Presentation

# Strategic IT Cost Reduction
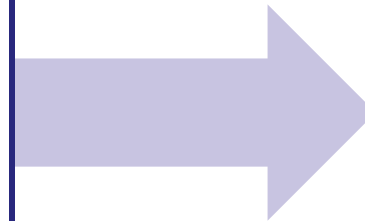
*Dr Philip Nesci*
*June 2025*

# Agenda

- Drivers of Cost Reduction

- Pillars of Strategic Cost Reduction

- Key Areas of Cost Focus

- Critical Success Factors

- Q and A

# IT Cost Reduction –
# a Perennial Challenge for CIOs

- Business demand for IT services and digital innovation continues to grow.

- No business appetite for reducing service levels.

- Complex legacy and hybrid environments require reinvestment.

- Vendor cost escalations/inflation

- Cost transparency increasingly challenging as businesses take control of critical applications in the Cloud.

*Constant pressure on CIOs to demonstrate value for money and cost management discipline...*
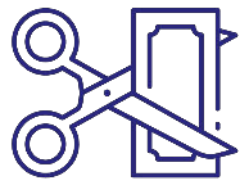
***But*** *- can it be an opportunity*

- *Reinvest cost savings?*

- *Enhance ICT credibility and reputation?*

# Quick Straw Poll

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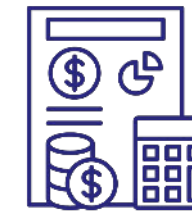*My organisation has visibility and control of our Cloud costs?*

- **Yes**

- **No**

Strategic IT Cost
Reduction

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# Cost Management –
# What Are the Different Approaches?

### Cost Cutting

### Strategic Cost Reduction

- Reactionary
- Short term
- Immediate reductions

- Very disruptive
- Potential to damage morale and capability
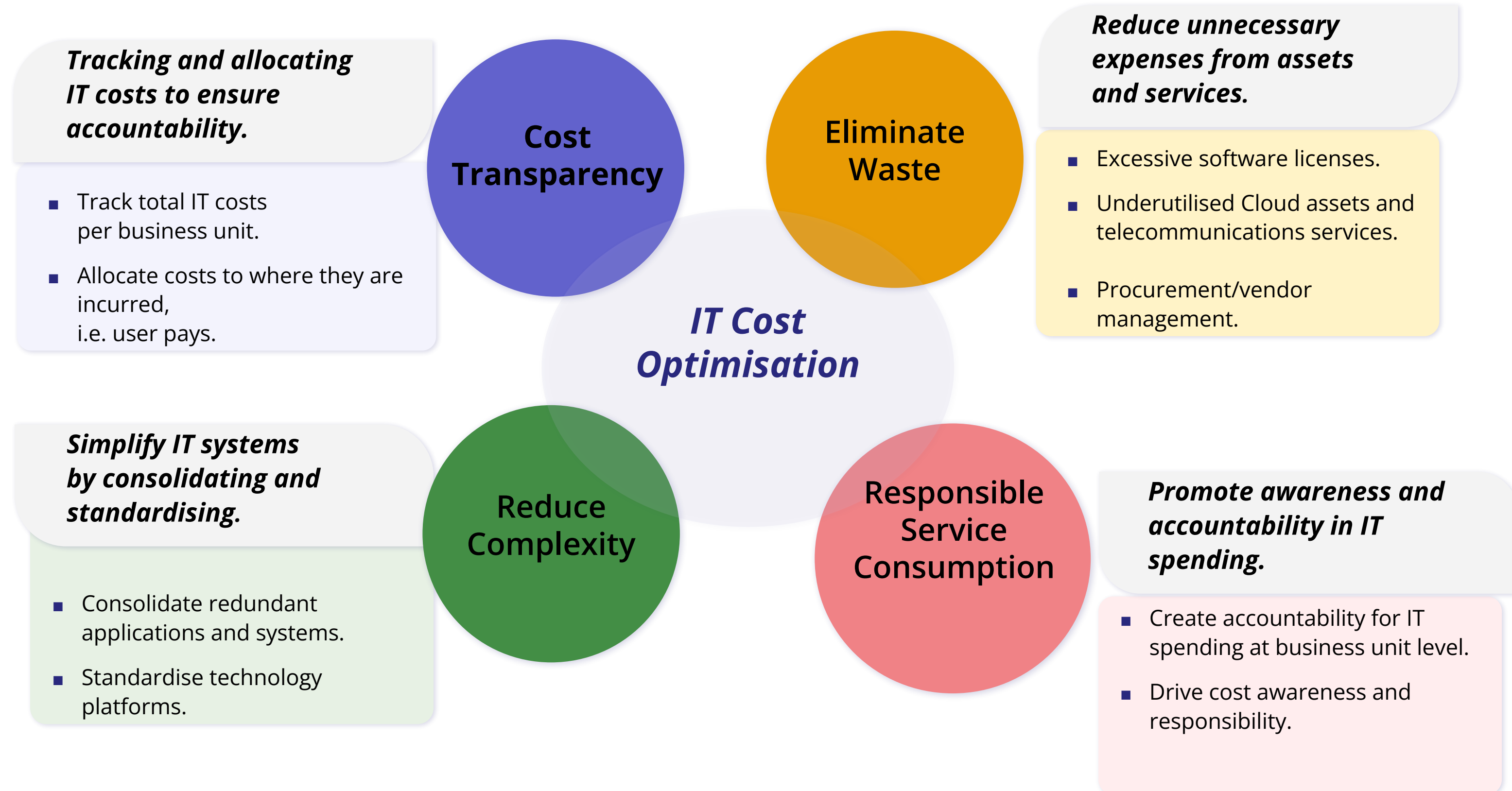- Must be broad and deep to be sustainable
- Significant change management

