REDUCE IT SPENDING: 5 TIPS FOR ENTERPRISE IT



The amount of IT spending in the enterprise segment has grown significantly in recent years. Gartner estimates that the annual worldwide IT spending will reach an all time high of $3.7 trillion in 2018, at a 6.2 percent increase from last year as we analyzed in a recent BMC blog post on IT spending trends. The sharp increase is not attributed to the rising cost of IT or losses associated with technology investments. In fact, the IT industry continues to align with the Moore's Law of technology growth and development. The Law suggests that the processing capabilities – or number of transistors on a silicon chip – double every 18 months. And as a result, improvements in technology are matched with price reductions. Yet, many organizations fail to optimize their IT spending. Instead of leveraging technology as an affordable and viable business enabler, IT is sometimes seen as a cost center. Here are five tips to help your organization reduce IT spending and transform IT into profit centers.

(This article is part of our IT Cost Management Guide. Use the right-hand menu to navigate.)

1. Optimize HR Investments

Despite the growing dependence on technology, the workforce is the greatest asset for any organization. Making the right decisions regarding hiring and employee retention is therefore critical to drive costs down, increase productivity and operate as a profitable organization. For established companies, hiring fresh graduates and nurturing their talent among expert professionals at the workplace is a proven way of reducing total long-term cost of HR. Hiring and firing experts is a costly process considering the administrative burdens, compliance issues, direct and indirect cost of searching, identifying and onboarding new employees as well as the business opportunity costs associated with making the wrong decisions. Additionally, it pays to compensate employees well,

since the cost of employee turnover can cost $150,000 per employee according to a recent research report. Understanding the true needs of the organization and suitability of potential candidates is therefore critical to eliminate these costs.

Organizations can also resort to outsourcing non-critical IT operations to low-cost skilled labor abroad. Engaging IT consultants on-demand is a common practice to fulfil unpredictable IT skills gap. However, it can also emerge as one of the most intractable management challenges. Successful entrepreneurs like Elon Musk address this problem by asking managers to justify consultant engagements or terminate consultant contracts that draw projects for unnecessarily prolonged periods of time.

2. Strategize Cloud Investments

For small and midsize business organizations, trading high IT infrastructure CapEx with affordable ongoing OpEx is a viable approach to conserve IT budget. Instead of having to spend on IT infrastructure deployments merely to keep data centers alive, SMB firms can invest in subscription-based cloud infrastructure solutions and save the costs of installing, running, managing, securing and upgrading the technology on an ongoing basis. For large enterprises, investing in dedicated data centers may offer a lower total cost of ownership (TCO) especially since they have the necessary IT expertise available in-house and cloud may not be the most viable option as Dropbox recently figured out. A strategic approach to cloud investment is therefore critical in deciding between on-site IT data centers and cloud-based infrastructure solutions. The right answer varies based on the tech, business and legal requirements of the organization as well as the future outlook in terms of IT needs, costs, performance and security demands as well as business growth.

In terms of software solutions, cloud computing lets organizations of all sizes and industry verticals achieve faster time to value, automate cost and time-intensive manual processes and improve operational efficiencies. Using commercial off the shelf Software as a Service (SaaS) helps reduce infrastructure and HR costs as organizations don't have to develop and maintain the technology solutions in-house.

3. Go Open Source

Relying on proprietary cloud solutions may trap organizations into vendor lock-in, preventing them from investing in cost-effective alternatives in the future. Going open source reduces these limitations since the technology functionality is provided by multiple contributors instead of individual vendors. Open source providers typically don't seek direct financial rewards and are therefore not inclined to force end-users into a lock-in situation. The technology is developed and maintained by multiple software developers, which enables faster detection and resolution of security flaws and performance issues. Organizations using open source are also free to modify the technology to address unique IT needs. As a result, organizations have the flexibility to leverage the technology to their advantage and avoid the legal ramifications that prevent them from optimizing IT investments.

4. Transform IT through DevOps

DevOps is all about speed and continuous improvements. DevOps adds value through continuous testing, continuous integration, continuous delivery, deployment and release. Continuous IT

processes enable organizations to calibrate their IT in favor of business growth on an ongoing basis. For instance, continuous testing helps identify software defects fast and early, before the impact spreads across the project and forces rework, project extensions and IT budget overhead. Continuous deployment, delivery and release allow organizations to push improvements to the market on an ongoing basis, allowing them to make the most out of their IT investments with every development sprint.

DevOps enables collaboration, integration and automation in otherwise siloed IT environments. DevOps instigates a cultural change that lets Devs, Ops and QA teams work collectively toward common objectives. Teams operating with cross-functional responsibilities, effective communication and fruitful collaboration are better positioned to transform IT cost centers into profit centers. By anticipating and reacting to failures faster and working to deliver feature improvements to end-users on a continuous basis, organizations waste less IT budget on overcoming IT project hurdles and devote more resources to create true business value.

5. Prepare to Fight the Cost Centers

Cost-cutting measures are not all about choosing the most affordable technologies and resources but should also focus on reducing the cost impact of unforeseen circumstances. For instance, investing in security solutions and redundant cloud infrastructure help protect sensitive business information and keep systems alive in event of data center downtime. Improving organizational culture, governance policies and employee satisfaction efforts help eradicate the malpractices of Shadow IT, boost employee morale and reduce the chances of employees going rogue against the organization.

Fighting these cost centers may incur additional investments but the long term financial returns and low risk of financial losses help organizations reduce the overall IT spending necessary to operate as a profitable business.