

# The Total Business Impact of IT Performance

Research Study

Digital Enterprise Journal – September, 2021

DEJ surveyed more than 2,300 organizations to quantify the correlation between the value proposition of IT performance solutions and business areas such as: 1) creating competitive advantage; 2) return on investment (ROI); 3) cost of not acting; and 4) impact on business outcomes.

The study also reveals key IT performance challenges that are preventing organizations to address their key business goals and identifies how top performing organizations (TPOs - top 20% of the survey pool based on their performance) are addressing these issues.

Key goals for this study are to:

- ✓ Raise awareness into the significance of the impact of IT performance on the business
- ✓ Help organizations create a business case for purchases of IT performance solutions
- ✓ Educate user organizations how to calculate the impact of IT performance for their own organizations
- ✓ Help user organizations connect the dots between technology deployments and business results

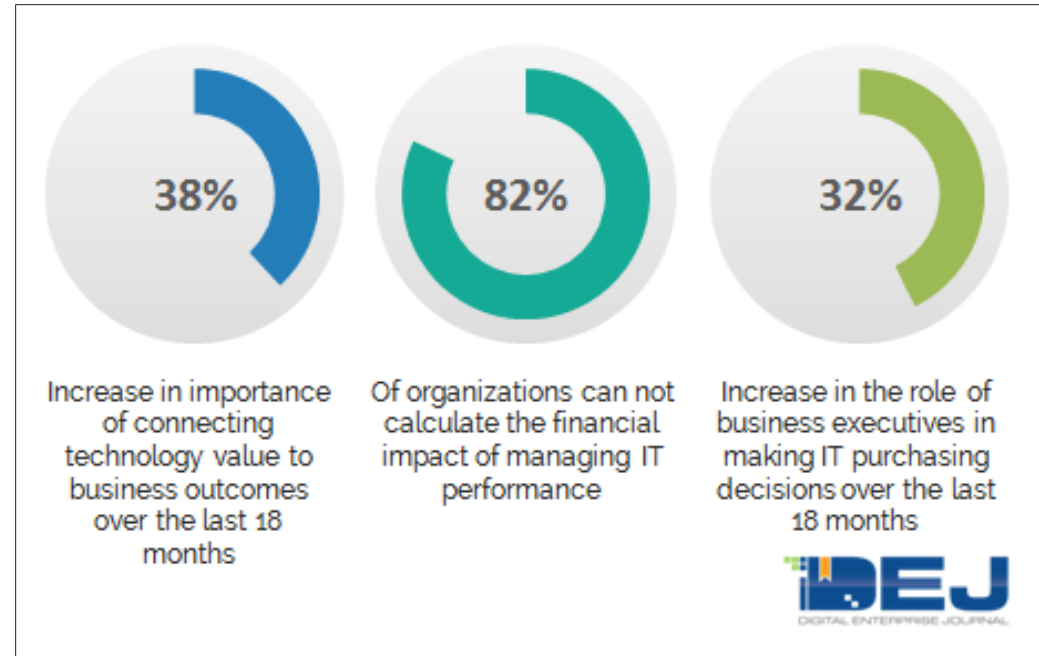
*The study includes 18 visuals of survey data findings and it is an 11 minute read.*

## Key findings

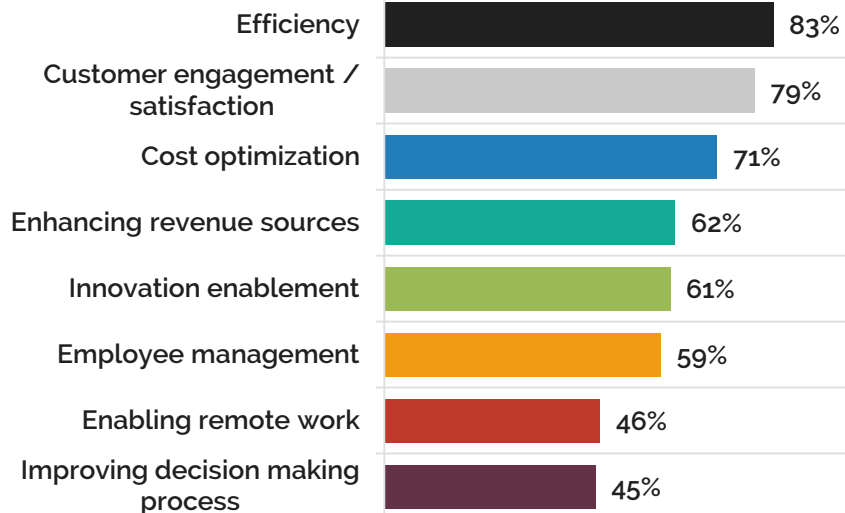
|   |                 |
|---|-----------------|
| Annual cost of not acting for managing cloud performance  | \$21.58 million |
| ROI of a proactive approach for managing IT performance   | 5.1X            |
| Average revenue loss due to lack of capabilities for managing remote work                                     | \$4.218 million |
| ROI of balance between speed of innovation and reliability  | 4.1X            |
| Annual cost due to lack of capabilities for user management (customer, employee, user experience, etc.)       | \$14.37 million |
| ROI of Effectively managing modern dynamic environments (cloud, microservices, serverless, etc.)              | 2.7X            |
| Less spent on maintaining existing services by Top Performing organizations (TPOs), as compared to all others | 97%             |

IT performance management has a strong impact on key business goals. However, the magnitude of this impact is not necessarily obvious and many organizations are struggling to calculate a true business value of effectively managing IT performance.

