

IT Key Metrics Data 2023: Industry Measures — IT Budget Practitioners Guide

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

This document outlines best practices and resources available to support data preparation and alignment to the Gartner consensus model for organizations using the Gartner tools to undergo benchmarking exercises.

Overview

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- Organizations often want to assess their spending and staffing levels as a part of mature IT cost management practices.
- The IT Budget tool is an interactive online benchmark tool which allows you to self-assess your organization's IT spending vs. industry peers.
- Preparing accordingly for the exercise not only helps speed up the process but also maximize value for effort. This document provides an outline of how best to prepare when benchmarking using the [Gartner IT Budget tool](#).

Recommendations

- Leverage the [Gartner IT Budget tool](#) as a starting point to establish a top-down baseline benchmark, as well as to communicate annual updates.
- Use this document to get familiar with the process and leverage available resources to support data collection and alignment activities.
- Create an audit trail, use the best available data and document opportunities to improve data quality for future revisions and repeatability.
- Refer to the [Framework Definitions](#) and [FAQ](#) for additional guidance to prepare data.
- Review your results with a Gartner analyst to discuss next steps.

Analysis

How Does the ITBudget Tool Help?

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.

IT Budget Practitioners Guide

ITBudget provides a fact-based benchmark vs. industry as the first-step to address the following key questions:

Figure 1: Key Questions Addressed

Key Questions Addressed

Funding Digital and Transformative Initiatives	Am I spending enough on digital? Am I making the right investments?
	Where are our opportunities to gain efficiencies in our current IT spend to fund initiatives around digital, innovation, growth and transformation?
Delivering on IT Cost Optimization or Productivity Objectives	How do we identify and prioritize opportunities to reduce costs and/or increase services to the business
Increasing Partnership with the Business through Financial Transparency	How do we demonstrate our efficiency in IT, show the business what drives IT spending and transition demand management to business stakeholders?
Understanding IT Spend as a New Leader	How do I get line-of-sight into my IT spending as a new leader?

Source: Gartner (2022)



To support Step 1 in a 4-step process, Gartner ITBudget Tool analyzes costs vs. the industry to identify optimization opportunities.

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

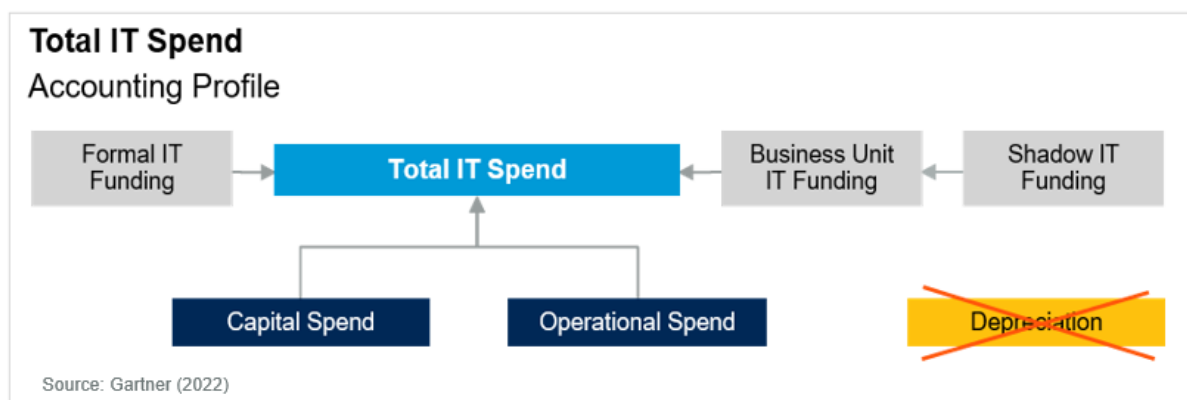
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How Does It Work?

Total IT Spending Cost Model

“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”](#)

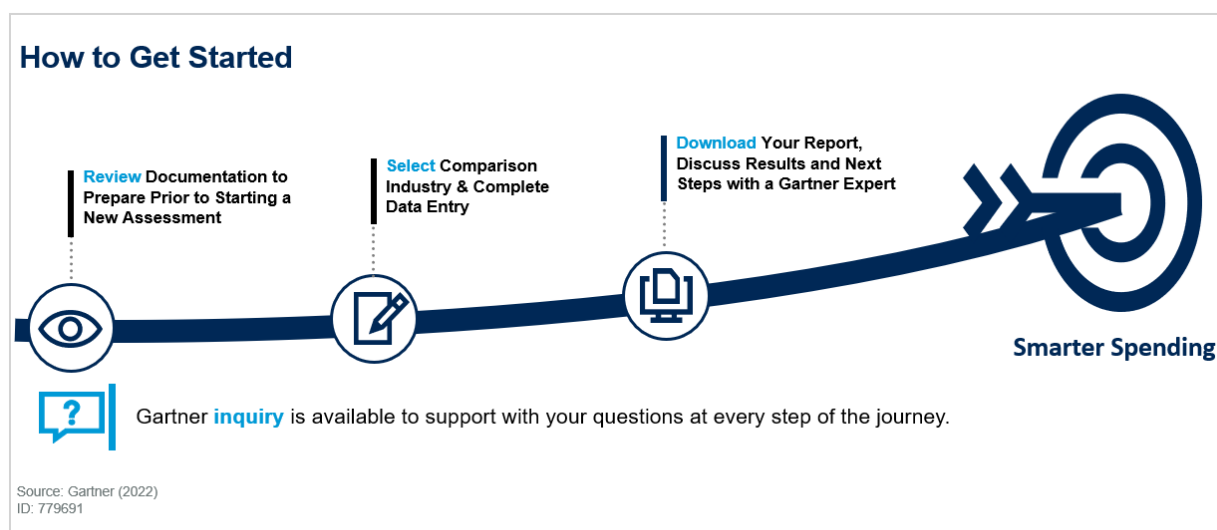
Additionally, the framework defines strategic, asset and functional cost management views so you can understand what types of investments you are making. This in turn can pinpoint areas of overinvestment and underinvestment.

