Entering 2007: Key Indicators

"Estudio sobre la evolución y tendencias de indicadores TI en el año 2006 y 2007"
Gartner Worldwide IT Benchmark Service

Jed.Rubin@gartner.com
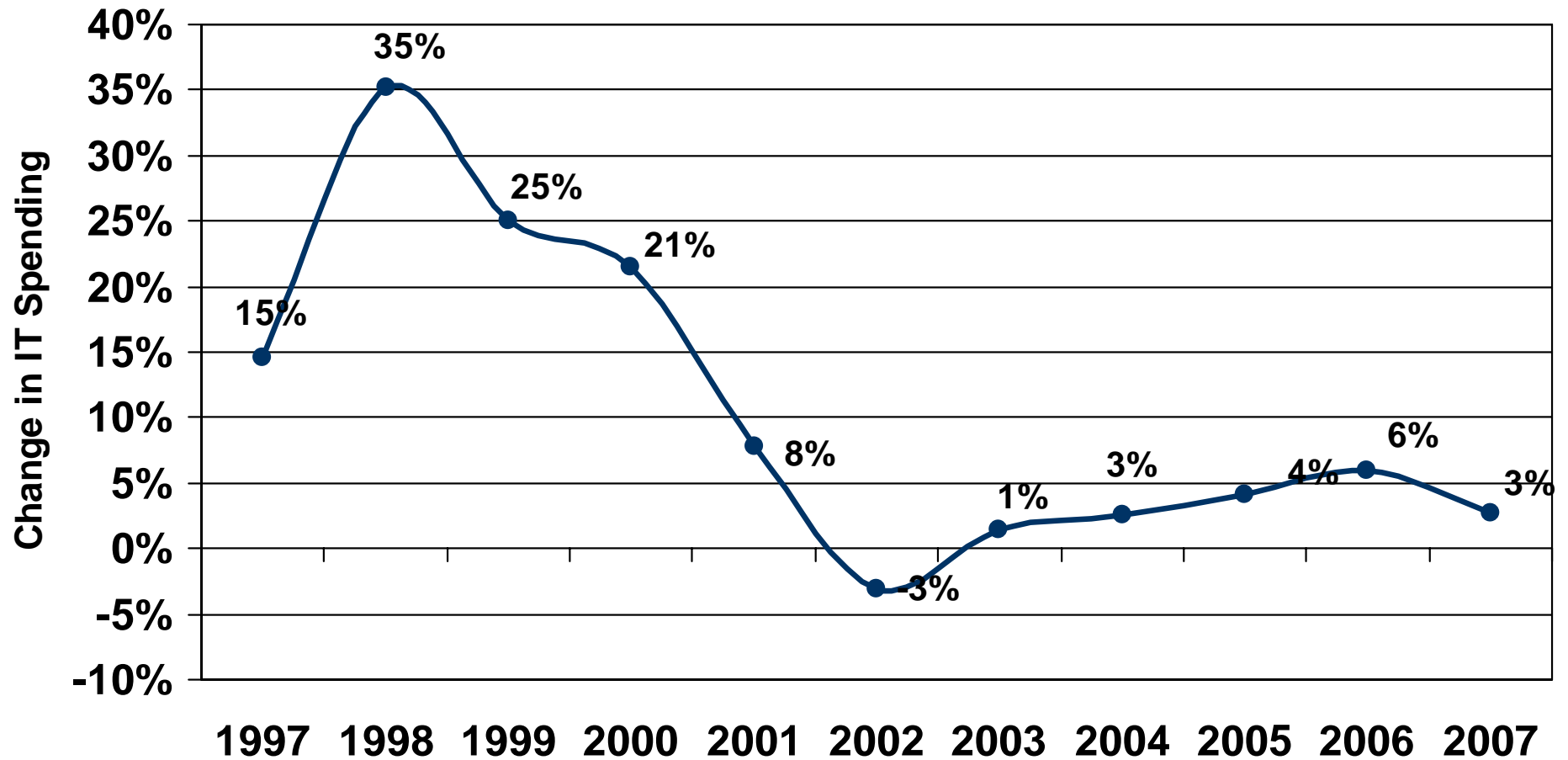
November 2006

Gartner

Agenda

- Initial Worldwide IT Benchmark Findings: 2006-2007: the Mounting Pressure on IT & Applications.

- Key Applications Measures
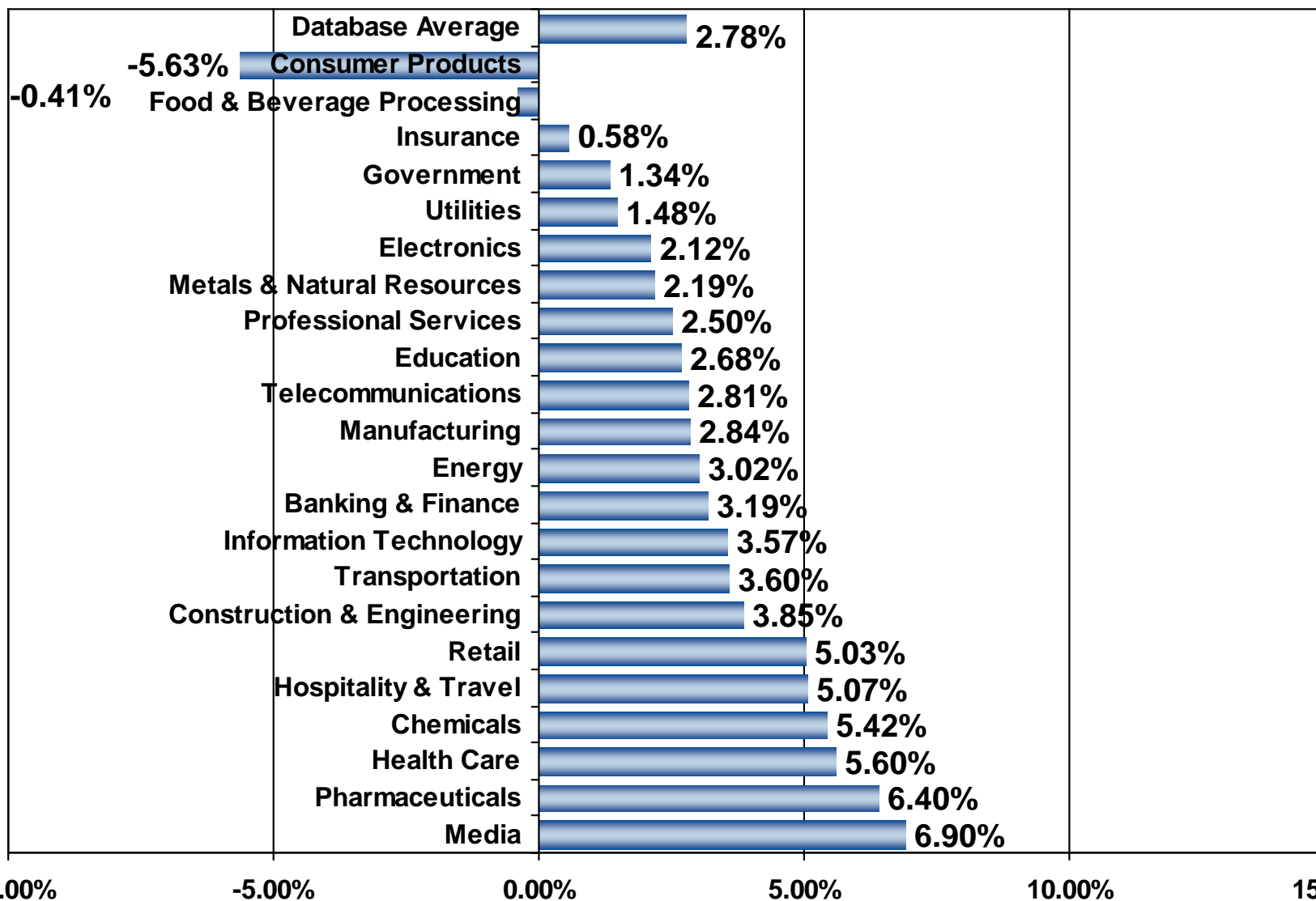
- Strategic Performance Management

- Wrap up

- Q&A

2

Gartner®

Current Plans For 2007

Growth rates are on the decline.