- Planned/programmatic
- Structured Improvements
- Business partnership
- Sustainable

- Requires executive commitment and focus.
- Processes must be executed regularly i.e. not once off.

# The Four Pillars of Strategic Cost Optimisation

**Cost Transparency**

**Eliminate Waste**

**IT Cost Optimisation**

**Reduce Complexity**

**Responsible Service Consumption**

***Tracking and allocating IT costs to ensure accountability.***

- Track total IT costs per business unit.
- Allocate costs to where they are incurred, i.e. user pays.

***Reduce unnecessary expenses from assets and services.***

- Excessive software licenses.
- Underutilised Cloud assets and telecommunications services.
- Procurement/vendor management.

***Simplify IT systems by consolidating and standardising.***

- Consolidate redundant applications and systems.
- Standardise technology platforms.

***Promote awareness and accountability in IT spending.***

- Create accountability for IT spending at business unit level.
- Drive cost awareness and responsibility.

# Focus Area – Applications and Cloud

*Application Portfolio (40-60 percent of budget)*

- **Optimise License Usage**

    - Review licensing models

    - Ensure true-ups are current

- **Manage Cloud Tenancy Assets**

    - Shut down underutilised environments

    - Optimise data storage tiers

    - Optimise network traffic based on usage patterns

- **Identify High-Cost Legacy Applications**

    - Plan application retirement or modernisation

# Focus Area – Infrastructure

- **Balance Cost Reduction with Reliability and Performance**

  - Hardware lifecycle management

  - Device Audits

  - *Sweat* existing assets while managing risk

  - On-premise data centre optimisation

  - Evaluate cloud service opportunities

  - Network architecture efficiency

  - Telecommunications costs review/benchmarking

# Focus Area – Vendor Management

- **Proactive Vendor Management Beyond Initial Contracts**

    - Regular contract review and optimisation

        - Mid term reviews

        - Lock in cost discounts with extended terms

    - Elimination of redundant services

    - Actively manage contract renewals

    - Vendor consolidation

    - Service level optimisation

# Focus Area – Resourcing

- **Often the Largest Category of IT Spending**

  - Requires  balance  of maintaining capabilities with cost efficiency

  - Review Contractor usage and cost
    - Contractor can fill resources or skill gaps…. but are expensive
    - Balance internal vs. external resources

