: IT Spending per Employee (\$000 USD)

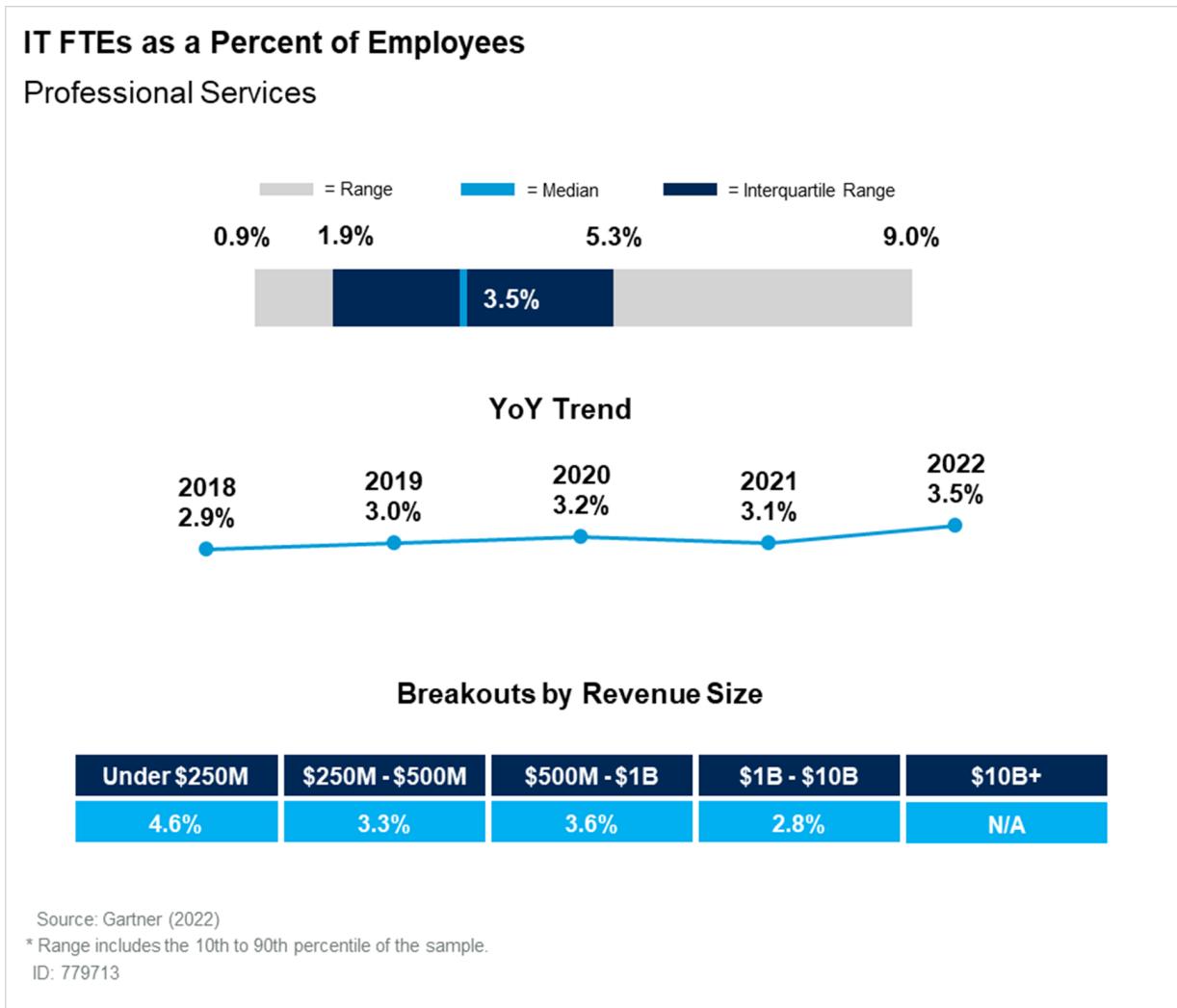


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## IT Full-Time Equivalents as a Percent of Employees