Chart: Change in IT Spending by year (1997–2007)
- 1997: 15%
- 1998: 35%
- 1999: 25%
- 2000: 21%
- 2001: 8%
- 2002: -3%
- 2003: 1%
- 2004: 3%
- 2005: (4%)
- 2006: 6%
- 2007: 3%

Represents organizations with greater than $1B annual revenue.

3

Gartner

Spending Change Expected For 2007: By Industry

Industry	Spending Change
Database Average	2.78%
Consumer Products	-5.63%
Food & Beverage Processing	-0.41%
Insurance	0.58%
Government	1.34%
Utilities	1.48%
Electronics	2.12%
Metals & Natural Resources	2.19%
Professional Services	2.50%
Education	2.68%
Telecommunications	2.81%
Manufacturing	2.84%
Energy	3.02%
Banking & Finance	3.19%
Information Technology	3.57%
Transportation	3.60%
Construction & Engineering	3.85%
Retail	5.03%
Hospitality & Travel	5.07%
Chemicals	5.42%
Health Care	5.60%
Pharmaceuticals	6.40%
Media	6.90%

4

Represents organizations with greater than $1B annual revenue.

Gartner

Regional Spending Change Expected For 2007

There are regional differences, with stronger declines in EMEA.

	Increase	Flat	Decrease
North America	60%	21%	19%
Lat. America & Carib.	50%	38%	12%
EMEA	44%	22%	34%
Asia/Pacific	37%	46%	17%

	Decrease	Increase
North America	-7.57%	8.97%
Lat. America & Carib.	-2.41%	17.51%
EMEA	-8.98%	6.89%
Asia/Pacific	-9.34%	13.59%

5
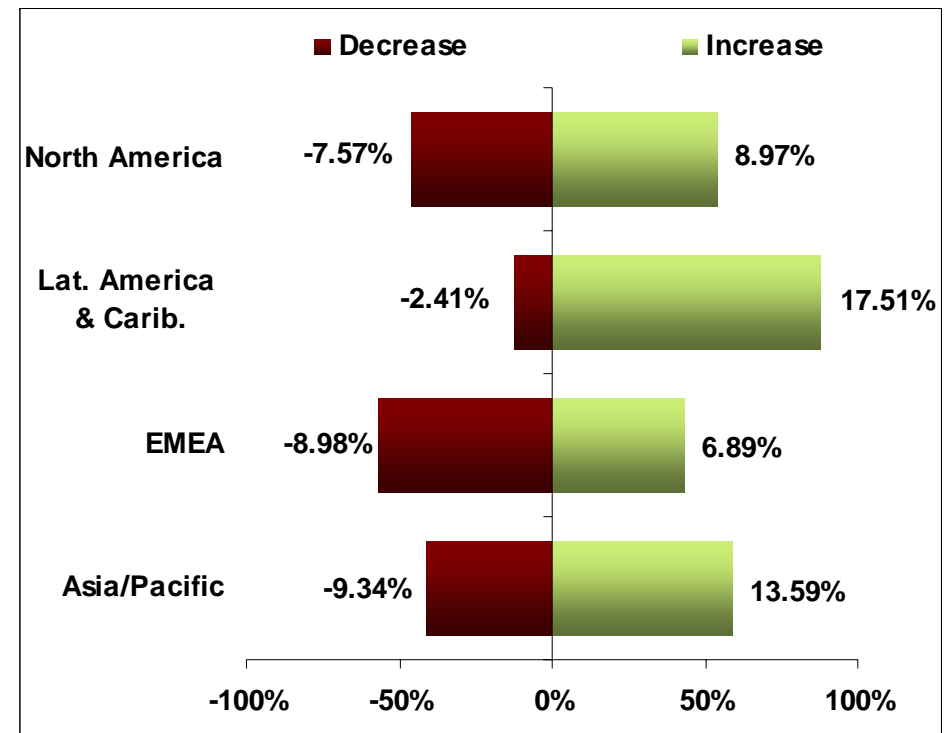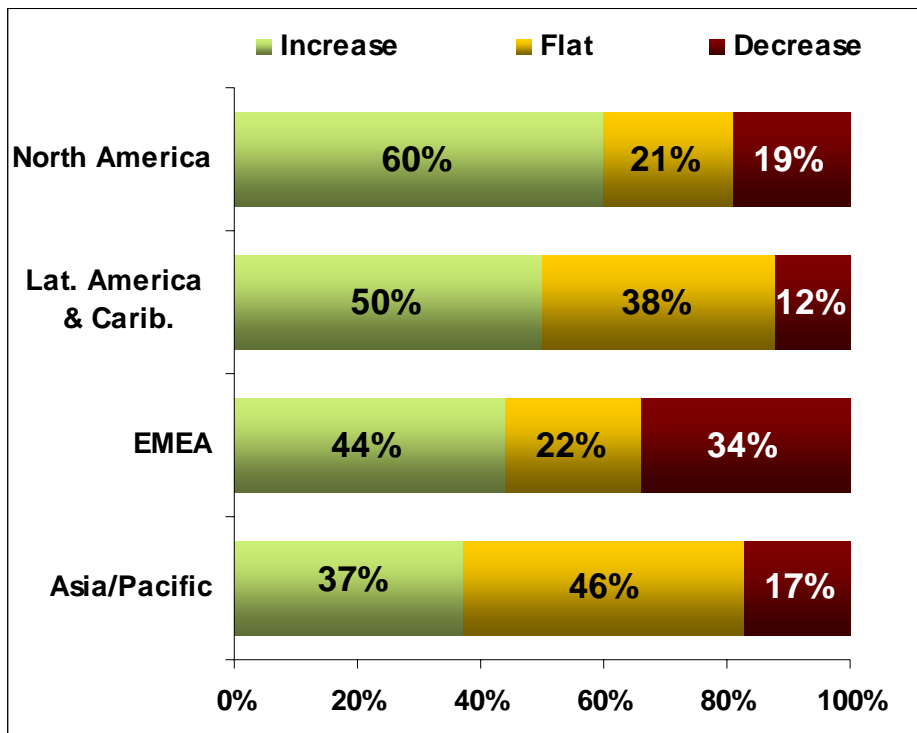
Gartner

