1.0 Introduction and Report Overview

Gartner predicts that IT spending will grow to account for half of most enterprises' capital budgets by 2010. As such, gaining improved accountability over IT assets — while simultaneously extracting increased value from them — is becoming increasingly critical to business success. Accomplishing this goal will require that enterprises develop the processes, management disciplines and best practices that are part of a comprehensive and effective IT asset management program.

In these difficult economic times, IS organizations are under enormous pressure to cut costs, which makes efficient, effective IT asset management vital to the enterprise. Moreover, the pace of business change continues to accelerate, and enterprise IT asset managers must react as new factors influencing change emerge. In the United States, for example, the Sarbanes-Oxley Act of 2002 has forced public companies to tightly control corporate spending, which will be especially relevant for IT projects.

Asset management is no longer a back-office function that operates in reactive mode after key decisions are made. Instead, it has moved to the forefront of the issues that impact business strategy and determine business success. An effective asset management discipline has become a critical success factor in determining how well enterprises can effectively model, plan, decide, procure and demonstrate the value of IT for the business.

Enterprises must focus asset management efforts on collectively implementing process, personnel and technology improvements to achieve optimal IT return on investment (ROI), service levels and asset use. IT asset management relies on proven process engineering, integration and management techniques, team-based organizational structures across the IS and finance organizations, and formal measurement programs.

IT cost data gathered by Gartner shows that best-in-class IT asset management programs can dramatically reduce an IT infrastructure's total cost of ownership (TCO). Gartner's research has revealed that enterprises that implement an effective program to systematically manage the life cycle of their IT assets will reduce their cost per asset by as much as 30 percent during the first year, and between 5 percent and 10 percent annually during the next five years.

This Executive Report presents principles and proven techniques for successful IT asset management. It offers recommendations, planning guidance, trend forecasts, and in-depth analysis of asset management issues that are critical to both IS organizations and business management. As such, it is designed to serve the needs of a variety of professionals concerned with IT budgeting, planning, procurement, contract administration and finance.

Topics addressed in the chapters of this Executive Report include:

- IT asset management strategy and program implementation
- A review of comparative IT spending data, and how it should used for planning purposes
- The top 10 issues facing IT asset managers
- The benefits of effective IT asset management processes and tools
- The use of TCO analysis to justify IT investments and optimize spending
- An analysis of Windows migration strategies and Microsoft software licensing issues
- The keys to effective PC life cycle management, from procurement through disposal
- Software licensing best practices
- How to prepare for software audits and avoid surprises
- Improving ROI through effective contract terms and conditions
- Pointers and pitfalls related to "financially engineered" IT service contracts
- Techniques for creative IT cost containment
- TCO and ROI considerations associated with enterprise wireless, storage management and data-warehousing technologies
- The economic issues associated with application development and outsourcing
- The effective use of IT measurement for improved in asset management

The remainder of this introductory chapter provides a general overview of the research elements and high-level concepts presented in this Executive Report. Section 1.1 reviews the standard Gartner research elements used, while the remaining subsections provide an executive overview each of the 21 remaining chapters of this report. This overview has been tailored for executives who require a high-level summary of the issues, forecasts, guidelines and recommendations offered in each chapter. Each section number corresponds to the chapter summarized — for example, Section 1.2 summarizes Chapter 2, Section 1.3 summarizes Chapter 3, and so on.

1.1 Research Elements Used in This Report

This Executive Report is based on Gartner's extensive research facilities and archives, which include conference presentations, Research Notes and Strategic Analysis Reports. The report is structured around Gartner Key Issues and corresponding Strategic Planning Assumptions and Tactical Guidelines:

- *Key Issues* pose questions that embody important concepts or problems facing decision makers in a given topic area. Gartner develops Key Issues about markets, technologies and business strategies.
- *Strategic Planning Assumptions* are forecasts — usually framed within a defined time horizon — that are assigned probabilities denoting Gartner's level of confidence in the outcome (see Section 1.1.1).
- *Tactical Guidelines* are analytical statements addressing important tactical factors enterprises will face in addressing a Key Issue.

In addition, selected sections conclude with Action Items — statements that convert a section's analysis into concise, actionable advice. High-level recommendations, spanning the overall content of the chapter, are typically offered in the concluding section of the chapter.

1.1.1 Probabilities Defined

Probability statements are most commonly used within Gartner Strategic Planning Assumptions, although they are occasionally used in other research contexts (for example, to qualify the likelihood of a vendor's product

availability estimate, or within a figure illustrating a timeline of future events). In any context, probabilities never exceed 0.9, which represents Gartner's highest confidence level in a forecast. (Because no future outcome is 100 percent certain, a probability of "1.0" is never used.)

Because a forecast is logically phrased in form of the likely outcome, probabilities lower than 0.6 are rarely used. Occasionally, however, probabilities ranging from 0.1 to 0.5 may be used in special contexts — for example, in "scenarios" of mutually exclusive possible outcomes, in which all probabilities total 1.0.

Within the context of a formal Strategic Planning Assumption, the probabilities assigned will normally range from 0.6 to 0.9. These probabilities are defined as follows:

- 0.9: This will almost certainly happen, barring a major industry reversal. Gartner would be shocked otherwise. Moreover, the timing is almost certain.
- 0.8: This is likely to happen, barring exceptional circumstances. Gartner would be quite surprised if it failed to happen, but a degree of uncertainty exists. The timing estimate is fairly certain.
- 0.7: There is good reason to believe that this will be true, but there is a fair chance that it won't. Gartner would be surprised, but not shocked, if it did not happen. Moreover, the timing is unclear and may vary from estimates.
- 0.6: For planning purposes, this should be treated only as a general direction, rather than a solid forecast. It is better than a rumor or a guess, but not necessarily by a wide margin. Most likely, Gartner does not have a firm idea of the timing.

1.1.2 Type A, B and C Enterprises Defined

Gartner often identifies enterprises as "Type A," "Type B" or "Type C" based on the aggressiveness with which they adopt and use technology. These terms are often used to offer different recommendations to different types of enterprises, based on their approach to technology adoption. Briefly defined:

- Type A enterprises are technology-driven, and are often willing to risk using immature, cutting-edge technologies to gain a competitive edge.
- Type B enterprises are moderate technology adopters, using new technologies once they have been proven and have entered the mainstream.
- Type C enterprises are technologically risk-averse and cost-conscious, and are usually among the last to adopt new technologies.