

How To Improve Technology Use Without Capital

There is a general trend to challenge IT spending, with static or declining budgets – the days of throwing money at technology are gone, as it often missed. This article introduces the ways you can sweat the assets you already have. Drawing on best practice and years of experience, Martin Tate shows the way to improve facilities without going to the Board for more capital.

Spending on information and communications technology (ICT) is subject to boom and slump. There is also a trend to challenge spending, with static or declining IT budgets.

Your situation

You need to improve value for money, by sweating existing technology assets, if the following apply.

- You face static or declining IT budgets or spending – so you must maintain or *improve* facilities without going to the Board for more capital.
- You have poor contracts that you need to renegotiate.
- You do not fully exploit the technology you already have (like most organisations).

Project management & sponsorship

To encourage acceptance of the changes, and to collect knowledge from the organisation, it is important that business managers, not the IT department, control the project. Select a project sponsor and a project control board (PCB).

General guidelines

Some example areas for improving technology use are: standards and processes; technology contracts; IT staff costs; controlling support costs; controlling software costs and decommissioning unjustified IT.

Additional techniques apply to common business applications, plus there are brand-specific trends like downsizing from premium products.

Process improvements

Most process improvements don't involve capital. You already have the resources – people to reallocate to execute the project and then to use the improved processes.

Process improvements generally improve quality and – done properly – benefit staff motivation.

Standards & processes

The majority of technology costs are incurred after the purchase. However, the effort often goes into 'the project' (the capital spend), and many organisations do not monitor the cost of IT quality.

- For instance, the cost of downtime or of 'hidden IT support' when users stop their normal job to help colleagues.

If you have such records, use root cause analysis to find the most expensive fixes. If you do not monitor such aspects, consider starting now. Future decisions are likely to be very different if informed by the true costs.

There are many sources of best practice, and various methods for improving processes, quality and value. As part of your review, you should investigate: Benefits Delivery, Capability Maturity Model for Software (CMM-SW), CobIT from ISACA, EFQM, ITIL from itSMF, Lean and Six Sigma.

These will take time, but are likely to yield significant savings. Not all the techniques here are 'quick fixes'.

Many organisations limit themselves to a conventional view of exploiting IT as 'go on a course'. Then cut training budgets when things are tight.

Seq N°	Task Name	Sour	Hyperlink	Addr	Org Type	Interv
44	3					
66	4					
78	5					
111	6					
114	7					
121	8					
201	9					
202	9.1					
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223	11					
230	12					

Figure A – Example checklist to find savings

Technology contracts including outsourcing

Reviewing contracts is boring, so rarely done, especially by technicians who like ‘getting stuff working’. However, you probably have contracts that don’t feel right, and are worth checking.

If IT staff are short of capital budget and therefore projects, they should have more time for activities that require time but no money.

One basic technique (if uninspiring), is to check your bills for unnecessary charges – such as maintenance for items now disposed.

A trend in the 1990s was for outsourcing. The traditional motivation was cost reduction, but recent studies show this is rarely achieved.¹ Therefore, you must be careful before committing to outsourcing. You may even need to renegotiate your outsourced IT.

IT staff costs including training

Save training costs with self-study material. This is usually cheap enough to be funded from revenue rather than capital budgets.

Selecting carefully from vendor presentations can provide a free training resource.

Organisations may limit themselves to the conventional view of learning to exploit IT by ‘going on a course’. Then cut training budgets when things are tight. There are other ways to distribute learning, such as getting ‘power users’ to embed knowledge in templates. You can also improve skills, transfer best practice and raise productivity by internal cross-training secondments.

Save IT recruitment costs with a database of candidates and a referral scheme.

Many organisations renegotiate rents to reflect changes in the property market from buoyant to depressed. Similarly, after consultation, it may be possible to cut contractor rates. Although a knotty issue, it’s better to grasp the nettle than over-pay in the short term, then lay people off.