Spending Plans by Technology Area

	Increase	Flat	Decrease
Internet Services	44%	42%	14%
Wide Area Network Data	45%	35%	20%
Wireless Services	59%	34%	7%
Voice Services	37%	37%	26%
Systems Integration	44%	48%	8%
Consulting Services	49%	32%	19%
IT Outsourcing Services	49%	37%	14%
Enterprise Content Management	45%	48%	7%
Middleware / EAI	45%	49%	6%
Biz Intell / Online Analytical Processing	60%	35%	5%
Web Services	53%	44%	3%
Portals	47%	45%	8%
Systems and Applications Management	45%	47%	8%
Security	61%	35%	4%
Storage Management	48%	46%	6%
Network Management	45%	50%	5%
Development Tools: Rich Media / Content	18%	77%	5%
Development Tools: Applications Development	26%	65%	9%
E-Commerce	45%	46%	9%
Compliance Software	48%	46%	6%
SCM (Supply Chain Management)	44%	46%	10%
ERP/Financial Application	44%	43%	13%
CRM (Customer Relationship Management)	49%	41%	10%
Proprietary Unix	26%	56%	18%
Windows	41%	50%	9%
Linux	35%	54%	11%
Databases	37%	53%	10%
Storage	61%	30%	9%
Network Equipment	49%	35%	16%
Servers	57%	28%	15%
Mainframes	33%	34%	33%
PCs, Laptop, Notebooks	20%	67%	13%

Source: Gartner Consulting Worldwide IT Benchmark Service

Gartner®

Investment Profile

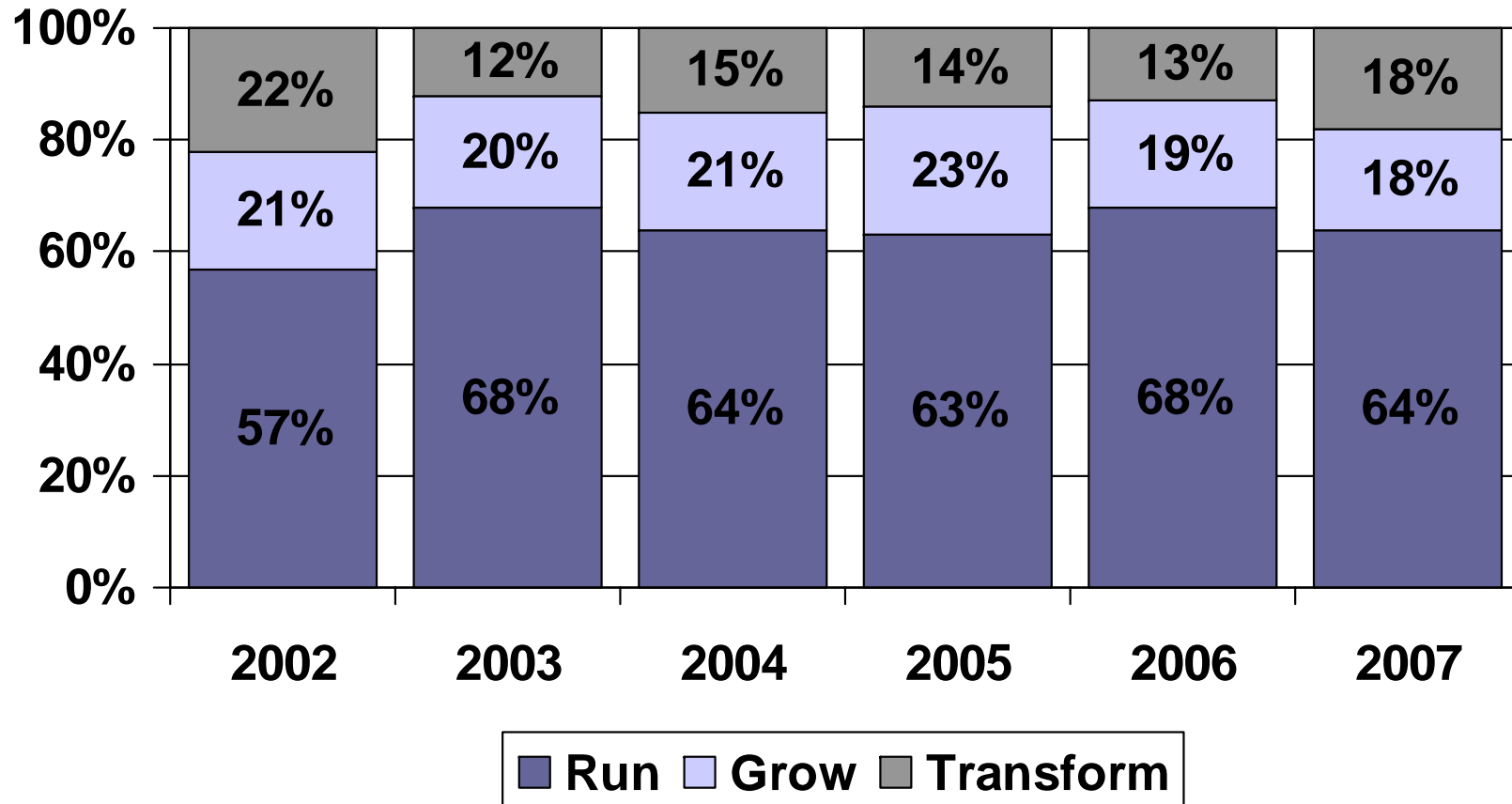*Capital spending levels are returning to pre-2004 levels*
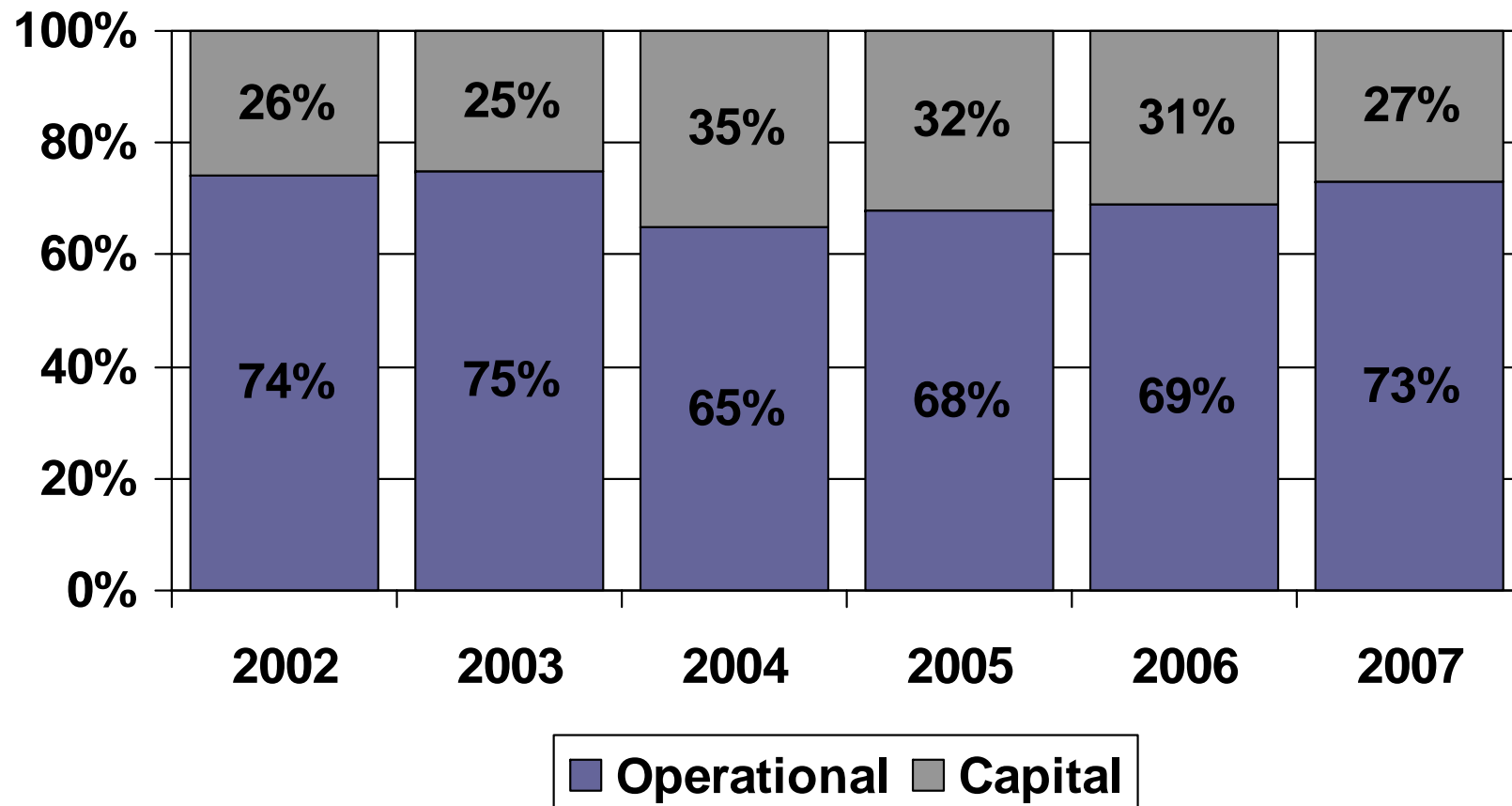
Represents organizations with greater than $1B annual revenue.

