



How To Reduce IT Costs



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ITFM | FINOPS | SHARED SERVICES

ENTERPRISE FINANCIAL MANAGEMENT



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Experience

- Over 25 Years of IT Financial Management (ITFM) & industry experience
- Former CIO, COO & IT Financial Director
- Former EY ITFM Service Leader
- Recognized ITFM Thought Leader
- Leading presenter & contributor to the ITFM industry

Education

- West Point – USMA, BS – Engineering
- Columbia University – MBA

Areas of expertise

- ITFM & TBM
- Telecom & Infrastructure
- Cost Optimization
- Program Management
- IT & Digital Transformations
- IT Service Management

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What's in a
Name?



01. Cost Centres

Cost Centre	Actual
Technology	33,665K
Information Security	90K
Technology Management/Administration	107K
Technology Executive/Management	402K
Data Centers	739K
Application	801K

02. Cost Pools

Cost Pool	Actual
Outside Services	10,897K
Internal Labor	8,263K
Software	7,608K
External Labor	3,058K
Hardware	2,508K
Telecom	928K
Facilities & Power	739K
Other	90K

03. Component Towers

Tower	Actual
Data Centre	1,887K
Enterprise Data Centre	1,380K
Other facilities	157K
Total	1,887K

04. Towers

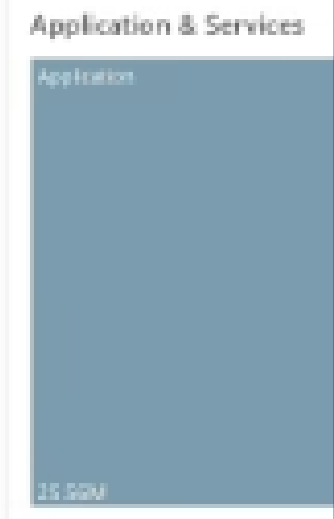
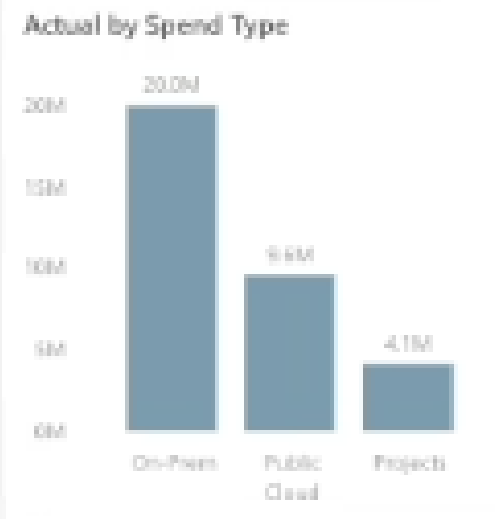
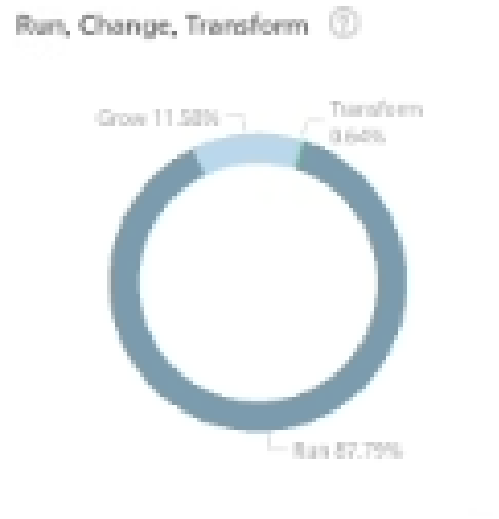
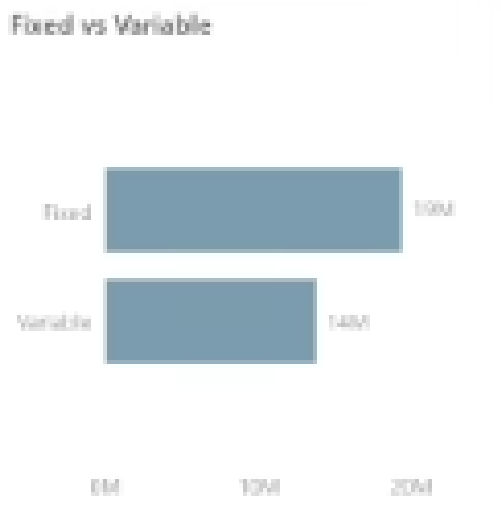
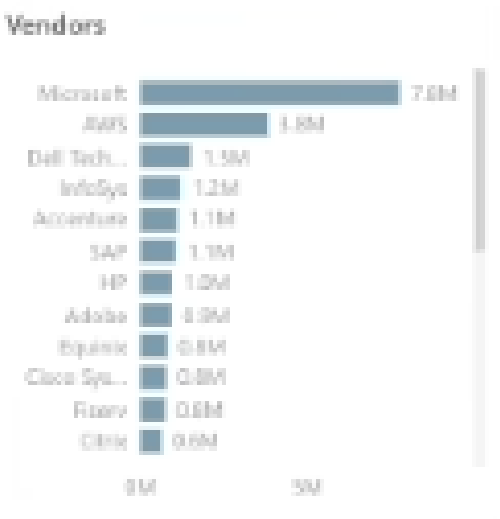
Tower	Actual
Compute	8,220K
End User	7,463K
Application	5,951K
Storage	4,816K
Platform	2,116K
Network	1,888K
Security & Compliance	1,451K
Delivery	1,016K

05. Solutions

Application Name
Client Computing
Terenos T24
Orange Trading
Finacle
Databricks
Fidessa
Mobile Banking
Salesforce



We Provide CIOs And Their Stakeholders With A Unified Approach To Enterprise Financial Planning



