

CONTROLLING IT COSTS

Governance, Standards, Automation Key to Curbing Expenses

CIOs today increasingly face a two-edged challenge: CEOs insist that they improve corporate efficiency while CFOs insist that they keep costs down. But controlling IT costs is difficult in a constantly changing and highly competitive business environment. The cost of designing, building and maintaining a technology infrastructure is one of the biggest expenses an enterprise can have. Most lines of business constantly seek ways to improve performance via technology initiatives and investments. Other goals, such as regulatory compliance and greater information security, require additional IT spending.

Even in the midst of these challenges, however, business and IT leaders can take effective steps to bring IT infrastructure expenses under control through best practices and technology-based initiatives. They can effectively rein in costs through IT governance programs and strong project management and by automating processes wherever possible.

The Rising Cost of IT

IT infrastructure costs are high and continue to rise. Worldwide, end users spent \$1.16 trillion on IT in 2006 and will increase spending at a compound annual growth rate (CAGR) of 6.3 percent, to reach \$1.48 trillion in 2010, according to a report released in January 2007 by IDC. Worldwide, software spending is expected to reach \$327 billion in 2010, spending on hardware is expected to reach \$562 billion in 2010 and

spending on IT services is expected to reach \$587 billion in 2010. All told, the cost of designing, building and running an IT infrastructure on a day-to-day basis is one of the largest expenses an organization has.

Among the factors leading to higher costs is the

constant addition of IT components, such as server and desktop hardware and software, mobile devices such as laptops and PDAs, networking technologies and storage systems. Enterprises also continue to invest in enterprise applications such as enterprise resource planning, business

intelligence, and customer relationship management software.

An additional cost is for the integration necessary whenever new technology is added to older systems or when systems and applications are purchased from multiple vendors.

Training of the IT staff and end users, particularly when new systems or applications are deployed, also adds to the total cost, as do maintenance and support in increasingly complex IT environments. Furthermore, the energy costs involved in running data centers, especially for large enterprises, are on the rise.

In a recent survey of 300 business and IT executives conducted by IDG Research Services, three-quarters of the respondents say controlling IT costs is a critical or high priority at their organization.

Gaining control of IT costs will become even more important over the coming months at many organizations. The survey shows that 47 percent of the



executives expect controlling costs to increase in importance over the next 18 months.

“A lot of the costs that we have in IT are associated with just trying to respond to increasing needs,” says Laura Grandgenett, CTO at the University of Dubuque. “Reacting to [those needs] in a more thoughtful, organized way is the best way to control costs,” Grandgenett says. “We need to look at what [our requirements] will cost and see if there are other options to deal with them—whether that’s based in technology or just redesigning the process by which we’re doing things.”

Challenges In Controlling Spending

As costs continue to increase, organizations are placing greater emphasis on showing a return on investment (ROI) for technology purchases. The IDG Research survey shows that more than half of the respondents say demonstrating or measuring ROI from IT investments is a critical or high priority. A majority of the respondents also cite improving end-user and IT staff productivity as priorities.

“We are adding ways to evaluate our ROI, such as using business analysis methods,” says Linda Lane, senior product manager for staffing company Wimmer Solutions. “There is always an identifiable way to analyze and measure the relationship of what something costs, even if it appears intangible, such as brand protection.”

Controlling IT infrastructure costs and yearly budgets is not easy, and organizations face a number of challenges. For one thing, there is a need to continue supporting legacy systems while staying current with technologies. Technology is constantly advancing, and enterprises naturally want to implement the latest IT products that can help the business.

TECHNOLOGY SOLUTIONS for Keeping Costs Down

Novell’s strategy for helping customers get a handle on IT costs includes simplification, control and maximization, says Richard Whitehead, director of product marketing at Novell.

By managing multiple platforms and systems, Novell enables customers to choose what’s right for their business. The company’s automation solutions put organizations in control of their systems, Whitehead says. Novell enables companies to get the most from their IT investments by taking advantage of resources such as unused software licenses, bandwidth and computing capacity.

Systems Management from Novell is a comprehensive set of integrated services, based on the Information Technology Infrastructure Library (ITIL), that orchestrates IT management and business processes across diverse server and client platforms.

Novell® ZENworks® is a comprehensive set of integrated software tools that automatically enforces business and IT policies to dynamically manage and maintain IT resources based on user and asset identities. ZENworks uses policy-driven automation to help control technology costs by eliminating administrator effort, reducing IT skills requirements and optimizing the value of IT components across diverse server and client platforms.

ZENworks enhances the delivery of services and resources to increase the efficiency, scalability and flexibility of the IT staff. The Novell ZENworks systems and resource management family works from the desktop to the data center, enabling organizations to determine how well IT is delivering a range of services to support business goals. These technologies help CIOs find more relevant metrics that indicate business alignment, service quality supportive of that alignment, and cost efficiency in delivering service to the business.

But most organizations can’t realistically make an overnight transition to new systems and applications. In many cases, they need to move gradually, supporting existing systems while at the same time deploying newer solutions where appropriate. This makes it hard to keep costs in check.

Another challenge in controlling costs is the need to effectively support IT users regardless of their location. The workforce is increasingly mobile, with many people moving around or working from remote locations. IT must continue to support these mobile workers with the technology they need in order to do their jobs. This includes wireless networks, portable devices

and mobile applications.