To analyze your IT costs against the IT Key Metrics Data (ITKMD) 2022 cohort, go to:

- gartner.com/itbudget

Download the IT Budget Excel Spreadsheet

Figure 4: How to get started



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The below resources are available to support your cost management journey to improve IT financial management and optimize business value:

- [Working with IT Budget and Comparison Tools](#)
- [Framework Definitions](#)
- [Frequently Asked Questions](#)

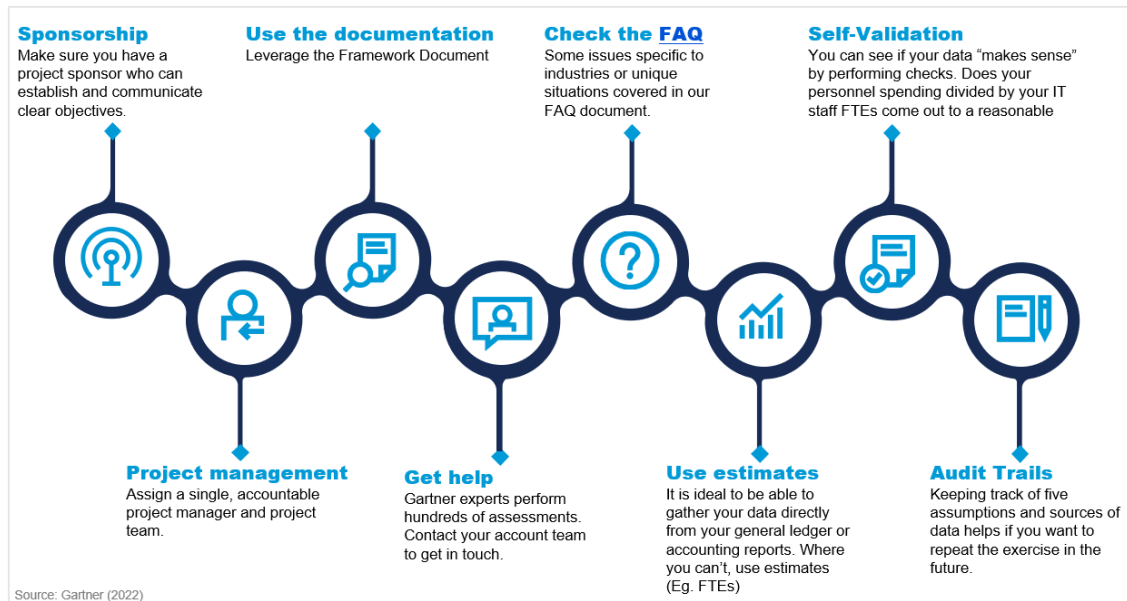
Access is dependent on your level of Gartner subscription.

How Difficult Will It Be?

The level of difficulty depends on your ability to gather data and the size of your organization, but there are some best practices.

Figure 5: Best practices while using the IT Budget Tool

Best Practices for using IT Budget Tool



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Check the FAQ: Check our [Frequently Asked Questions](#) document.

Summary of Results

You can view the IT Budget sample output report at the link below. The output of the report contains top level metrics.

Sample Output Report

Figure 6: Sample Output Metrics

Sample Output Metrics

7 Top Line Key Metrics benchmarked vs. the Industry



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Once you have established a baseline comparison to define the current spending outlay, define the IT investment profile required for each IT investment metric to support the enterprise 5-year plan.

Figure 7: Recommended Approach

Recommended Approach

Iterate	1. Work with IT finance partners to complete a rapid assessment. Make updates as data quality improves. Use "COPY" to update your analysis after submission
Improve	2. Document ITFM processes and data sources. Identify opportunities to improve data quality and framework alignment to shift to value drives cost management
Evaluate	3. Review gaps by cost category within the context of business and IT strategy



Advice from Us

Use the following starter questions to reflect on your current enterprise technology spending:

- Which are our commodity capabilities- such as policy administration- that offer no competitive advantage? To what extent can we reduce operating costs without significantly affecting service levels?
- Which capabilities provide us competitive advantage(e.g.- self- service claims fulfilment for an insurance company)? How can we maximize business value while optimizing costs for these capabilities?
- Based on our business and IT strategy, where should we allocate disproportional spend?
- What are the possible reasons for significant variation of our costs from industry benchmarks?
- Does our spending allocation to Run/Grow/Transform activities align with our overall business strategy and roadmap?



Source: Gartner (2022)

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Connect with Us

To learn more about Gartner IT Key Metrics Data ITBudget contact your account executive or write to us at inquiry@gartner.com.

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"

Document Revision History

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December 2020

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