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

**Figure 10: IT FTEs as a Percent of Employees**



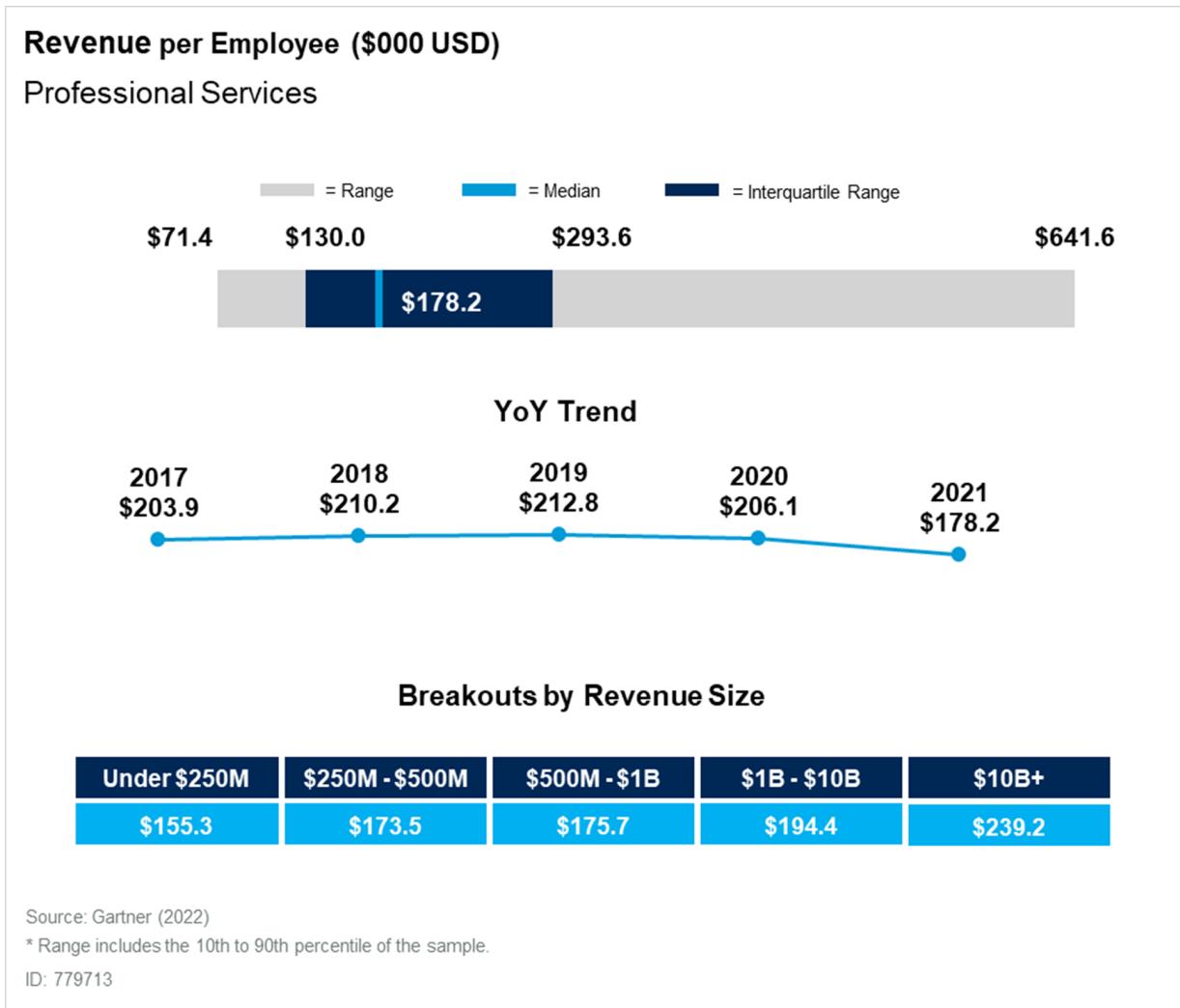
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## Business Productivity Ratios

### 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.

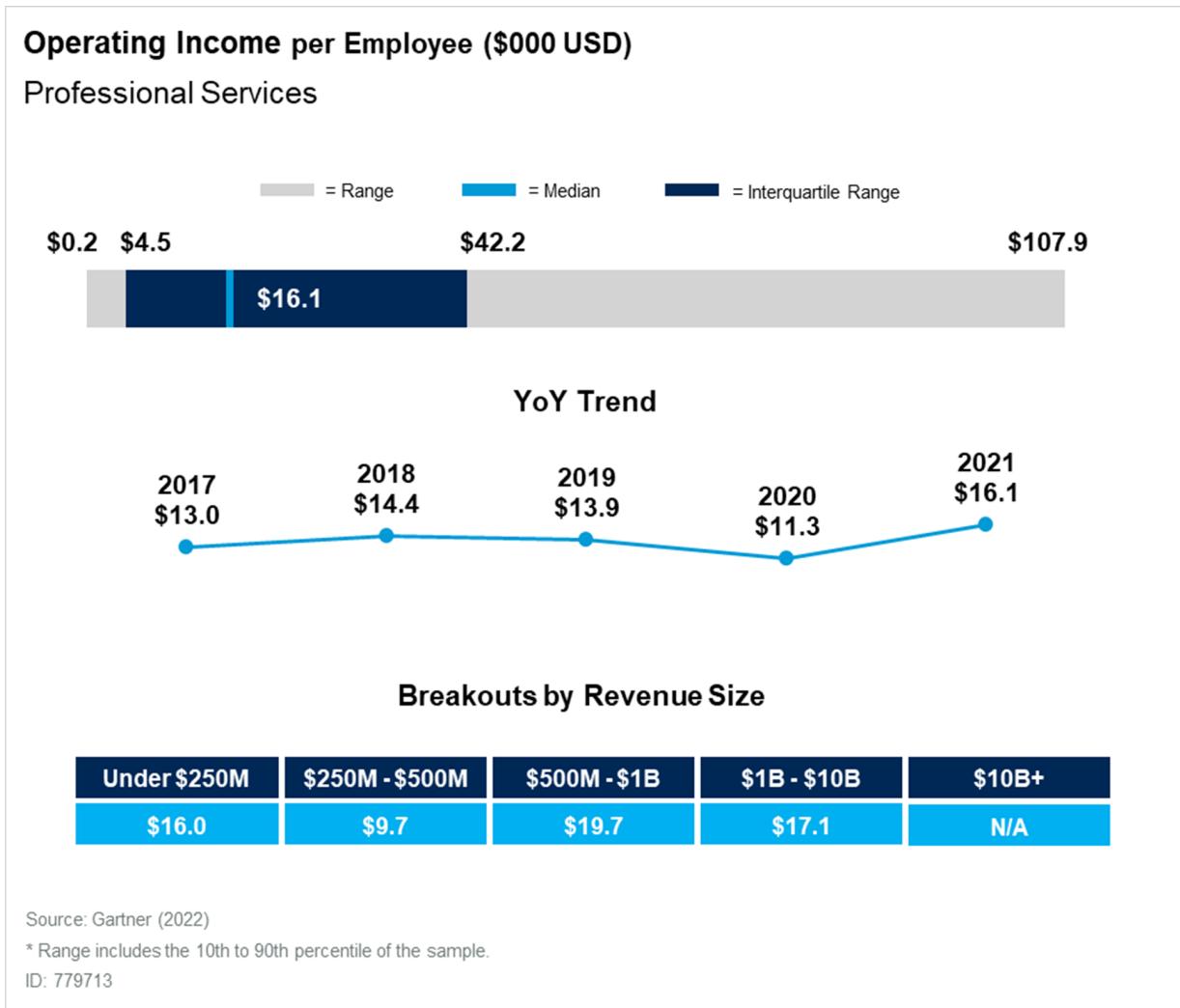
Figure 11: Revenue per Employee (\$000 USD)