Addressing this issue is becoming increasingly important as DEJ's research shows that connecting technology value to the business outcomes and "translating" the importance of effectively managing IT environments to the language of business is one of the key user requirements.



## Top business goals for the next 12 months



DEJ's research of business and technology executives identified their eight key goals for the next 12 months.

*The following sections of the study will analyze key challenges related to IT performance that are impacting organizations' ability to address each of their eight top business goals.*

# Definition of Top Performing Organizations (TPOs)

DEJ analyzed the performance of all of the organizations that participated in the survey and identified a group of the top 20% of these organizations based on four performance indicators.

| KPIs  | Top Performing Organizations (20%) | All others         |
|---|------------------------------------|--------------------|
| Percent of performance issues that are proactively detected | <b>81%</b>                         | <b>41%</b>         |
| Percent of IT budgets available for growth and innovation   | <b>47%</b>                         | <b>24%</b>         |
| Average Mean Time to Resolution (MTTR) per incident         | <b>44 minutes</b>                  | <b>187 minutes</b> |
| Percent of revenue generated from new digital services      | <b>21%</b>                         | <b>6%</b>          |

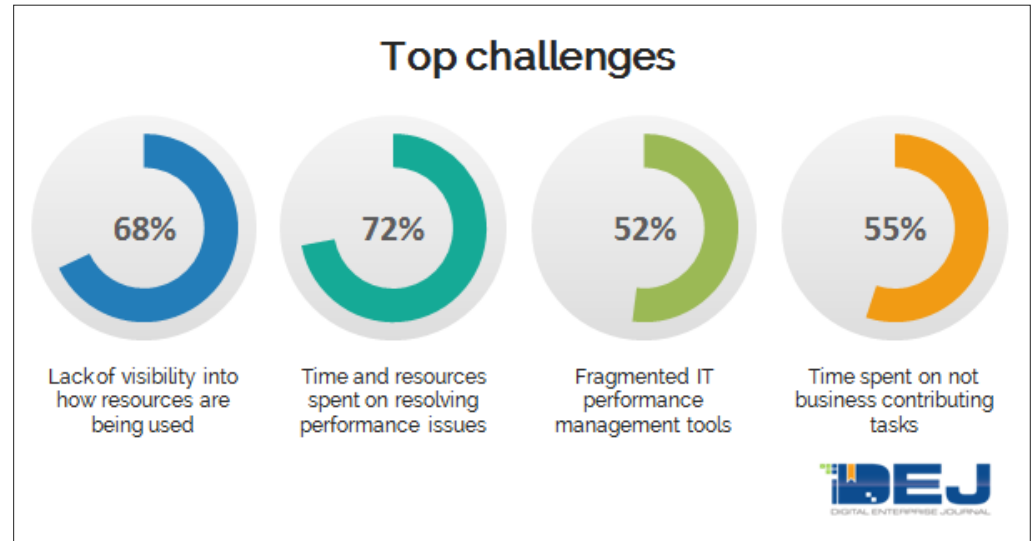
Identifying this group of top performing organizations (TPOs) is a core part of DEJ's methodology and it is conducted for the following reasons:

1. To calculate benchmarks in managing IT performance
2. To analyze practices of the TPO class and identify areas that are enabling them to achieve top levels of performance
3. To use practices, strategies and capabilities of TPOs as guidelines for other organizations that are looking to improve their IT performance

*DEJ's research shows no correlation between compansizes, industry sectors or geographical location and their representation in the TPO class.*

Lack of efficiency is the top business goal for user organizations, but it has also been one of the key challenges for managing IT performance. As organizations are looking to leverage technology as a driver for business growth, they are realizing that they need to reduce the amount of resources dedicated to maintaining existing IT services and free up more sources for innovation.

Addressing this issue from a technology perspective is becoming more complex. Being more efficient in addressing some of the traditional issues, such as time spent on troubleshooting or root cause analysis, is not getting any easier with the emergence of complex dynamic environments. Additionally, addressing inefficiencies in the process for launching new services is becoming more critical.



