

The State of IT Capacity

2026 Benchmark Report

Where 35-45% of Enterprise IT Budget
Produces Zero Strategic Output

62 Fortune 500
Environments

27 Years of
Longitudinal Data

38.4% Average Capacity
Recovered

SECTION

About This Report

This report presents findings from 27 years of continuous operational measurement across 62 Fortune 500 IT environments. The data encompasses JD Edwards, SAP S/4HANA, Oracle Fusion Cloud, and PeopleSoft platforms across manufacturing, healthcare, agriculture, financial services, and construction sectors in 11 countries.

All findings are derived from forensic time-tracking data measured in 15-minute increments — not estimates, not surveys, not self-reported data. Every data point represents an actual observed action in a production IT environment.

This report is published as industry research. The patterns described here are not unique to any single organization or vendor — they are structural characteristics of enterprise IT operations at scale.

DATA SCOPE	DETAIL
Environments	62 Fortune 500 IT organizations
Time Span	1999–2026 (27 years continuous)
Platforms	JD Edwards, SAP S/4HANA, Oracle Fusion Cloud, PeopleSoft
Industries	Manufacturing, Healthcare, Agriculture, Financial Services, Construction
Geography	11 countries across North America, Europe, Asia-Pacific
Measurement	15-minute forensic time tracking, ID ² intake classification
Corroboration	IT Process Institute (850+ orgs), DORA/Accelerate, ISG Research

SECTION 01

Executive Summary

Five key findings from 27 years of continuous IT capacity measurement

FINDING 1

35–45%

of enterprise IT labor capacity is consumed by unplanned reactive work that was never budgeted, scoped, or approved. This is the Capacity Tax — the invisible operational burden that silently consumes strategic execution capability.

FINDING 2

Structural, Not Cyclical

This capacity loss persists regardless of team size, platform, or industry. Adding headcount does not change the ratio — it changes the cost. The Capacity Tax is an architectural characteristic of IT operations, not a temporary condition.

FINDING 3

23 min

recovery time per interruption. The capacity tax compounds: incidents resolved without root-cause elimination generate future incidents. Workarounds create technical debt. Context switching (23 minutes recovery per interruption, 8 interruptions/day) degrades the remaining productive time by approximately 3 hours daily.

FINDING 4

30–40%

capacity recovery within 6 months. Organizations that structurally separate reactive operations from strategic execution recover 30–40% of lost capacity, with a median payback period of 5.4 weeks. This recovery is measurable, repeatable, and economically justified.

FINDING 5

\$3,000,000

in invisible, unbudgeted loss over 5 years. A 10-person IT team at \$150K fully-loaded cost loses \$600,000/year in strategic capacity to the capacity tax. This is not theoretical — it is the direct economic consequence of structural capacity loss measured across 62 Fortune 500 environments.

<p>62 Fortune 500 Environments</p>	<p>27 Years of Longitudinal Data</p>	<p>38.4% Average Capacity Recovered</p>
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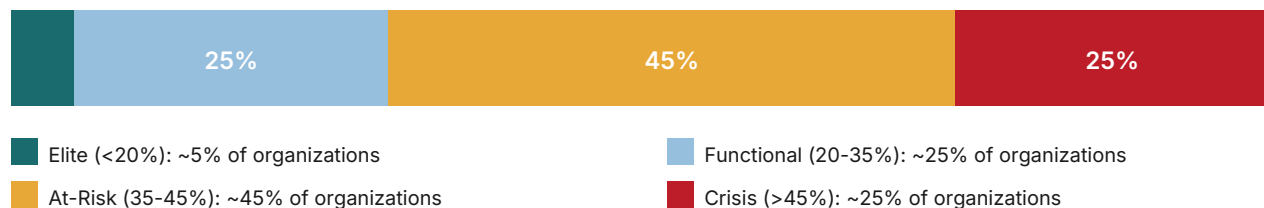
SECTION 02

The Capacity Tax

Defining the Problem

The Capacity Tax is the percentage of total IT labor hours consumed by unplanned, reactive operational work. It is the single largest hidden cost in enterprise IT — invisible because it has no line item in the budget, distributed across the same people responsible for strategic work, and measured by no standard ITSM metric.

