

ITFM Benchmarking Report

Prepared for: Acme Products
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Use this report to inform your IT decisions and communicate your IT spending within your company.

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Organizational context

Info-Tech's understanding of your organization, its environment, and its goals.

- **Financial context:** Given economic factors and an anticipated recession, IT is expecting a request from the business to reduce IT costs 10-15% in the very near future. COVID-19 and supply chain disruption has had a softening effect on organizational revenue, and hesitation to invest in IT has already been evident for the past two years.
- **IT's role:** The organization has traditionally viewed IT as an operational utility with a limited strategic role to play. It is rarely involved in strategic decisions. Interest in moving to new or flexible technologies (e.g. cloud platforms) has been low given leadership and factory-floor comfort with concrete, tactical solutions. Most movement to the cloud thus far, for example, has been forced by vendors shifting away from on-premises offerings.
- **IT/OT relationship:** There are high degrees of separation between IT and OT teams. An expanding security vulnerability profile on the OT front due to increasingly networked factory floor equipment has required some collaboration between IT and OT to mitigate risks, but total convergence remains far in the future.
- **Current need:** The head of IT is taking pre-emptive steps to see where IT costs can be reduced or optimized, as well as identify areas of IT spend that must be protected or increased in order to both promote business stability and position for growth when the economy improves.

Our Approach

Positioning the ITFM transparency and benchmarking experience:

Method overview

The ITFM Model

Interpreting your data

Method overview

Info-Tech Research Group applied its unique methodology to provide you with multiple perspectives for communicating IT value to your stakeholders.

What we did

- Collected IT spend and staffing data extracted from your organization's data sources.
- Aligned your data with Info-Tech's IT Financial Management (ITFM) thought model.
- Validated all the information with you and generated an overall mapping file.
- Developed a report benchmarking your IT spend and staffing against your industry peers.

What you get

- A view of your IT spending using a standard taxonomy. This includes full transparency of your data to the Info-Tech model.
- A comparison of your results to that of other industry organizations.
- A review session of your results with our IT Financial Management analysts to determine next steps for further investigation and improvement.

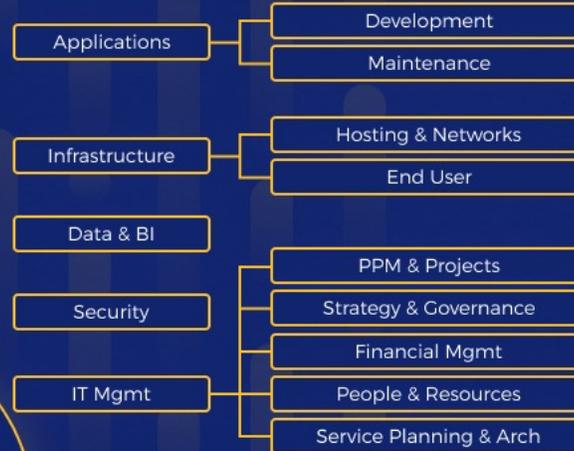
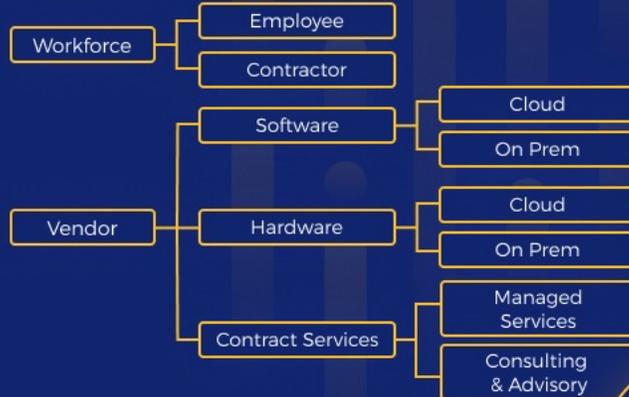
ITFM Benchmarking

CFO

EXPENSE VIEW

The expense view evaluates IT spend using a common financial taxonomy. This view enables the CFO to understand the IT spend distribution and where opportunities exist to optimize IT expense types.

Source: General Ledger, Accounts Payable, Payroll, Organization Chart



CIO

SERVICE VIEW

The service view evaluates IT spend using a common IT service taxonomy. This view enables the CIO to understand and evaluate the concentration of IT services and where opportunities exist to optimize IT operations.

Source: Joint Analysis

CXO

BUSINESS VIEW

The business view enables the CIO to have informed discussions with business leaders (CXOs) using a common language. This language fundamentally changes the discussion from IT spending to business consumption of IT investments.

This view is customized by industry.

Source: Joint Analysis



CEO

INNOVATION VIEW

The innovation view helps C-level executives prioritize IT investments for the greatest impact on business performance. This should also include a full lifecycle (Innovation, Growth, KTLO, Retirement) discussion of all IT investments.

Source: Joint Analysis

Interpreting your data

This report contains many graphs and charts which report your benchmarking results. Percentages are usually expressed as quartiles and averages.

Quartile

One quarter, or 25%, of the total range of values for a measure. For example, the first quartile (Q1) contains the lowest 25% of values. The fourth quartile (Q4) contains the highest 25% of values.

Average

Sum of the values divided by the number of values. The average may fall in any quartile. In this report, an average for all service participants in your industry is often shown.

All spend is reported in USD

Overall Performance

A high-level summary of top metrics:

Demographics

IT spend vs. revenue

IT capital expense vs. IT operating expense



Demographics

Your Organization

	IT CapEx	IT OpEx	Total IT Spend	IT Employees & Contractors
Acme Products	\$1,700,000	\$12,286,919	\$13,986,919	30

Industry Components

Industry	Business Functions
Durable Goods Manufacturing	Supply Chain Operations Innovation Customer Focus

You vs. Industry Peers

	Sites	Company Employees	Company Revenue
Acme Products	14	1,200	\$600,000,000
Industry Peer Average	38	3,920	\$1,155,000,000

Industry Peer Demographics

Category	Peer Demographics
Industry Peer Count	10
Company HQ Location	US – 8 Canada – 2

IT spend summary comparisons

IT spend vs. revenue



Importance of This Data

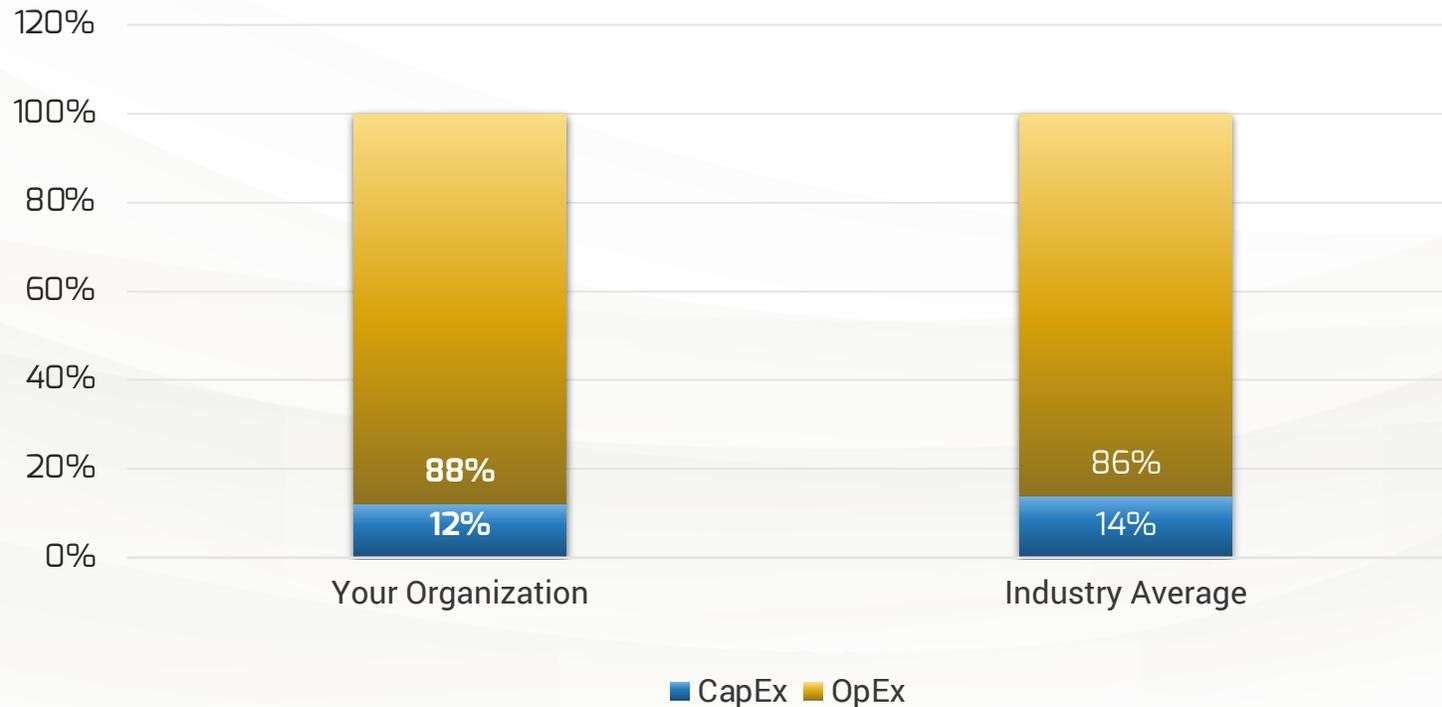
When evaluating total IT spend, the common relationship used to determine how overall spend compares with other organizations is based on either revenue or operating expense.

