Intelligent I.T. Response To Tough Times

By Robert Fabian, George Rafael, Steve Williams

This is the first installment in this three part series discussing the streamlining of operating costs, and methods of improving I.T. efficiency.

These times are tough, and there seems to be no sign of relief on the horizon. The "easy" response to these challenges is to cut all non-essential I.T. costs, up to, and including, non-essential I.T. personnel. This "easy" response could lead to undesirable consequences. Your operation needs a base point: What assets are I.T. using? What do they cost today? What will they cost tomorrow? And what value are they delivering? When times were not quite as tough, it was all too easy to retain assets and costs, even after they stopped delivering their full value. Businesses can no longer enjoy the luxury of such neglect.

Through the course of years of experience, Gilmore has seen that a careful review of all I.T. assets, their costs, and their delivered value will uncover an "easy" 10% to 25% of I.T. spending that can be cut with no bottom line pain; I.T. will continue to do the job it has always done. However, that is only the first step. This I.T. asset review will uncover opportunities to improve the value delivered by I.T. significantly, and rapidly improve I.T. return on investment. This process is commonly referred to as an ITAR.

An I.T. Asset Review (ITAR) will examine all software, hardware, and services used by I.T. This will include licensing and purchase costs for all software or hardware. It will also include the cost of support, whether internally or externally provided. This asset review will include the loaded cost of renewal, replenishment or retirement and, critically, will assess the value delivered by each, and every, I.T. asset.

Here is the multi-stage process:

First: we uncover the I.T. assets that are not delivering any value to the organization. They can be easily, and safely, eliminated; with a typical saving 5% to 10% of the I.T. budget.

Second: highlight the I.T. assets that are no longer delivering value large enough to justify their cost. They can be renegotiated, or replaced, typically saving another 5% to 15% of the I.T. budget.

That's the easy 10% to 25% savings

Third: quickly review the value I.T. is delivering. The results will then be compared to what I.T. might deliver using cloud services (shared or proprietary), and the insight that will be obtained by taking advantage of Big Data. The return on such I.T. investments can be large and are almost instantaneous.

It does not have to be an all or nothing approach. A review of all software licenses will almost certainly uncover grossly underutilized licenses. This will likely uncover a pattern of purchase agreements that awards the vendors support services fees that are far too generous. The fact that software is not a hard tangible asset makes it all too likely that excessive and unnecessary fees are being paid.

Similar issues can happen with hardware, especially with the new smart devices that have experienced a dramatic rise in popularity. It is easy, and simple, to renew contracts for all of these devices, but this simple renewal may be a bad business decision. Much better deals may be available, with significantly more cost-effective devices that may be available. You may even have one or two servers that are no longer delivering the value that justifies their cost.

Much of this is "low hanging fruit" and can be relatively easy to discover with an ITAR. The service line items will also need review. Given the rapidly changing nature of the services that are now provided, there are often large opportunities for savings, and even larger opportunities for new, highly cost effective services. This may not seem to align well with the request to cut costs; but very high rate of return opportunities should not be ignored, even in tough times.

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Part Two of the series will be Top 5 Impact Areas of an I.T. Asset Review.

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