IT Capacity Tax Distribution Across 850+ Organizations



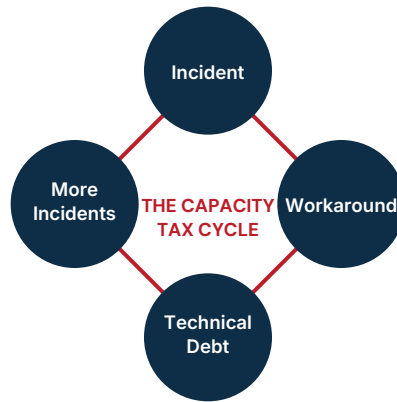
Source: IT Process Institute, 850+ organizations, corroborated by Allari operational data

Why It's Invisible

- No line item in IT budgets for "hours lost to firefighting"
- Distributed across the same people responsible for strategic work
- Appears as symptoms: roadmap delays, missed deadlines, chronic understaffing
- Standard ITSM metrics (ticket volume, MTTR, SLA compliance) don't measure it
- Finance sees headcount cost; operations sees ticket volume. Neither sees capacity loss.

The Compounding Dynamic

Each unresolved root cause generates future incidents. Technical debt from workarounds expands the reactive queue. Context switching — at 23 minutes recovery per interruption and an average of 8 interruptions per day — consumes approximately 3 hours of otherwise productive time daily.



The Capacity Tax Cycle: incidents that are resolved with workarounds instead of root-cause elimination generate technical debt, which produces more incidents. Without intervention, the cycle accelerates.

23 min	8	3 hrs
Recovery time per interruption	Average interruptions per day	Productive time lost daily

Source: Cal Newport, Deep Work; replicated across Allari operational data

The capacity tax is not a management failure. It is a structural characteristic of enterprise IT operations. Every organization running production ERP systems at scale experiences it. The question is not whether it exists — the question is whether you are measuring it.

SECTION 03

The Data

What 27 Years of Measurement Reveals

Pattern 1: The Reactive Ratio Holds

Across all measured environments, unplanned work consumes 35–45% of labor capacity. This ratio is consistent across team sizes (5-person to 50-person teams) and across platforms (JD Edwards, SAP S/4HANA, Oracle Fusion Cloud, PeopleSoft).

Reactive work % is consistent across all major ERP platforms

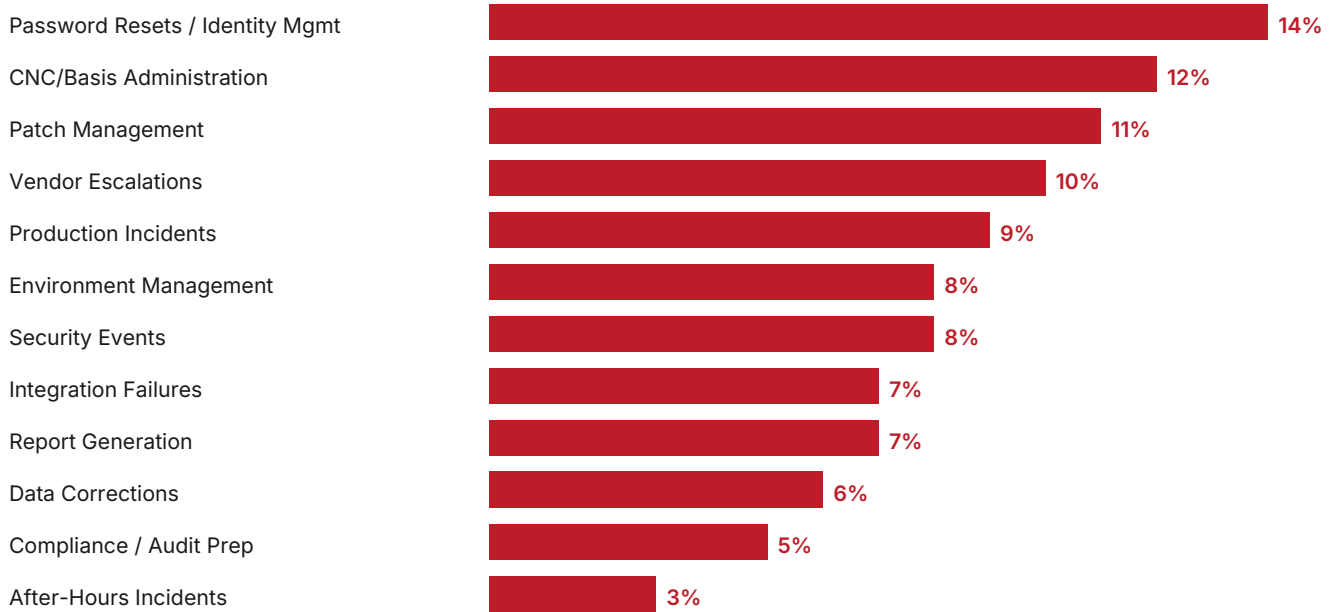


Source: Allari operational data, 62 environments, 1999–2026

Pattern 2: The Same 12 Categories

Across all environments, reactive work clusters into the same 12 operational categories. The distribution varies by platform and industry, but the categories themselves are remarkably consistent.