**33%**

Less time spent on unplanned work by TPOs, as compared to all others

**\$1,270,000**

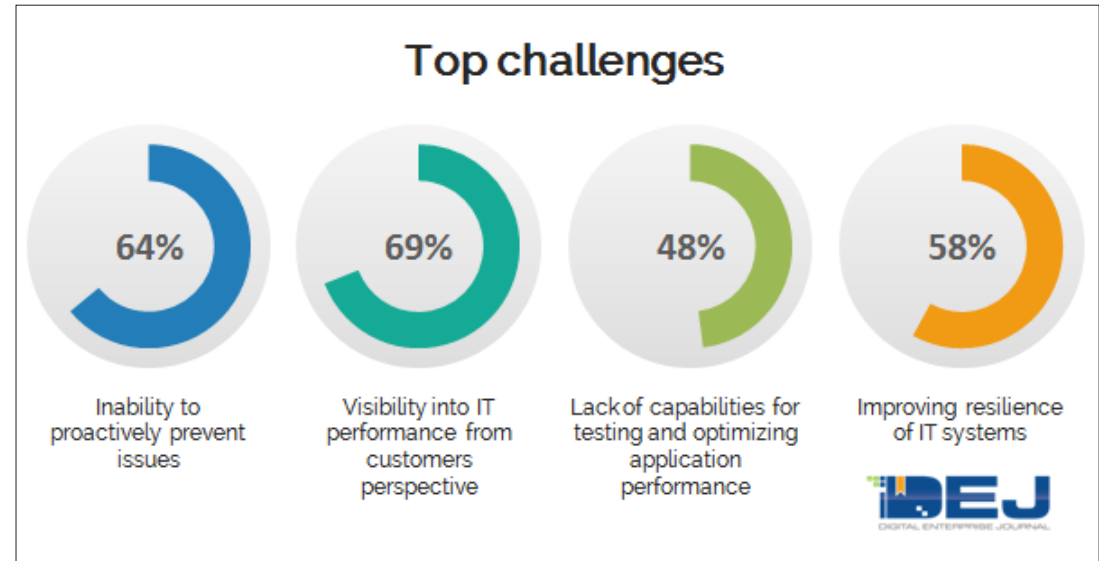
Spent annually, on average, on incident escalations that could be avoided

IT performance management could have an enormous impact on addressing the #1 business goal that organizations are reporting. However, organizations need to gain more visibility as to how their resources are being used and deploy the right mix of capabilities to eliminate inefficiencies that are causing a major business impact.

# Customer engagement and satisfaction

IT performance management technologies have a major opportunity to help user organizations address this goal. DEJ's research shows that the majority of organizations are struggling with: 1) having true visibility into the performance of digital services from the customers' perspective; 2) identifying potential issues before they impact user experience; 3) launching new services based on customer expectations for engagement and experience; and; 4) building resistant and reliable systems so they can continuously deliver digital services at optimal levels of performance.

These are major components of the value proposition of new generation IT performance management solutions and each of these areas has a major impact on business.



**20pt** Higher customer satisfaction score by TPOs

**\$36,340,000**

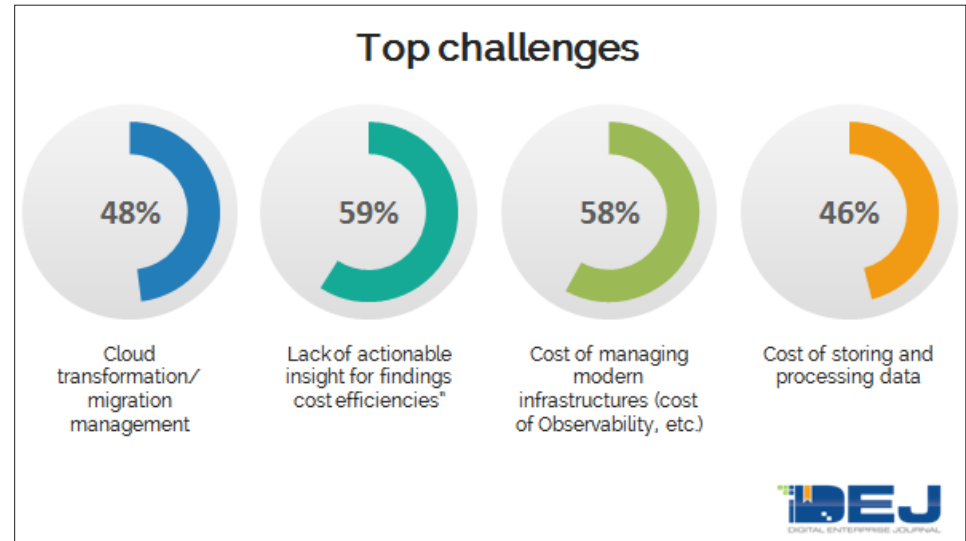
Average annual loss due to the inability to proactively prevent performance issues

However, DEJ's study, "[2020 State of IT Performance Management](#)" shows that, in order to help address this business goal, organizations need to take a customer-centric approach that goes beyond technology and includes organizational culture focused on user experience, processes for bringing IT closer to customers and a knowledge management platform with a customer focus.

# Cost optimization

DEJ's research shows that over the last 18 months non-TPO organizations were 41% more likely to reduce technology cost. However, DEJ's recent research on ["Enabling Top Performing Engineering Teams"](#) reveals that TPOs are much more likely to look for a balance between cost, speed of innovation and user experience. As a result, they experienced a 3.5 times higher increase generated from digital services, as compared to all others.

This shows that there is a major difference between cost reduction and optimization when it comes to technology investments. DEJ's research shows that it is increasingly important to have data-driven processes to identify cost efficiencies and ensure that technology spend is more predictable.