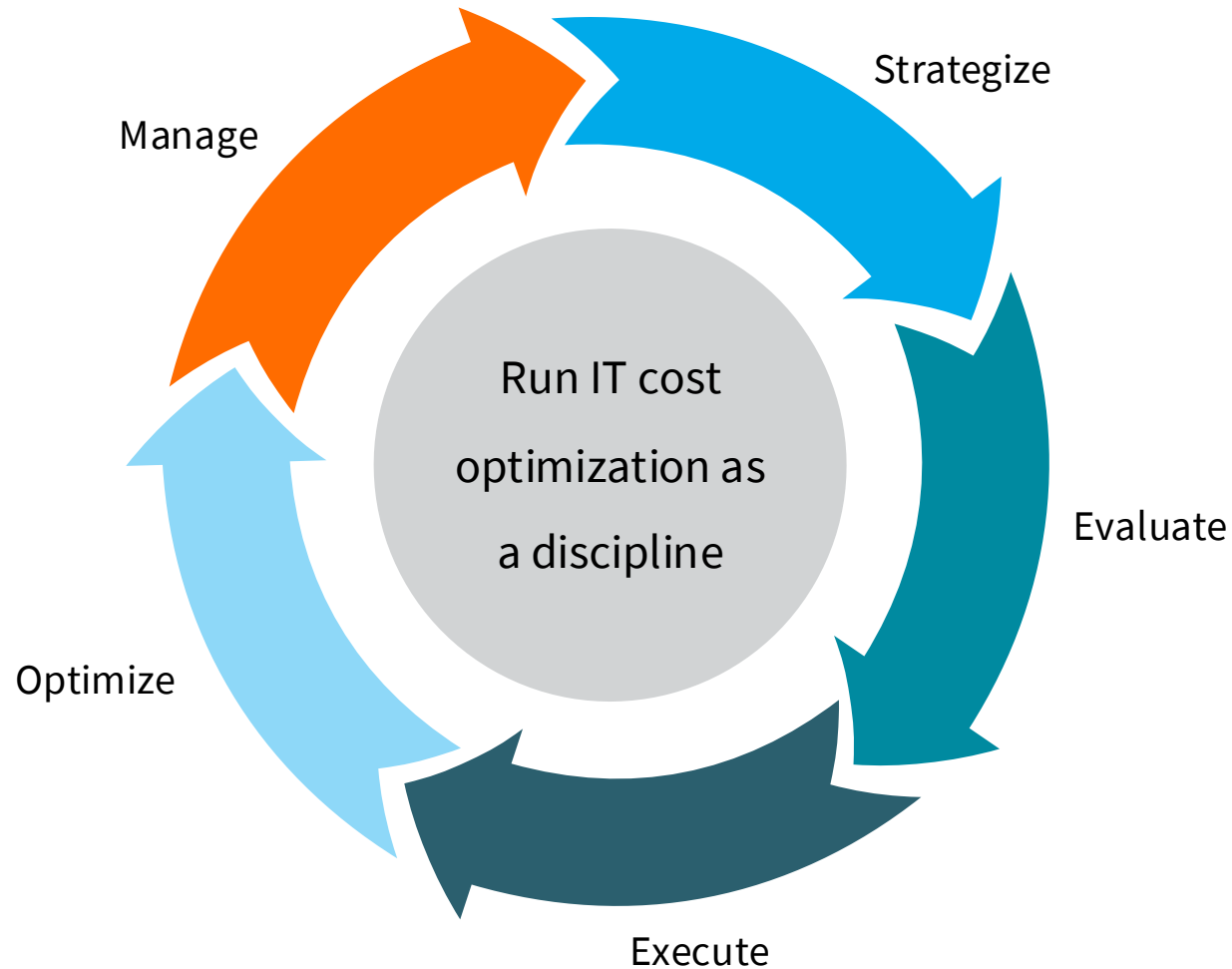
HOW TO REDUCE IT COSTS

The Case for ITCR

Realizing and sustaining technology enabled competitive advantage requires organizations to understand the true cost of IT services, effective identity optimization levers and rapidly redirect efficiencies into strategic business initiatives.

Margin Pressure	<ul style="list-style-type: none">▪ Growth plans mix aggressive cost management measures▪ Back-office cost control to ensure lean growth▪ Need for sustainable cost management
Budget Control & On-going Scrutiny	<ul style="list-style-type: none">▪ Do more with less▪ Expectation for better, faster and cheaper services
Transition to Shared Services	<ul style="list-style-type: none">▪ Sourcing model realignment▪ Continuous improvement of back-office processes▪ Realize savings and benefits from centralization
Pre/Post-Acquisition or Divesture	<ul style="list-style-type: none">▪ Improve transaction value▪ Release and store cash for acquisition/divestiture▪ Consolidate and streamline all services
Investor & Board Expectations	<ul style="list-style-type: none">▪ Pressure to decrease funding in existing initiatives▪ Clarity in return of IT spend▪ Spend stewardship

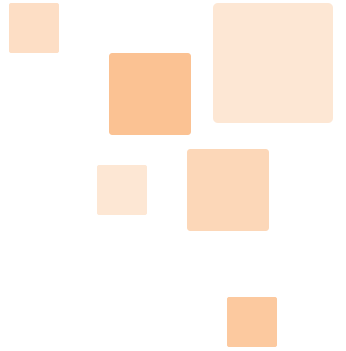
Cost Optimization Is Not A Project



...it's a discipline

1. Establish the baseline
2. Identify opportunities
3. Develop strategy and execute
4. Measure and track results

Change The Conversation



From

- Why are you so expensive?
- Why do you dictate the technology or services I have to use?
- I have no idea if my Shared Services spend is in line with business strategy.

To

- I understand my Costs and what is driving them.
- Am I using the best options and what alternatives do I have?
- I need to invest more in change initiatives.

Leading With A Business Mandate

- **Let business lead IT** – align IT priorities with business strategy
- **Aim for efficient spending** – budget optimization is not correlated with size of the budget
- **Develop a finance capability within IT** – reinforce business accountability for technology investment and demonstrate value over time
- **Centralize technology spending** – centralize the allocation & prioritization of total technology spend, reduce risk and avoid expensive integration
- **Adopt a portfolio approach** – communicate performance in terms of value, risk and reward



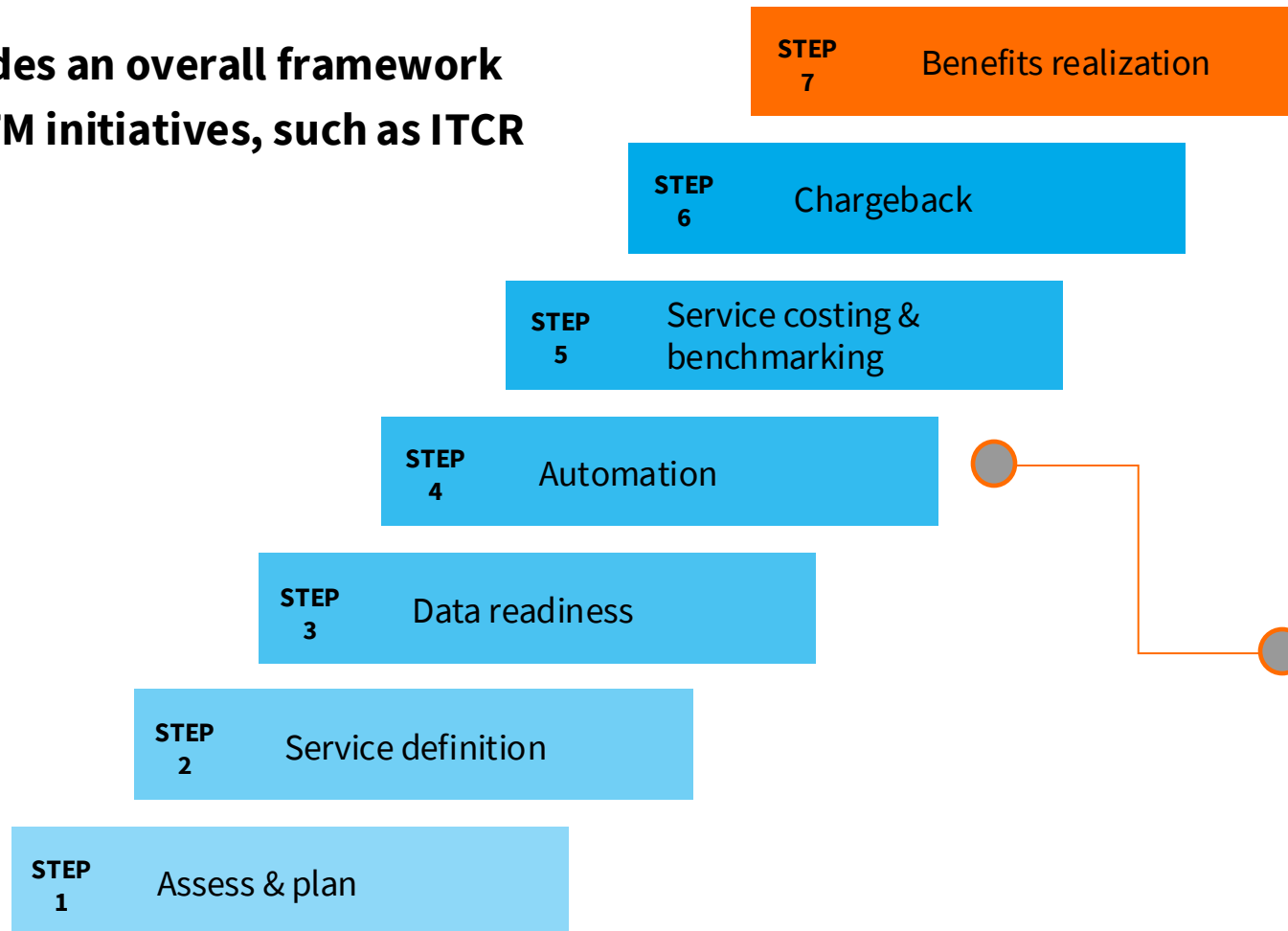
HOW TO REDUCE IT COSTS

MagicOrange ITFM Pathway to SuccessSM

The ITFM Pathway provides an overall framework for pursuing multiple ITFM initiatives, such as ITCR

Framework Benefits

- Transparency
- Cost efficiency
- Customer Satisfaction



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Highly Granular Bill of IT
Showback / Chargeback Modeling
Compare across business lines

You should leverage an ITFM platform as part of any ITCR project

- ✓ Data ingestion
- ✓ Analytics and reporting



Benefits Of ITCR *IT savings potential based on appetite for change*



Potential Savings
<10% of IT spend

Baseline Change

- Non-discretionary and discretionary spend is not prioritized and minimized by influencing both supply and demand of IT services
- Inefficiencies found in organization structure, IT procurement, telecommunication, and projects
- Numerous vendors with independent contracts and no spend rationalization