## Operating Income per Employee

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

Figure 12: Operating Income per Employee (\$000 USD)

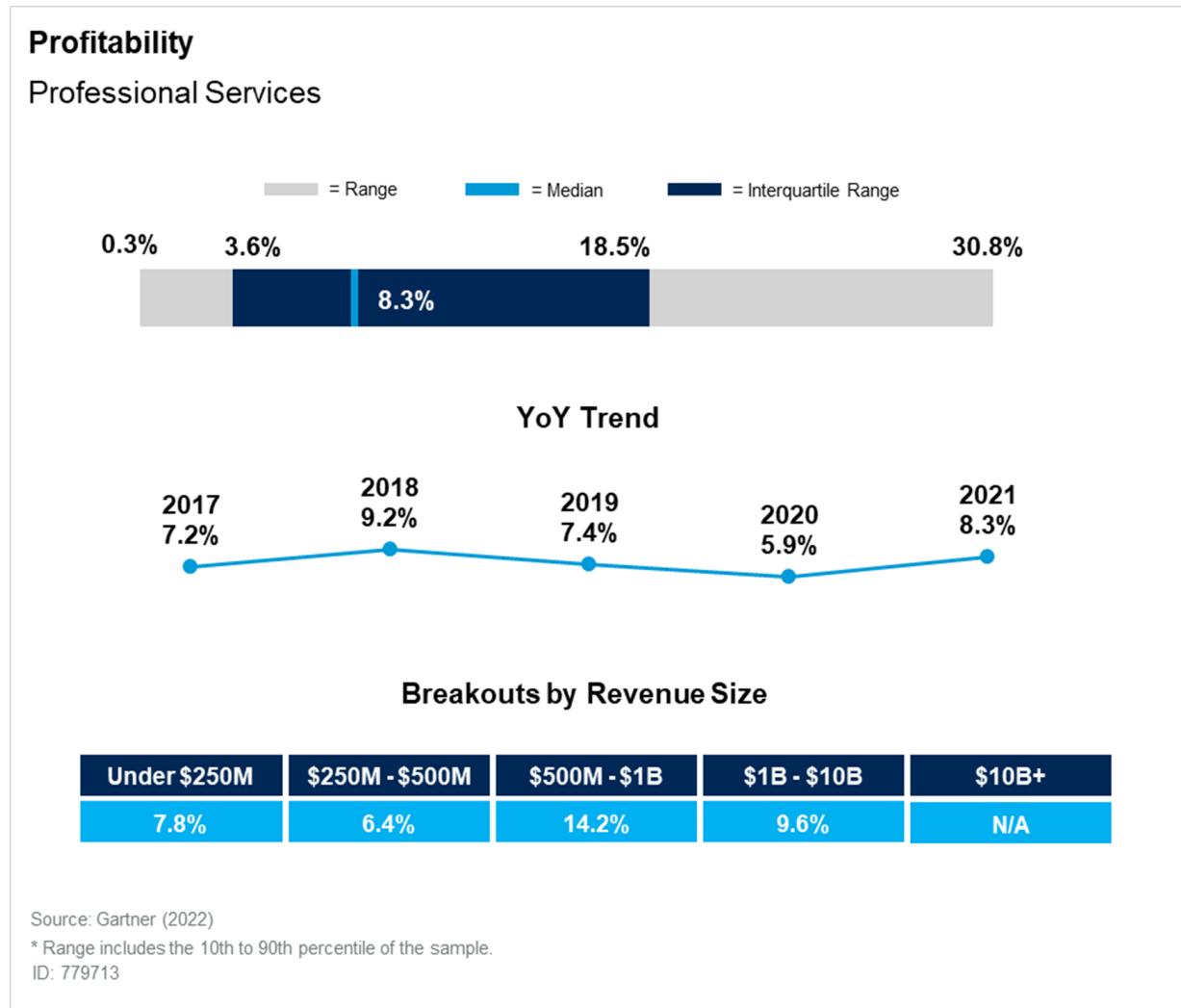


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## Profitability

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.