Yet another challenge is the need to comply with a variety of industry and government regulations related to IT and technology-supported processes. Compliance with Sarbanes-Oxley, the Health Insurance Portability and Accountability Act (HIPAA), and other governmental and industrial regulations can lead to higher IT costs for organizations.

Finally, organizations must keep information, applications and systems secure. In light of security

product marketing at Novell.

When launching such an initiative, organizations should create a migration committee that has clear objectives and responsibilities as well as a finite budget, Whitehead says. The committee should talk with other organizations that have successfully completed a similar migration, complete an inventory of current systems and software, and run readiness reports to determine which machines are capable of running the new operating system.

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threats, such as computer viruses and worms, denial-of-service attacks, phishing and network intrusions—and the inherent vulnerability of some applications and networks—it's incumbent upon organizations to do the best they can to protect their IT infrastructure. But securing all the IT components within an organization, especially a large enterprise, is costly.

Controlling Costs, Improving Productivity

Organizations can take a number of steps to control IT costs and also improve worker productivity. One of the most effective ways to control costs is to develop an IT governance program that includes elements for evaluating and tracking the success of all major technology investments.

A key part of governance programs is the creation and enforcement of policies that address repeatable IT solutions and practices and having a disciplined approach to the IT organization. Although the relatively free-spending days of the mid- to late 1990s are over, organizations still need to be wary of runaway IT projects that gobble up dollars.

Aside from adopting a governance program, companies need to put in place strong project management functions that can help control costs for major IT efforts. A good example of where effective project management can be helpful is in migrating to a new operating system, says Richard Whitehead, director of

Next, the committee needs to determine how many existing licenses qualify for an upgrade, so the organization won't pay for more than it needs. The group should then identify which users or groups to migrate first and provide adequate training for those users and the help desk. It's important to maintain regular communication with end users during the migration and document the migration process.

"The idea of a committee is very important," Whitehead says, "and this type of strong project management can be used on many projects."

As part of their evaluation of IT investments and operational performance, organizations can use ITIL, Balanced Scorecard, Six Sigma, or some other type of quantitative value measurement to gauge the return on investment or overall success of their IT purchases.

ITIL in particular is becoming an increasingly popular framework for improving IT service levels, increasing productivity and reducing costs. Organizations are deploying the best practices outlined in ITIL and seeing results. For example, by having everyone in the organization on the same page with regard to IT processes, enterprises can save time and costs. ITIL enables organizations to improve IT services, creating efficiencies that can lead to cost savings in a number of areas.

"All of these tools help organizations build better

Key Takeaways

Following its survey of business and IT executives in the spring of 2007, IDG Research Services conducted telephone interviews with select respondents to gather additional insights into the practices and technologies used to control IT costs. Here are some of the key takeaways from those discussions:

- Prioritizing, consolidating and streamlining IT are critical to controlling IT costs. Companies need to identify areas where they're spending the most time and IT resources.
- It's important to look to the future when setting IT priorities and goals. Rather than spending time and money supporting older systems, organizations are looking for newer and more efficient technologies.
- The company's overall IT strategy should be closely tied to the goals of the business. Having an IT plan that's supported by company executives provides direction for IT spending.
- Motivating staff to think strategically will ultimately save time and money. Repeatedly making the same quick fixes to problems—although it might save time in the short run—can ultimately cause problems and downtime in the future.
- Outsourcing, standardization, consolidation and educating users about new technology are some of the practices companies are using to maximize IT ROI.
- Measuring productivity is important in efforts to control IT costs and improve ROI.
- Automation can also play a role in increasing productivity. Automating low-level tasks can save time and enable staff to focus on larger IT projects.

processes and determine the results they are getting,” Whitehead says. “If you can't measure the results, how will you know if you are being successful?”

Automation for Greater Efficiencies

Automation is also effective for reducing costs. According to the IDG Research Services survey, 50 percent of the organizations that are automating IT operations and processes have seen reduced costs as a result. A slightly higher percentage has seen improved returns on IT investments.

Organizations are automating a variety of tasks, according to the survey, including patch management, configuration management, upgrades to new operating

environments, application delivery and virtualization.

“We're starting to use virtualization on servers, not so much for production environments but where we have testing and development environments,” says Joel Gibbons, team leader of IT operations at the National FFA Organization, a national organization of students preparing for careers in agriculture. “We're also starting to look at more remote or automated monitoring for some of our networking and security functions, trying to implement packages or tools that will do some of the work for us in some of those areas.”

Those organizations that have succeeded at controlling IT costs say the most important factors include budgeting/cost-cutting methods and long-term planning (20 percent); product evaluation and reviewing what is needed and requested (18 percent); reducing staff and doing more with less (10 percent); and consolidation, centralization and standardization (10 percent).

Some IT vendors, such as Novell, offer products and services to help organizations control their IT costs as well as get more effective use out of their technology investments (see sidebar).

The Keys to Cost Control

IT costs are likely to keep rising, for a number of reasons. These include the addition of new hardware and software, the need for systems integration, increasing mobility, ongoing requirements for training in the use of applications and systems and the rising energy costs of running data centers.

Organizations will continue to face challenges in keeping IT costs in line. But with efforts such as effective IT governance, strong project management, and the automation of processes, enterprises can take steps to keep costs from getting out of control. ■

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