Potential Savings
10- 20% of IT spend

Fundamental Shift

- Continue to provide IT services without cost and service level considerations
- Rigorous project portfolio management does not exist or not followed consistently
- Service or maintenance contracts are not revisited on a regular basis for optimization
- Redundant applications and lack of common enterprise-grade ERP system

Potential Savings
>20% of IT spend

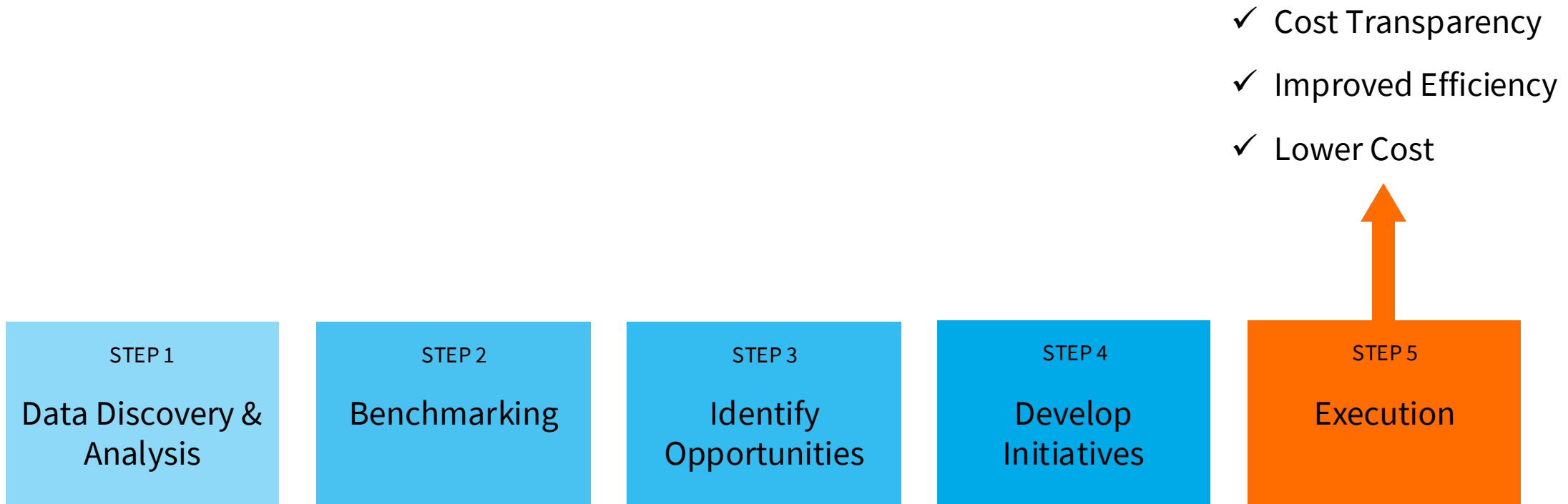
Transformation

- Inefficient deployment of human capital
- Not making use of sourcing majority of IT services from lower-cost countries
- Significant gap between depth and breadth of IT services and the demand
- Service risk and cost are not aligned with business needs

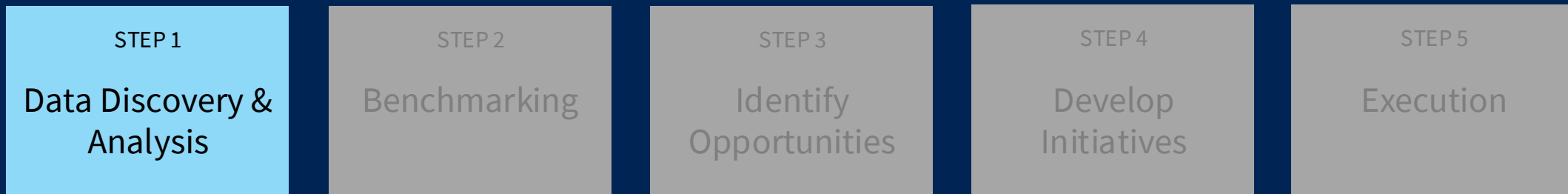
HOW TO REDUCE IT COSTS

Approach

The ITCR Pathway provides a clear and easy to follow path to enable the identification and delivery of cost reduction opportunities, and a roadmap to capture those savings



ITCR Pathway Step 1



STEP 1 DATA DISCOVERY & ANALYSIS

Data Analysis

View data through a cost lens to identify opportunities in people, process & technology

Assessment Areas

People

- Organizational structure of the Enterprise
- Headcount of IT employees (including applicable agencies)
- Headcount of contractors / contingent workers (including applicable agencies)
- Roles and responsibilities of key IT managers and leaders

Process

- Financial management processes that are used to manage and report IT costs
- Service delivery processes
- Application development and support processes
- Demand management by demand sources
- Project management process used to drive project execution including executive dashboard reporting

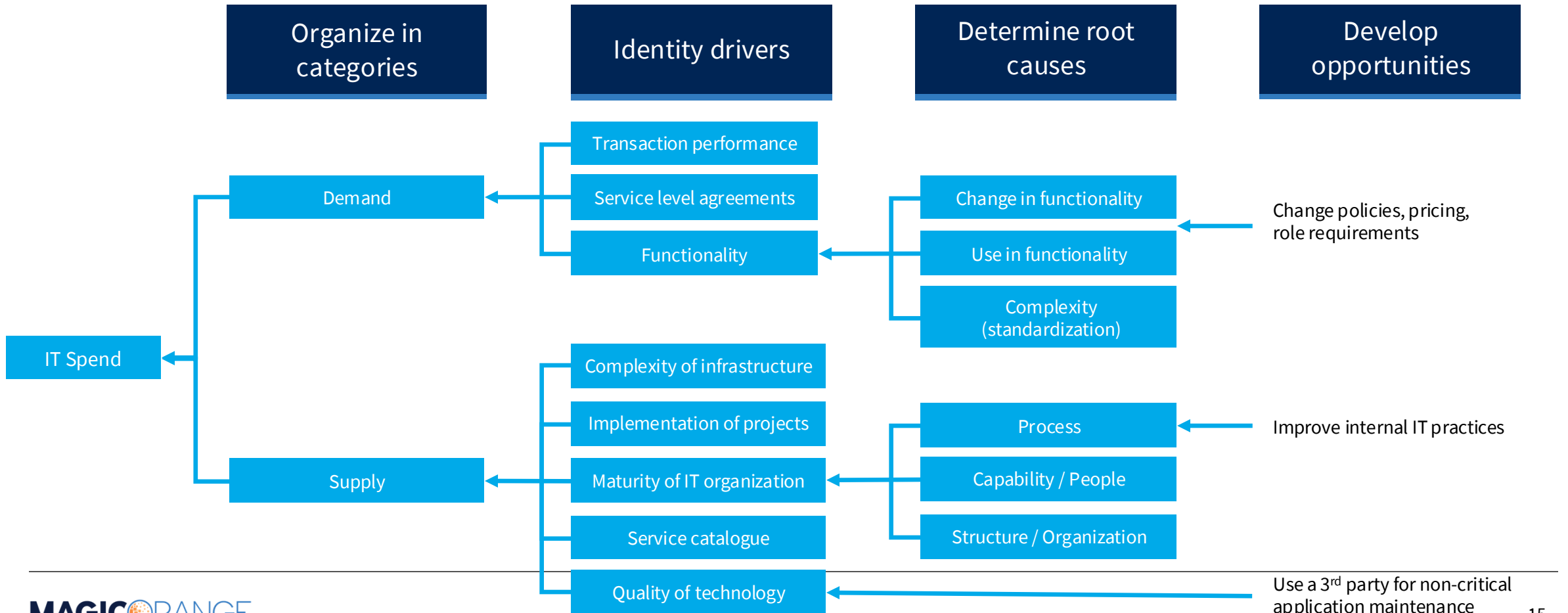
Technology

- Data centers
- Network operations centers (NOCs)
- Voice and data networks
- Compute platforms (mainframe, Unix, Windows/Linux, Cloud)
- Storage platforms (SAN, NAS, backup)
- Applications
- End user (PC, Print)
- Digital, Mobile, Analytics
- Review cloud strategy and rationalize cloud services and providers

