Does IT Provide Business Value?

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Introduction

During most of the last decade, the perceived business value of IT has been on a roller coaster. In the late 1990s, IT organizations got a lot of attention from CEOs who looked to the IT organization to eliminate any potential Y2K problems that could interfere with business operations. Shortly after the Y2K hysteria died down, we entered the dot-com era. During this era IT was perceived as offering tremendous business value as many companies believed that the IT organization would allow them to fundamentally transform their business. When the dot-com era imploded, companies began to seriously question the business value of IT and in many cases, began to cut the IT budget.

Today there is some evidence that IT is back, but in a different sort of way. There is no mega event such as Y2K, nor is there any business revolution driving an increase in the perceived business value of IT. That is good because as we now know, the Y2K scare was not real and the expectations that were initially associated with the dot-com movement were not sustainable.

The goal of this IT Impact Brief is to analyze the current perception of the IT organization: Does IT offer business value or not? To do this, we will look at two key indicators of organizational health. One of these indicators is the IT budget - is it increasing or decreasing? The other indicator is headcount - is the typical IT organization growing in size or not? Then, since there is no mega event or business revolution driving IT, we will identify what is keeping IT busy in 2007.

Research Methodology

This IT Impact Brief will draw heavily on a survey that we gave in March 2007. Throughout this IT Impact Brief the almost 300 members of the NetScout community who responded to that survey will be referred to as The Survey Respondents.

We asked The Survey Respondents to rate the impact that a wide range of activities will have on their IT resources during the next 12 months. The Survey Respondents were given six possible answers: not installed, in maintenance mode, little impact, moderate impact, significant impact, and don't know.

For each activity, we looked at the respondents who indicated that the activity would either have a 'moderate impact' or 'significant impact'. Throughout this brief, the percentage of The Survey Respondents who provided an answer other than 'don't know" and who indicated that a particular activity would have at least a moderate impact on their IT resources will be referred to as The Percentage. The percentages were listed in descending order. This resulted in a clustering of activities that provides good insight into what will be keeping IT organizations busy this year.

To gain additional depth into the topics that will be covered in this brief, four members of the NetScout community were interviewed. Table 1 contains a brief listing of the people who were interviewed along with the phrase that will be used in this white paper to refer to them.

Job Title	Industry	Reference Phrase
Network Engineer	Transportation	The Transportation Engineer
Network Engineer	Manufacturing	The Manufacturing Engineer
Technical Analyst	Financial Services	The Financial Analyst
Manager of Network Administration	Medical	The Medical Manager

Table 1 The Interviewees

Budgets and Headcount

We asked The Survey Respondents "Has your IT budget for 2007 increased, decreased or remained the same compared to 2006?" Their responses are contained in Table 2.

Response	% Respondents
Increased by more than 10%	17.7%
Increased by less than 10%	18.7%
Remained the same	44.3%
Decreased by less than 10%	10.3%
Decreased by more than 10%	8.9%

Table 2:
Change in IT Budgets

The data in Table 2 is very encouraging. Almost 40% of companies are increasing their IT budgets. This is roughly double the percentage of companies that are decreasing their IT budget.

We also asked The Survey Respondents "Has your IT personnel headcount for 2007 increased, decreased or remained the same compared to 2006?" Their responses are contained in Table 3.

Response	% Respondents
Increased by more than 10%	9.9%
Increased by less than 10%	14.3%
Remained the same	56.7%
Decreased by less than 10%	11.3%
Decreased by more than 10%	7.9%

Table 3:
Change in IT Headcount

The data in Table 3 is not as encouraging as the data in Table 2. In particular, the data in Table 3 indicates that the majority of companies are not making any changes to the headcount of the IT organization. The data also shows that while more companies are increasing IT headcount (24.2%) than are decreasing IT headcount (19.2%), the margin is not very large. The bottom line is that taken as a whole, in the next year there will be only a slight increase in the size of IT organizations.

IT Activities

This section of the IT Impact Brief identifies the activities that will have the biggest impact on IT organizations over the next year.

Significant Impact Activities

Of the activities that were included in the recent survey, the activity that is going to keep IT organizations the busiest over the next year is improving the ability to ensure acceptable application performance. Almost two thirds of The Survey Respondents (65.4%) indicated that this activity would have either a moderate or significant impact on their IT resources over the next 12 months.