  - Review resource utilisation and allocation
    - Architecture?
    - PMO?
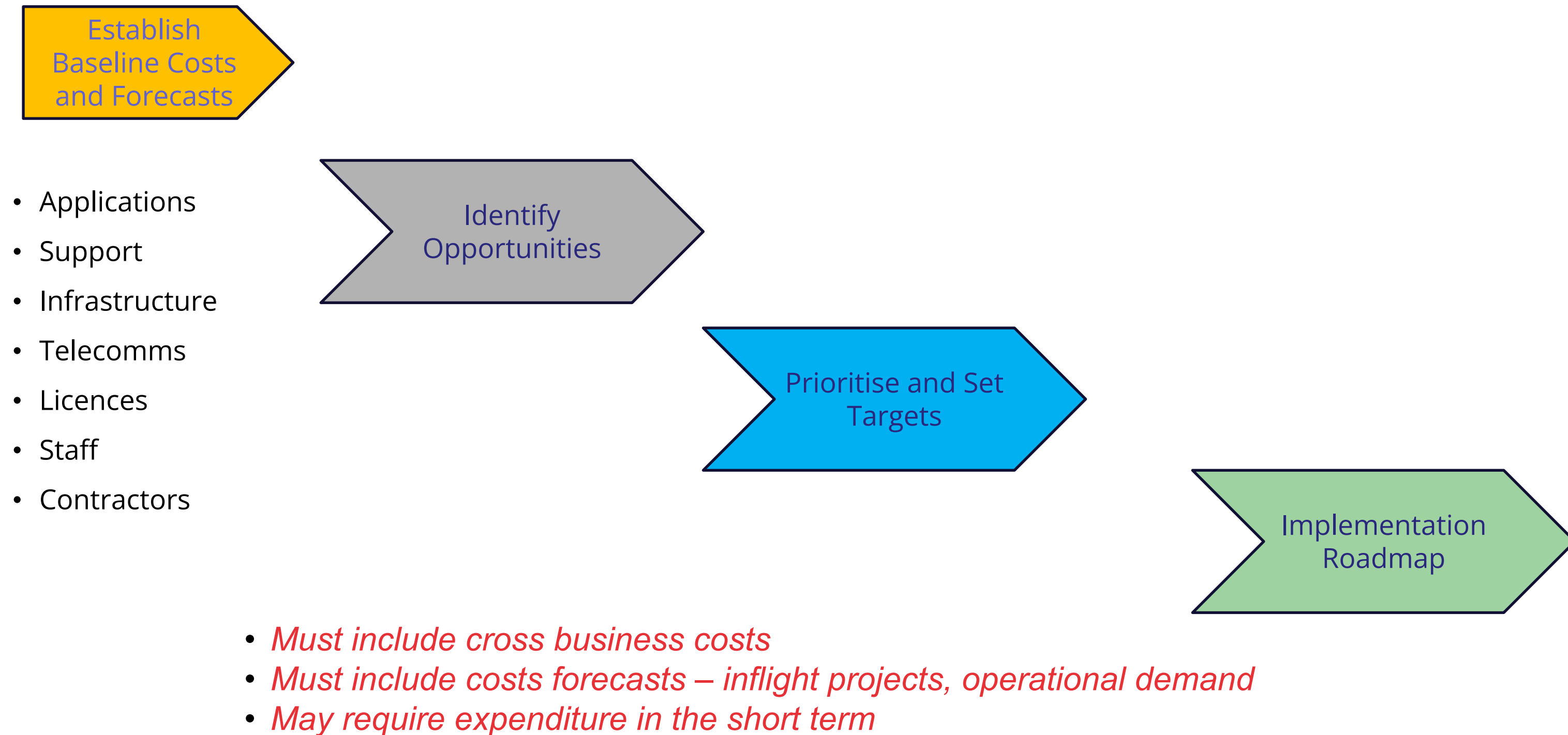    - Service desk?