Where is IT Going? Strategic Profile

Spending profiles have returned to a strong "run" focus – 2007 plans do indicate a return to a focus on optimization.
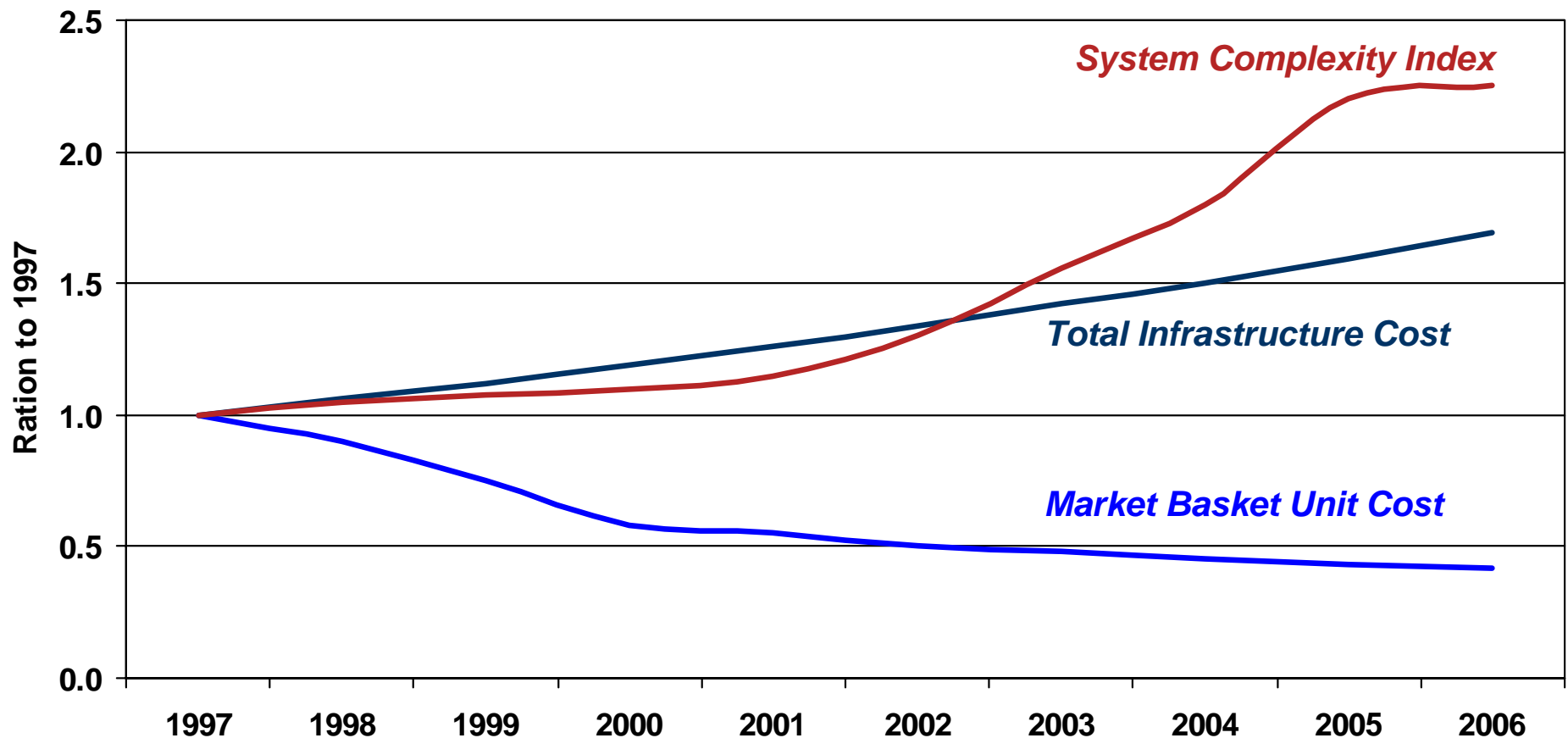
	2002	2003	2004	2005	2006	2007
Transform	22%	12%	15%	14%	13%	18%
Grow	21%	20%	21%	23%	19%	18%
Run	57%	68%	64%	63%	68%	64%

Legend: ■ Run ■ Grow ■ Transform

Represents organizations with greater than $1B annual revenue.

8

Gartner

Understanding the Changing Cost Structure

While unit costs drop, business demand and complexity continue to drive up infrastructure costs.