STEP 1 DATA DISCOVERY & ANALYSIS

Data Discovery

To drive sustainable change, it is necessary to understand the root cause of drivers of IT spend

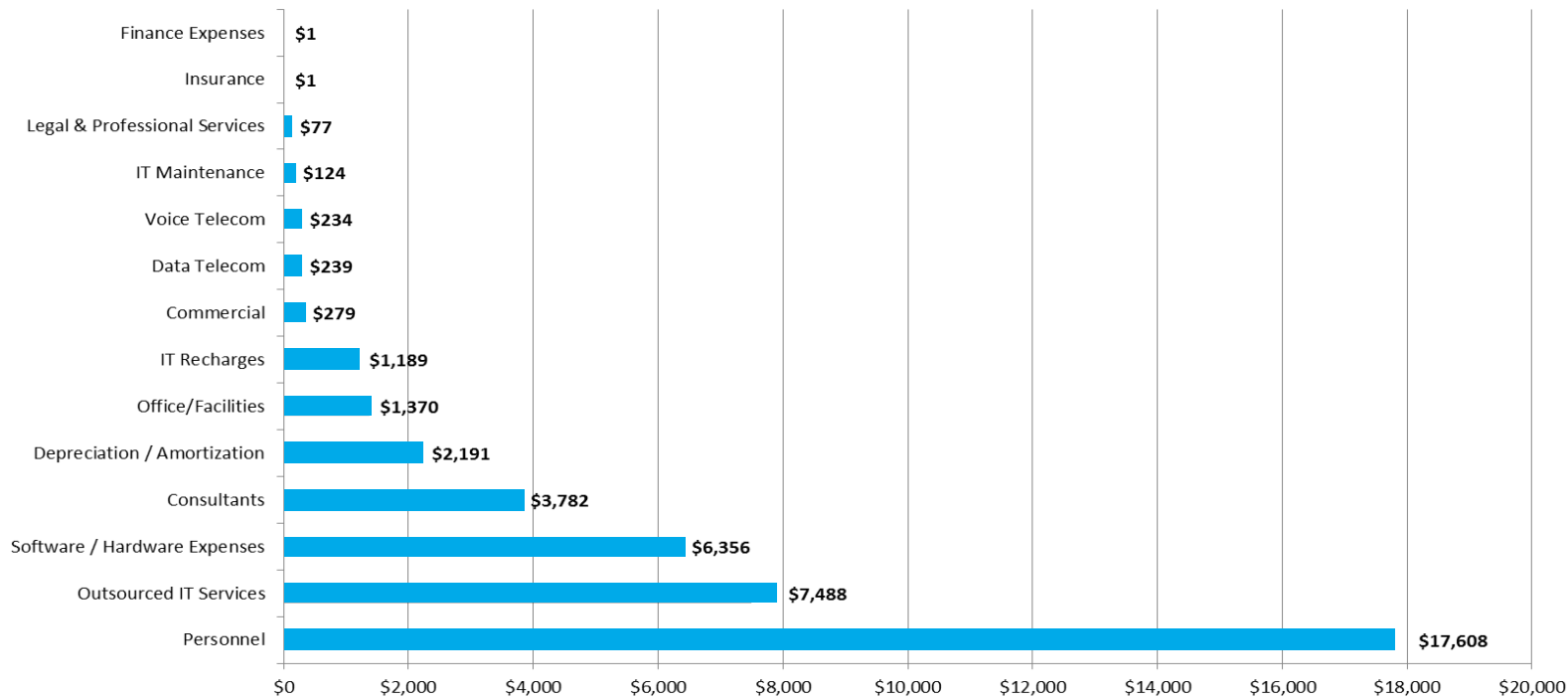


STEP 1 DATA DISCOVERY & ANALYSIS

Data Analysis - Example

Financial analysis by Opex accounts

Worldwide IT 2023 OPEX Categorized
(in thousands)



Using all 52 accounts and the total IT budget of **\$xx.xM**, it was then grouped into standard IT cost categories to facilitate further analysis. We analyzed each addressable category over \$200k, which represents 99% of the total budget, and is shown below and on the following slides.

STEP 1 DATA DISCOVERY & ANALYSIS

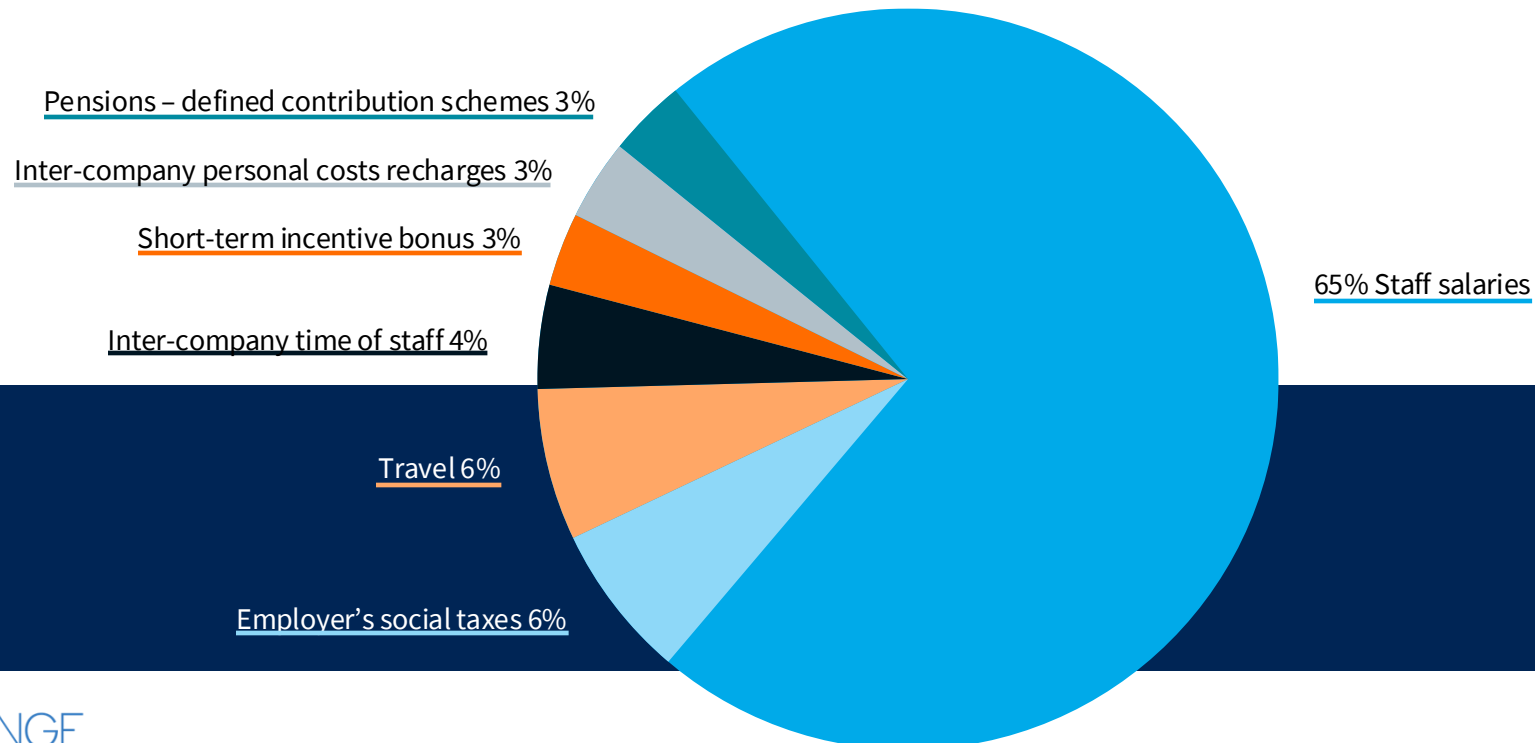
Data Analysis - Personnel

- The pie chart below represents 90% of the OPEX expenses included in the “Personnel” category (\$xx.xM).
- Client A - IT’s largest personnel expenses are:

