ECHA
IT Benchmark

Management report – Publication excerpt
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Executive Summary
ECHA has been challenged for spending more on IT than other EU Agencies, and has initiated this benchmark to learn where it can improve

▪ In a recent study, ECHA has been challenged for spending more on IT than other agencies. However, it did not provide sufficient evidence and analysis or concrete recommendations for ECHA to act on.

▪ Therefore, ECHA wants to learn in which areas it can improve

▪ As a consequence, ECHA has requested Gartner to conduct a comprehensive benchmark of its IT activities and provide actionable recommendations. The questions that will need to be answered, include:
  – Does ECHA spend more on IT than similar agencies, and in which areas?
  – Is the quality of ECHA’s IT services adequate?
  – Does ECHA IT outsource too much, or does the retained organisation have the right people with the right skills?

▪ This document describes how Gartner applied its benchmarking methodologies to investigate a number of hypotheses, and presents the resulting findings, conclusions and recommendations.
Gartner applied a holistic benchmark methodology to test a number of hypotheses in order to arrive at logical conclusions and recommendations.

1. **IT Overview Benchmark**
   - Hypothesis: ECHA has favourable unit costs for Data Center Services, End-User Services and Application Development and Support.

2. **AppAnalyzer Code Review**
   - Hypothesis: ECHA invests in building high quality software.

3. **Retained Organisation and Skills Assessment**
   - Hypothesis: ECHA outsources the majority of its IT activities, but kept the main roles internally that Gartner Research suggests for the retained organisation. The people in these roles have the right skills.

4. **IT Key Metrics Benchmark**
   - Hypothesis: Overall, ECHA spends more than its peers on IT, typical for organisations viewing IT as a strategic enabler. ECHA’s Efficiency Scores show an increasing trend thanks to the investments in automation.
In summary, ECHA IT is performing with above average quality for money, and is following best practice boundaries to outsourcing while retaining competence

**Benchmark findings**

- The IT Overview Benchmark showed that **ECHA IT is run cost-effectively**

- For ECHA’s specific legislation requirements, no software package solution alternatives exist: **custom development is the only option**. Productivity and quality of Application Development are **excellent**

- **ECHA is outsourcing to the maximum** degree for non-business critical activities, without going too far: the **roles that Gartner advises** to keep internally are **retained**. The **average competence maturity is above peer average**.

- **ECHA's IT Budget is decreasing** while the portfolio to maintain grows, leaving less room for development.

**Recommendations**

If ECHA wants to save costs (e.g. for DaaS and Application Development), **standard and fit for purpose requirements** should be the ambition, as ECHA applied when accepting the market standard for IaaS services.

While ECHA could try to **save on quality**, but Gartner **advises against this as it would have an adverse effect on the business efficiency**

Investigate in which domains **insourcing might be desirable from a continuity perspective**
Invest in **digital dexterity of the business**, and continue to invest in **architectural skills**

For each new legislation an **assessment of Total Cost of Ownership and Risks** will have to be performed to understand the need for additional (recurring) budget
Hypothesis 4 – “ECHA spends more than its peers on IT, typical for organisations viewing IT as a strategic enabler. Efficiency Scores show an increasing trend because of automation investments”

To investigate this hypothesis, Gartner has performed an IT Key Metrics Benchmark.

- Gartner’s IT Key Metrics research contains enterprise-level IT spending and staffing metrics, as well as business productivity ratios for 21 vertical industries, collected throughout 2018 from a global audience.

- The Gartner benchmarking methodology enables an authoritative analysis of IT performance and compares it with the IT performance of similar enterprises. Similar could mean constructing a peer group (directly from the Key Metrics Database) that will include institutions from the public or international sector including European institutions and agencies. Similar could also mean constructing a peer group with less traditional organisations viewing IT as a strategic enabler.

- Gartner has analysed the results in relation to ECHA’s efficiency trends.
ECHA’s IT Spending as a percentage of Operating Expense is higher than that of selected EU Agencies and Public Sector average

- Comparing 2017 IT Spending as a percentage of Operating Expense, ECHA spends almost twice as much as more traditional peers from the public sector. Typically, organizations with a greater level of IT investment relative to operating expense view IT as a strategic enabler, and this can improve business performance and productivity levels.

- Similarly, ECHA’s 2017 IT Spending per Employee is 86% above traditional peers’. An increase in IT spending per employee is often viewed as a negative trend. However, in ECHA’s case a lack of increase of additional employees when workload/business volumes grew resulted in a higher value.

- ECHA is more comparable to peers from industries with the highest level of IT spending per employee, which are those that typically tend to be the most information-intensive, and include insurance, banking and financial services and public sector organisations with activities in regulatory environments of high complexity.
Between 2011 and 2017, ECHA’s workload has gone up by 86% while total budget increased by only 25% and number of staff by only 16% - thanks to investing in automation

- ECHA has invested significantly in IT for the past 7 years, which seems to have been a smart choice: their workload has gone up by 86% while their total budget increased by only 25% and their number of staff by only 16%.

- Based on this, Gartner estimates that theoretically ECHA has saved between 42M€ and 54M€ in 2017 alone (depending on selecting either the budget or the staff numbers as a baseline for calculation).

- If the increased workload would have been absorbed through employee numbers increase rather than through automation, ECHA would have needed a staff of approximately 1000 FTEs instead of 630
While having to build and support additional legislations’ environments, ECHA’s Total IT Spend has dropped 13% from the 2015 peak

- From the 2015 peak of €23,842k, ECHA’s IT Spend has dropped with 3,142k to €20,700k, a 13% decrease

- Bottom Line – spending more on IT is sometimes necessary in spurts due to initiatives, demands of the business or one-time events

- The fact that ECHA has achieved the efficiencies noted should be regarded as a proof of following the right strategy even though IT Spend as a % of OpEx is higher than the average of more traditional peers.

- Over the years new legislations entered into force for which ECHA had to develop custom applications since no package solutions are available. Once implemented, these applications need to be maintained.