**Figure 13: Profitability**



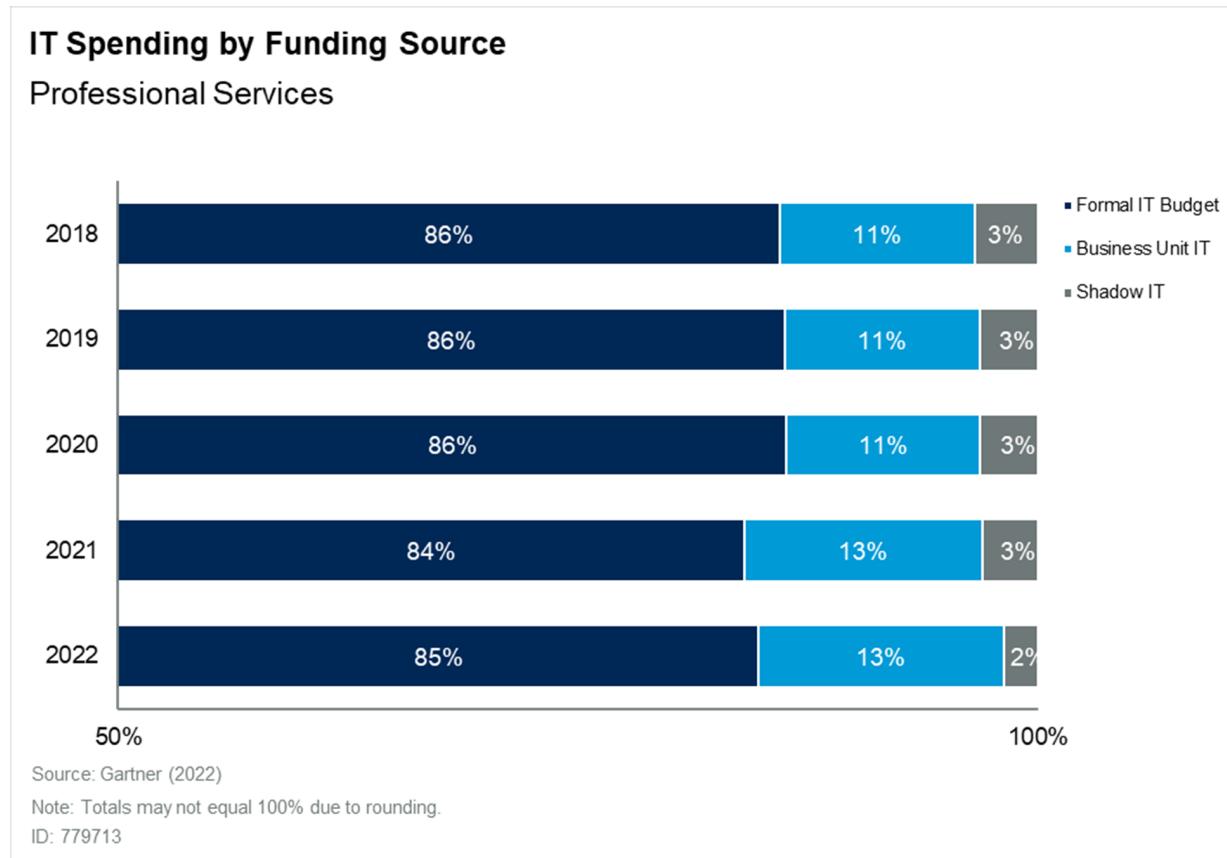
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## IT Resource Distributions

Up to this point, the figures have shown the overall spending and staffing trends, 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 and staffing levels.

## IT Spending by Funding Source

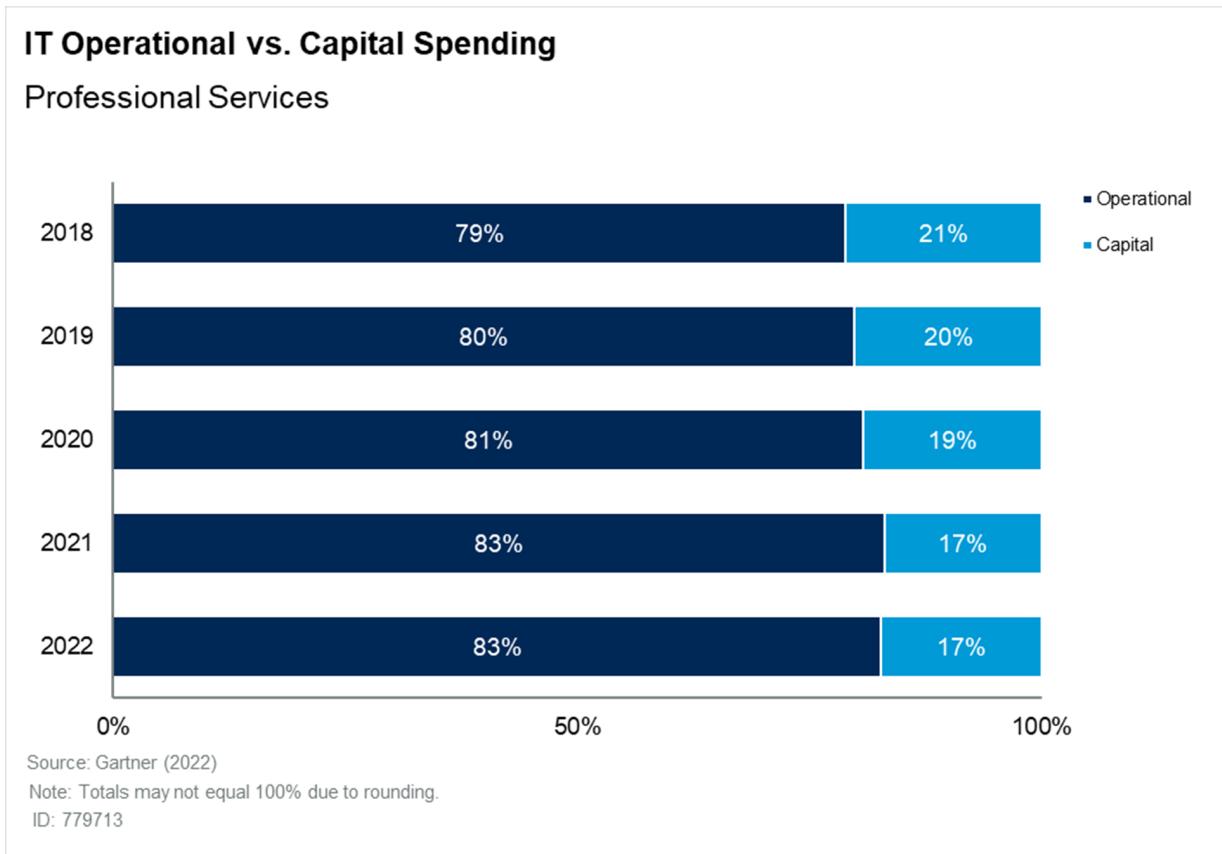
IT spending can come from various sources within an enterprise or an organization and is not restricted to the formal IT budget. Additional spending can occur within business unit budgets and be what is known as “shadow IT.”