Summary Observation of Your Data

In this case, results indicate a higher amount of IT spend vs. the peer average and are basically aligned with the upper band (3rd quartile) of the peer group. While results are high versus peers, review of other metrics will provide more insights into the overall drivers of performance.

IT spend summary comparisons

Capital expense vs. operating expense



Importance of This Data

Once overall IT spend has been identified, evaluating the profile of Capital Expense (CapEx) to Operating Expense (OpEx) begins to provide insights into where the spend is being allocated.

Summary Observation of Your Data

Careful review of projects and priorities along with clear business cases for ROI is the best way to prioritize the right initiatives and capital spend. Current year results indicate little capital project activity. Given IT spend vs. revenue is relatively higher suggests there may be a shift toward an OpEx based spend strategy.

Financial & Staffing KPIs

Key indicator metrics that you'll frequently use:

IT spend vs. organization employees

Cost per full-time IT staff

IT employees vs. total employees

Technology spend included from the business

IT spend change year-over-year

IT spend vs. organization employees

How much is your IT department spending per employee?

Your Organization

IT Spend	Employees
\$13,986,919	1,200
\$11,656	

Comparator



Importance of This Data

The intensity of IT spend per employee can be both a way to evaluate spend as well as predict future spend as the organization grows.

Summary Observation of Your Data

This analysis indicates significantly higher spend per employee than peers. There are many factors that can drive this result including business model, number of locations, and number of regions supported.

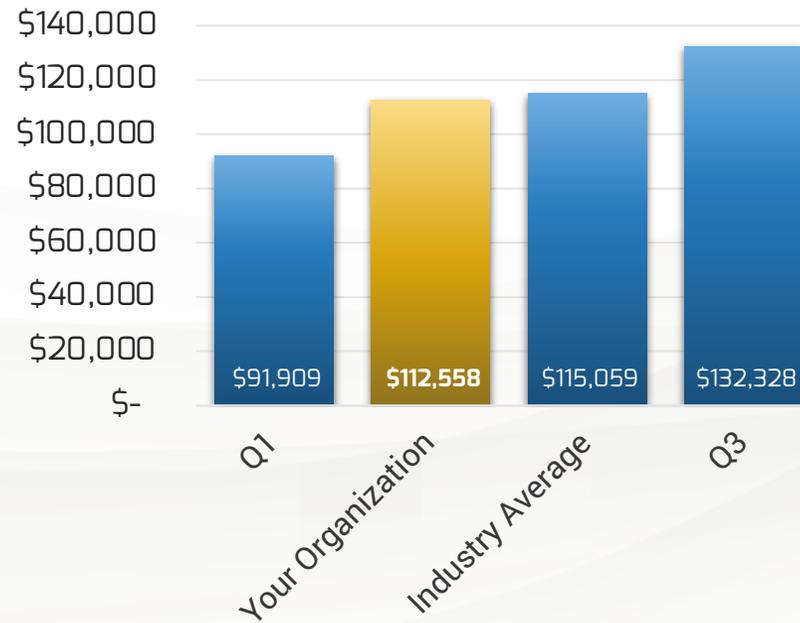
Cost per full-time IT staff

What is the average cost per person (salary + benefits)?

Your Organization

IT FTEs	Employees
30	\$3,376,755
\$112,558	

Comparator



Importance of This Data

Cost per full-time equivalent IT staff will vary due to multiple factors including labor loadings, labor tenure, responsibilities, and regionalization.

Lower spend in this area is not necessarily good and higher spend is not necessarily bad; in fact, given the current labor shortage, most organizations are reviewing staff compensation to help retain key employees.

Summary Observation of Your Data

This analysis indicates cost per IT staff is in line with peers.

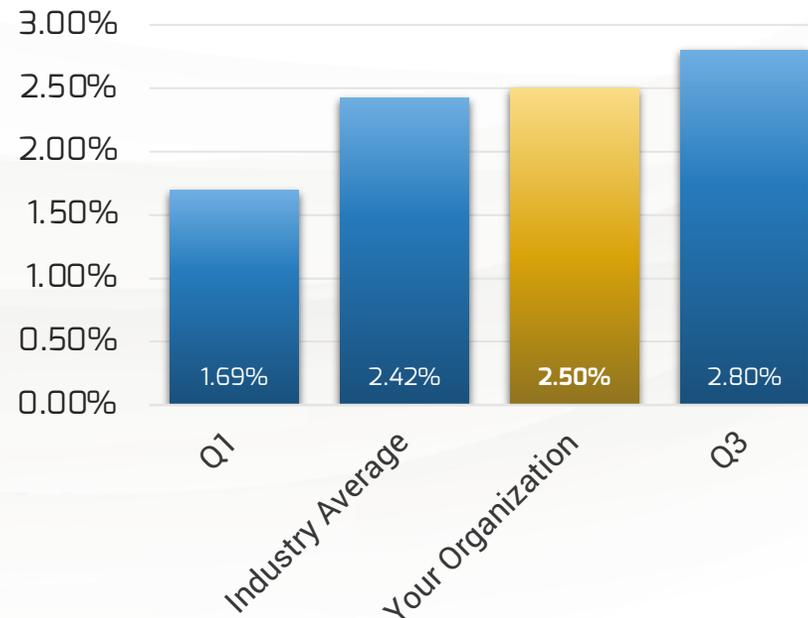
IT employees vs. total employees

How many employees are in your IT department in relation to the entire organization?

Your Organization

IT FTEs	Company Employees
30	1,200
2.50%	

Comparator



Importance of This Data

In this analysis, total IT staffing is compared with total organization employees. This ratio can be impacted by multiple factors, the greatest being the level to which IT functions are either outsourced to a managed service provider or the use of cloud-based infrastructure and applications (where IT staff functions are not performed by retained employees).

This comparator should be reviewed in light of these factors.

Summary Observation of Your Data

Results indicate overall staffing is in line with peer organizations.

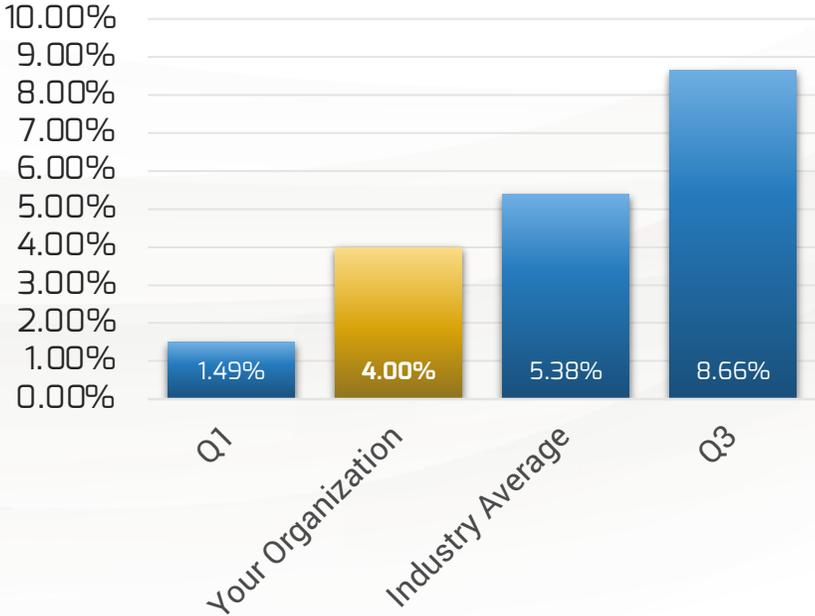
Technology spend included from the business

How much money spent on technology by the business outside of IT was included in the IT spend totals?

Your Organization

Spend within IT	Spend from the Business
\$13,986,919	\$559,476
4.00%	

Comparator



Importance of This Data

In some instances, the IT organization included a portion of the technology spend from the business.

Each organization will have a different line-of-sight regarding this information, which can impact the overall result as well.

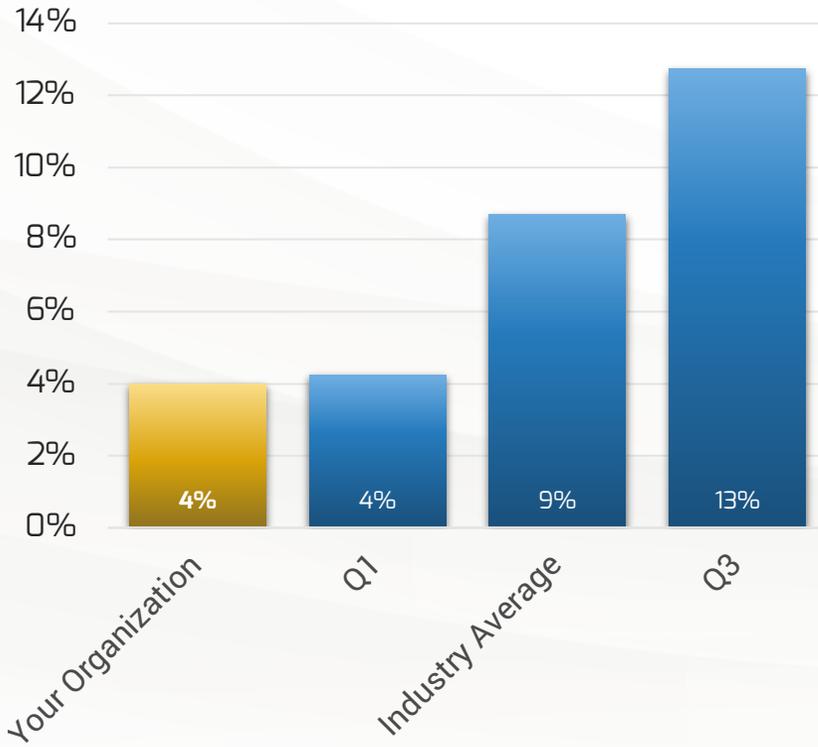
Summary Observation of Your Data

This analysis indicates a lower business spend included in the results vs. peers.