1. Staff Salaries

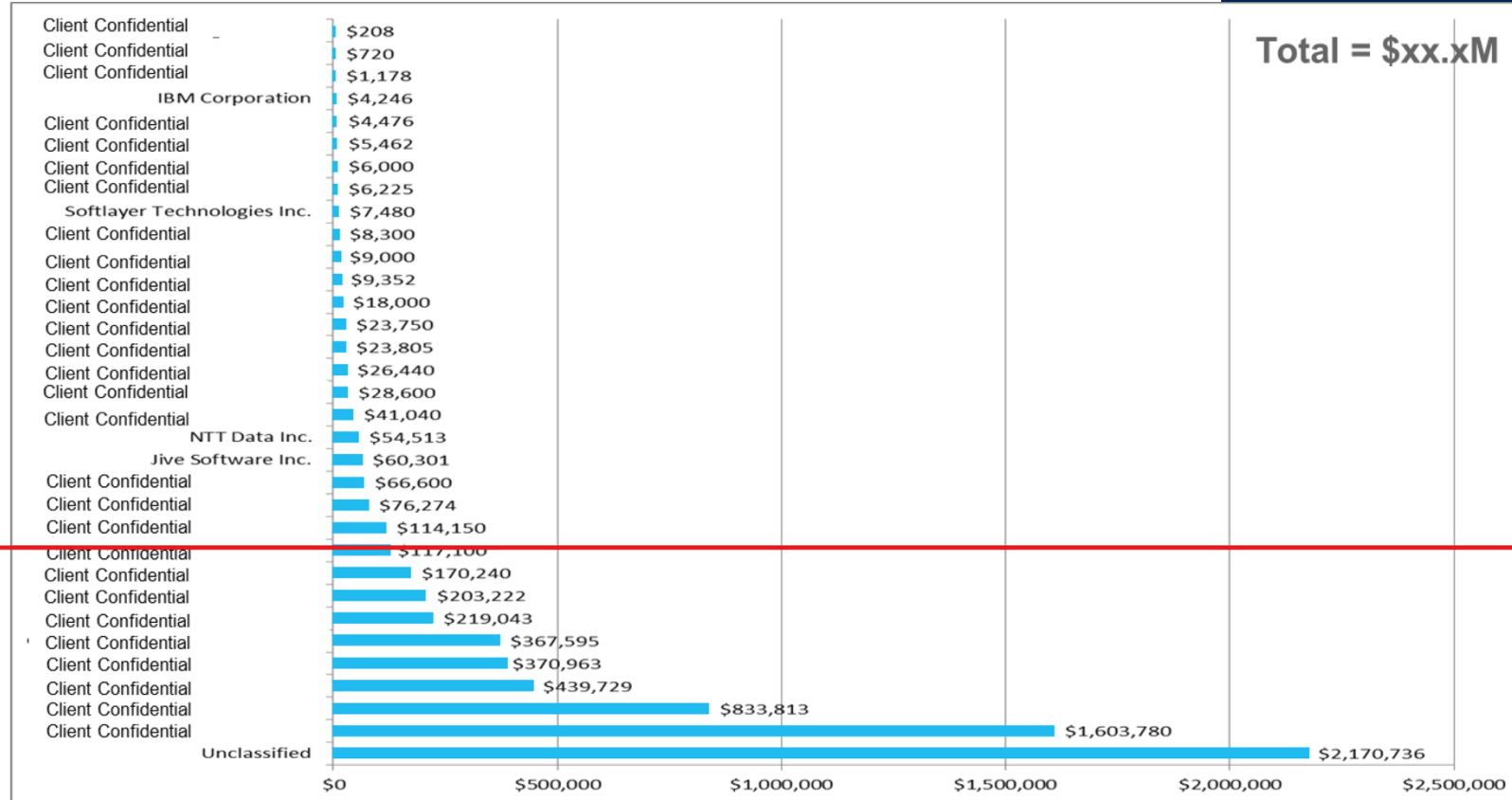
2. Employers Social Security Taxes

3. Travel



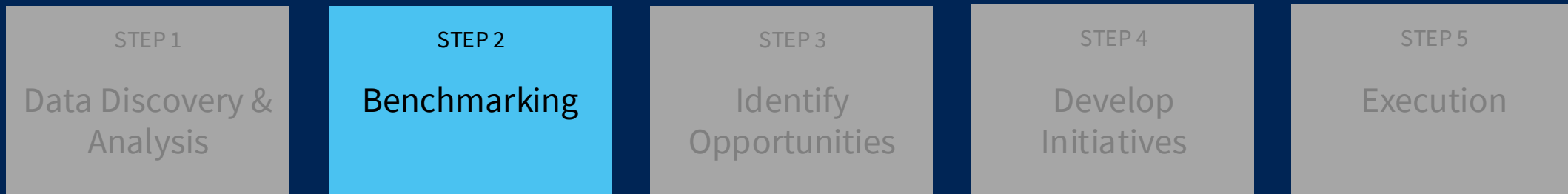
STEP 1 DATA DISCOVERY & ANALYSIS

Data Analysis – IT Outsourced



Client A utilizes 33 unique vendors for outsourced IT Service for a total expense of \$xx.xM

ITCR Pathway Step 2

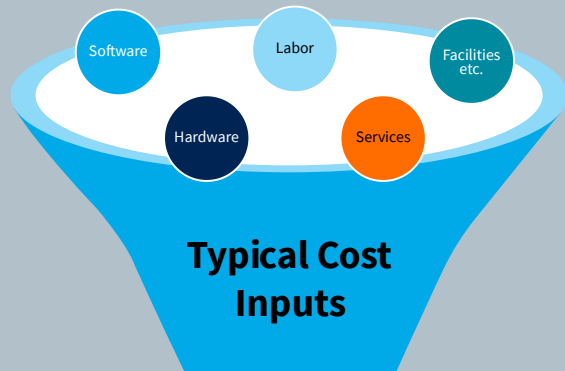


STEP 2 BENCHMARKING

Benchmarking

- IT is an art and a science
- Start with high level benchmarks (level 1) to determine if spend is too high
- Use multiple benchmarks to 'paint an overall picture' of spend
- Detailed domain level benchmarks are next step to confirm spending and staffing levels

Identify inputs and confirm metrics and data



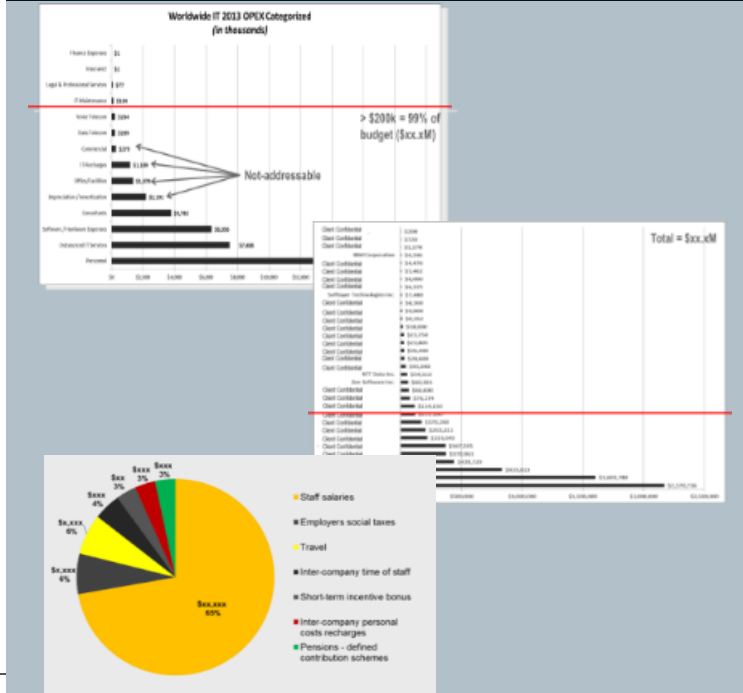
Considerations

- Data inputs are normalized to map to correct categories
- Data is aligned with available benchmark data

Generate summary level data in order to perform initial high level benchmarks

- 1 - IT Opex as % of total Opex and Capex
- 2 - IT Capex as % of total Capex and Opex
- 3 - Contractor % of IT org
- 4 - IT personnel as % of total employees
- 5 - IT Opex as % of total revenue
- 6 - IT Opex as % of total Opex
- 7 - IT Opex per employee
- 8 - % of personnel IT Opex

Data analysis from step 1 informs benchmarking



STEP 2 BENCHMARKING

Benchmarking

- Depending upon the results of the Level 1 benchmarks, moving to Level 2 benchmarking may be warranted
- As shown on the right, these additional benchmarks provide a comprehensive view on spending and staffing levels for the IT organization which can uncover additional cost reduction opportunities