**Figure 14: IT Spending by Funding Source**

See “[Quick Answer: The Difference Between Shadow and Business-Led IT, and Why It Matters](#)” for more details.

### IT Operational Versus Capital Spending

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

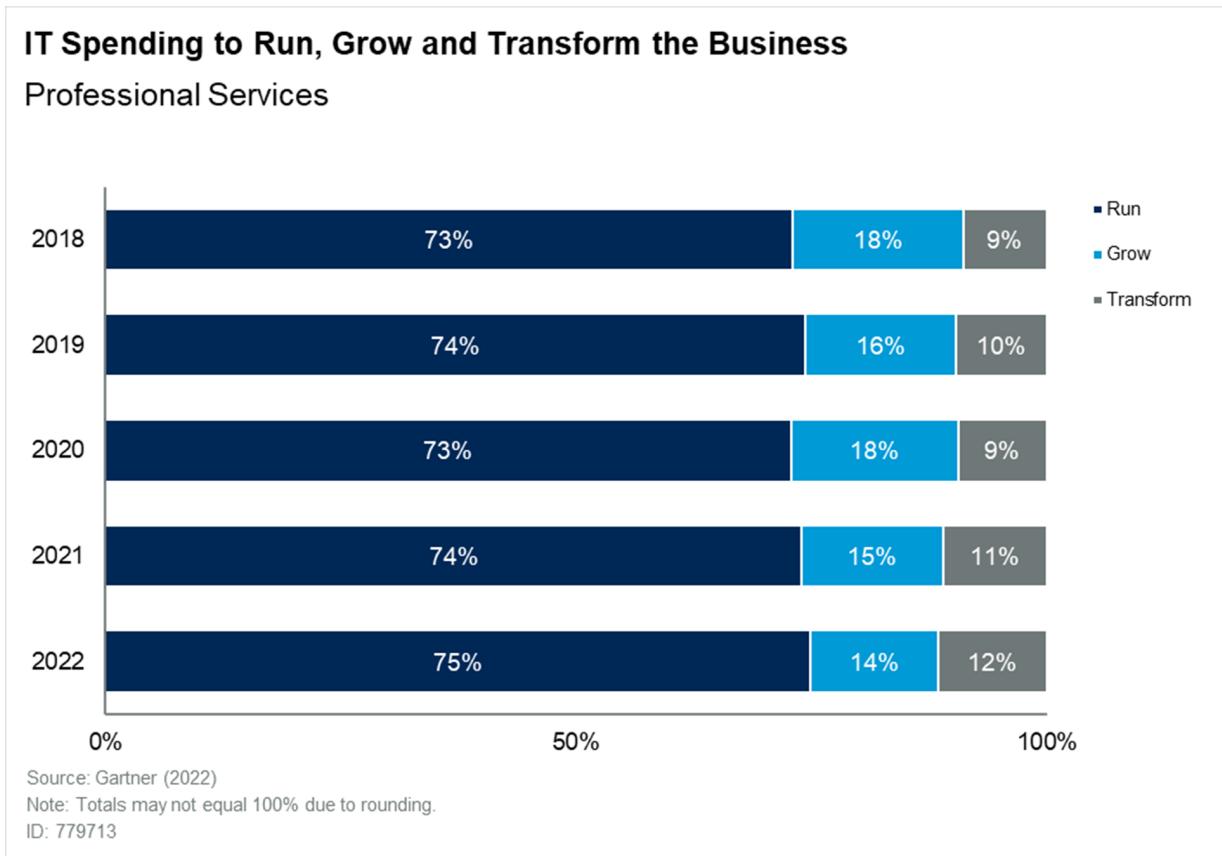
**Figure 15: IT Operational Versus Capital Spending****Gartner**

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

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

The distribution of IT spending to run, grow 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.

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.