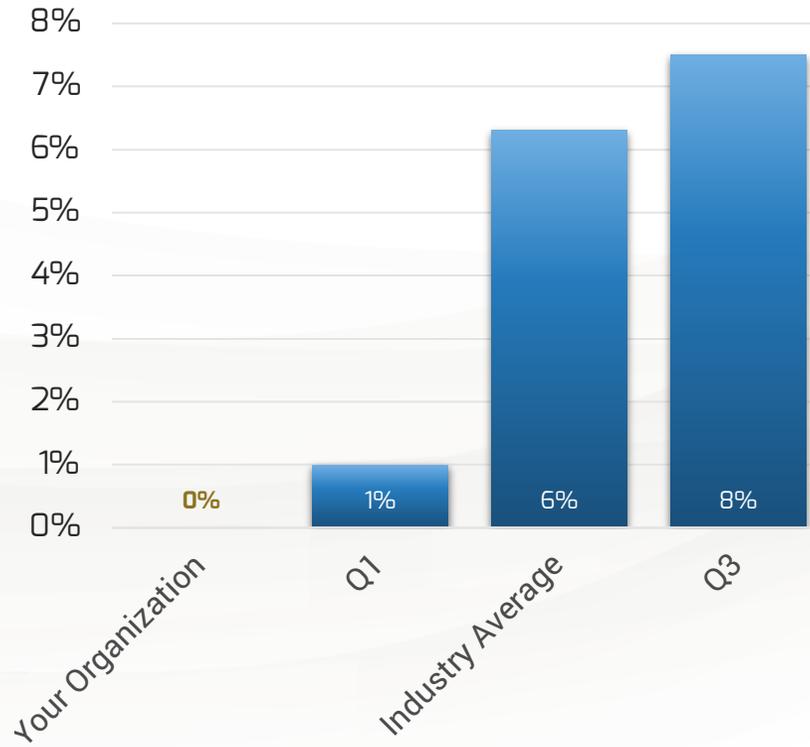
IT spend change year-over-year

How much is your IT department spending changing over time?

Prior Year to Current Year



Current Year to Coming Year (projected increase)



Importance of This Data

Understanding change in IT spend over time will inform current year performance in the context of peer changes.

Some organizations see dramatic single-year changes due to large projects either being started or completed. Others can observe significant changes due to changing business models and/or market demands.

Summary Observation of Your Data

Results indicate a much smaller budget increase than peers, reflective of overall higher IT spend and the constraints placed on the IT organization.

What do your KPIs reveal?



1. Overall IT spend per employee is higher than your peers. This can be driven by business factors that trigger support requirements for regional and location-based technology.
2. IT staffing levels are in line with peers. In addition, there is lower cost/FTE compared to your peers.
3. There are opportunities to optimize the OpEx portion of the IT budget given that capital spending is under 12% and overall spending levels are higher
4. Optimizing OpEx will be even more critical for supporting future innovation activities within the total IT budget given low capital and high overall spend. This assumes (as in most organizations) that IT spending increases may be harder to secure in the future.

Expense View

Understand IT spend for each main budget category:

Workforce

Software (cloud and on-premises)

Hardware (cloud and on-premises)

Contract services



Expense view of IT expenditures

Understand IT spending in the context of expense classes.

Workforce

The costs of employing people in the IT organization on a part-time or full-time basis. This includes salary, benefits, travel/training, dues and memberships as well as contractor costs (in a staff augmentation role). Managed services expenses associated with an external service provider should be excluded from Workforce and included in Contract Services.

Software

Costs for all software (applications, database, middleware, utilities, tools) used across the organization that are hosted on premise and/or with cloud-based providers. This includes purchase, maintenance, and licensing costs.

Hardware

Costs of procuring, maintaining, and managing all IT hardware, including end-user devices, data center and networking equipment, cabling, and hybrid appliances for both on-premise and cloud-based providers.

Contracted Services

Costs for managed service providers, consultants, and advisory services.

Why Is This Important?

Evaluating total IT spend in light of various expense classes will bring further insights into drivers behind overall results.

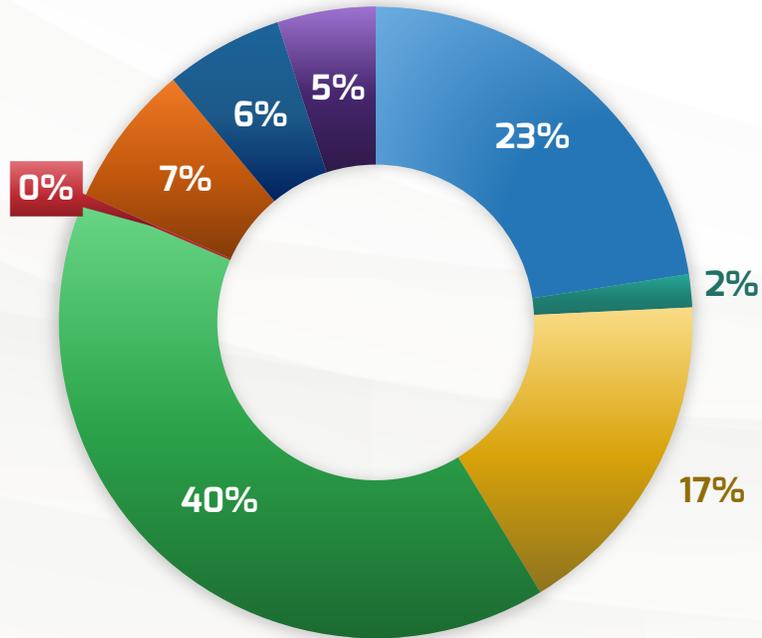
This can be used for both optimizing current results and planning for changes in future spend profile based on organization growth.

It also provides insight into the relationship between various expense class expenditures as the IT operating model changes over time.

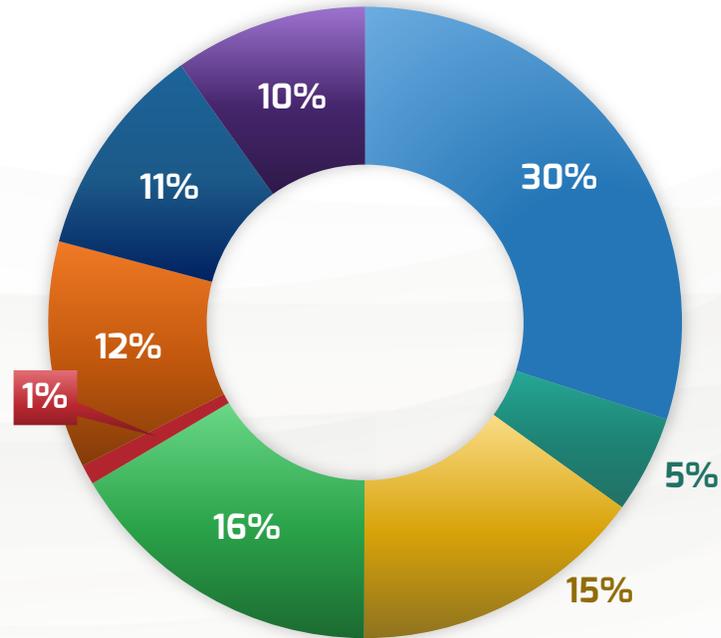
Expense view spend distribution

How is your IT spending distributed across high-level expenses?

Your Organization



Comparator



- Employee
- Contractor
- Software (Cloud)
- Software (On Prem)
- Hardware (Cloud)
- Hardware (On Prem)
- Managed Services
- Consulting & Advisory

Importance of This Data

Evaluating total IT spend in the context of expense classes with that of peer organizations gives insight regarding the expense model composition.

Summary Observation of Your Data

Current results indicate a high percentage of spend on on-premises software and larger spend on cloud software. Results represent a cloud migration strategy while still carrying significant technical debt.

Vendor spend distribution (USD)

Understand vendor spend within the IT budget.