Reactive work hours by category (% of total reactive time)



Source: Allari operational data, 62 environments

Pattern 3: The Staffing Paradox

Organizations that added headcount without structural change saw no improvement in the reactive ratio. The new hires were absorbed into the same reactive queue. Cost increased proportionally; capacity did not.

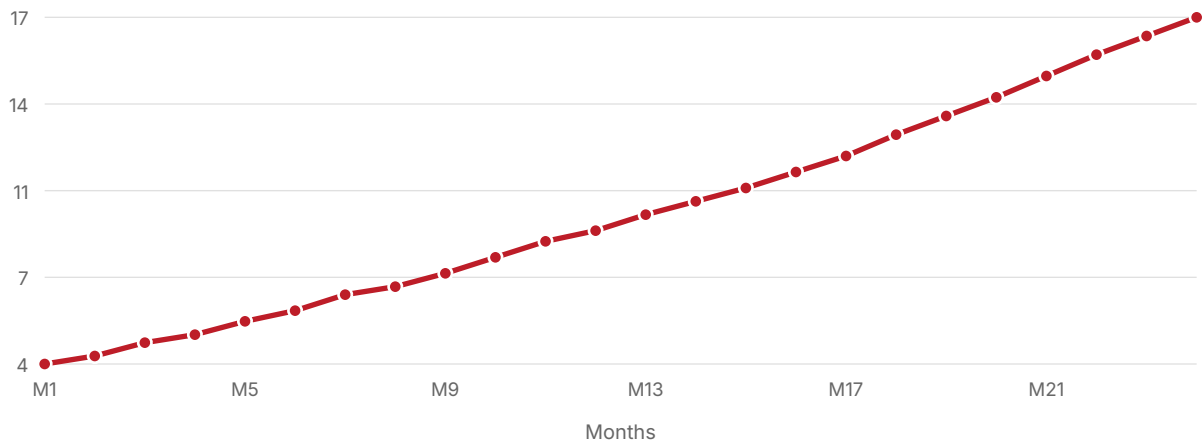
METRIC	10-PERSON TEAM	12-PERSON TEAM	CHANGE
Total Headcount	10	12	+20%
Reactive Ratio	40%	40%	No change
Reactive FTEs	4.0	4.8	+0.8 FTE
Strategic FTEs	6.0	7.2	+1.2 FTE
Annual Cost	\$1,500,000	\$1,800,000	+\$300,000
Cost of Reactive Work	\$600,000	\$720,000	+\$120,000

Adding headcount without structural change: the reactive ratio stays constant, cost increases.

Pattern 4: Resolution Velocity Degradation

Mean Resolution Velocity (MRV) degrades over time in unstructured environments. Without root-cause elimination, the same issues recur with increasing frequency. The queue lengthens, aging increases, and resolution slows progressively.

Mean Resolution Velocity degradation over 24 months (unreformed environment)



MRV measured in days. Without structural intervention, resolution velocity degrades approximately 4x over a 24-month period.

Source: Allari operational data, composite of 14 environments pre-intervention

KEY INSIGHT

The data reveals a counterintuitive truth: the organizations spending the most on IT staffing are not necessarily the ones with the most strategic capacity. Without structural separation, every additional dollar spent on headcount is subject to the same 35–45% capacity tax. The only way to change the ratio is to change the structure.