¹ Gartner – Forming Effective Sourcing Partnerships, 2003.

Controlling support costs

The self-service model is well established in many areas – witness the queues at bank cash-points. You can apply it to some IT activities.

If you already have a company Intranet, it *must* have an FAQ document or pages for fixes to common problems.

- Refer people to it before committing labour-intensive means of support.
- Be careful customers vet it, so the language is effective. Word it in terms of symptoms and solutions (rather than necessarily explaining *why*).

If you don't have an Intranet, you may simply set up a shared folder for self-service support such as company help and reference files. Publicise the folder name and ensure the documents have names to reflect the content.

Controlling hardware & software costs

Review licences for over-licensing – paying for more copies than you use.

Consider shareware and freeware for inexpensive facilities.

Learn as much as you can about the 'supplier landscape' (McKinsey). When negotiating or renegotiating, you can win bigger discounts when the market is in recession, and at the end of a supplier's quarter or financial year.

There are also trends specific to brands. Many manufacturers specifically target premium brands. They position hardware and software to encourage customers to 'downsize' to their equivalent. If you have an active kit replacement programme, consider diverting funds to the 'premium killers'. Some of the larger brands also have discreet outlets for 'shop soiled' kit.

Common business applications

IT systems are some of the most sophisticated devices ever created.

Yet we typically expect people to just know how to use them. For instance, MS Office is one of the most heavily used applications, and affects many people's productivity for many hours per day. Ignorance is costly and inexpensive to fix. Office is extremely well supported with books and web-based training (WBT), with some material free as a promotion.

Decommission unjustified IT & data

Classify your business activities according to a simple low/high framework for cost, and information content.

Your IT systems should be directed at business functions that are high in both.

Any systems supporting areas that are low in cost and information are possibly unjustified. You should consider switching them off and reverting to manual processing, or contracting them out.

For instance, if you maintain your own procurement system solely to analyse purchase patterns (to identify trends and savings), this can now be 'farmed out' as a specific application.

Determining priorities

Some improvements will be quick and easy to implement, while some will take more time and effort.

Some improvements will deliver small benefits quickly, some will take longer to bear fruit.

Plot the planned improvements on a two-by-two matrix of easy/hard to implement and sooner/later benefits.

Start with those changes that are both easy and yield benefit sooner.

- In change management jargon, these are the 'low hanging fruit'.
- If you make these changes, first, it will help convince people change is possible and may also yield cash savings that can be used to fund the more difficult (but possibly more beneficial) changes.

Your IT systems should be directed at business functions that are high in both cost and information content

Our service

We developed our value surveys for organisations and business cycles where capital spending is frozen.

Figure A shows a fragment from our 'more for less' IT value checklist. Against each item there is an organisation type (if the technique gives particular benefit to some industries or types) and an interviewee type.

After orientation and question selection, a short burst of structured interviewing is driven by our checklist, which collects reported (but previously fragmented) best practice on savings and improvements. This list currently exceeds 350 entries.

We will interview between 3-8 people in your organisation, over 1 or 2 days.

Because our structured interviews are driven by best practice, we have a menu of recommendations for various situations and can efficiently select the most appropriate course of action.

Our Recommendations Report guarantees to find at least 10 changes to improve the effectiveness or efficiency of your technology and *not* involve new capital requests, since improvements will exploit existing assets, or current budget provisions, or be self-funding.

Further information

If you were passed this article, the PDF original is available on the *Resources* page at www.itevaluation.co.uk.

That page also has links to itSMF, HPO and CobIT.

For more information on our checklist-based value reviews, see the *Value* (more-for-less) page at www.itevaluation.co.uk.



IT Evaluation advise blue-chip boards such as Castrol, DaimlerChrysler, LEGO & Turtle Wax. They specialise in improving IT management processes, especially service management, technology value and ICT procurement. Contact Martin Tate with queries on this article or for more information.