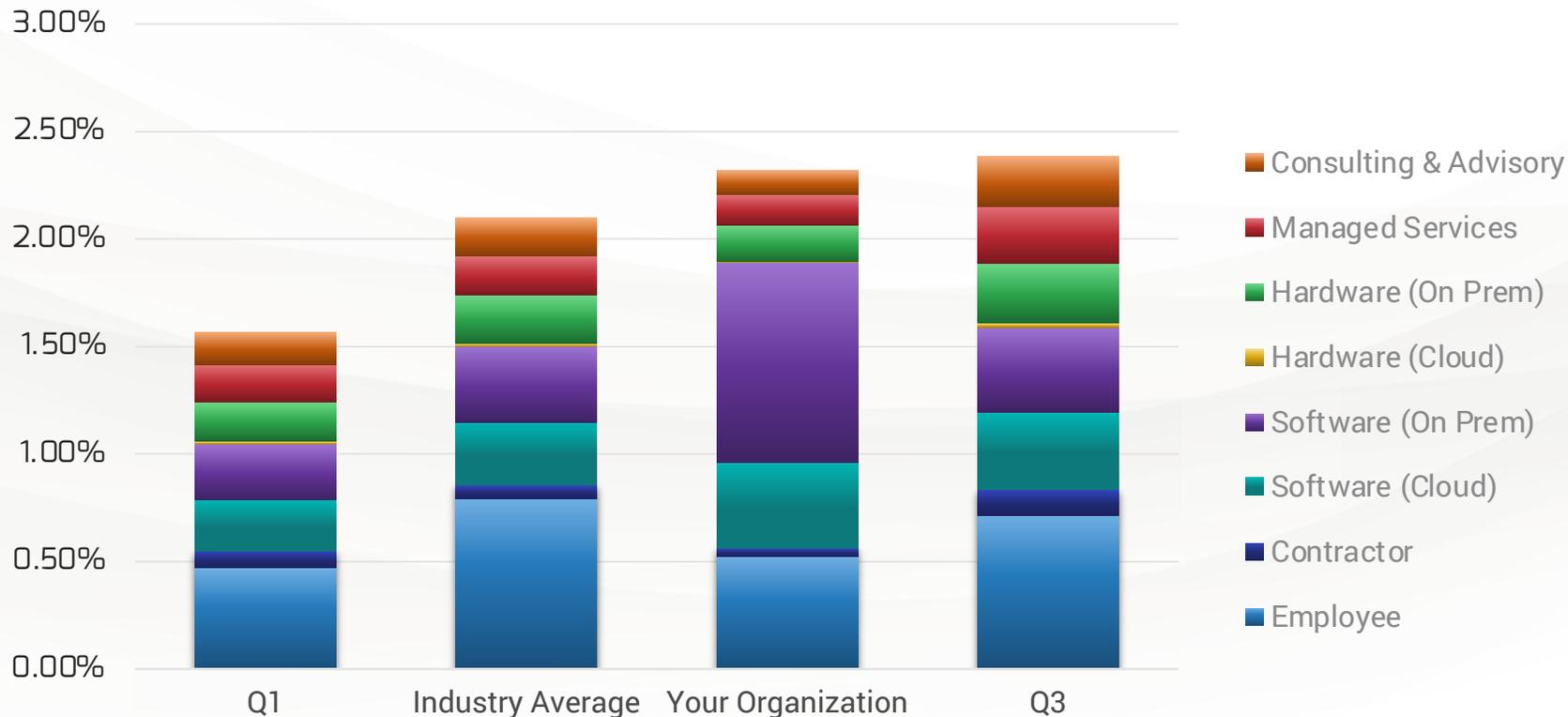
Summary Observation of Your Data

The top 20 vendors listed account for 89% of total vendor spend.

Top 20 Vendors	Spend	%
Microsoft	890,000.00	10%
Salesforce	804,000.00	9%
SAP SuccessFactors	722,000.00	8%
Cisco	720,000.00	8%
Dell	610,000.00	7%
ServiceNow	606,000.00	7%
Oracle	557,000.00	6%
Vmware	520,000.00	6%
Infor	431,000.00	5%
Workday	430,000.00	5%
Info-Tech Research Group	358,000.00	4%
UKG	330,000.00	4%
Solidworks	220,000.00	2%
Minitab	212,000.00	2%
Adobe	138,000.00	2%
SHI	117,000.00	1%
Siemens	88,000.00	1%
Ansys	86,000.00	1%
AT&T	66,000.00	1%
AWS	60,000.00	1%
Subtotal - Top 20	\$7,965,000	89%
Remaining Vendor Spend	\$1,035,000	11%
Total Vendor Spend	\$9,000,000	

Expense view as a percentage of revenue

How is spending from the expense view contributing to your IT spend vs. revenue?



Importance of This Data

This analysis will help you to visualize what expenses are contributing to and/or impacting your overall performance (IT vs. revenue) in relationship to industry peers.

Summary Observation of Your Data

Current results indicate a high percentage of spend on on-premises software. In addition, there is also a small portion of spend on hardware and a large spend in cloud software. This indicates a cloud migration strategy while still carrying significant technical debt.

Staffing overview

How is IT staffing contributing to your IT budget and supported users?

IT Management Profile		
IT Managers as % of IT Staff	Industry Median	Gap
23%	24%	1% under

Span of Control			
Direct Reports	#	%	Industry Benchmark
0 Direct Reports	79	68%	70%
1-2 Direct Reports	24	21%	18%
4-7 Direct Reports	14	12%	11%
8-10 Direct Reports	0	0%	1%
11+ Direct Reports	0	0%	0%

Importance of This Data

Evaluating various profile information related to the overall organization can provide further insights into IT spend drivers.

Summary Observation of Your Data

Current results indicate a similar profile regarding the management layer of the organization, and similar span of control.

Staffing overview

How is your workforce profile contributing to your operating budget?

IT Salary as a % of Operating Budget	Industry Average
35%	40%

% of IT Outsourced	Industry Average
25%	10%

IT Managers as % of IT	Industry Average
23%	24%

Importance of This Data

This analysis will help you to determine how your workforce profile compares with other organizations.

Summary Observation of Your Data

Current results indicate a strong performance compared to peers for IT salary per operating budget. Your results show higher outsourced spend than peers, and manager ratios are in line with peers.

What does your expense view reveal?



1. **Percentage of spend on on-premises software is very high.** This indicates an unbalanced distribution of IT spend.
2. **Significant underspend on hardware infrastructure.** This indicates postponement of refresh cycles. Coupled with the high spend in cloud software, this indicates early moves to migrate to the cloud.
3. **Internal IT staff are likely stretching to support an emerging cloud/hybrid environment.** Current staff may not have the skills or bandwidth to perform many of the maintenance activities demanded by a mixed-solution environment.

Service View

Understand IT spend per IT service:

Applications development

Applications maintenance

Hosting & network

End user

Data & BI

Security & risk

IT management



Service view of IT expenditures

Understand IT spending in the context of IT services offered.

Applications Development

Cost associated with the purchase/development, testing, and deployment of application projects. This could be internally developed or package solutions.

Applications Maintenance

Cost associated with software maintenance fees or maintaining current application functionality along with minor enhancements.

Hosting & Network

Cost associated with compute, storage, and network (WAN/LAN) functionality for the purposes of running/hosting application functionality for the organization and providing communications/connectivity within the organization.

End User

Cost for the procurement, provision, management, and maintenance (break/fix) of end-user devices (desktop, laptops, tablets, peripherals, and phones) as well as purchase/support and use of personal productivity software on these devices. Expenses for the IT service desk are included here as well.

Why Is It Important?

The service view provides insights regarding which IT services are using the largest portion of IT spend.

Understanding which services draw the largest spending creates a clear profile of the IT service delivery model, and can identify areas for further investigation and potential optimization.

Understanding the delivery model (within the context of the expense view) will inform both current and future decisions regarding the fulfillment and optimization of IT services.

Data & BI

Strategy and oversight for the technology used in support of business intelligence, data warehousing, and analytics.

Security & Risk

Cost associated with information security strategy and oversight, practices, procedures, compliance, and risk mitigation to ensure the protection and unauthorized access of organizational data and technology assets

IT Management

Cost associated with senior IT leadership, IT finance, IT strategy and governance, enterprise architecture, process management (ITIL), vendor management, talent management, and program and portfolio management oversight.

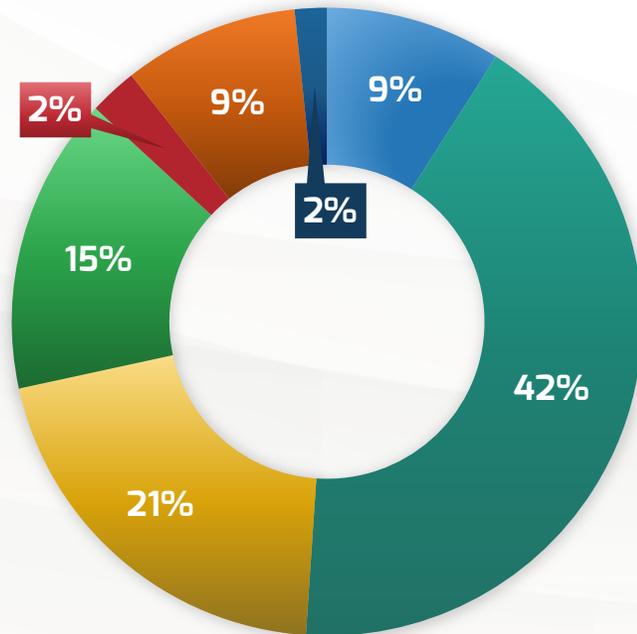
Service view spend distribution

How is your spending distributed across IT service categories?