Spend Distribution	
Run Spend	64%
Grow Spend	22%
Transform Spend	14%
Spend Distribution	
HW	15%
SW	22%
Personnel	43%
Outsourcing	20%
Staffing Distribution	
Finance, Governance, and Control	12%
Infrastructure Operations and Software Engineering	61%
Process and Technology Management	27%
Staffing Domain Distribution	
Data Center	16%
End-User Computing	11%
IT Service Desk	10%
Voice Network	4%
Data Network	5%
Application Development	22%
Application Support	20%
IT Management	7%
Finance and Administration	5%
Spend Domain Distribution	
Data Center	22%
End-User Computing	11%
IT Service Desk	7%
Voice Network	6%
Data Network	8%
Application Development	17%
Application Support	18%
IT Management	7%
Finance and Administration	4%

STEP 2 BENCHMARKING

Benchmarking Example

Run – Grow – Transform



Run – Client A’s run expenditure (29%) is significantly below the industry benchmark of (62%)

Grow – Client A’s grow expenditure (35%) is significantly above the industry benchmark of (24%)

Transform – Client A’s transform expenditure (36%), is significantly above the industry benchmark of (14%)

Industry	Run	Grow	Transform
Food and Beverage Processing	67%	19%	14%
Government	73%	12%	15%
Healthcare	67%	19%	14%
Hospitality and Travel	65%	20%	15%
Information Technology	60%	23%	17%
Insurance	58%	24%	18%
Manufacturing	70%	18%	12%
Media	62%	24%	14%

**Data is illustrative. Client name is not disclosed in accordance with privacy policies.*

Sample Benchmarking Report - Benchmarking results for OPEX/CAPEX, Run/Grow/Transform and Headcount are intended to be directional in nature and may point to areas that should be investigated further.

STEP 2 BENCHMARKING

Benchmarking – Unit Service Costs

- Next step if Level 1 & Level 2 benchmarking identifies gaps.
IT Service Costing Definition (Bottoms-up analysis).
- IT Service Costing (ITSC) is the process of calculating the actual unit costs of providing IT services.

Key Points:

Once actual unit service costs are determined they can be compared to market rates to identify potential savings opportunities.

One key goal for the IT organization is to have the cost of their services be at or below external service providers.

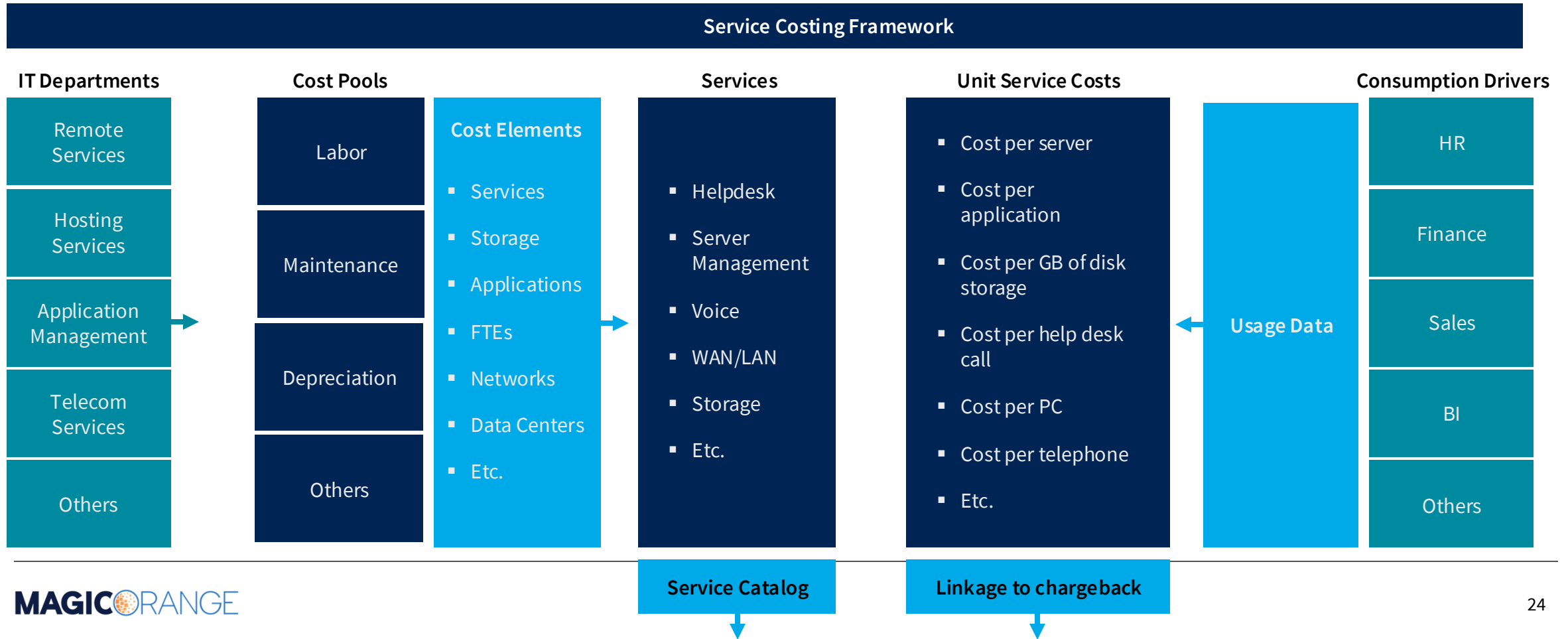
Dependencies:

1. Services must be defined first
2. Must have good consumption data
3. Need cost data that is aligned with services
4. Effective chargeback implementation requires unit service costs

STEP 2 BENCHMARKING

Service Costing Framework

Translates IT department costs into service costs that are meaningful to users / customers & enables benchmarking / savings identification

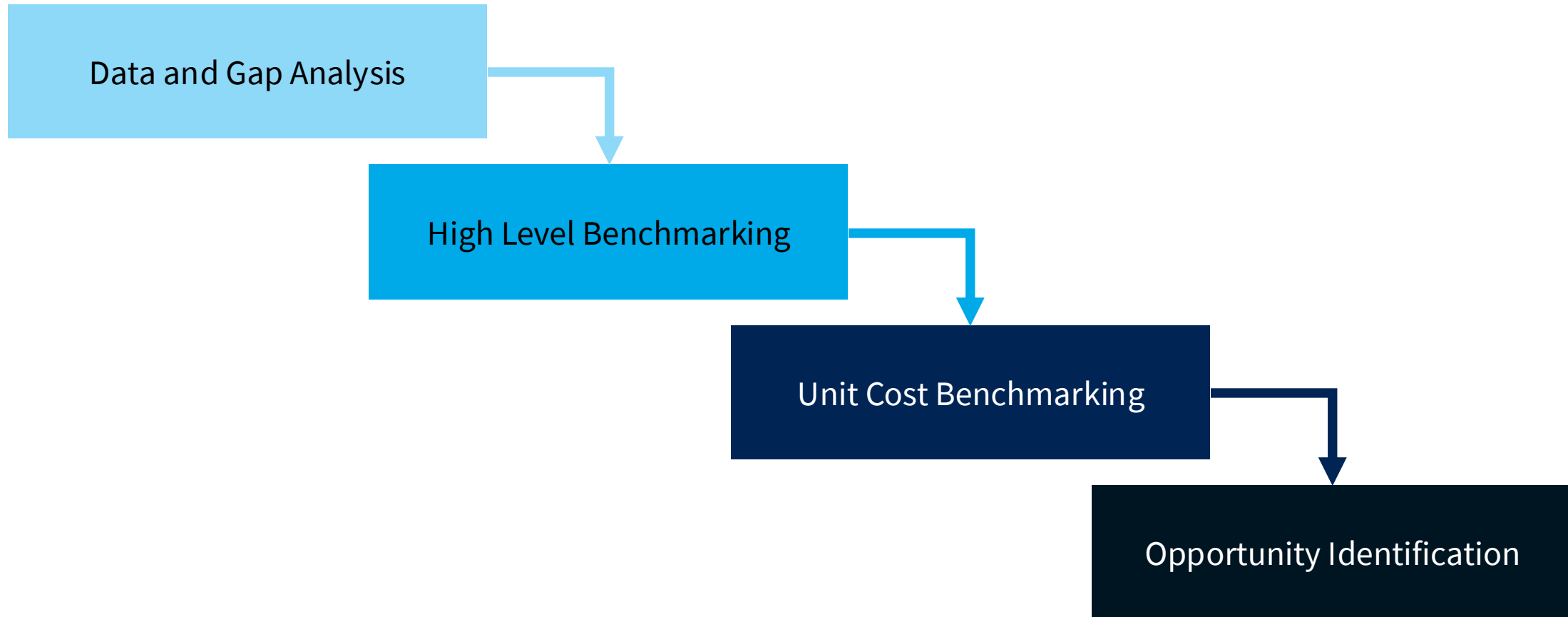
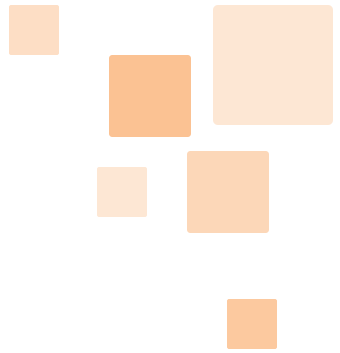