Staffing & Spending Distribution By Technology Domain

Applications continue to consume the most resources, yet still have the least mature in terms of measurement.
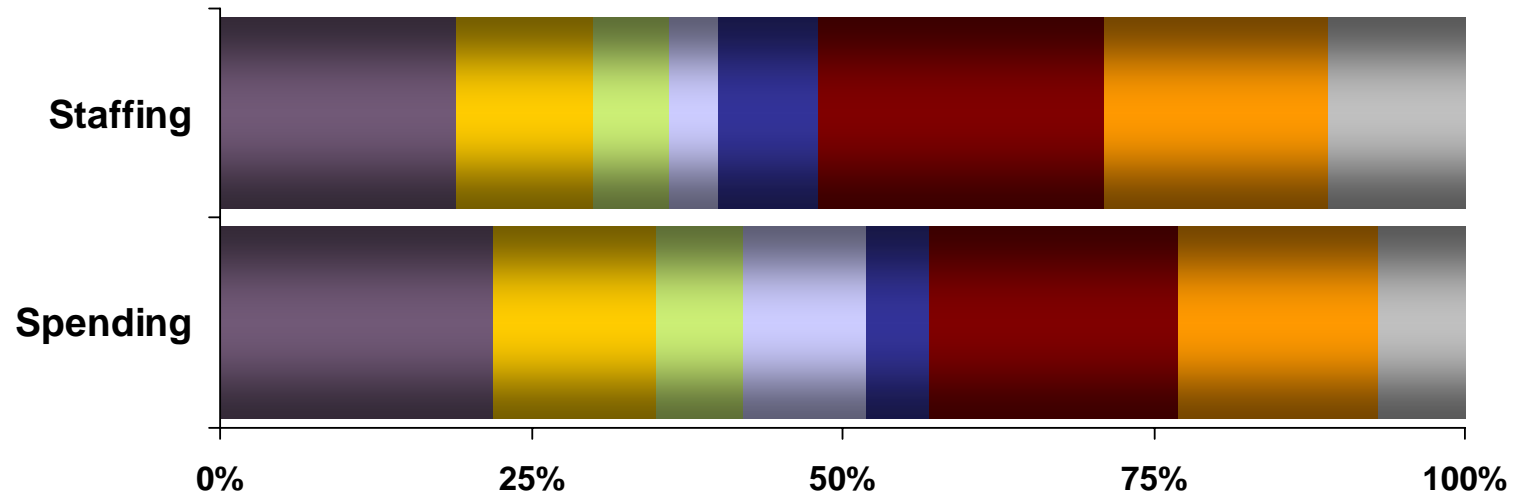
	Spending	Staffing
Finance, Mgmt. and Administration	7%	11%
Apps Support	16%	18%
Apps Dev	20%	23%
Help Desk	5%	8%
Data Network	10%	4%
Voice Network	7%	6%
Desktop/LAN Server	13%	11%
Data Center	22%	19%

Source: Gartner Consulting Worldwide IT Benchmark Service

Gartner

Selecting The Right Measures

Start with your audience, and their goals!

Business: Understanding Value	**Strategic value, project measures (OTOBOSOV), service levels, satisfaction.**
Users: Managing Relationship	**Service levels, project measures, satisfaction, pricing structure**
IT: Managing Performance	**Cost, quality, productivity**
IT - Outsourcing: Managing Relationship	**Retained team, service levels, project measures, satisfaction, pricing structure,**
IT: Managing Resources	**Employee workload, satisfaction levels, turnover, distribution of work.**

Source: Gartner Consulting Worldwide IT Benchmark Service
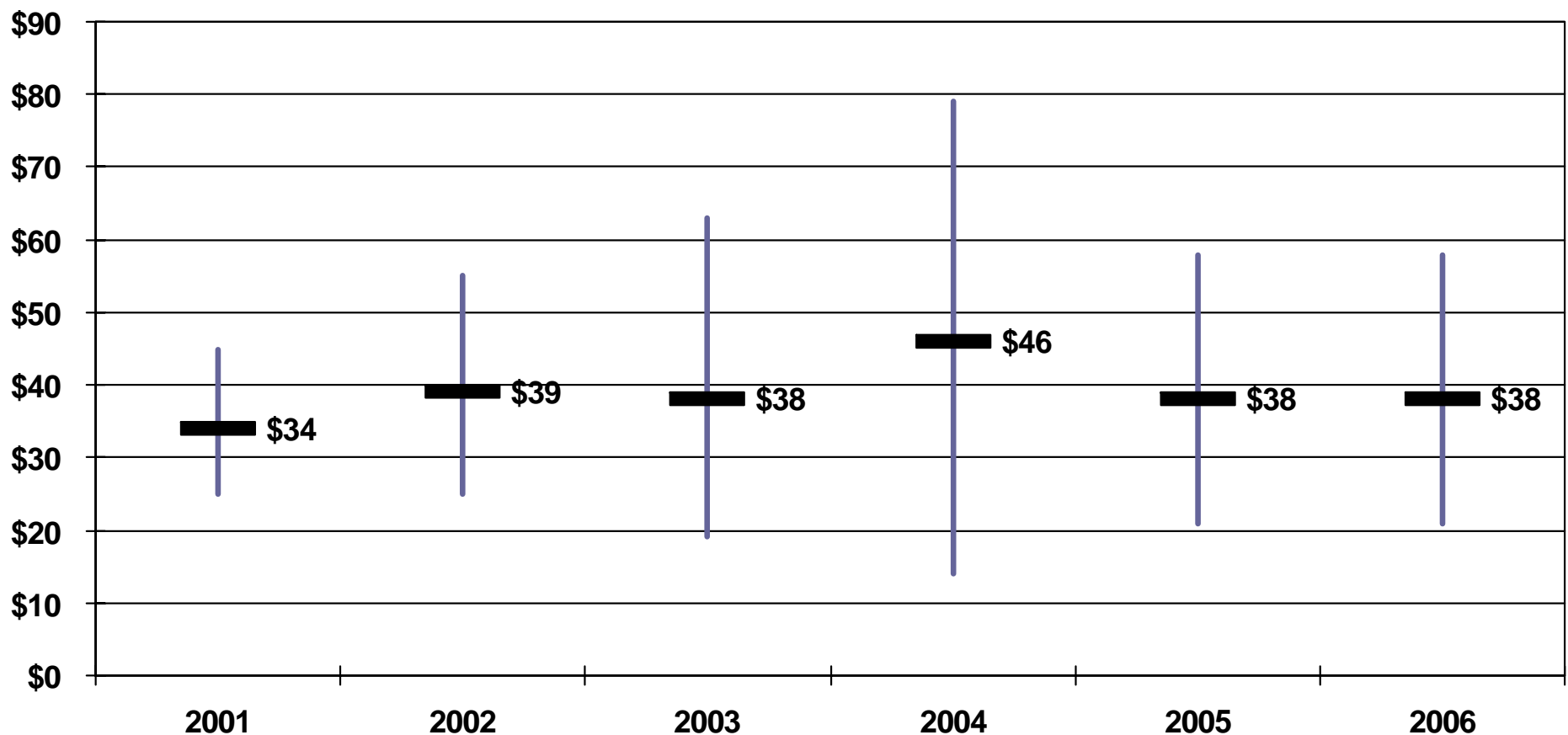
Gartner