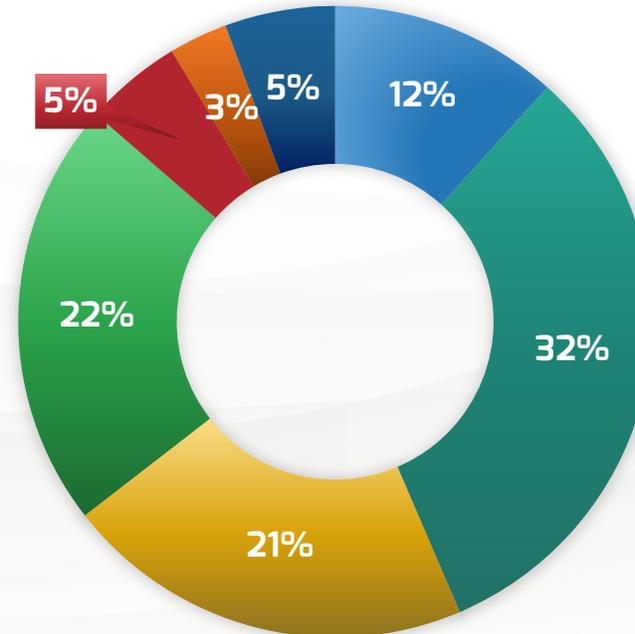
Importance of This Data

The IT service spending profile will compare the current delivery model with that of other organizations.

Your Organization



Comparator



■ Apps Dev ■ Apps Maint ■ H&N ■ EU ■ DB&BI ■ Sec & Risk ■ IT Mgmt

Summary Observation of Your Data

Results indicate higher spend in applications maintenance.

Service view staffing distribution

How are staffing resources distributed across IT service offerings?

	Application Development	Applications Maintenance	Hosting & Network	End User	DB & BI	Security	IT Management				
							PPM/ Projects	Strategy	Financial Management	People & Resources	Service Plan/ Architecture
Acme Products	19%	21%	19%	30%	0%	5%	2%	2%	1%	1%	2%
Industry Average	22%	22%	17%	20%	5%	4%	4%	2%	1%	2%	2%

Importance of This Data

IT staffing profile identifies which functions are receiving the largest allocation of staffing and how this profile compares to your peers.

Summary Observation of Your Data

While the majority of allocations are in line with your peers, no IT staff are allocated to the database & BI function, suggesting there is no organization-wide data management or analytics strategy.

Years of IT experience distribution

How are staffing resource years of experience distributed across your organization?

Years	Your Organization	Industry Average	Gap
0-2 Years	10%	8%	2% Over
2-5 Years	6%	17%	11% Under
6-10 Years	11%	29%	18% Under
10+ Years	72%	47%	25% Over

Importance of This Data

Successful IT departments have employees with a range of experience. These results can help determine if your department could benefit from adding senior or junior employees.

Summary Observation of Your Data

Current results indicate a workforce with more highly experienced employees as compared to industry peers.

IT staff effectiveness confidence scores

How confident are IT staff of their effectiveness across key drivers of performance?

Key Driver	Average Effectiveness Confidence Score
Our Processes and Procedures enable me to do my job effectively	65%
Our Technology enables me to do my job effectively	68%
My team has the rights Skills to execute effectively	74%
My team can execute effectively without Organization or Political Barriers	67%
My team has the appropriate Staffing Levels to execute effectively	64%
There is an opportunity to run this area more efficiently through Eliminating Wasteful or low-value activities	70%
There is an opportunity to run this area more effectively by using Innovative approaches or solutions	59%

Importance of This Data

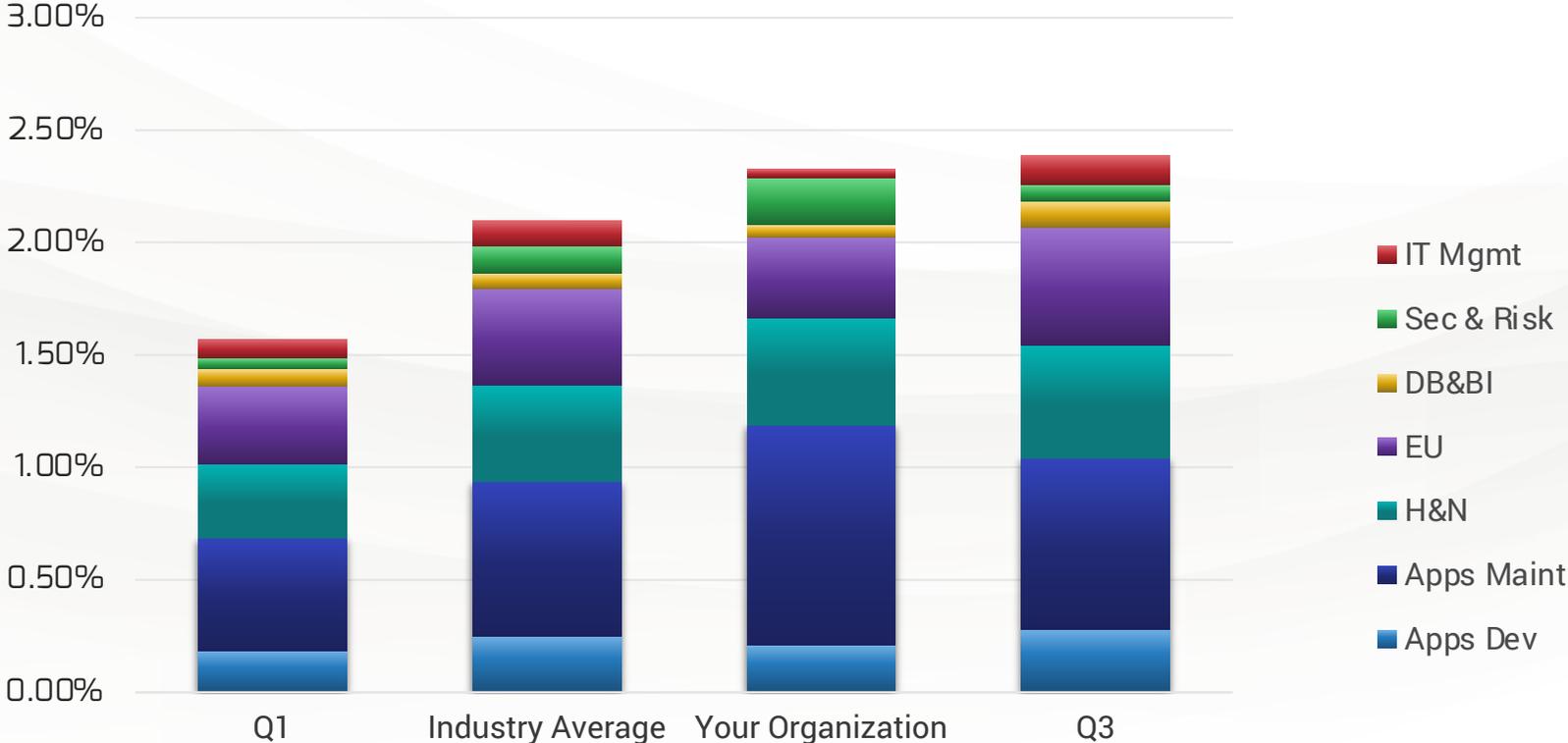
IT staff have assessed each IT area across seven drivers of effectiveness. This can help determine if there are any low performing areas that can be improved across IT rather than in a single area.

Summary Observation of Your Data

Current results indicate high effectiveness in Skills and Eliminating Waste, while Innovation is a key area for improvement.

Service view as a percentage of revenue

How is spending from the service view contributing to your IT spend vs. revenue?



Importance of This Data

This analysis will help you to visualize what services are contributing to and/or impacting your overall performance (IT vs. revenue) in relationship to Industry peers.

Summary Observation of Your Data

Current results indicate a very similar distribution of IT spend across the service areas with that of the peer group. Application maintenance is slightly higher than peers, which may indicate an aging application portfolio.

What does your service view reveal?



1. Total spending across all IT services is in line with peer organizations.
2. It appears that some cloud migration is in progress. This is suggested by looking at the service and expense views together, which show a slightly higher percentage of spend on applications development and maintenance and a very low spend on hardware. These patterns are typical of organizations engaged in cloud migration.
3. Older infrastructure and applications are receiving comparatively little spend. This is also most likely due to any cloud migration that's underway. An analysis of a "Turn the Lights Off" strategy may be warranted.

Business View

Understand IT spend per business function:

Enterprise vs. industry-specific functions

Enterprise services IT spend and staffing distribution

- Human resources

- Finance & accounting

- Information technology

- Other shared services

Industry function IT spend and staffing distribution

- Supply chain

- Operations

- Innovation

- Customer focus

- Other industry functions



Business view of IT expenditures

Understand IT spending in both enterprise functions and industry functions.

Shared services

IT staff and specific application functionality in support of:

1. [HR](#) | IT staff/systems in support of human capital management.
2. [Finance & Accounting](#) | IT staff/systems supporting corporate finance and accounting.
3. [IT](#) | IT staff/systems in support of IT performing their IT job.
4. [Other shared services](#) | IT staff/systems in support of all other enterprise functions.