  - Consider strategic sourcing

*….. Can be very challenging to execute!*
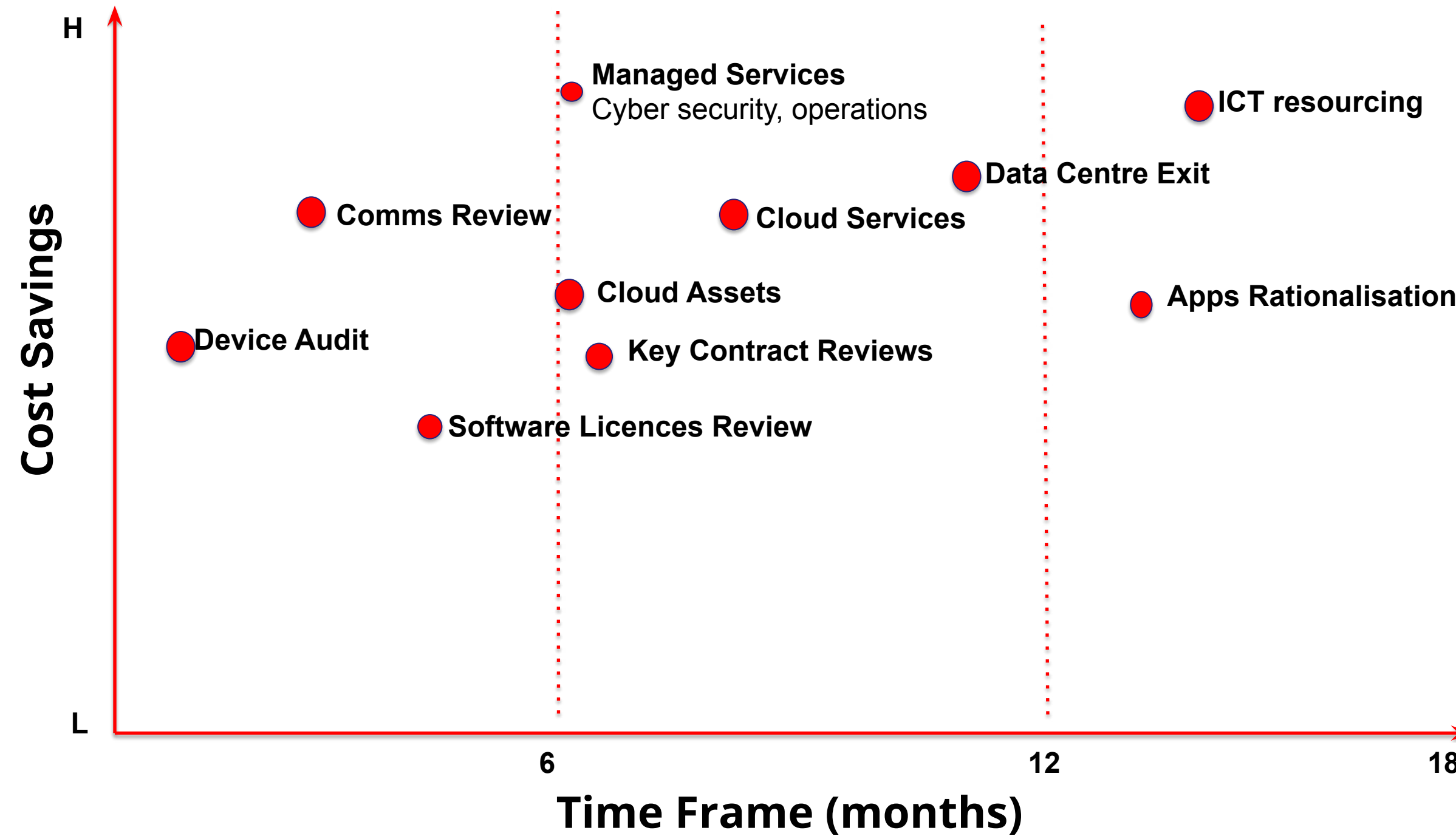
# Adopt Some Key Principles

- **Reduce, Don't Freeze:** Aim for permanent reductions.

- **Deliver Some Quick Wins:** target unspent expenses and other uncommitted costs.

- **Address Both OpEx and CapEx:** consider total cost implications.

- **Be Proactive:** Rather than being forced into cost optimisation.

- **Adopt:** a cost optimisation mindset.