SECTION 04

Worst Performers vs. Best Performers

What Separates the Top Quartile from the Bottom Quartile

CRITERIA	BOTTOM QUARTILE	TOP QUARTILE
Reactive Work %	45%+	<20%
Capacity Measurement	None	Continuous
Root Cause Analysis	Ad hoc / reactive	Systematic elimination
Knowledge Management	2-3 key individuals	Organization-owned
Team Structure	Blended (same team)	Structurally separated
Mean Resolution Velocity	12-20 days	1.77 days
Incident Recurrence	High (same issues repeat)	Low (root causes eliminated)
Strategic Delivery	Chronically delayed	On schedule
Engineer Attrition	High (burnout)	Low (engagement)
5-Year Capacity Cost	\$3M+ lost	\$3M+ recovered

The Defining Structural Difference

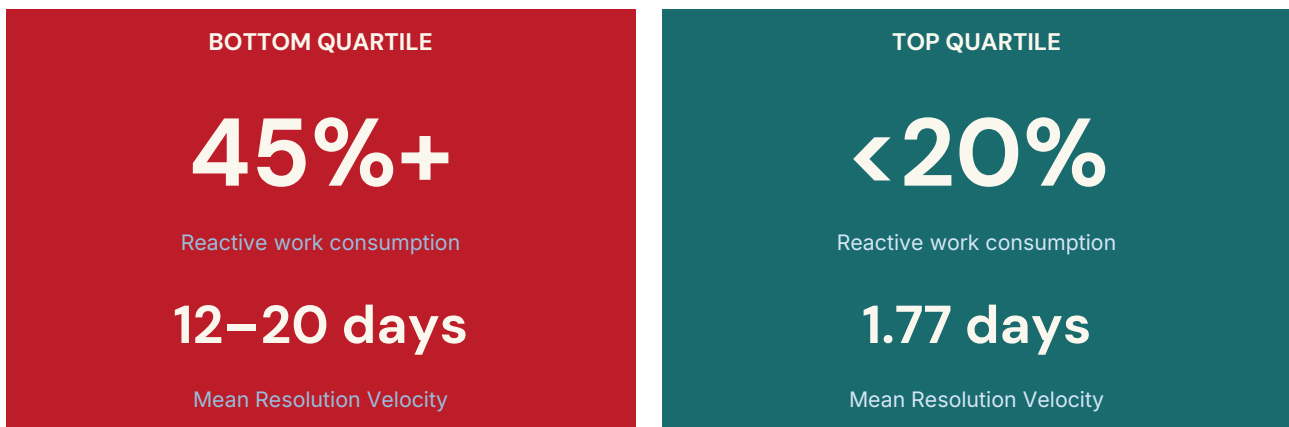
"The single characteristic that separates top-quartile IT organizations from the rest is not technology, not process maturity, and not headcount. It is structural separation — the deliberate architectural decision to assign reactive operations and strategic execution to different teams with different governance, different metrics, and different incentives."

The Culture of Causality

Structure alone does not sustain recovery. The organizations that maintain elite performance over multi-year periods share a second characteristic: a culture of causality. Every incident is treated as a signal, not a task. The question is never just "how do we fix this?" but "why did this happen, and what structural condition allowed it?"

In bottom-quartile organizations, incidents are resolved and forgotten. The same root cause produces the same failure six months later. In top-quartile organizations, every recurring incident triggers a root-cause investigation that either eliminates the source or documents it as permanent technical debt with a defined containment protocol. The reactive queue shrinks not because people work faster, but because the causes of reactive work are systematically removed.

This cultural discipline is what prevents recovered capacity from being reabsorbed. Without it, structural separation degrades within 12-18 months as exceptions become patterns. With it, the capacity recovery compounds: the operational layer gets more efficient over time, the reactive queue shrinks, and the strategic team's protected bandwidth grows.