**97%**

Less spent on maintaining existing services by TPOs, as compared to all others

**\$4,620,000**

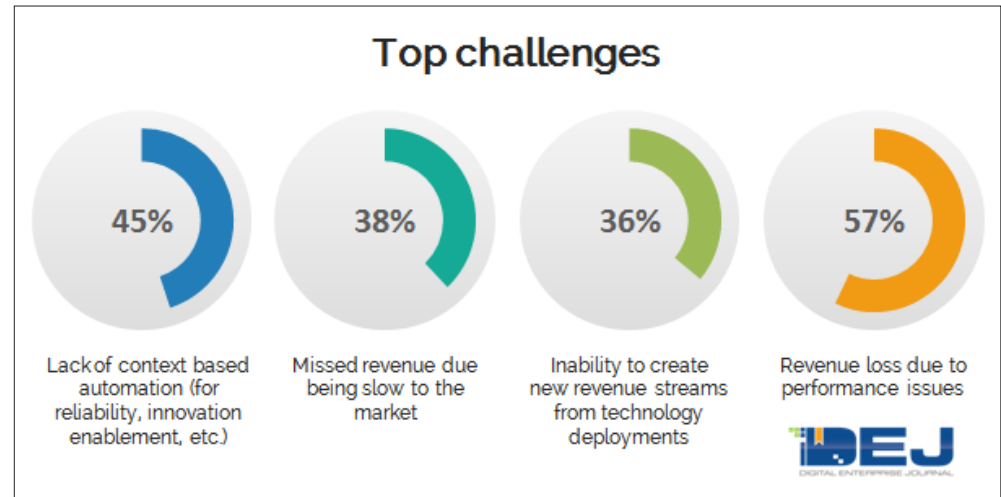
Annual cost of "war room" meetings

Taking a traditional approach for looking at IT and technology management as a cost center is a road to business failure in digital economy. However, in order to create a business value at optimal cost, organizations need to deploy a new set of capabilities that will allow them to be effective in modern dynamic environments.

# Enhancing revenue sources

Traditionally, the impact of IT performance on revenue was centered around service outages and slowdowns of customer facing applications. However, DEJ's research [study on IT Transformation](#) shows a 3.1 times increase in missed revenue due to slow software delivery since 2016.

Sixty-two percent of business and IT decision makers in DEJ's research reported that enhancing revenue resources is one of their top business goals. In addition to preventing revenue loss due to availability and performance incidents, IT performance solution providers have a major opportunity to reach business executives by proving the value of their technologies around improving time to the market and supporting the creation of new revenue streams.



**3.2X**

TPOs more likely to create new revenue streams from technology deployments, as compared to all others

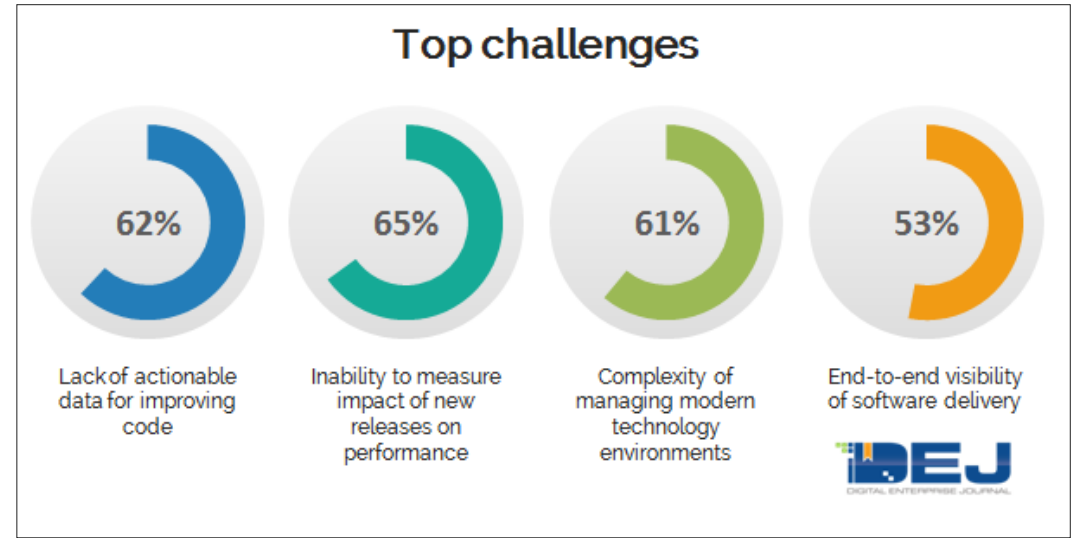
**\$634,000**

Average revenue lost per month due to application slowdowns

Creating actionable insights from IT data, context-based automation and autonomous technologies, true visibility into user experience and building reliable and resilient systems are some of the core capabilities for helping organizations enhance their revenue streams.



DEJ's upcoming study, "Enabling Innovation by Managing IT Performance", shows that enabling innovation is one of the most multifaceted, while at the same time, one of the most valuable areas of managing IT performance. Addressing this business goal requires organizations to pull together advanced solutions based on different underlining technologies, such as: 1) engineering management platforms; 2) observability solutions; 3) user experience management; 4) SRE, collaboration and knowledge management platforms; 5) debugging and log management solutions; 6) value stream management; 7) monitoring microservices, cloud and serverless, etc.