Cost per Function Point: Developed

Costs to develop have not shown improvement over recent years.
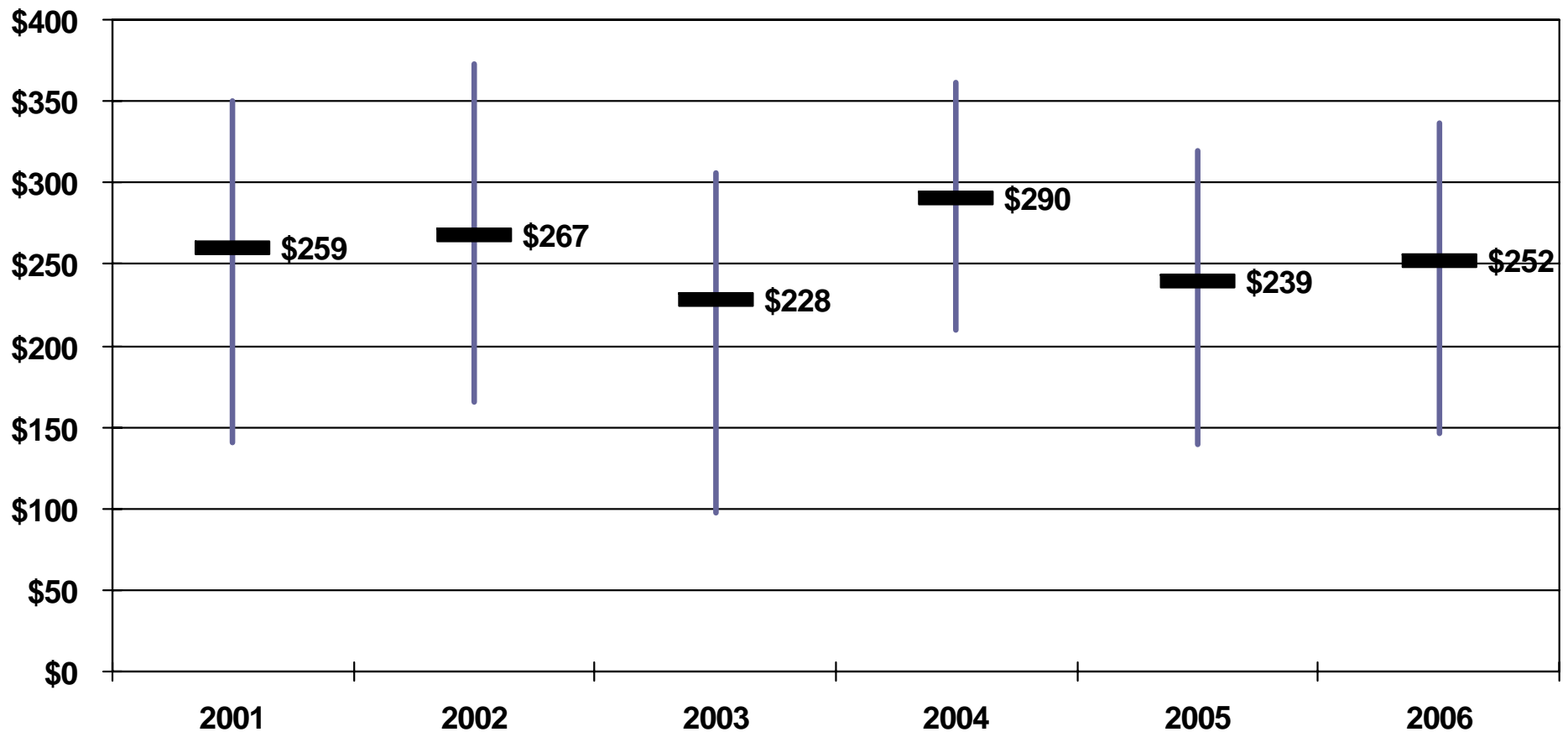
Gartner.

Cost per Function Point: Supported

Costs to support have not shown improvement over recent years.

Gartner®

Function Points per FTE: Developed

Development productivity has shown some moderate improvement over the last 3 years.
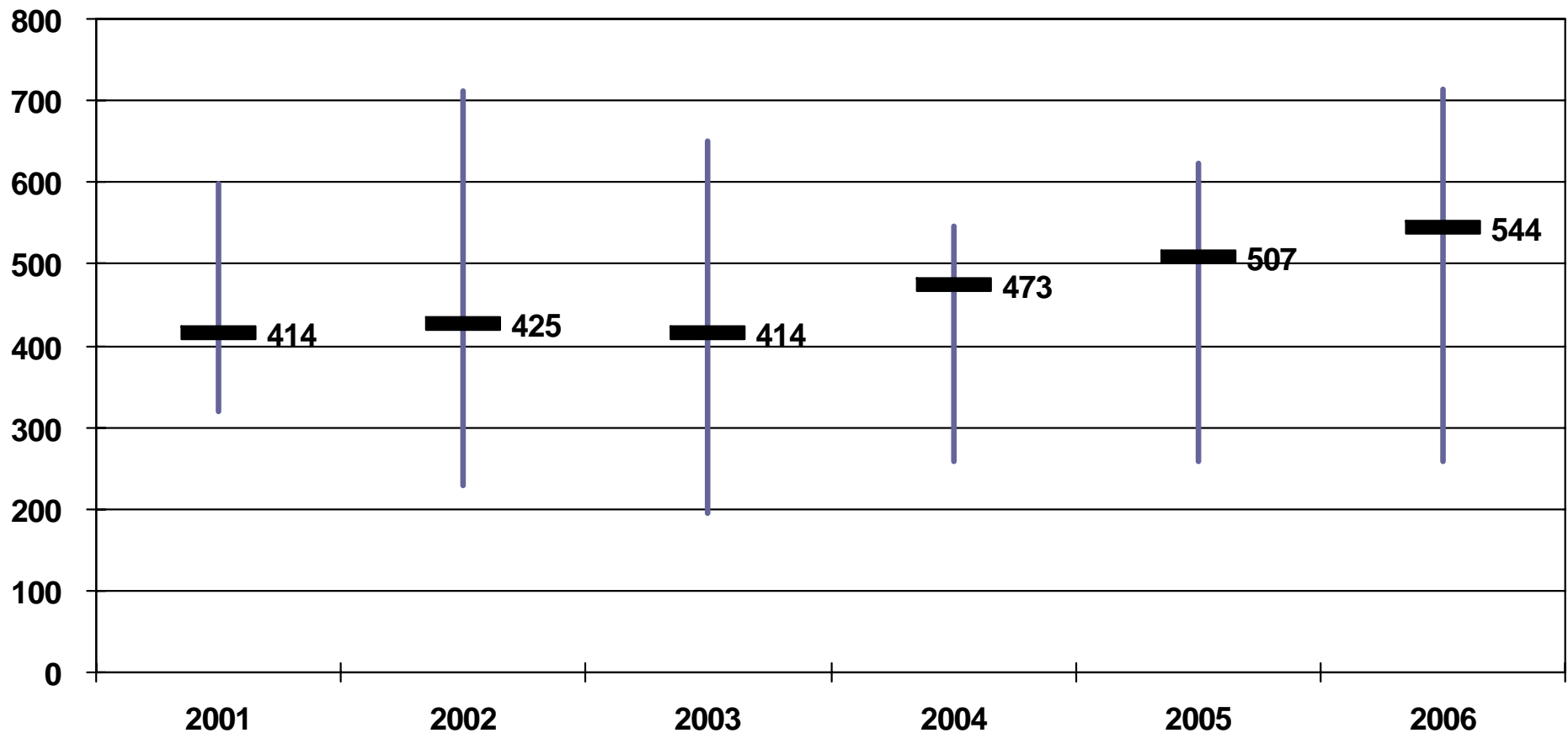
Chart showing Function Points per FTE (Developed) by year, with range bars and median values:
- 2001: 414
- 2002: 425
- 2003: 414
- 2004: 473
- 2005: 507
- 2006: 544

Source: Gartner Consulting Worldwide IT Benchmark Service

Gartner.

Function Points per FTE: Supported

Productivity has shown some improvement over recent years.

Chart: Function Points per FTE (Supported), 2001–2006. Y-axis range 0 to 6,000.