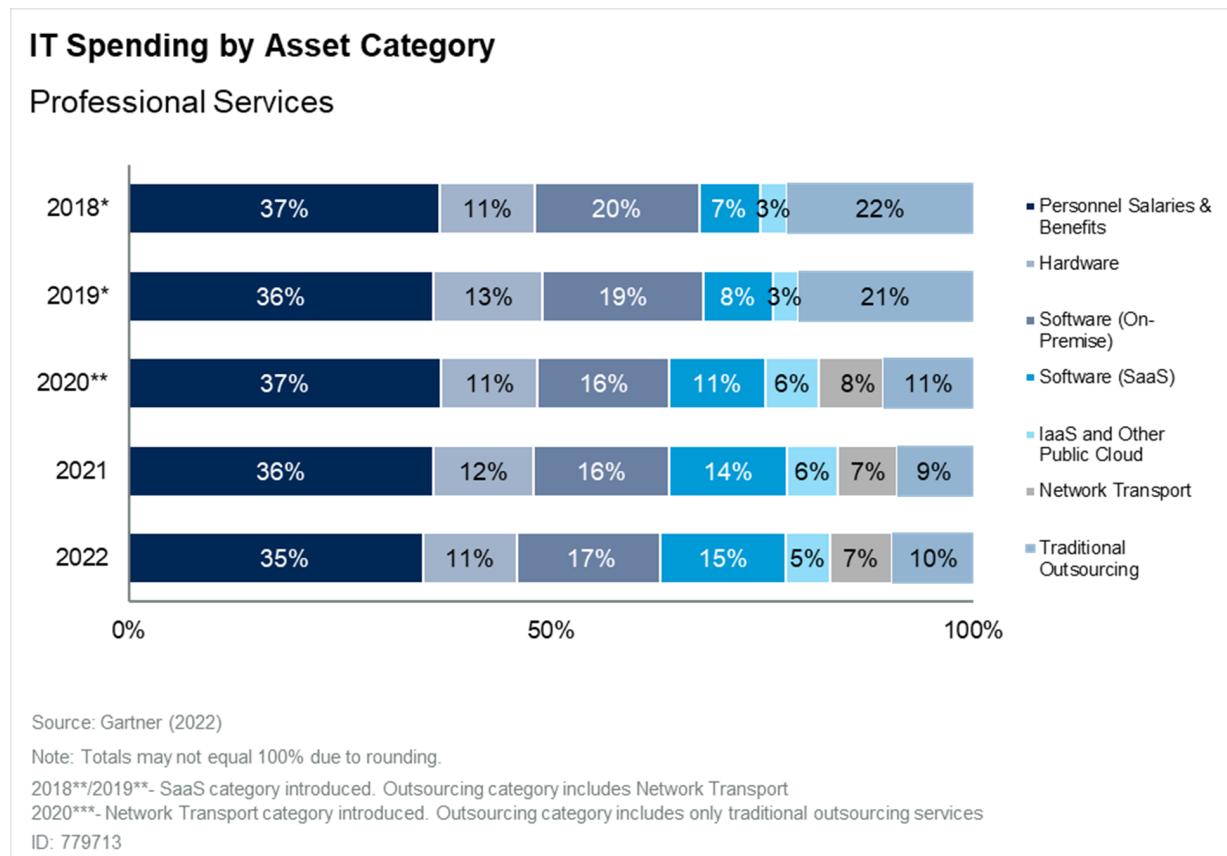
**Figure 16: IT Spending to Run, Grow and Transform the Business**

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 2023: Industry Measures – Strategic Investments & Business Outcomes](#).

### IT Spending by Asset Category

The distribution of spending between asset categories outline the asset based cost controls to manage IT investments.

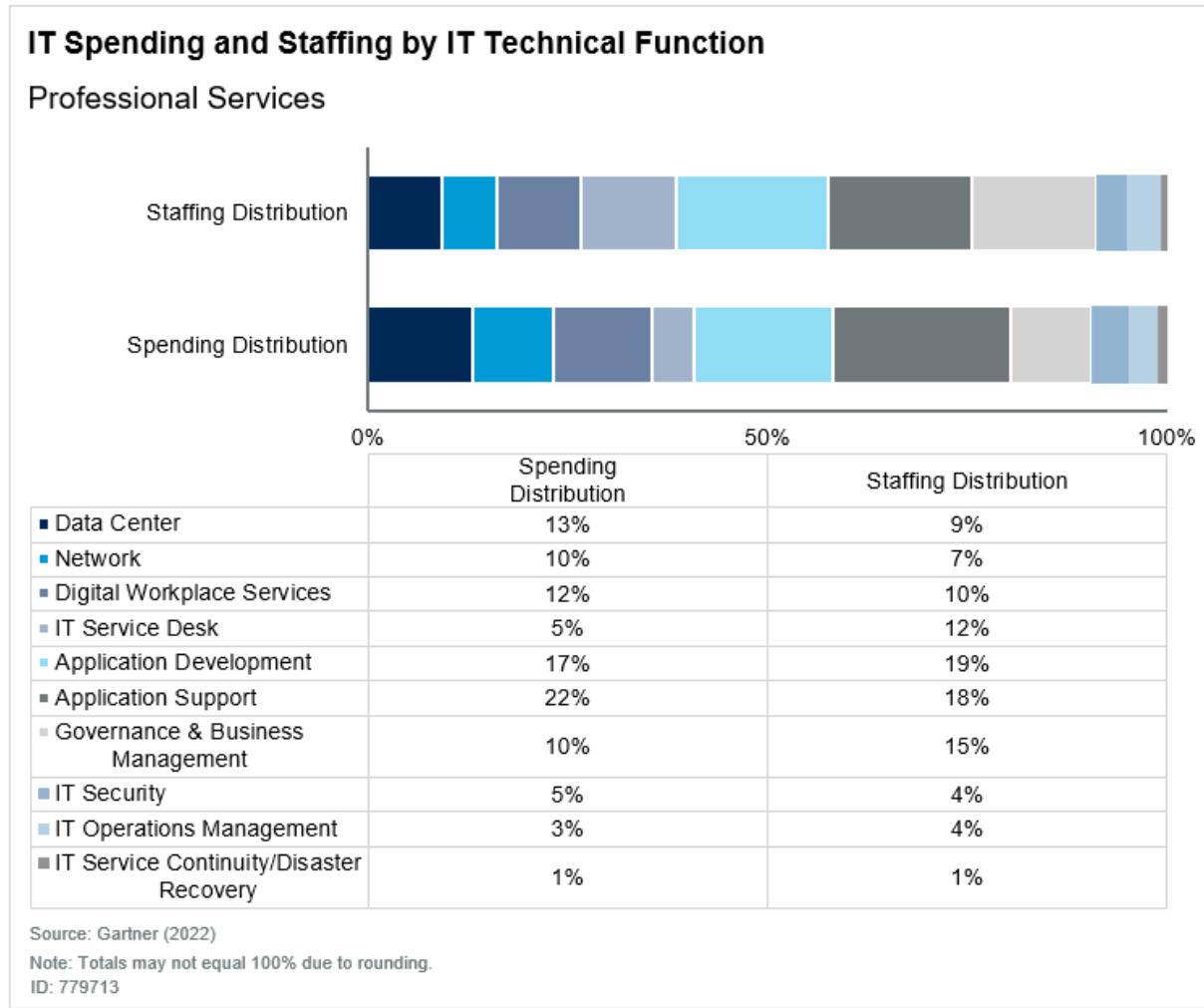
**Figure 17: Distribution of IT Spending by Asset Category**