**2.7x**

Faster time from code completed to production by TPOs, as compared to all others

**\$2,129,000**

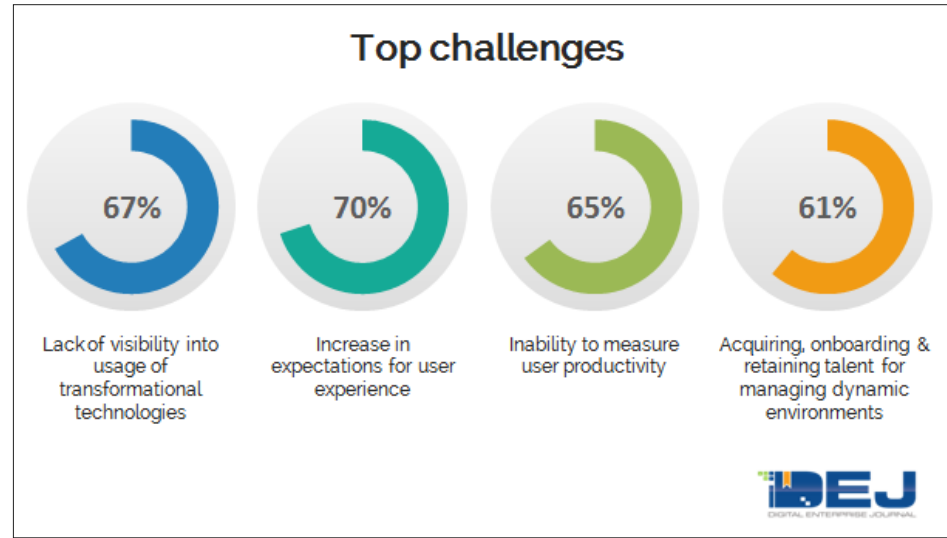
Average revenue loss, per month, due to performance related slowdowns in application release times

However, DEJ's research shows that the importance of this area to the business increased by 27% over the last 18 months. This presents a major opportunity for IT performance management solutions to integrate and work together so that they can address a business area that is well positioned to drive this market forward.

# Employee management

DEJ's research shows that acquiring top talent is one of the key challenges for user organizations. Also, organizations are increasingly understanding that employee engagement and experience is a source of competitive advantage. Therefore, organizations need to put the right mix of capabilities in place to have full visibility into employee experience and productivity.

Additionally, DEJ's 2020 research shows that the metrics that organizations are using for employee management are changing with areas such as employee engagement and sentiment, benchmarking capabilities and capturing users' impact on performance becoming more prevalent.



**2.4X**

Higher visibility into workforce productivity by TPOs

**\$827,000**

Average annual cost of unused software licenses

The importance of effective employee management increases even more when conducting digital transformation projects and deploying new technologies. The ability to have full understanding of how employees are using new technologies (or if they are using them at all) helps business and IT executives properly evaluate the value of their technology investments. Therefore, full visibility into employee experience, coupled with automation, remediation and asset optimization capabilities, are attributes of forward-thinking organizations that are driving a strong value from managing IT performance.

# Enabling remote work

As more employees are working remotely, organizations are having to deal with a whole new set of business and technology challenges. Also, the range of these challenges is very broad and goes from infrastructure management and visibility into user productivity to ensuring business alignment collaboration and knowledge management. However, DEJ's research shows that an ineffectiveness in solving these challenges results in a significant business impact and organizations need to keep improving on addressing requirements of enabling remote work.



**41%**

less spent in labor IT cost for managing user experience for remote workers by TPOs, as compared to all others

**\$4,218,000**

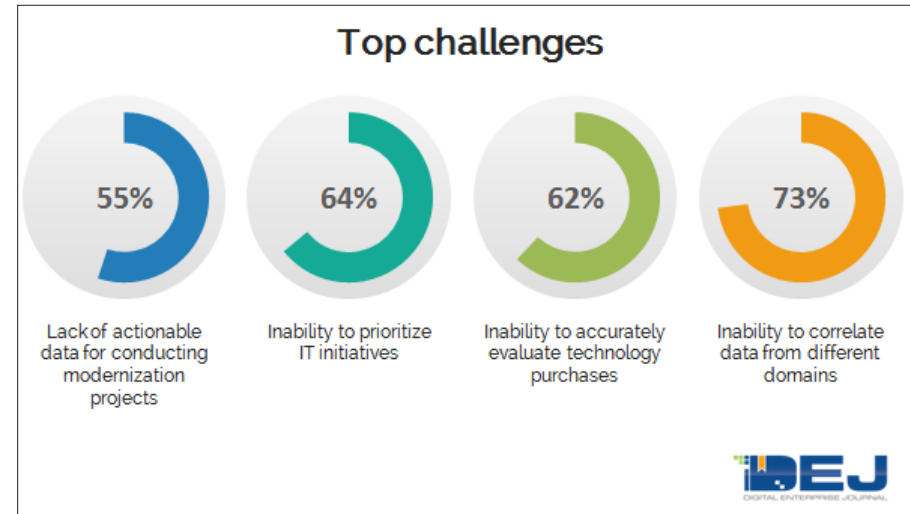
Average revenue loss due to lack of capabilities for managing remote work (Infrastructure, productivity, employee churn, production delays)

DEJ's research shows that, going forward, the majority of organizations will be deploying a hybrid model for their workforce, where some employees will be working from the office while a growing number of employees will be working remotely. An increased number of remote workers began due to safety issues related to the COVID-19 pandemic, but this trend will not end when the issues surrounding the pandemic are no longer present. Therefore, organizations need to adjust to this new model and deploy capabilities that will allow them to address all of the key challenges of enabling remote work.