Industry-specific functions

IT staff and specific application functionality in support of:

1. [Supply chain](#) | Getting the materials needed and shipping of a finished product. Includes procurement, purchasing, vendor management, logistics, demand planning, shipping, and yard management.
2. [Operations](#) | Manufacture, storage, and tracking of product and ensuring product and process quality.
3. [Innovation](#) | Research, development, and execution of new products and processes.
4. [Customer focus](#) | Sales planning, order fulfillment, and customer care.
5. [Other industry functions](#) | Industry-specific regulatory compliance.

Why Is It important?

Understanding the consumption of IT resources by major functions, both enterprise and business, can inform a broad range of issues.

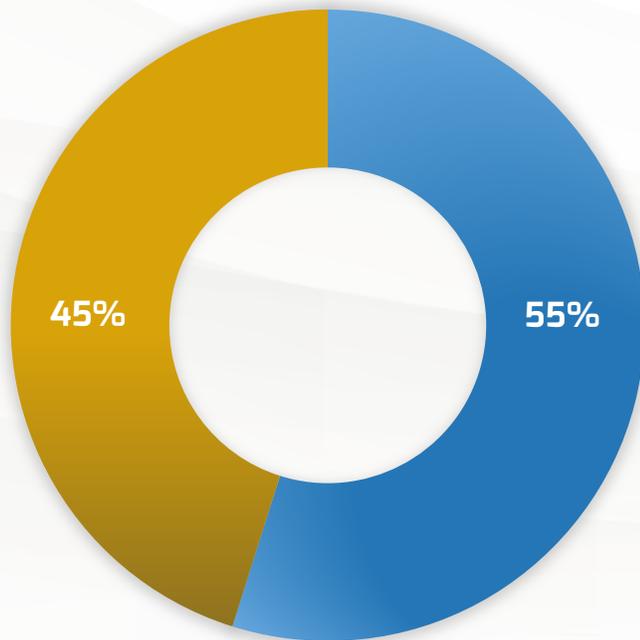
By bringing full transparency, IT and business leaders can now make informed decisions regarding IT spend prioritization using a common nomenclature, one that will resonate clearly while reducing confusion.

Whether determining where to invest capital spend or dealing with the challenges of cost reductions, decisions can be made that drive true business performance.

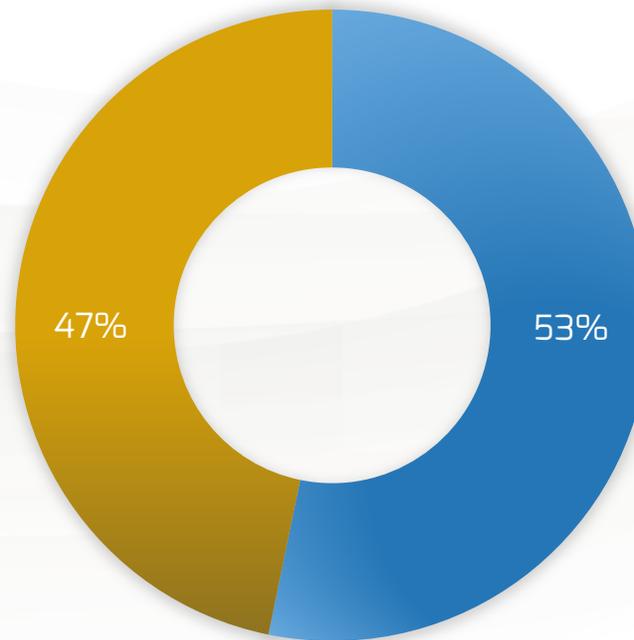
Enterprise vs. industry function spend overall

How much is IT spending on supporting industry-specific functions?

Your Organization



Comparator



■ Enterprise ■ Industry

Importance of This Data

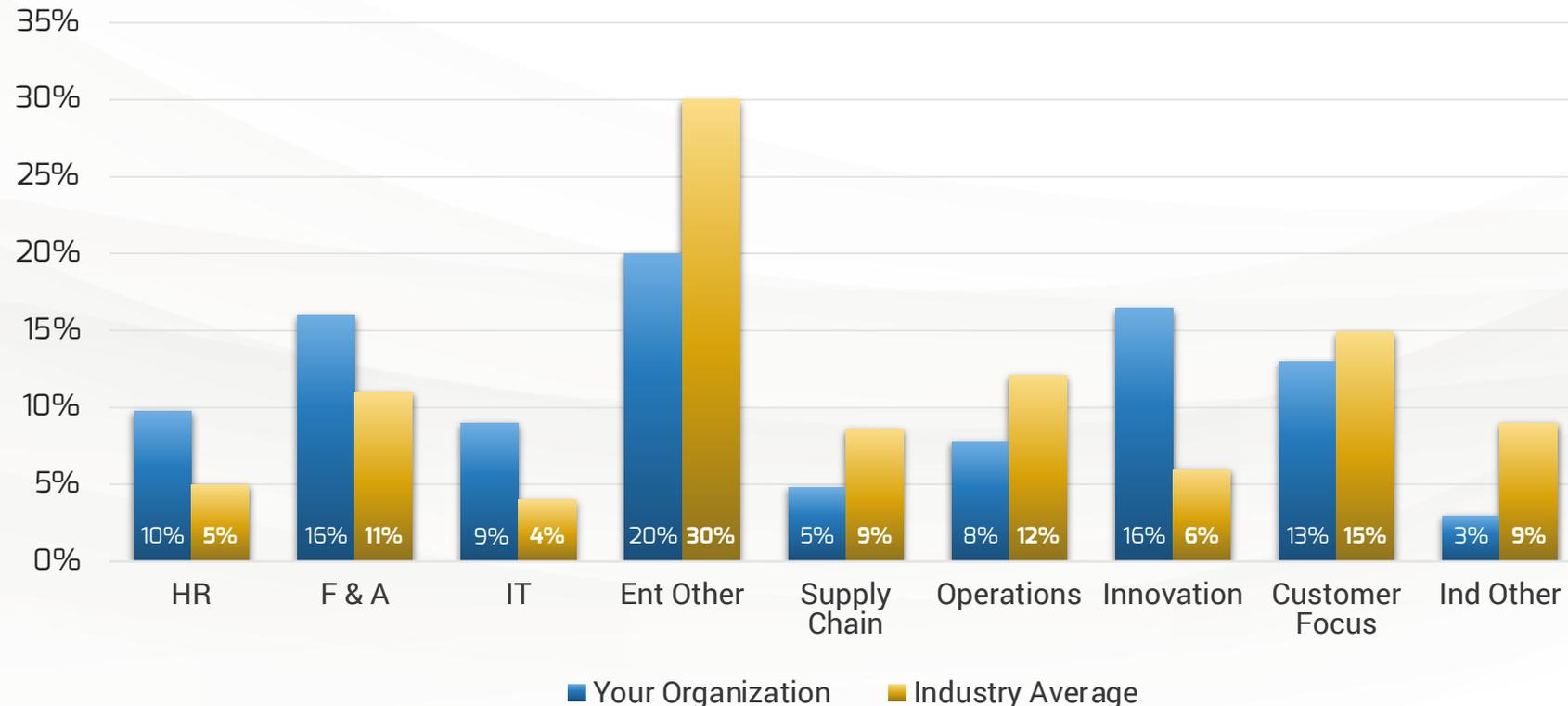
In the business view, the first area to review is how much of the total IT spend is going towards enterprise vs. business functions.

Summary Observation of Your Data

Current results indicate a very similar distribution of IT spend with that of the peer group. There are no major areas of concern in this view.

Enterprise vs. industry function spend

How much is IT spending on supporting industry-specific functions?



Importance of This Data

For this view, each organization may have a different profile, which is not indicative of either good nor bad performance. However, It will indicate the degree of emphasis in a given year on specific functions and should open the dialog within your organization to determine if this aligns with company priorities.

Summary Observation of Your Data

F & A and Industry #3 functions are consuming the highest percentage of IT spend vs. peers. While the Industry #3 function is high, this is indicative of recent IT spend expansion. However, the F & A function warrants further investigation.

Enterprise vs. industry staffing allocation

How is IT staffing distributed in support of industry-specific functions?