- 2001: 2,642
- 2002: 2,383
- 2003: 1,876
- 2004: 3,001
- 2005: 3,327
- 2006: 3,508
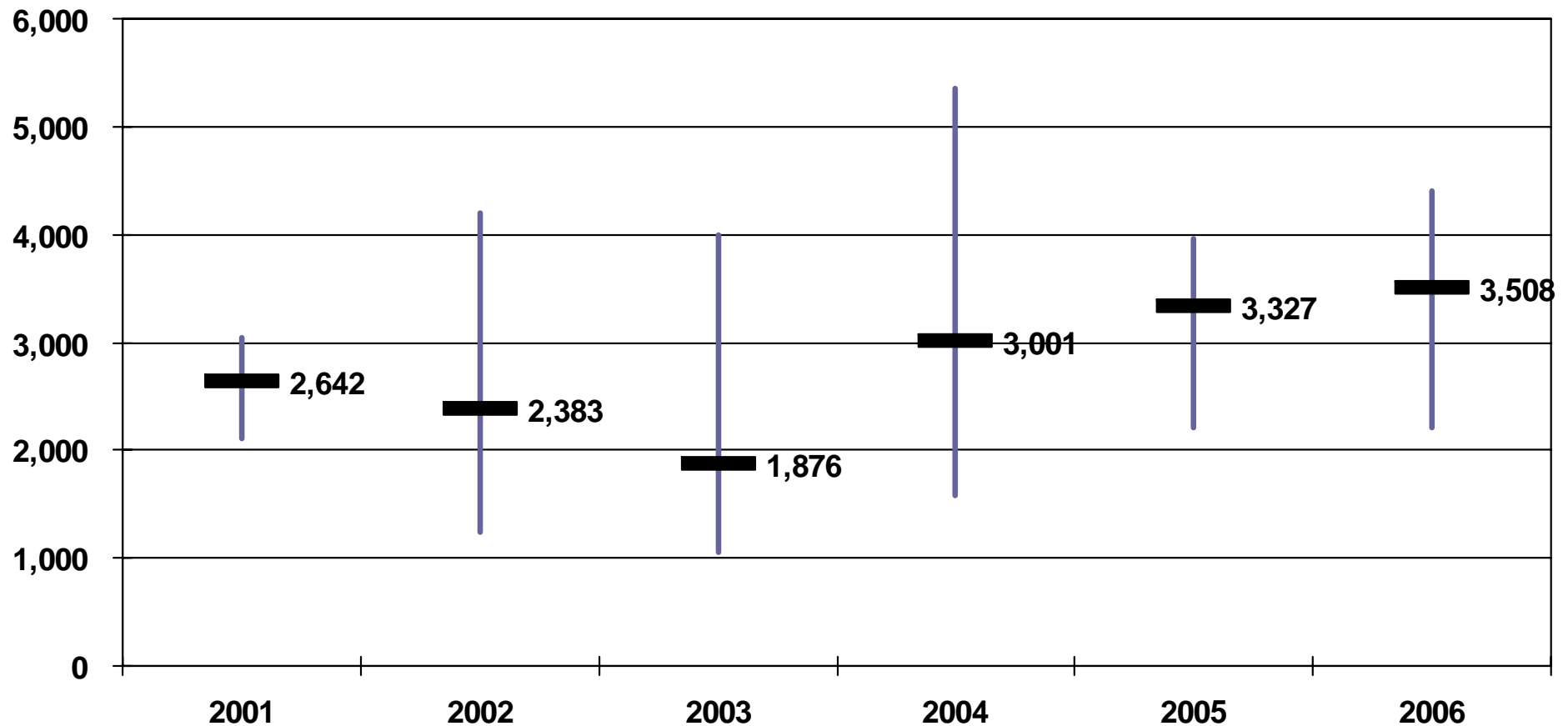
Gartner

Applications Development: Lifecycle Phases

Identifying where the development time is spent to facilitate throughput can help drive down costs significantly.

Project Management-Answer, 5%

Requirements Analysis & Management-Answer, 13%

Design-Answer, 20%

Development Time & Unit Testing-Answer, 31%

System Testing-Answer, 8%

Defect Removal-Answer, 8%

Implementation & Deployment-Answer, 5%

Quality Management-Answer, 4%

Training & Other-Answer, 8%
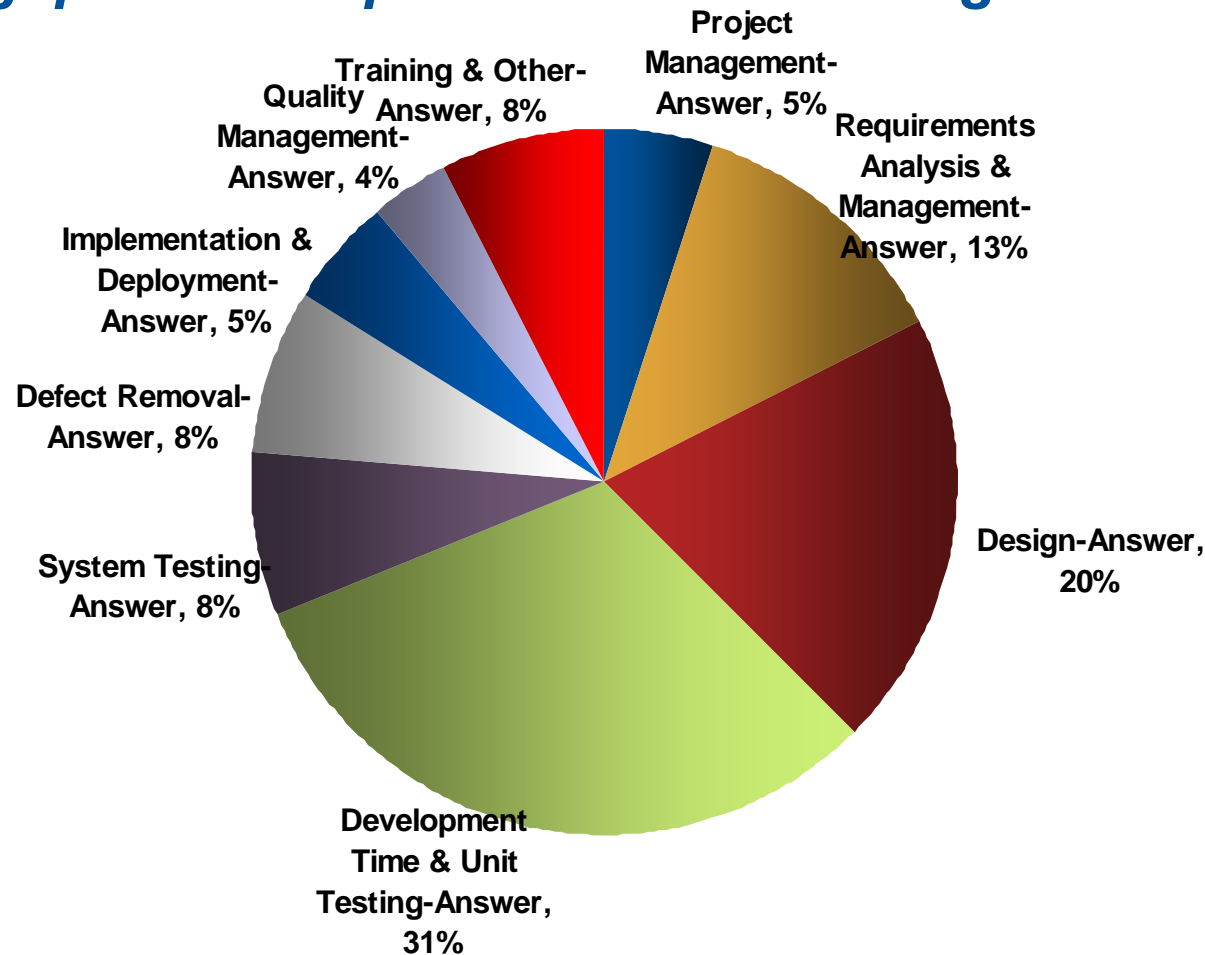
Source: Gartner Consulting Worldwide IT Benchmark Service