# Improving decision making process

This is a business goal that is very well aligned with the key value proposition of modern solutions for managing IT performance. DEJ's Research Note, "[20 Areas Defining IT Performance Management in 2021](#)" shows that "data and creating actionable insights are the key". Insights driven from IT data can benefit multiple departments and job roles. These insights have a strong impact on improving any decision making process.

DEJ's study, "[17 Areas Shaping the Information Technology Operations Market in 2018](#)" shows that the context of the data is king in this market and that IT performance management is becoming an analytics and data management game. This has a very strong impact on the business as, for many organizations, boundaries between digital and data economy are becoming more blurry.



**68%**

Higher return on investment from transformational enterprise technologies by TPOs, as compared to all others

**\$3,355,000**

Revenue loss due to Engineers 'not focusing on business critical tasks

Additionally, 55% of organizations are reporting that a lack of actionable insights is the key challenge for conducting IT modernization projects, while another 62% are not able to prioritize IT projects. The importance of creating actionable insights is increasing for both business and technology executives and IT performance management technologies are playing a major role in addressing this goal.

# Anatomy of the total business impact of IT performance

|           |   |                  |
|-----------|---|------------------|
| Advantage | Increase in number of organizations using technology as a source of competitive advantage over the last 24 months | 38%              |
| Return    | Reported the inability to calculate ROI / create a business case as the key obstacle for technology purchases     | 53%              |
| Cost      | Total business loss due to not effectively addressing IT performance challenges (on average, per year)            | \$124.72 million |
| Outcomes  | Reported the impact on business outcomes as the key selection criteria for technology purchases                   | 60%              |

The total business impact of IT performance is composed from four areas:

- ✓ Using technology to create a competitive advantage
- ✓ Return-on-investment (ROI)
- ✓ Cost of not acting
- ✓ Impact on business outcomes

Based on these findings, DEJ created ARCO (Advantage, ROI, Cost, Outcomes) model that can be used to calculate the total business impact of technology deployment.

*The following sections of the study will provide key research findings around each of these areas.*

# IT Performance as a Competitive Advantage

|                                      |                                       |
|--------------------------------------|---------------------------------------|
| Revenue growth rate                  | 27%<br>higher for TPOs vs. all others |
| Improvement in employee engagement   | 58%<br>higher for TPOs vs. all others |
| Speed to the market                  | 62%<br>faster for TPOs vs. all others |
| Improvement in customer satisfaction | 43%<br>higher for TPOs vs. all others |
| Increase in brand strength           | 29%<br>higher for TPOs vs. all others |

DEJ's research shows that the success and leadership that TPOs have in managing IT performance carries over to their overall position in the market. More importantly, the research shows a strong connection between improvements in managing IT performance and growth business metrics (revenue growth rate, improvement in customer satisfaction, etc.) but it doesn't reveal any strong correlation between meeting TPO benchmarks and their current market position.

This shows that improving practices for managing IT performance drives competitive advantage and helps create a new wave of business market leaders.

# Return-on-investment (ROI)

|   |      |
|---|------|
| Proactive approach for addressing IT performance issues                                   | 5.1X |
| User-centric approach for managing IT   | 2.5X |
| Effectively managing modern dynamic environments (cloud, microservices, serverless, etc.) | 2.7X |
| Balance between speed of innovation and reliability                                       | 4.1X |
| Deploying capabilities based on context-driven automation                                 | 3.1X |
| Strategic approach for creating actionable insights when managing IT performance          | 3.4X |

IT performance management is not a homogenous market and it is consisted of multiple technologies that are addressing different performance issues. DEJ's ROI analysis is based on approaches that organizations are taking for addressing key performance issues and each ROI calculation includes multiples variables - both from an investment and return stand point.

DEJ's analysis was based on slicing all the survey data by different technologies, approaches and capabilities and calculating ROI by following a multistep approach. The six approaches and capabilities highlighted in the table above shows the highest ROI and also the strongest impact on other business areas.

# Cost of not acting

|  |                       |
|--|-----------------------|
| Ineffectiveness in managing cloud performance  | \$21,580.000 per year |
| Inefficiencies in launching new digital services                                     | \$16,630.000 per year |
| Ineffectiveness in preventing and addressing performance incidents                   | \$46,240,000 per year |
| Lack of capabilities for user management (customer, employee, user experience, etc.) | \$14.370.000 per year |
| Lack of observability  | \$7,171.,000 per year |
| Ineffectiveness in managing microservices  | \$2,465,000 per year  |

Notes:

*1- numbers in the table are calculated based on an average company size of 1,238 employees*

*2 -there is some overlap between calculations that are included in these 6 areas*

DEJ's research shows that organizations are losing more than \$100 million USD per year due to IT performance issues that can be addressed. Two of the key reasons for this are: 1) the majority of these organizations are not even aware of the magnitude of the cost of not acting; and 2) a lack of visibility as to how IT resources are being used.

Organizations need to take a hard look into efficiencies of their business processes and identify areas that are having the strongest impact on their businesses. DEJ's research shows that a strategy of cutting cost by reducing technology investments actually results in cost increase. Therefore, organizations should look into TPO practices to identify areas that will allow them to use IT performance management technologies to achieve their key business goals.