The Transportation Engineer stated that they are spending a lot of time benchmarking applications before they deploy them. One of the issues that they are trying to deal with is that his company often deploys an application that was written on a LAN. These applications typically run well over the LAN on which they were developed but when these applications are deployed and accessed over a WAN, their performance is often deemed to be unacceptable.

The Transportation Engineer added that the real value of the benchmarking is that it gives the applications development teams an awareness of how their application will perform. He pointed out that the network engineering department does not have the ability to force the applications teams to make changes to the application. He also expressed his hope that on a going forward basis they will begin to benchmark applications earlier in the development cycle. The idea being the earlier the application is benchmarked, the more willing the applications groups will be to make changes.

Activity	% Respondents
Improving ability to ensure application performance	65.4%
Integrating network & security operations	59.9%
Redesign of some of the company's key business processes	59.9%
Consolidation of data centers	53.4%
Consolidating servers/storage from branch offices into centralized data centers	53.3%

Table 4:
Activities with High Impact

High Impact Activities

Consolidating data centers is not important to The Manufacturing Engineer. In fact, his organization is increasing the number of data centers. The reason for this goes back to the preceding discussion of managing application performance. In particular, his organization wants to reduce the response time for users who reside in the Asia-Pacific region and who currently have to come to a data center in either the US or the UK to access corporate applications. While they are not consolidating the number of data centers, his organization is in the process of consolidating servers, applications and storage into centralized data centers. Their motivation is to both reduce cost and make support easier.

The Transportation Engineer stated that his IT organization has already integrated security into the network engineering department and as a result all changes that go through the change management process are reviewed by security. The Medical Manager stated that integrating network and security operations is an important goal for his organization in part because "there are too many systems to watch, too many monitors, too many alerts."

The Medical Manager stated that his company has only one corporate data center, so consolidating data centers is not something that will impact them. His organization is, however, committed to consolidating servers out of remote sites. The Medical Manager commented that while this consolidation will result in cost savings, the primary reason that they are consolidating servers is to ease the administrative burden of managing remote servers.

Moderate Impact Activities

Activity	% Respondents
Using NetFlow more extensively	47.5%
Integrating networks due to merger/acquisition	44.1%
Implementing ITIL	39.2%
Campus-wide mobility initiative	37.7%
Using IP SLA	37.3%
Implementing a CMDB	36.8%

Table 5:
Activities with Moderate Impact

The Transportation Engineer commented that his organization is beginning to make significant use of NetFlow. He pointed out that in addition to sending NetFlow data to standard network management tools that they also send this data to tools that are looking for potential security vulnerabilities. This is one more example of the growing trend to integrate network and security operations.

The Financial Analyst commented that every member of her organization is going to be taking ITIL training. She said that her organization intends to use ITIL to add more structure to its processes in general, and to its change management process in particular.

The Medical Manager stated that his company grows its revenues by fifteen to twenty percent per year and that half of this growth typically comes from acquiring small companies. He pointed out that his company has a standard desktop and network model and that any company they acquire has to adopt these models. In addition, the acquired company's data is migrated to the corporate data center and their applications are redeployed using Citrix.

The Manufacturing Engineer stated that his company does not typically engage in mergers and acquisitions. They do, however, engage in a significant number of partnerships and joint ventures. When one of these partnerships or joint ventures is created, his organization has to extend the network to the new company. His organization also has to implement security that ensures that the employees of the new company have access to whatever they need to do their jobs, and at the same time his organization has to ensure that these employees have access to nothing else.

Summary and Conclusions

The last time we surveyed the NetScout community about the activities that are keeping IT busy was August 2005. At that time, the two most significant activities were adding additional network security protections and compliance with governmental and other regulations. Other than asking about the integration of network and security operations, the most recent survey did not ask about those two activities.

Realizing that security and compliance are still critical issues that consume considerable IT resources makes the results of the most recent survey all the more compelling. In particular, it is impossible to look at the survey results and not conclude that IT organizations have a lot of activities on their plate. These activities range from being very strategic (i.e., enabling the redesign of some of the company's key business processes) to being quite tactical; i.e., using NetFlow more extensively.

The breadth of the activities that IT organizations are involved in combined with the overall increase in IT budgets makes me conclude that IT organizations are again being perceived as providing business value. While I am very pleased with this conclusion, I do have some concerns. My main concern is about headcount. In particular, I am concerned about how an IT organization can be successful with so many new activities given that IT organizations typically can not stop any existing work and that in most cases IT organizations will not be able to add headcount. I hope that the answer to that question is the increased productivity that comes from automation and not the increased productivity that comes from having to work even longer hours.