### Distribution of IT Spending and Staffing by IT Technical Function

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

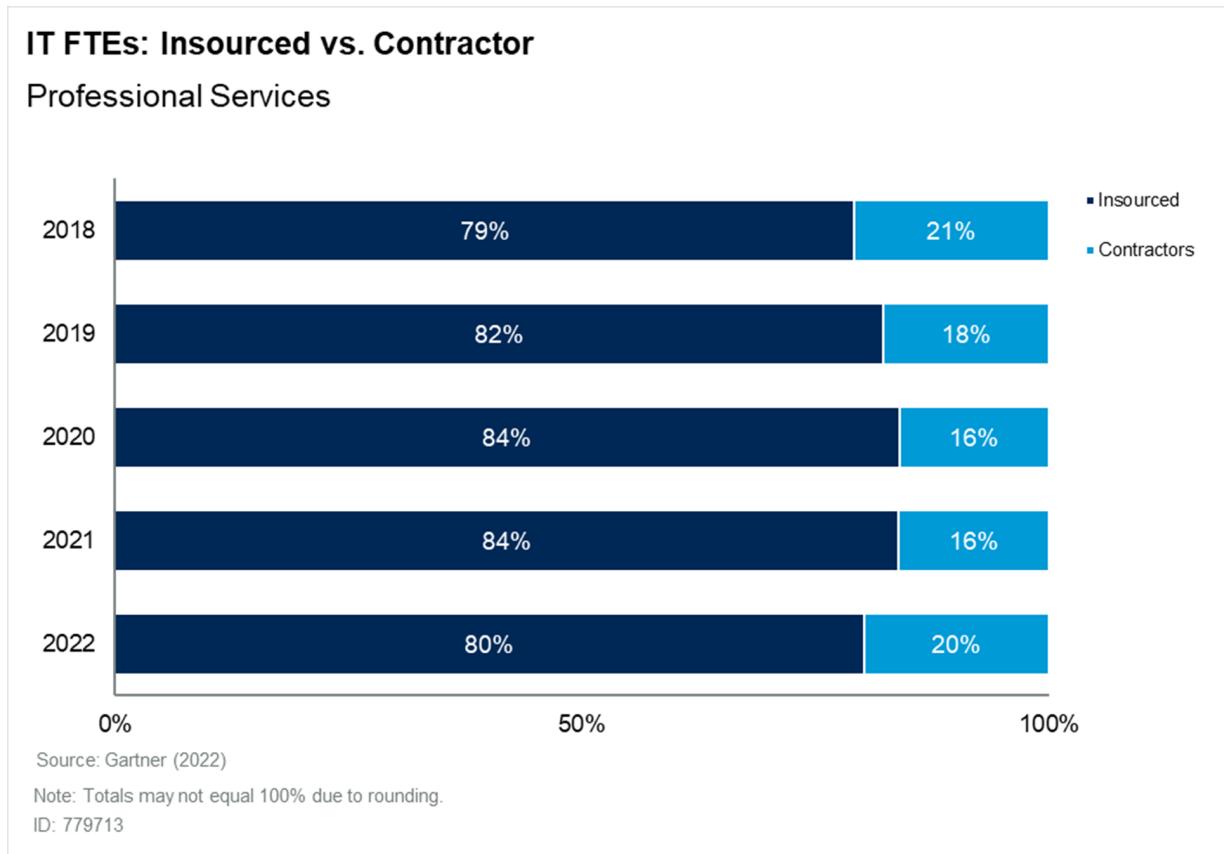
**Figure 18: Distribution of IT Spending and Staffing by IT Technical Function**



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### 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.