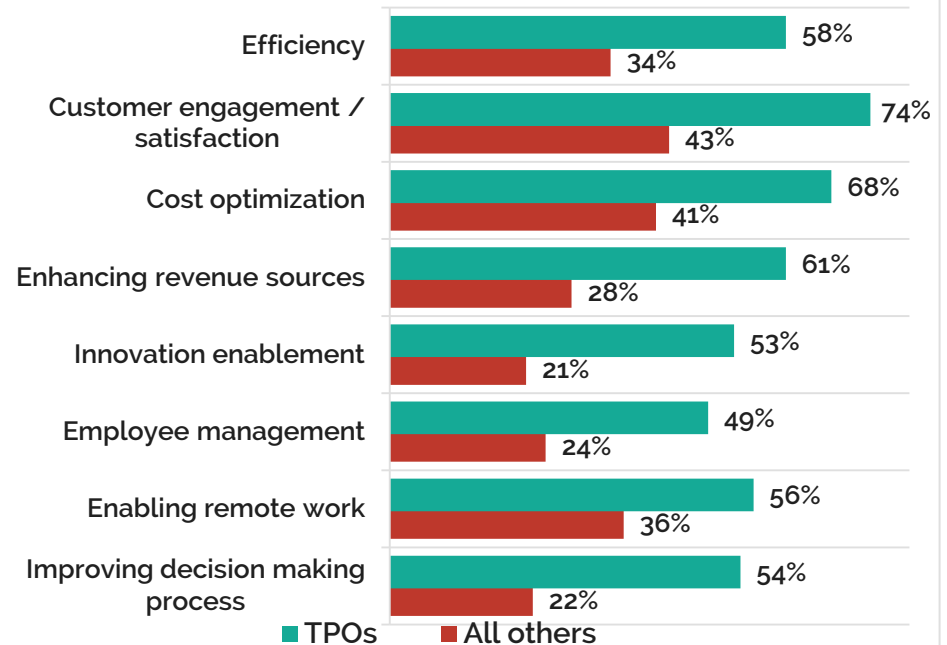
# Impact on business outcomes

DEJ's research shows that TPOs are 56% to 2.5x more likely to address the top business goals, as compared to their peers. This shows a clear, strong impact of effectively managing IT performance on key business outcomes.

The ability to connect the value of IT performance management to business outcomes is one of the key requirements for user organizations and it is becoming increasingly important as the process for evaluating new technology purchases is becoming more business-centric.

The table above also shows that even TPOs have ample area for improvement and they need to not only maintain their leadership, but also constantly adjust to the requirements of fast changing environments, both from business and technology perspectives.

## Effectiveness in addressing top business goals



*"We changed our process for evaluating technologies and are looking to understand how they impact business outcomes. But finding that connection can sometimes be really hard" - CIO, Business Services*

# Key attributes of TPOs

DEJ's survey included hundreds of capabilities (strategy, process, organization and technology related) and our analysis examined the impact of each of these on operational and business performance. The analysis identified more than 20 capabilities that are most likely (by 50% or even more) to be deployed by TPOs. This table highlights only a sample of these capabilities, but also shows that there is no "magic bullet" for achieving the TPO level of performance. This shows that organizations should be taking a strategic approach to managing IT performance and have a good understanding about the mix of capabilities that is right for them.

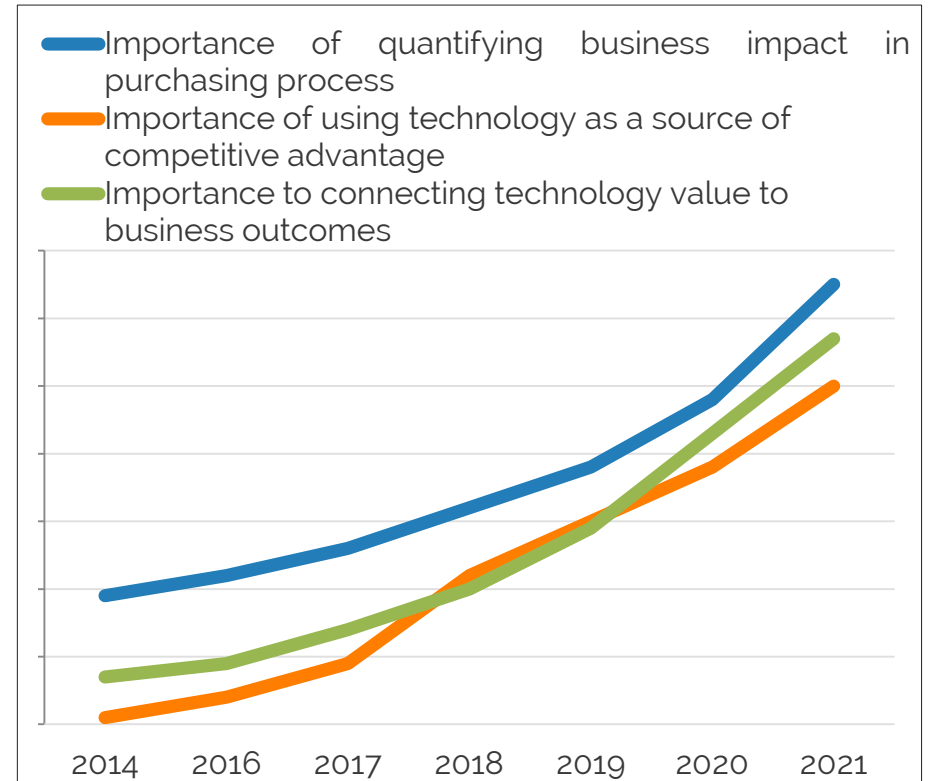
It is important to understand that the path for the TPO level of performance also includes a deep understanding of unique challenges that each organization is facing so that each new technology deployment should be based on a situational analysis which includes types of technology environments, use cases, requirements of a specific industry vertical, etc.