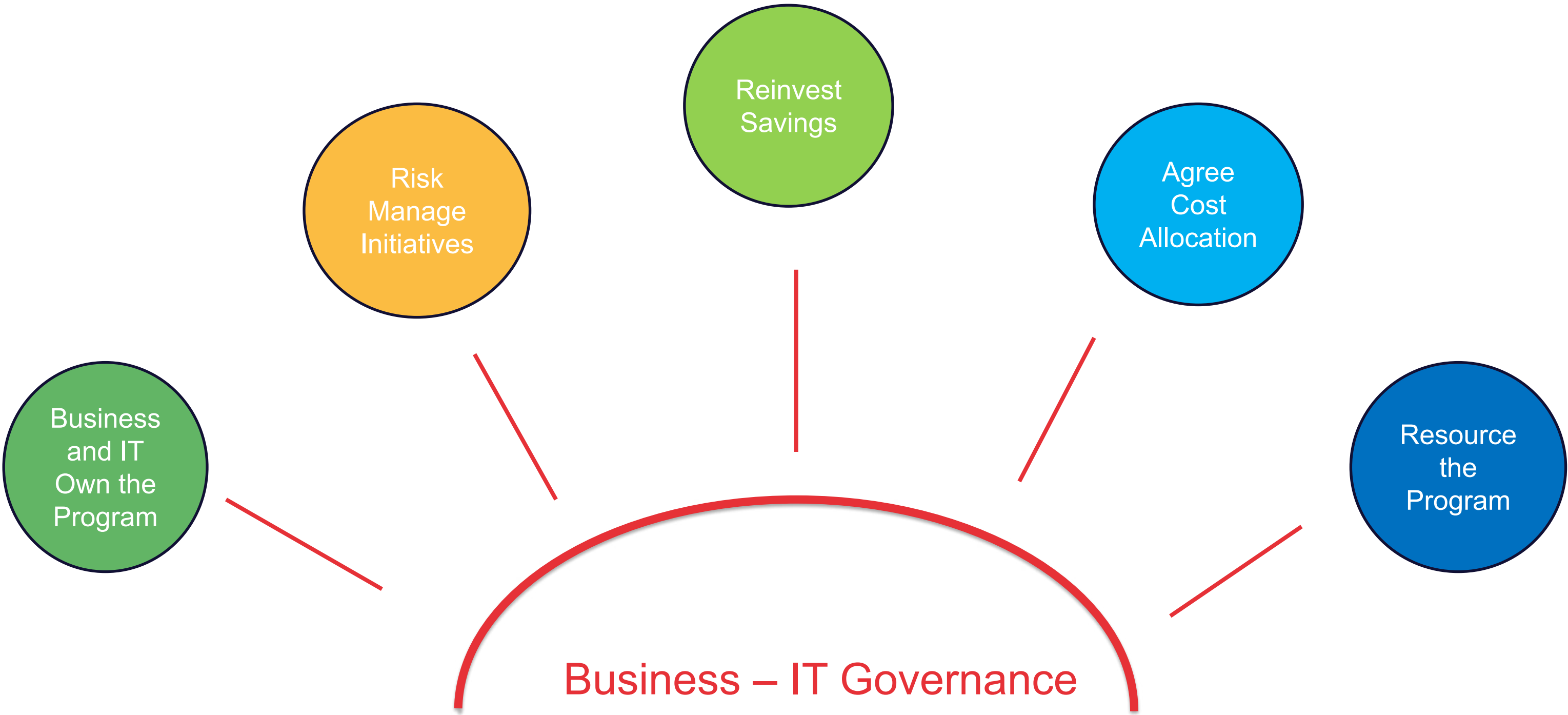- **Measure and Promote:** cost savings.

# Critical Success Factor:  Planning the Program

**Establish Baseline Costs and Forecasts**

- Applications
- Support
- Infrastructure
- Telecomms
- Licences
- Staff
- Contractors

**Identify Opportunities**

**Prioritise and Set Targets**

**Implementation Roadmap**

- *Must include cross business costs*
- *Must include costs forecasts – inflight projects, operational demand*
- *May require expenditure in the short term*

# Cost Optimisation Program

Managed Services
Cyber security, operations

ICT resourcing

Data Centre Exit

Comms Review

Cloud Services

Cloud Assets

Apps Rationalisation

Device Audit

Key Contract Reviews

Software Licences Review

H

L

Cost Savings

6    12    18

Time Frame (months)

# Critical Success Factor : Joint Business –IT Governance



Reinvest Savings

Risk Manage Initiatives

Agree Cost Allocation

Business and IT Own the Program

Resource the Program

Business – IT Governance

*Support of CFO is critical*

*Q & A*

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*Submit an inquiry* or *schedule
a whiteboard session*

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