Importance of This Data

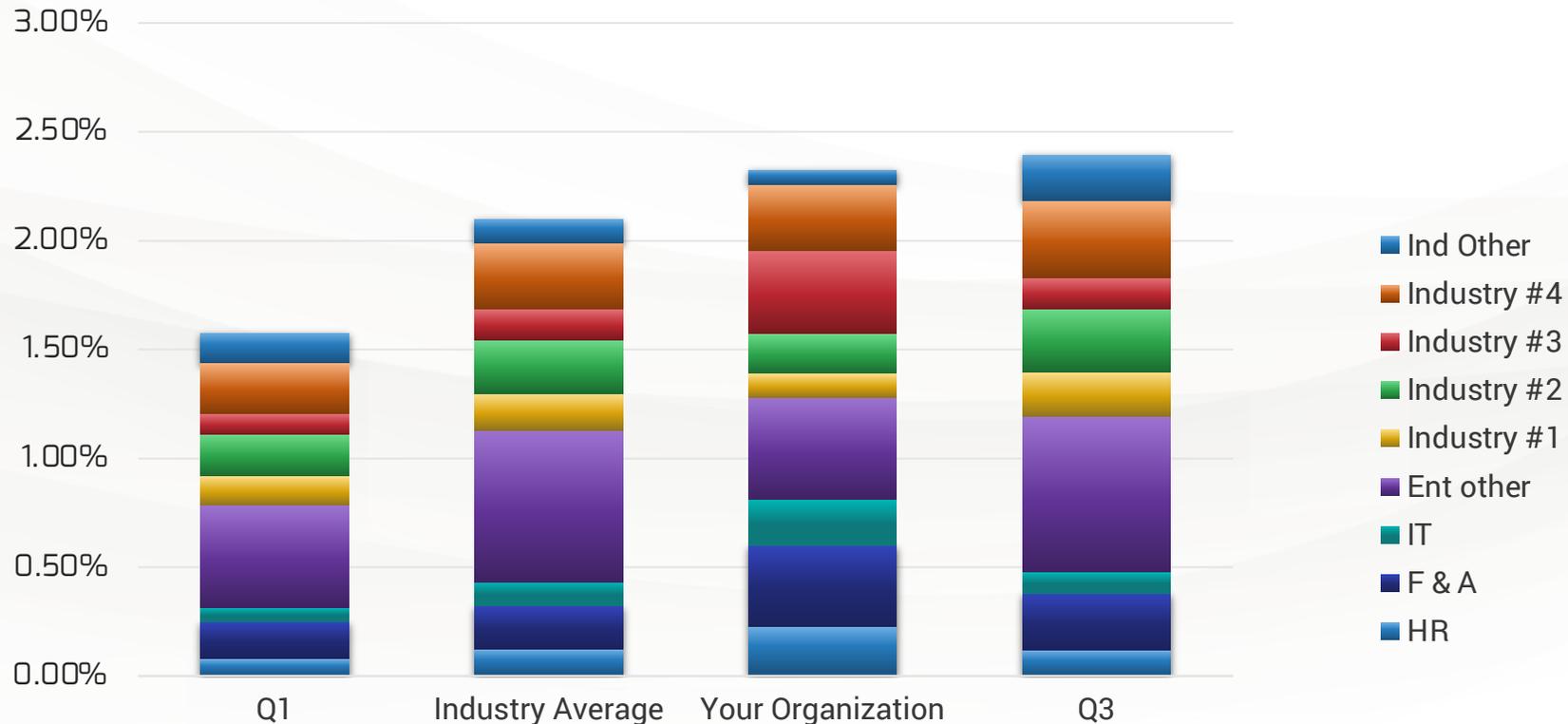
While overall spending is important, evaluation of actual staffing in support of key business functionality provides insight into staff distribution.

Summary Observation of Your Data

A significant percentage of staff are supporting HR and F & A functions, which is unusual. Combined, they account for 40% of all IT staff.

Business view impact on performance

Which business view categories are impacting overall performance?



Importance of This Data

This analysis will help you to visualize what business functions are contributing to and/or impacting your overall performance (IT vs. revenue) in relationship to industry peers.

Summary Observation of Your Data

There is a higher distribution of staff in HR and F&A application support than peers. Given the high spend in maintenance observed in the services view, this may indicate aging applications for these business capabilities..

What does your business view reveal?



1. The distribution of IT spend on enterprise services vs. business services is aligned with your peers.
2. However, both IT spend and IT staff associated with HR and F&A functions are notably higher overall than your peers. This supports the premise that significant effort is being applied to maintain the systems supporting these functions. Indications are that these are legacy systems, which are likely contributing significantly to technical debt.

Innovation View

Understand IT spend in terms of strategic purpose:

Keeping The Lights On (KTLO)

Current business growth

New business innovation



Innovation view of IT expenditures

Understand IT spending in the context of innovation

Keep The Lights On (KTLO)

IT spend/activities focused on keeping the organization running. This includes all activities/expenses used to ensure the smooth operation of business functions and activities.

Business Growth

IT spend/activities focused on growth of a specific business or market functions. This is specifically related to growth within a current market.

Business Innovation

IT spend/activities focused on innovation of products and or products into new markets. Updates to existing capabilities would not be considered innovation but rather growth or KTLO depending on the activities.

Why Is It Important?

The innovation view is intended to determine how much of IT is consumed for KTLO efforts, and how much is for growth/innovation.

By exploring this view, key decisions can be made regarding both prioritization of current spend and future-state spending.

Governance around overall IT spend will be influenced by this process and can clearly drive where to invest, and potentially where to reallocate, funding for the greatest impact on business performance.

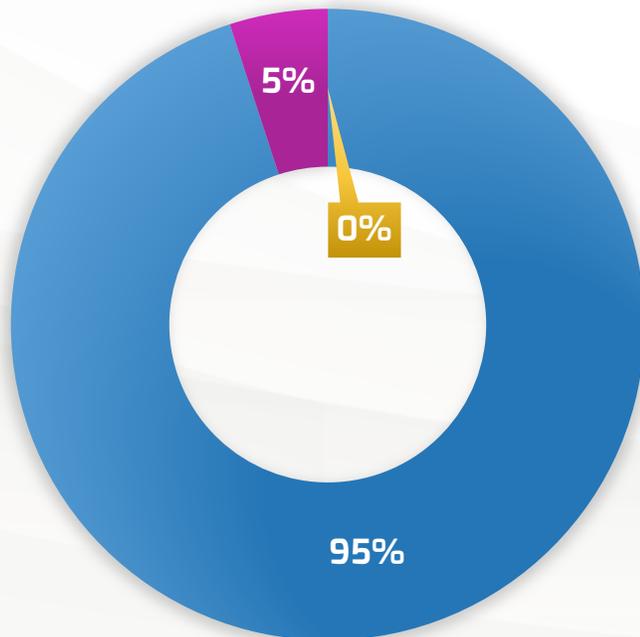
KTLO vs. grow vs. innovate

How much is IT spending on supporting innovation?

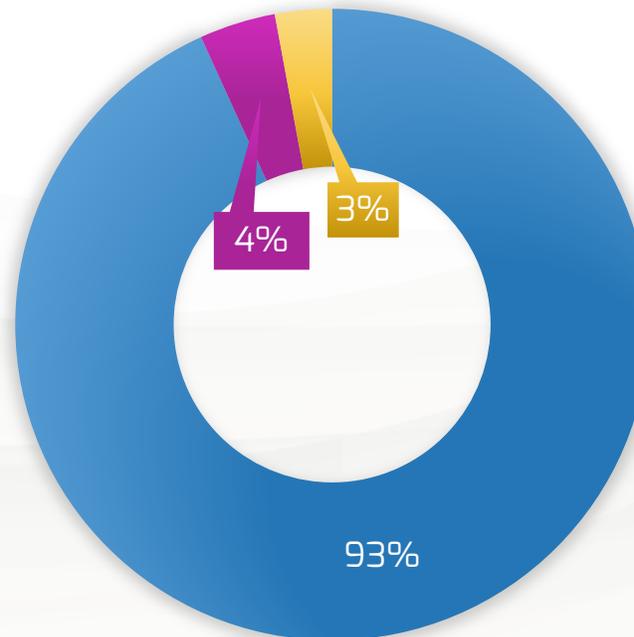
Importance of This Data

This analysis shows spending on growth/innovation vs. Keep The Lights On (KTLO).