**Figure 19: Distribution of IT FTEs: Insourced Versus Contractor****Gartner**

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

#### Additional offerings

Leverage the [Gartner IT Budget Tool](#) to generate a comparison report of your IT metrics vs. published industry metrics on an ongoing basis.

Additionally, access your organization in other business towers using:

[End-User Services & Application Portfolio Budget & Efficiency Tool](#)

[IT Key Metrics Data Comparison Tool: Data Center & Network](#)

## 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"](#)

["Balancing Capex and Opex Funding for 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.

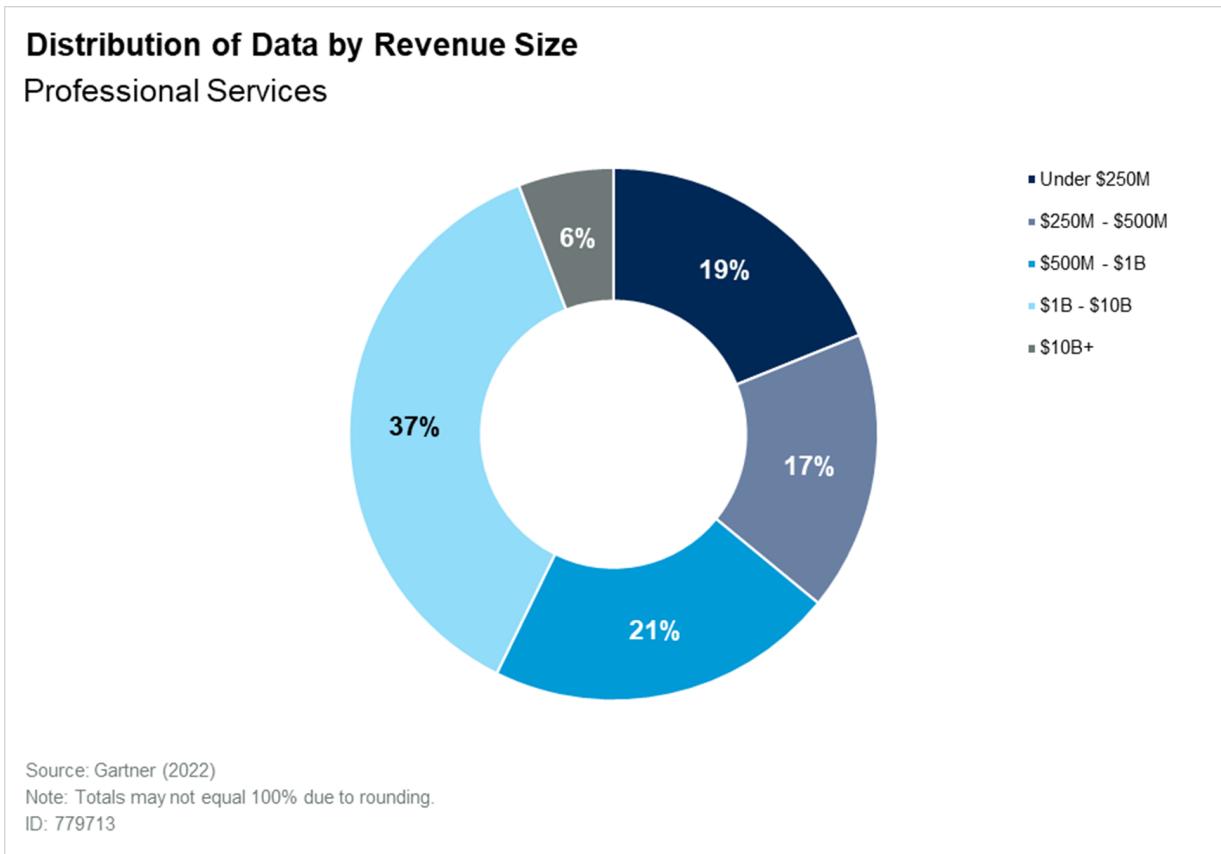
- Professional Services Data Demographics: ITKMD 2023 cohort represents over \$14 trillion in total revenue and over \$564 billion in total IT spend. This analysis represents a database median of all Professional Services organizations in the IT Key Metrics Data 2023: Key Industry Measures dataset.
- Table 1 outlines the number of observations and the average size of the organizations (annual revenue and number of employees) represented in the analysis.

**Table 1: Number of Observations, Average Revenue and Enterprise Employees**

<i>Industry</i> ↓	<i>Number of Observations</i> ↓	<i>2021 Revenue (Billions of USD)</i> ↓	<i>2022 Employees (Thousands)</i> ↓
Professional Services	206	2.2	17
NOTES: (1) The revenue figures reported are final and official for 2021; the 2022 revenue figures were not announced or were otherwise unavailable at the time of this publication.			

Source: Gartner IT Key Metrics Data (December 2022)

- Revenue Size Categories: To offer high-level insight into the effect of business scale relative to IT investment, this report will look at five environment scales within our represented data for selective metrics, in terms of USD revenue size as defined below.

**Figure 20: Distribution of Data by Revenue Size****Gartner**

## Document Revision History

IT Key Metrics Data 2022: Industry Measures – Professional Services Analysis - 16  
December 2021

IT Key Metrics Data 2021: Industry Measures – Professional Services Analysis - 18  
December 2020

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