Gartner

Defects per 1,000 Function Points

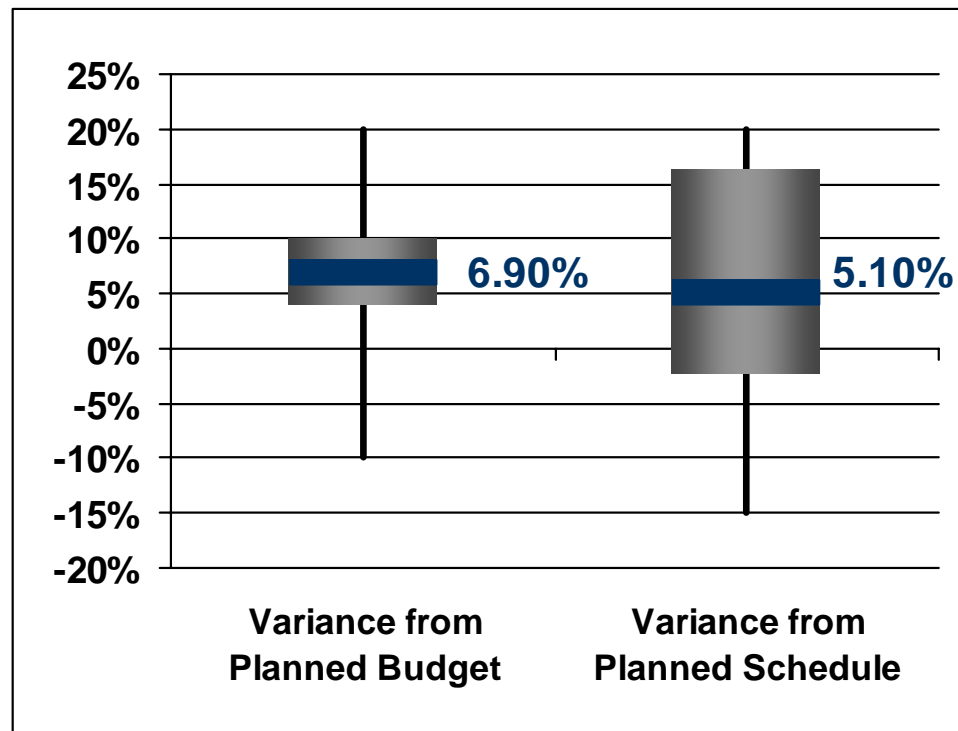*Reducing post implementation defects also helps drive down costs.*
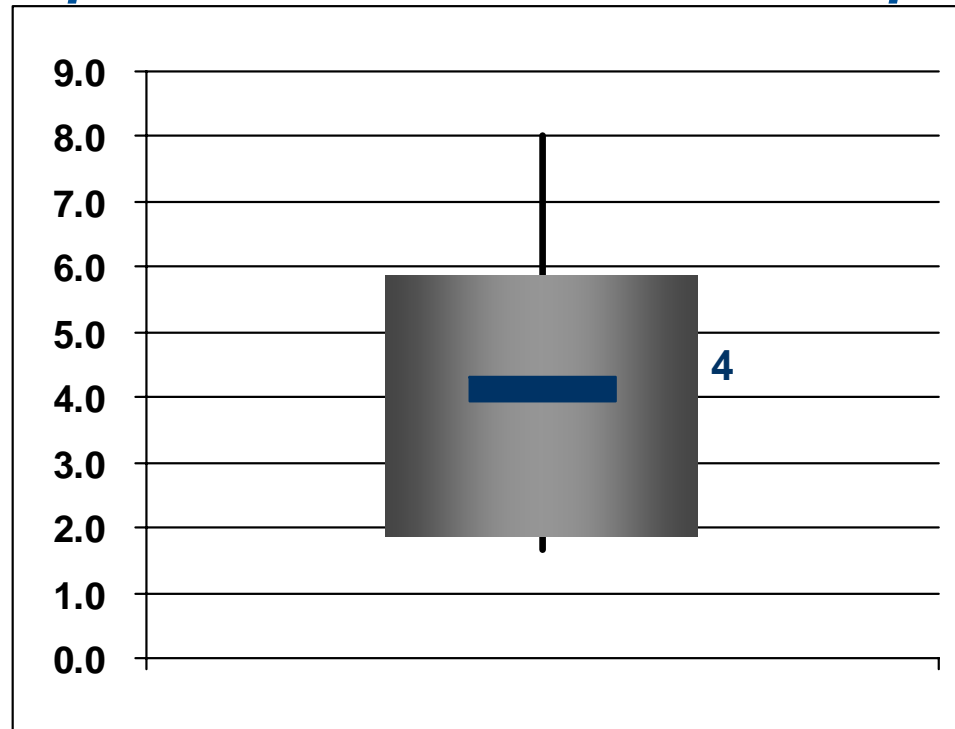
Cylinders denotes the median 50% of responses

| = Range — = Average ▮ = Middle Quartiles

Gartner

Applications
Projects On Time & On Budget

Budget and time are two key (but not the only!) measures for reporting on project progress.

6.90%   5.10%

Variance from Planned Budget   Variance from Planned Schedule

Cylinders denotes the median 50% of responses

| = Range   ▬▬ = Average   ▮ = Middle Quartiles

Gartner.

Strategic Performance Management

Continuous Management

Ongoing Measurement

Market Data Feeds

Deep-Dive Analysis & Benchmarks as Needed

CIO
HR
IT Strategy
CFO
IT Directors – Applications, Operations
CEO
Procurement
LOB Management
Sourcing Oversight
Technology Users
Relationship Managers

Total Cost Total Resources View

Business Goals Supported

Efficient Management of IT Operations

User Needs Identified & Supported

Service Delivery & Quality Achieved

19

Gartner

Wrap Up

- Although spending plans are for moderate growth, this growth will be fueled primarily by IT's need to keep up with core business demands and growing business and technological complexity.

- Planned IT spending funds for new capital and business growth and transformation have been "used up" to support core activities. Pressure is now on to optimize core operations to "free up" resources.

- Applications activity provides the best insight into how IT adds value, yet continues to be one of the least mature areas in terms of measurement.

- Management and measurement should include continuous dialogue with the business and understanding of the market.

Gartner

Where to go for Benchmarking Help

Worldwide IT Benchmark Team:
Jed.Rubin@gartner.com (Madrid, Spain)
Linda.Tracy@gartner.com (Lowell, Massachusetts, USA)
Jamie.Guevara@gartner.com (San Jose, California, USA)
Oliver.Harcour@gartner.com (Egham, UK)

For ongoing benchmark data support:
www.gartner.com/wwb

For help with an in-depth analysis of your organization:
www.gartner.com/benchmarks

For free high level data in exchange for your organization's data:
www.gartner.com/surveys

Source: Gartner Consulting Worldwide IT Benchmark Service

Gartner