ITCR Pathway Step 3



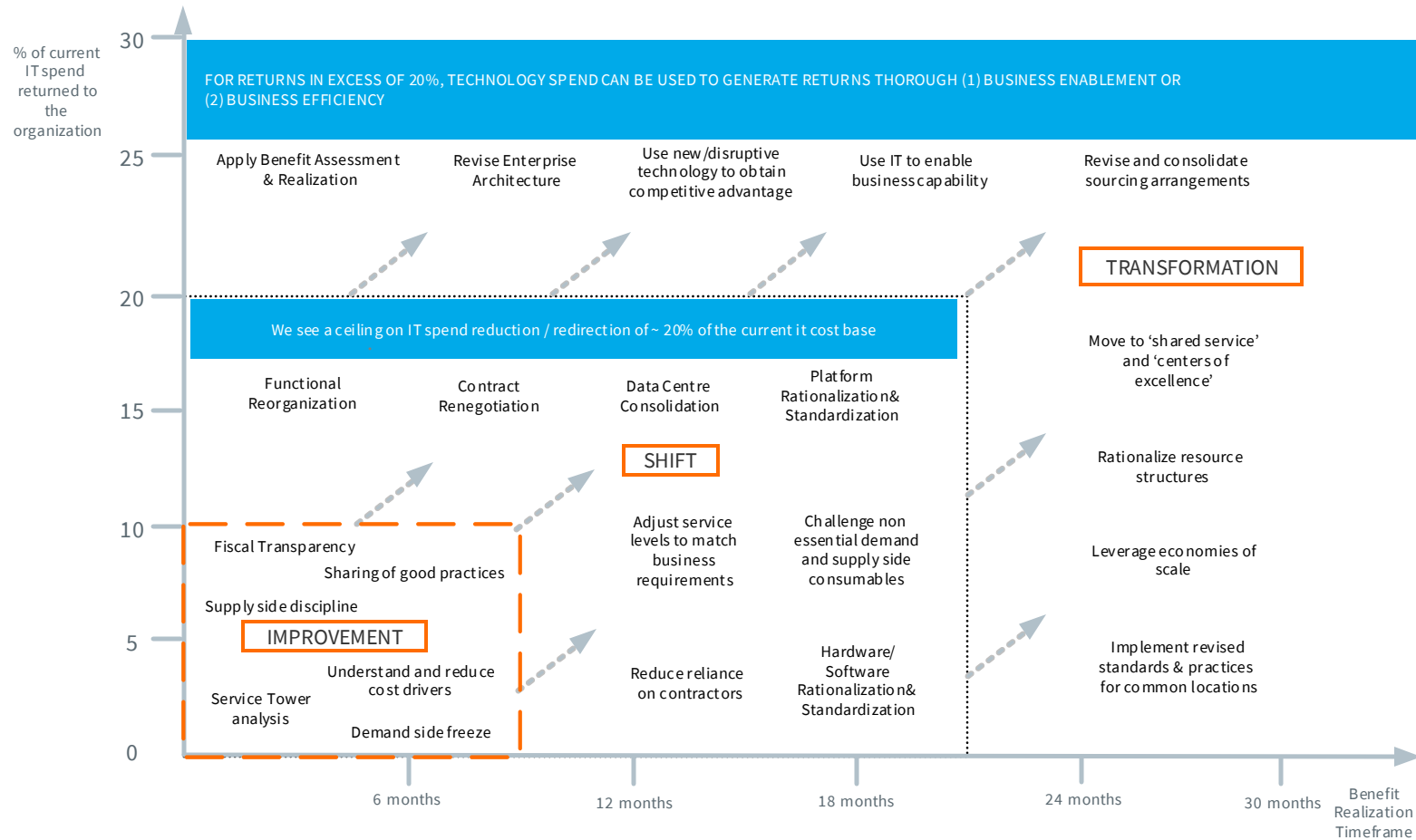
STEP 3 IDENTIFY OPPORTUNITIES

Based on Work Done in Steps 1 & 2

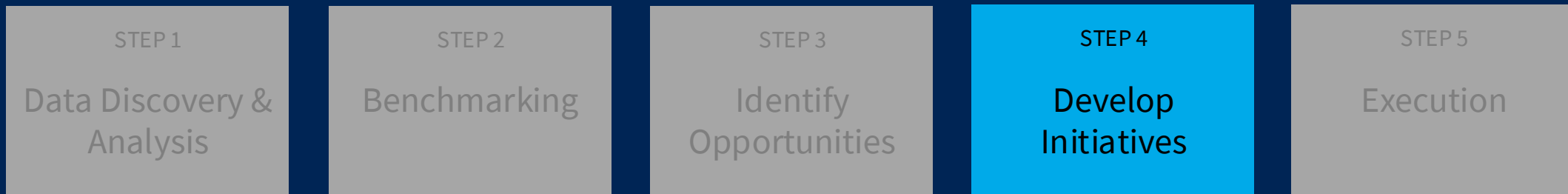


STEP 3 IDENTIFY OPPORTUNITIES

Typical Opportunities



ITCR Pathway Step 4



Identify Opportunities - Prioritization

Typical opportunities

#	IT CATEGORY	RECOMMENDATION DESCRIPTION	PRIORITY	COMPLEXITY	DURATION (MONTHS)	POTENTIAL ANNUAL SAVINGS	VALUE INDEX	CLIENT RESOURCE REQ.
1	IT Finance	Design and implement an IT chart of accounts that is aligned with services, which will improve service cost transparency and enable chargeback.	H	M	1.5	NA	90%	3
2	IT Finance	1. Design an IT Service Costing process and implement in an ITFM tool to calculate unit service costs 2. Develop and provide service cost reports to all business customers on a monthly basis using an ITFM tool	H	H	3	NA	84%	3
3	IT Services	Develop and provide service usage reports to all business customers on a monthly basis using an ITFM tool	H	H	2	NA	80%	3
4	IT Finance	Develop a usage-based chargeback process and implement in an ITFM tool for the upcoming budget year	H	H	6	\$2 - \$4MM	94%	5

STEP 4 DEVELOP INITIATIVES

Sample Initiative

Develop a detailed 'one pager' for each initiative

Recommendation 1

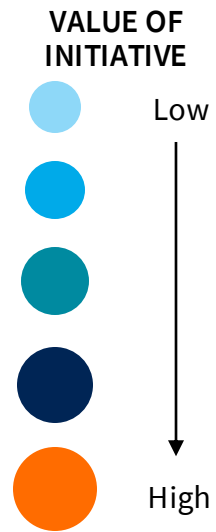
→ Design a chargeback model

Initiative Description	Assessment				
<ul style="list-style-type: none"> Design a consumption-based chargeback process & implement an ITFM tool using the Bill of IT module Review the current allocation model & assess the model against an ITIL-based financial management framework Develop monthly reporting & invoicing 	Value	■	■	■	■
	Priority	■	■	■	■
	Complexity	■	■	■	■
		Low	Medium	High	
Benefits	Key Implementation Tasks				
<ul style="list-style-type: none"> Increased transparency to the way costs are allocated and charged back to the business Potential reduction in service costs via demand reduction Increase in customer satisfaction 	1.	Design & develop ITIL-based Financial Management chargeback & cost allocation process			
	2.	Design & document processes for sustainment			
	3.	Implement in an ITFM tool using Bill of IT module			
Initiative Details	Value Index	MO Cost Estimate	Duration	Client Resources Req.	Potential Savings
	94%	\$ XX	3 Months	5	\$2M – \$4M