SECTION 05

The Economic Model

Putting the Capacity Tax in Dollar Terms

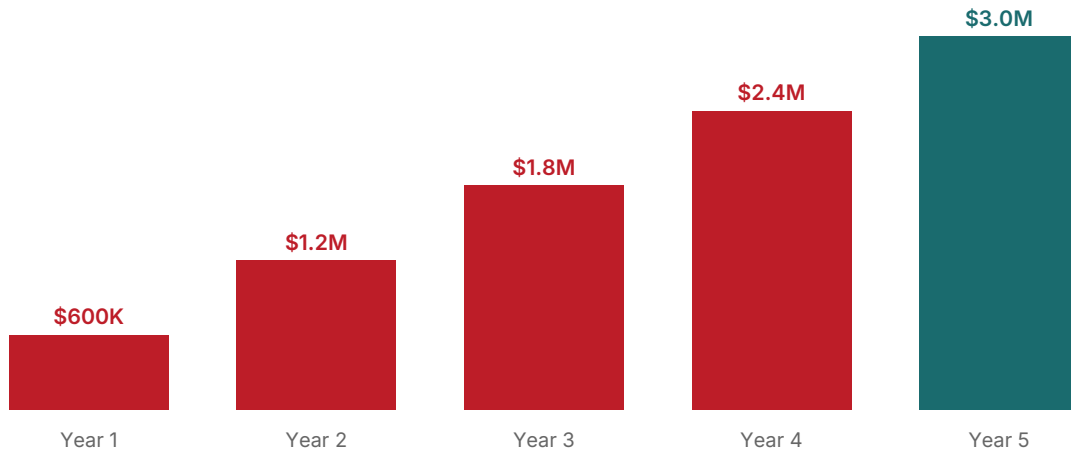
The Annual Capacity Tax Calculator

Team Size x Fully-Loaded Cost x Reactive % = Annual Capacity Loss

10 x \$150,000 x 40% = \$600,000 / year

5-Year Cumulative Loss: \$3,000,000

Cumulative capacity loss over 5 years (10-person team, \$150K FLC)



The Recovery Economics

PARAMETER	VALUE	NOTES
Annual Capacity Loss	\$600,000	10-person team at 40% reactive
Verified Recovery Rate	38.4%	Median across 62 environments
Recovered Strategic Value	\$230,400/yr	\$600K x 38.4%
Year-1 TCO Compression	19%	Net cost reduction in Year 1
Median Payback Period	5.4 weeks	Time to positive ROI



Talent Retention Value

The capacity tax has a direct, documented relationship with engineer attrition. When skilled engineers spend 40–45% of their time on reactive work they were hired to avoid, burnout and disengagement follow. The economic impact is compounding:

- Attrition cost per senior engineer departure: \$50,000–\$100,000 (recruiting + onboarding + ramp)

- Knowledge loss from departure: 6–12 months of institutional context, often unrecoverable
- Capacity tax is a documented precursor to attrition — structural recovery reduces attrition by eliminating the conditions that cause it
- Retained engineers operating at recovered capacity generate more value than replacement engineers subject to the same capacity tax

\$600K Annual capacity lost to tax	\$230K Annual capacity recovered	5.4 wks Median payback period	19% Year-1 TCO compression
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SECTION 06

The Benchmark Scorecard

A Self-Assessment Tool for IT Leadership

Use the following five diagnostic questions to assess your organization's exposure to the capacity tax. Each question targets a specific structural vulnerability identified in the benchmark data.

Q1 Capacity Visibility

What percentage of your IT labor hours go to unplanned work?

If you don't know the answer, that's the first finding. You cannot manage what you do not measure. Organizations without this baseline are operating blind.

Q2 Root Cause Recurrence

How many production incidents recur because root causes were never addressed?

Recurring incidents are the compound interest of the capacity tax. Each recurrence consumes capacity that could have been invested in permanent resolution.

Q3 Strategic Displacement

When was the last time a strategic project was delayed because the team was pulled into firefighting?

If the answer is 'within the last quarter,' your strategic execution is being displaced by reactive operations — the defining symptom of capacity tax.

Q4 Attrition Correlation

What is your senior engineer attrition rate, and does it correlate with reactive workload?

High-capacity-tax environments show 2–3x higher attrition among senior engineers. The most experienced people are the first to leave, and they take institutional knowledge with them.

Q5 Knowledge Concentration

If your two most experienced engineers gave notice tomorrow, how much operational capability walks out with them?

If the answer creates anxiety, your organization has a single-point-of-failure problem. Institutional knowledge must be organization-owned, not individual-dependent.

Scoring Your Assessment

GAPS IDENTIFIED	ZONE	RECOMMENDED ACTION
0-1	Elite / Functional	Continuous improvement focus. Monitor metrics, refine processes.
2-3	At-Risk	Measurement and evaluation recommended. Baseline your capacity split.
4-5	Crisis	Structural intervention priority. The capacity tax is compounding.

NOTE ON SELF-ASSESSMENT

Self-assessment is a starting point, not a diagnosis. The most common finding across 27 years of measurement is that organizations overestimate their strategic capacity and underestimate their reactive consumption. Forensic time-tracking data consistently reveals 15–25% more reactive work than leaders estimate. If you believe your team is at 25% reactive, the measured reality is likely 35–40%.