| Capabilities  | TPOs more likely to deploy |
|---|----------------------------|
| Context of data in the core of IT strategy  | 2.4x                       |
| Multicloud observability capabilities   | 2.7x                       |
| Capabilities for automated discovery of each element of service tree topology         | 74%                        |
| Lifecycle approach for incident response/management                                   | 71%                        |
| Ability to monitor user experience from the point of interaction with digital service | 91%                        |
| Data driven process for allocating engineering resources                              | 83%                        |
| Automated processes for launching new technologies and services                       | 81%                        |
| Unified analysis across IT management tools stack                                     | 77%                        |
| Automated discovery of containers and dependencies for microservices                  | 2.3x                       |
| Automated root cause analysis   | 93%                        |

# Summary and key takeaways

DEJ research shows the following:

- ✓ "Death by a thousand cuts" - There are many segments of IT performance that impact the business (some more and some less), but when added all together the impact is enormous
- ✓ There is a strong correlation between key business pain points and value and top capabilities of IT Performance
- ✓ The impact of IT performance management on the business is about to get even stronger as organizations are tasked to innovate at high levels of user experience using optimal cost and efficiencies
- ✓ Technology vendors have to do a better job of communicating their value proposition and differentiators in business context



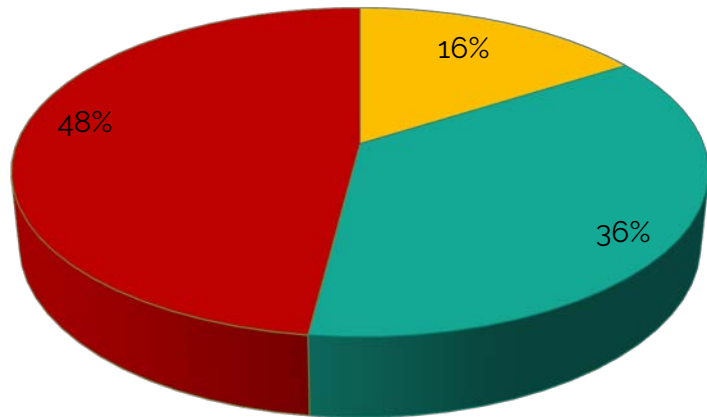
This study shows that deployments of the right IT performance management capabilities is a difference maker for each aspect of the business. However, not all IT performance management solutions are created equal. Therefore, organizations should rethink their evaluation processes for technology purchases and ensure that the solutions they select have the strongest impact on the business.

# Research demographics

This study includes insights from 2,372 organizations

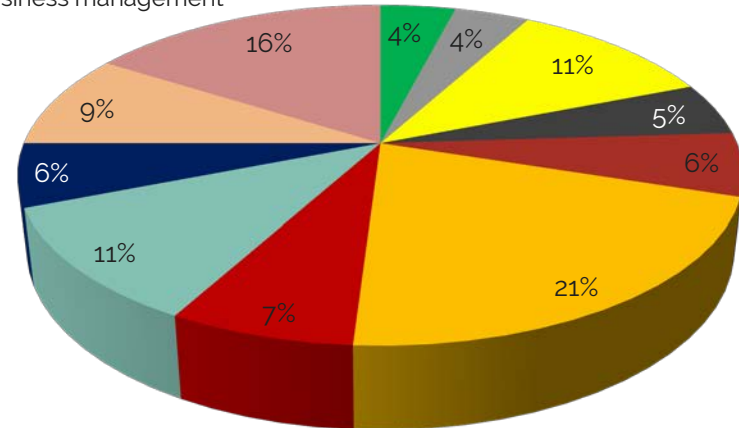
## Company size

■ Small (10-100) ■ Medium (101-1,000) ■ Large (1,000+)



## Job Role

■ Application support  
■ C-Level executives  
■ DevOps / SRE  
■ Systems engineer/admin  
■ Application/software development/QA  
■ LoB/business management  
■ Network manager/engineer  
■ General IT Operations  
■ VP and Director of IT  
■ Other non-IT role  
■ Other IT role



## Geography

- ✓ 55% North America
- ✓ 26% EMEA
- ✓ 13% APAC (inc Australia and /NZ)
- ✓ 4% Latin America
- ✓ 2% Other

## Industry

- ✓ 12% Technology
- ✓ 12% Business services
- ✓ 11% Finance/Banking/Insurance
- ✓ 9% Retail/eCommerce
- ✓ 9% Telecommunications/MSP
- ✓ 9% Healthcare
- ✓ 7% Government/Public sector
- ✓ 31% Other

# About Digital Enterprise Journal

## Key coverage areas



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## Key Differentiators

### Focus on business outcomes

Methodology framework that is using a multi step approach to connect vendor's differentiators with business outcomes

### User Insight Platform

Ongoing, personalized approach for research data collection and analysis

### Business Model

Ability to continuously leverage up-to-date research in each stage of the buying cycle & sales funnel