Your Organization



Comparator



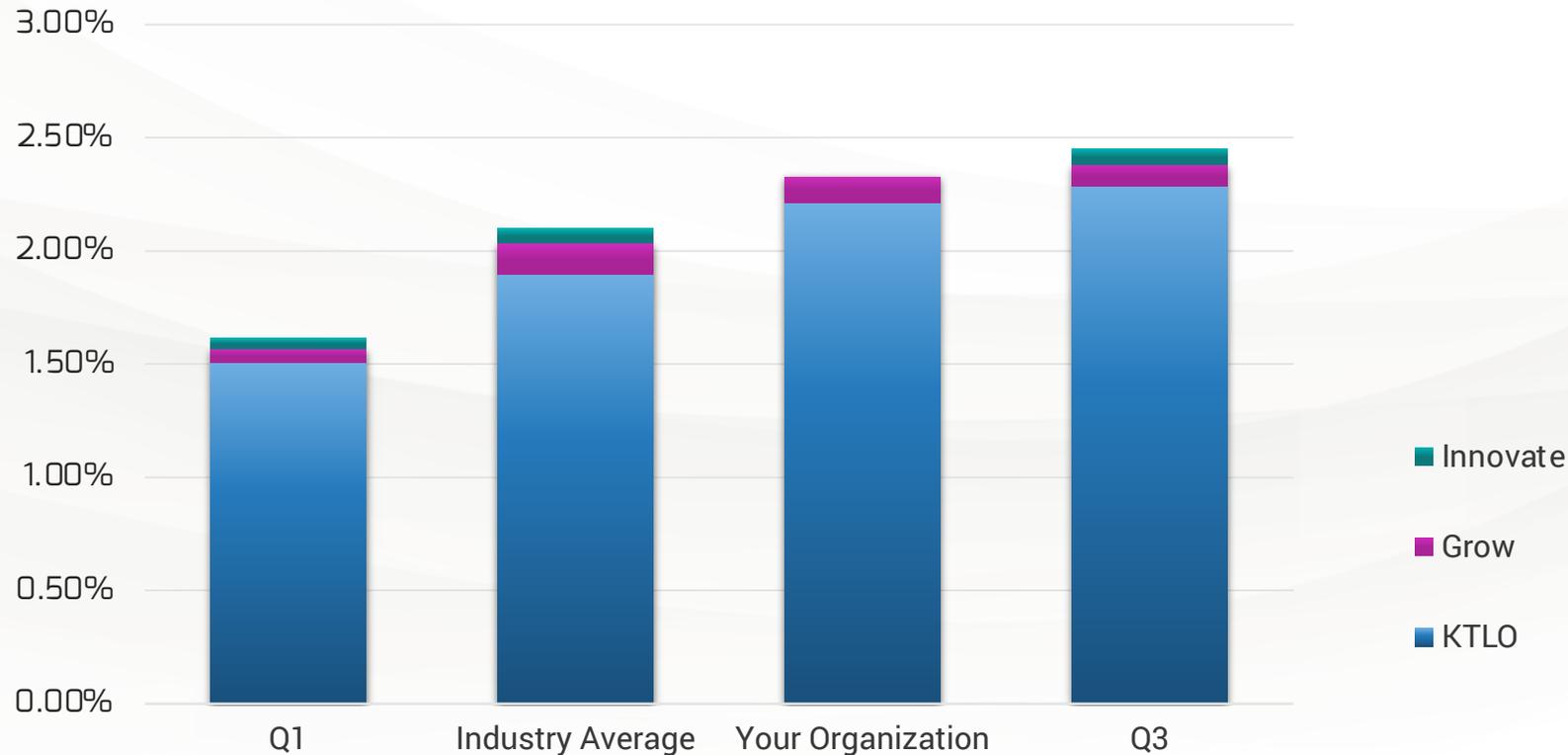
■ KTLO ■ Grow ■ Innovate

Summary Observation of Your Data

Overall performance indicates your organization is primarily consumed by KTLO activities. A small portion of spend is used for growth activities, but this is in line with peers.

Innovation view impact on performance

How is your IT spending distributed across processes supporting KTLO, growth and innovation?



Importance of This Data

This analysis will help you to visualize what business functions are contributing to and/or impacting your overall performance (IT vs. revenue) in relationship to Industry peers.

Summary Observation of Your Data

Overall performance indicates your organization has higher spend overall, with a primary focus on KTLO activities. A small portion of spend is used for Growth activities, but this is in line with peers (3rd quartile).

What does your innovation view reveal?



1. IT spend on innovation is in line with peers.
2. Approximately 95% of current IT spending is focused on KTLO activities. Only 5% of IT spend is aligned to growing the business, and none is allocated to innovation.
3. Significant efforts need to be made to free up current IT spend for any growth or innovation activities. IT is anticipating a request to reduce its actual spend overall, so meeting this challenge will be difficult and require some creative thinking.

Next Steps

Take concrete action steps:

Leading observations from the data

Recommendations for action

Info-Tech resources to guide your efforts



Zero spend on innovation and high KTLO and apps maintenance costs require an evaluation of tech debt

Observation: Approximately 95% of your current spending is focused on KTLO activities, with only 5% aligned to business growth. There is no spend on innovation.

1

Root Cause Analysis

- **Culture:** The culture of the organization has been fiscally conservative, especially when it comes to IT and its role in the business. Focus has been more on traditional operational technologies than on information technologies. This view is consistent with that of the industry as a whole, so KTLO vs. growth vs. innovation spend patterns here are typical.
- **Cost-cutting:** IT is anticipating a spend reduction mandate given the state of the economy, leaving little money for growth or innovation activities. Changing the relative allocation of spend towards growth initiatives is unlikely at this time.
- **App maintenance:** Notably higher spend on app maintenance implies significant technical debt (legacy systems), which are like drivers of high KTLO spend levels.

Recommendations

- **Measure your tech debt.** Strongly consider sharing the cost of maintaining core legacy systems with the business, including their inefficiency in supporting business process execution.
- **Manage IT assets:** Implement more rigorous hardware and software asset lifecycle management to avoid incurring more tech debt.
- **Strategize:** Build a new business-aligned IT strategy to pave the way for digital growth and innovation through a “Turn the Lights Off” strategy.

Focusing cost optimization on select core business functions may reduce overall per-employee IT costs

Observation: You are spending significantly more on IT per employee than your peers, which may be driven by comparatively high spend in HR and F&A functions.

2

Root Cause Analysis

- **Core business app spend:** On-premise software and app maintenance spend are very high in comparison to peers. Spend on both the HR and F&A functions is also disproportionately high compared to peers.
- **Legacy apps:** Support of large legacy applications in HR and F&A are the leading candidates for current per-employee overspending as they are generating high maintenance costs.
- **Integration issues:** Lack of integration between these apps and others, as well as efforts to bridge these gaps, are likely driving additional costs that appear in app maintenance spend, specifically for labor.
- **Misalignment:** IT and the business don't have a plan for how to support and evolve core business functions. Users in these functions have strong preferences for technologies they know and are comfortable with.

Recommendations

- **Optimize core business spend:** Work with the business on core business function spend, namely HR and F&A.
- **Discover needs:** Engage in a review of business processes and requirements.
- **Inventory:** Examine apps in use with a specific focus on requirements matching, redundancies, and data integration and interoperability.
- **Rationalize or replace:** Plan to consolidate, eliminate, or replace apps to reduce app maintenance spend.

Given limited budget on infrastructure, we recommend that you define your cloud strategy

Observation: You significantly underspend on hardware infrastructure.

3

Root Cause Analysis

- **Economic forecast:** Overall year-over-year spend is lower than that of peers, with no increase expected in the coming year. Hardware refreshes have been delayed and attempts made to extend lifecycles as belt-tightening is anticipated, which is one cause of comparative underspend in the hardware infrastructure area.
- **Cloud software spend:** Cloud software spend is slightly higher compared to peers. This suggests early stages of cloud migration in select areas, and is also a likely contributor to hardware underspend.
- **No cloud strategy:** Currently, there is no overarching cloud strategy in place. As a result, visibility into where parallel operations exist and duplicate spending is occurring isn't clear.

Recommendations

- **Adopt a “cloud first” mindset.** Create a clear, long-term vision in collaboration with the business and identify critical success factors.
- **Define a formal cloud strategy.** Determine areas of focus, steps to be taken, and timelines. Assess where duplications and interdependencies do/will exist that will affect costs.
- **Assess and source skills.** Supporting a cloud or hybrid environment requires different competencies within IT.

Info-Tech resources to actualize your next steps

PROJECT	Evaluate and manage your tech debt	Focus cost optimization on select core business functions	Define your cloud strategy
SCOPE	<ul style="list-style-type: none"> • Inventory and review IT assets, efficacy, redundancies, and ongoing costs. • Identify areas that require modernization given business goals. • Develop a broader digital strategy in collaboration with the business to set a long-term digital migration path. 	<ul style="list-style-type: none"> • Conduct a cost optimization analysis. • Review HR and F&A business processes and requirements. • Review existing apps in these functions for ineffectiveness and inefficiency. • Rationalize or replace to reduce app maintenance spend. 	<ul style="list-style-type: none"> • Create a high-level, long-term vision for where cloud solutions can benefit the organization. • Work with the business to develop a business-aligned cloud strategy. • Identify the IT skill sets required to manage and operate a cloud-based environment.
PROPOSED SUPPORT	<p>Guided Implementations</p> <ol style="list-style-type: none"> 1. Manage Your Technical Debt 2. Develop an IT Asset Management Strategy 3. Modernize Your Applications 4. Modernize the Network <p>Workshop</p> <ol style="list-style-type: none"> 1. Define Your Digital Business Strategy 	<p>Guided Implementations</p> <ol style="list-style-type: none"> 1. Improve Requirements Gathering 2. Application Portfolio Management Foundations <p>Workshop</p> <ol style="list-style-type: none"> 1. Streamline Application Management <p>Concierge Service</p> <ol style="list-style-type: none"> 1. Cost Optimization Analysis 	<p>Guided Implementations</p> <ol style="list-style-type: none"> 1. Cloud Strategy and Action Plan 2. Document Your Cloud Strategy 3. Map Technical Skills for a Changing Infrastructure & Operations Organization <p>Workshop</p> <ol style="list-style-type: none"> 1. Define Your Cloud Vision
TIMING	Q4 2022 – Q1 2023	Q2 2023 – Q2 2023	Q3 2023 – Q4 2023

Info-Tech offers various levels of support to best suit your needs

DIY Toolkit

"Our team has already made this critical project a priority, and we have the time and capability, but some guidance along the way would be helpful."

Guided Implementation

"Our team knows that we need to fix a process, but we need assistance to determine where to focus. Some check-ins along the way would help keep us on track."

Workshop

"We need to hit the ground running and get this project kicked off immediately. Our team has the ability to take this over once we get a framework and strategy in place."

Consulting

"Our team does not have the time or the knowledge to take this project on. We need assistance through the entirety of this project."

Diagnostics and consistent frameworks are used throughout all four options.



INFO~TECH
RESEARCH GROUP

Appendix

This appendix contains a full sample of Info-Tech's IT Staffing Assessment Report, which we recommend that you complete as part of the ITFM Benchmarking Service. This report provides:

- IT staff time allocation by function
- IT staffing vs. effectiveness
- IT staff allocation by function
- Time allocation by activity
- Comments-based IT staff feedback