SECTION 07

The Path Forward

Structural Capacity Recovery

The organizations in the top quartile of this benchmark share a common architectural decision: they structurally separated reactive operations from strategic execution. This separation takes different forms — co-managed operations, dedicated operational layers, bifurcated team structures — but the principle is consistent: the people fighting fires are not the same people building the future.

Four Structural Requirements

01 **MEASUREMENT** Baseline the Capacity Split

Before changing anything, measure the actual ratio of planned to unplanned work. Use forensic time tracking, not estimates. The baseline will almost certainly reveal more reactive consumption than expected — that gap between perception and reality is the first insight.

02 **STRUCTURAL BIFURCATION** Build the "Operational Airlock"

Assign dedicated resources to the reactive workstream. Some organizations refer to this as building an operational airlock — a strict structural barrier that shields strategic teams from the reactive firefighting queue. This is the deliberate decision to stop asking strategic engineers to fight fires.

03 **STRUCTURED EXECUTION** Normalize, Govern, Eliminate

Normalize intake through structured classification. Organizations achieving the fastest recovery trajectories are deploying AI-assisted triage at the intake layer — reducing classification latency from hours to seconds and creating a deflationary cost curve where the operational layer handles more volume at the same or lower cost. Once classified, enforce governance through defined escalation paths and eliminate root causes systematically, permanently reducing the reactive queue.

04 **SUSTAINED RECOVERY** **Protect Recovered Capacity**

Recovered capacity must be protected from reabsorption. Without executive discipline and a culture of causality, freed capacity will simply be consumed by new reactive work or scope expansion. The measurement framework from Step 1 becomes the ongoing governance tool to defend the newly recovered bandwidth.

"The data in this report demonstrates that structural capacity recovery is not theoretical. It is measurable, repeatable, and economically justified. Organizations that execute this model recover 30–40% of lost capacity with a median payback of 5.4 weeks."

The organizations that have achieved elite-level capacity efficiency did not get there through better tools, better processes, or more people. They got there through a structural decision: separating the operational layer from the strategic layer.

This structural model is platform-agnostic (it works across JD Edwards, SAP, Oracle Fusion, and PeopleSoft), industry-agnostic (it works in manufacturing, healthcare, financial services, and construction), and scale-agnostic (it works for 5-person teams and 50-person teams).

The only variable is execution discipline — what this report calls a Culture of Causality. The structure creates the possibility. Leadership sustains it. The organizations that maintain elite performance don't just separate reactive from strategic work — they treat every recurring incident as a structural failure to be eliminated, not a task to be completed. They don't reward firefighters. They demand root-cause answers. That cultural discipline is the difference between temporary improvement and permanent recovery.

SECTION 08

Methodology & Sources

Primary Data Sources

Allari Operational Data

62 Fortune 500 engagements, 1999–2026. Forensic time-tracking data measured in 15-minute increments using ID² intake classification methodology. Covers JD Edwards, SAP S/4HANA, Oracle Fusion Cloud, and PeopleSoft environments across 11 countries.

IT Process Institute

Visible Ops Study, 850+ organizations. Industry benchmark data on planned vs. unplanned work ratios, change success rates, and operational maturity levels. Corroborates the 35–45% reactive work finding independently.

DORA / Accelerate

State of DevOps Reports, 2019–2025. Research on elite, high, medium, and low performing technology organizations. Provides independent validation of the relationship between structural practices and operational outcomes.

ISG Research

ERP Migration Outcomes, 2024–2026. Analysis of enterprise resource planning migration projects and their impact on IT operational capacity. Supports findings on platform-agnostic capacity patterns.

Cal Newport, Deep Work

Research on context switching costs and focused work productivity. The 23-minute recovery time per interruption cited in this report is derived from this body of research, corroborated by operational observation in Allari environments.

Measurement Methodology

- **Granularity:** 15-minute forensic time tracking. Every action in a production IT environment is classified and recorded.
- **Classification:** ID² intake classification system. All work is categorized as planned (strategic, project-based) or unplanned (reactive, incident-driven).
- **Validation:** Data is cross-referenced with ITSM ticket systems, change management records, and project management tools to ensure accuracy.
- **Anonymization:** All organization-level data is anonymized and aggregated. No individual organization's data is identifiable in this report.
- **Time span:** 27 years of continuous measurement (1999–2026), providing longitudinal trend data unavailable from point-in-time surveys.

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