STEP 4 DEVELOP INITIATIVES

Initiative Analysis

Priority & complexity view - assists in prioritization

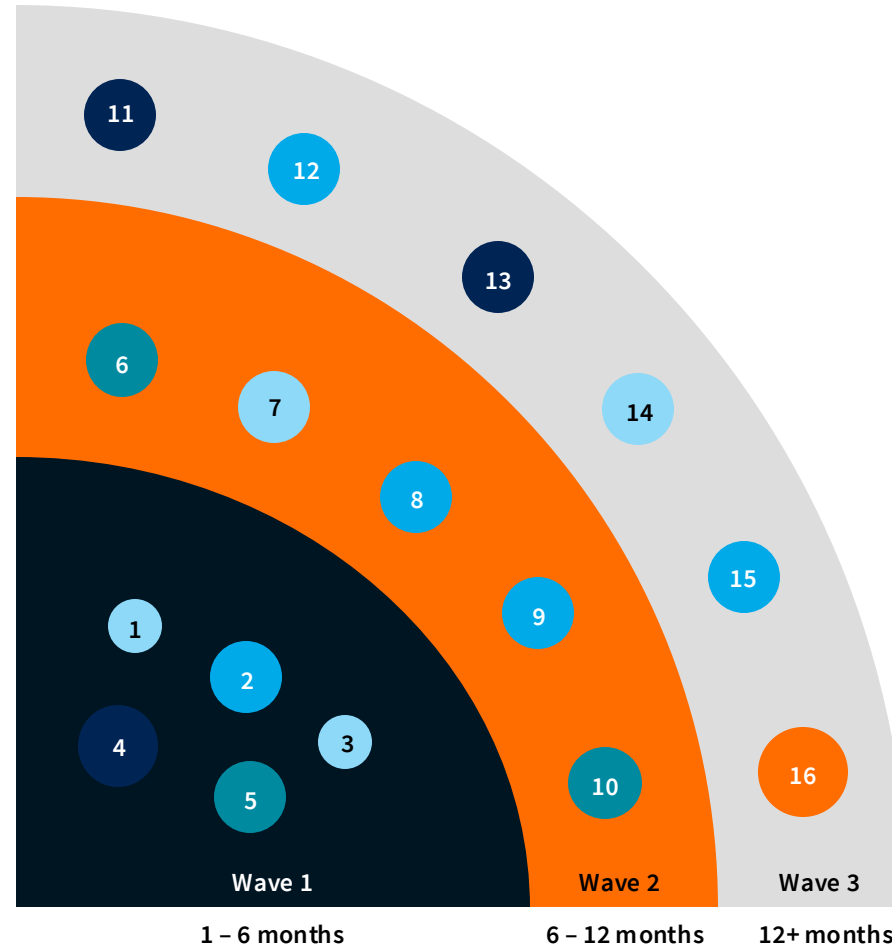


STEP 4 DEVELOP INITIATIVES

Initiative Analysis

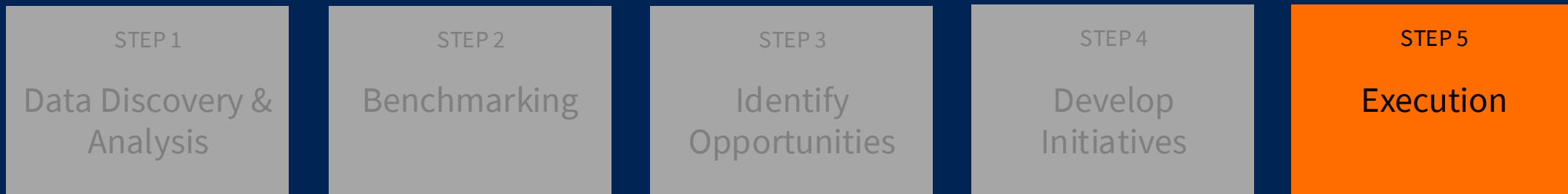
Implementation view - assists in prioritization

Initiative Duration
(Months)



- Each number relates to the specific initiative
- Size of the circle indicates the duration of such initiative
- These initiatives are then organized into various periods over time

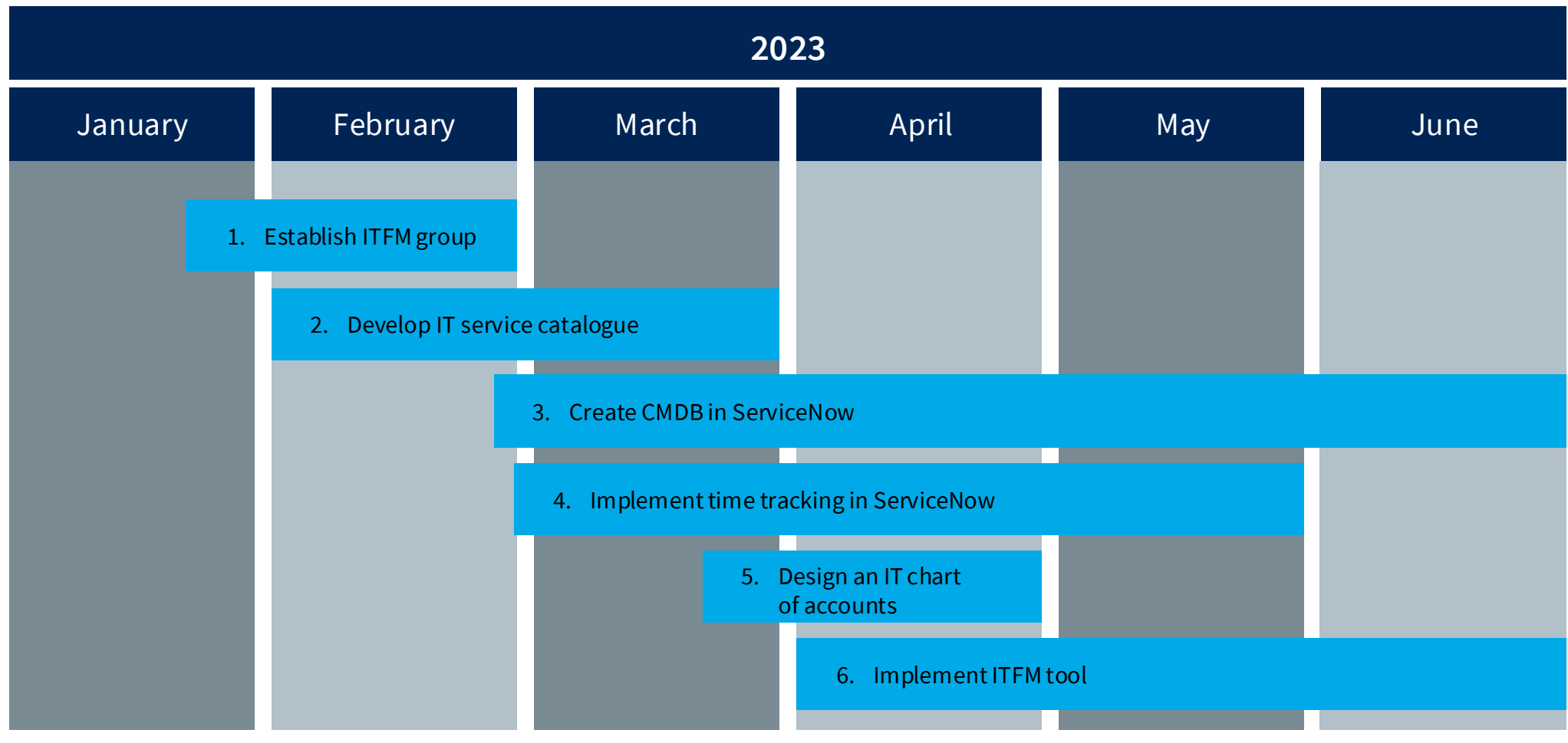
ITCR Pathway Step 5



STEP 5 EXECUTION

Execution

Sample roadmap – a detailed project plan would then be built to execute against each initiative shown in the roadmap





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THANK YOU





Contact Us

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