



# Technology business management



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## Suggestions to help optimise your IT spend and demonstrate IT value

"Improve the margin"; "Cut spending"; "Increase efficiency, reduce time and achieve better cost control". These are just some of the directives commonly levelled at management. The burden often falls disproportionately on IT executives to make it happen. A recent survey highlighted the pressure on chief information officers (CIOs), including how they need to justify each dollar spent and how it creates value.

Such pressure often results in short-term thinking, with one-off/ad hoc budget cuts. While these exercises may be critical to the health – or even survival – of some organisations today, making blanket IT spending cuts or committing to projects with mandates rather than business cases across the board can lead to unmet goals, degraded capabilities, unacceptable performance, and risk and control issues. This can give rise to cases where other non-IT executives deploy their own technology tools and complicate the organisational IT landscape because they cannot immediately see value from their technology function.

A well-planned, balanced approach is essential to avoiding these mistakes.

### Four key priorities for CIOs in 2015

Four priorities are related to giving additional value to the business, without any additional spend:

Improving  
business process

Delivering  
consistent and  
stable IT services

Saving costs

Enabling business  
change



**56%**

of CIOs said 2015 IT  
budgets have not  
increased

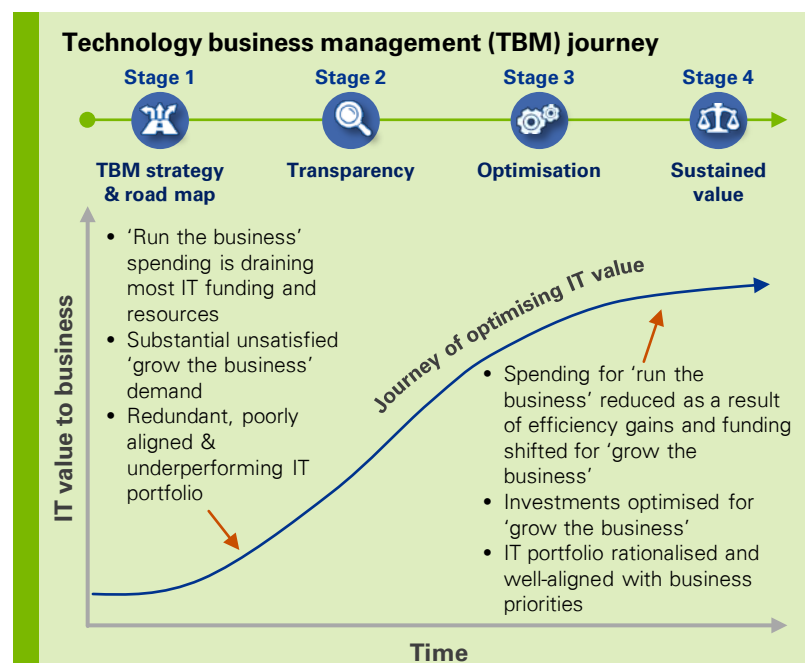
Source: Harvey Nash CIO Survey 2015 – In Association with KPMG

### Where are you today?

KPMG has a structured approach that helps IT organisations navigate the journey from being technology providers (cost centres) to value-focused business partners. We recognise that organisations typically pass through four stages of maturity on their way to achieving sustainable value.

We look at the four stages through three lenses:

- 1. Financial resources** – IT spend allocation, cost drivers, and a mix of operating expenses and capital expenditure
- 2. Technology portfolio** – Application, infrastructure, projects, service providers/vendors, and on/off-shoring
- 3. Business focus** – Rolling demand forecast, IT performance metrics, and business strategy alignment



## Case study

The business management of a major telecommunications firm had little insight into how their business units were being charged for the IT services they consumed. They were concerned that the costs were not in line with the services the IT team was providing.

KPMG was engaged to help the business understand what these challenges were and to help develop a plan to fix them. KPMG assisted in the creation of a new cost allocation strategy and mobilised an IT financial management programme. The programme goals were to improve cost transparency and identify cost reduction opportunities.

KPMG worked with the client to identify the total cost of each of its services provided, and created a methodology to allocate those expenditures back to each customer on the basis of their consumption of each unique service.

The client team also helped the IT organisation develop more sophisticated costing methods for each of its technology domains (e.g. servers and storage), activity-based labour and supplier contracts. As a result, the IT organisation has since identified cost savings of more than 20 percent of its annual budget, while launching projects to address future growth opportunities.

**20%**

**saving on  
annual IT  
budget**



### The conversation begins ...

This is a complex, and at times, political topic. We are aware of the way businesses tend to see IT and understand that in order to talk 'value', we must speak in business terms.

Consider the questions below and how your function is thinking about value to the business:

- Have you positioned your conversation to tie IT value directly and integrally to the corporate strategy?
- Has the IT organisation been set up to support strategic growth and meet corporate goals or just to 'keep the lights on'?
- Do you think about how IT can create a better 'experience' for your users and business customers?
- How 'agile' is your operation to deal with fast-changing markets?
- How quickly can you get down to the details, e.g. the technology portfolio, financials and having a clear view on how technology is making a difference?

If you want to have a business conversation, these are some of the topics you need to consider as your business matures. KPMG can help with these discussions. We can also help you highlight the value that you already deliver, and identify where you need to develop in order to turn IT services from being a necessary cost to a valued business partner.

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