

21 Ways to Save IT Costs

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The economy may or may not be in recession, depending on who you take to be the expert. But whether or not it's the real thing by its classic definition, money is tight and IT budgets are under scrutiny.

We firmly believe that information technology is a tool with which business can improve profitability. IT must always demonstrate its ability to deliver for the money, but in tight financial times, it's imperative that IT demonstrate extraordinary care.

As a guide to saving money, we offer 21 ideas – ways in which IT can cut costs and improve return on overall investment.

■ ■ Five Project Management Ideas

#1 – Get your projects on budget. For those that are behind in earned value (what was spent vs what should have been spent for what was achieved), get new projections and force tighter fiscal management. If the project is no longer worth the money cancel it. The financial benefit: Stop the bleeding.

#2 – Get your projects on schedule. For those that are behind schedule (what was done vs what should have been done), get new projections and decide whether the delay has caused the business to miss an opportunity. If so, cancel the project or recast it into something useful. The financial benefit: if the revenue gains or cost savings won't come soon enough, stop investing.

#3 – Kill misaligned projects. Remember that strategic plan? Let's assume it's still valid. If the project isn't aligned with it, stop wasting your money. If the plan is out of date, check with the *business* community to assure that the project still has business value. The financial benefit: There's no apparent business benefit, so why spend the money?

#4 – Slow the pace of projects. If you MUST reduce expense, and you can tolerate a delay in the profitability a given project will deliver, slow the delivery rate by thinning your project resources or slowing down your vendor payments. ("Thinning resources" does not mean layoff – see below.) The financial benefit: Deferring costs.

#5 – Stop wandering. If a project doesn't have a clear charter with measurable results, or worse, a charter (objectives, scope,..) that wanders, fix it or kill it. The financial benefit: Stop throwing good money after bad.

■ ■ Four Vendor Management Ideas

#6 – Manage vendors to the SLAs. Each service contract with an IT vendor should have a service level agreement. For example, an SLA might specify that the helpdesk should respond to 90% of high-severity incidents within 30 minutes and fix it within 60 minutes, measured every month. If the vendor isn't delivering, recoup the penalty. Better yet, fix your productivity by getting the vendor to respond. The financial benefit: Get what you paid for or get your money back.

#7 – What, you haven't got SLA's? Renegotiate your vendor contracts. Know what you're paying for.

#8 – Carefully consolidate vendors. You should be able to get better value by giving more of your business to fewer vendors, and you'll get better control. But don't cut to one vendor for each kind of service if you can avoid it. It limits your ability to leave the vendor and limits contingency planning. The financial benefit: Economies of scale.

#9 – Renegotiate contracts. Approach the vendor about ways to cut costs. Trade off services you really don't need, or extend the contract term in return for lower price. Both sides have to win. I still meet people who think beating the vendors over the head for a lower price is good vendor management. It's not. It lowers their motivation to go the extra mile. The benefit: Overall cost reduction.

■ ■ Two Contradictory Ideas on SaaS

#10 – Move to hosted applications. Software as a Service (SaaS) is gaining steam, and predictions that SaaS will be the predominant means of delivering applications abound. If you've got a small number of users, why bother with the cost of servers, software licenses, and the labor for building, updating, and supporting the application? Yes there may be integration costs and you

may have to fit your business process to the process implemented by the SaaS application, but the cost is low and the startup is fast. The financial benefit: Zero capital investment and low monthly cost.

#11 – Get off hosted applications. If you’ve got a large number of subscribers, you could be paying huge sums. If you can rent the application for on-premises use or build a similar application using off-the-shelf software, and if you can support it, and here’s a big if – if you can get your data back – move it in house. The benefit: Lower monthly cost traded off against a capital investment.

■ ■ Three Staffing Ideas

#12 – Bring contractors “in the front door”. As employees, they’ll likely cost less if they’ll do it. But keep the HR strategy in mind, and understand the cost of benefits and the commitment you’re making. The financial benefits: Lower cost. Other benefits: More loyalty.

#13 – Fire dead wood. ‘Nuf said.

#14 – Don’t lay off solid or better performers. Yes, keeping people on is a long-term cost saver (assuming you can indeed use them). What have you invested in training them? What damage will you do to the productivity of their peers if you lay them off? How much will it cost to replace them when it’s time to recover? They’re assets, not costs. And if you have excess capacity, direct the extra skills to other profit enhancing projects you’ve wanted to tackle. Get ready for the recovery.

■ ■ Two Organizational Ideas

#15 – Collaborate or Federate. If you’re a geographically distributed company, you’ve probably got distributed IT shops all reporting to one CIO or IT Director; you may even have multiple IT shops in different operating units, each reporting to its own CIO. In any of these cases, the IT shops are probably duplicating effort and likely don’t gain economies of scale. Consolidation often leaves the users facing bureaucracy (lowering their productivity), so that’s not the solution. Build collaboration. Assign services that can be centralized (like the hotline) to one location. Get collaboration tools (like SharePoint and video conferencing). The benefits: Reduced cost and higher productivity.

#16 – Train your users. Do you believe your users are not using the systems you’ve put in place to their maximum benefit? Why not invest in some training? Create and deliver a joint training program between IT and the business owners. The benefit: Improved performance of the business processes and reduced cost of technical support.

■ ■ Two Process Ideas

#17 – Help fix business processes. Business processes – marketing, sales, engineering, manufacturing, and service – generate the revenue. Often, they need refurbishing, they need integration, and they need some vision. IT doesn’t own these. But IT should have process engineering skills and should help the business partners improve their processes. Disrupt. Inspire. Inject technology wisely. The benefit: Accelerate the single most significant driver of profitability – effective business process.

#18 – Fix internal processes. IT does own these – helpdesk, change management, release management, vendor management, application delivery, and more. Take advantage of all the best practices coming out of ITIL and CMMI, scaled appropriately. The financial benefit: Lower overall cost and risk.

■ ■ Three Governance Ideas

#19 – Get smart about the industry. Advice to CIOs and IT Directors: Find out what other IT organizations are going through, get some benchmarks, see how you stack up, and be prepared. Search out news stories that describe situations similar to yours. The financial benefit: Maybe there is none, but maybe you can save unwarranted slashing that will cost the company its ability to participate in the recovery.

#20 – Get a strategic plan. How do you know your IT shop is doing the right work? If you haven’t got a strategy and a dynamic execution plan that are both current, you may well be wasting money on the wrong projects. The plan doesn’t have to be as thick as the Manhattan phone directory – in fact, it should be short and sweet. The benefit: Costs aligned with business goals.

#21 – Put good governance in place. Weill & Ross’s book, *IT Governance*, reports that “effective IT governance is the single most important predictor of the value an organization generates from IT”. The top performers, who govern differently than the rest, gain up to 40% higher returns on IT investments.

■ ■ Our Services

Avatar Strategic Partners brings years of industry experience to bear on helping IT organizations deliver business value. We help build profitability through better use of technology, and we can help keep your costs in line.

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