

Gartner

The CIO Roadmap for Strategic Cost Optimization

Excerpt



How do successful organizations manage through changing economic environments and find funds to drive growth and innovation?

One key factor critical to success is a strategic approach to optimizing costs, i.e., cost optimization. To maximize cost savings, CIOs and IT leaders pursue cost optimization through both function-specific and enterprisewide programs. This business-focused, continuous discipline maximizes business value while reducing costs.

Based on our expert research and interactions with thousands of companies in a wide range of industries, we've compiled smarter IT spending best practices into a customizable roadmap. Your organization can use this roadmap to understand the key stages, resources and people required to plan and execute an effective cost optimization initiative.

Top questions of the cost optimization initiative include:

- 1** Is the scope of the initiative to cut, optimize or transform?
- 2** What are the key stages and activities?
- 3** Which leaders and teams need to be involved?

Establish baseline

Identify opportunities

Implementation

Institutionalize

Monitor and improve



Establish baseline

Assess the current state of IT spending and maturity of organization

Selected tasks include:

- Build understanding of total IT cost; create IT base case
- Determine investments strategy + resource allocations
- Review current cost optimization activity and process, understand frequency of tools and process utilization
- Develop plan to regularly monitor + measure progress

+ more

Sample associated Gartner resources include:

- IT budget assessment to compare results against key metrics data for your sector
- Toolkit: IT Cost Optimization Status Check
- IT Score for CIOs

+ more

The CIO Cost Optimization Roadmap (excerpt)



Identify opportunities

Identify optimization opportunity areas and develop capture strategy

Selected tasks include:

- Establish targets, tracking + approaches for realizing benefits
- Identify cost optimization opportunities: assess how spending is distributed among several categories (functional areas)
- Break out opportunities where IT has control over costs (IT supply) and where IT influences costs (IT demand)
- Implement quick wins (reduction in unit costs) by renegotiating and consolidating existing vendor contracts

+ more

Sample associated Gartner resources include:

- Budget Reallocation Toolkit
- Gartner BuySmart™ program
- Best practices in negotiating with chosen vendors

+ more

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Implementation

Attain quick wins and build organization buy-in

Selected tasks include:

- Deploy a program office to oversee IT cost optimization (ITCO) initiatives
- Foster productive collaboration across different enterprise units to optimize success
- Craft a compelling board presentation with a well-designed plan and a clearly articulated story
- Work with IT to build in a robust security and risk review to mitigate dangers of compromise

+ more

Sample associated Gartner resources include:

- Network with a CIO who has had to significantly reduce costs
- Ignition Guide to Creating a Sustainable IT Cost Optimization Roadmap
- Workshop on the key categories for evaluating the capabilities of vendors

+ more

The CIO Cost Optimization Roadmap (excerpt)



Institutionalize

Realize benefits and review metrics to drive spend restrictions

Selected tasks include:

- Revisit ITCO roadmap and timeline
- Scrutinize initiatives where actual cost savings have not met expectations; target incremental investment to achieve identified benefits
- Prepare reports reflecting budget and spending without ITCO program
- Explore additional areas of IT financial management maturity to expose other IT cost optimization opportunities

+ more

Sample associated Gartner resources include:

- Review case study with an expert on funding model to support rising demand
- Toolkit: Balancing Business Value Metrics in Cost Optimization Efforts
- Network with a CIO on delivering the right kind of cost optimization solutions in the organization

+ more

Establish baseline

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Monitor and improve

Monitor, scale and revisit resource allocation to implement process improvement

Selected tasks include:

Revisit optimization focus areas: Reassess baseline results and value delivered; compare progress vs. baselines; syndicate wins to increase stakeholder buy-in

Use Analytics to drive insights and optimize Cloud Cost Management

Monitor IT as enabler with focus on implementing process improvement, business restructuring and innovation

+ more

Sample associated Gartner resources include:

- S-A-V-E methodology to launch and sustain IT cost optimization programs
- 3-year Cost Optimization Roadmap
- Discuss the next steps in implementing cost optimization solutions across the organization

+ more

The CIO Cost Optimization Roadmap (excerpt)

Who needs to be involved?

The most successful companies establish cross-functional teams for their cost optimization initiatives. We have outlined the recommended functions to involve and their roles to ensure the best success in hitting the milestones.



Client Impact Story: Cost optimization and technology innovation

Most critical priority

AGL Energy, Australia's leading energy company, was looking for advice and support with identifying the right cost optimization strategy, including vendor evaluation and overhead identification to key stakeholders.



How Gartner helped

By working with Gartner, our client was able to take advantage of cost optimization through:

- Contract review support
- Overhead reduction strategies
- Efficiency finding in multiple avenues
- Optimization workshops
- Gartner BuySmart™
- Advisory services



Mission accomplished

Working with Gartner for IT Leaders enabled AGL Energy to:

- Optimize more than 10% of the cost of its IT initiatives
- Add value to the organization with out-of-the-box thinking
- Understand market dynamics to apply automation



Contact us to explore the complete **Cost Optimization Roadmap**

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Gartner Roadmaps are designed to help CIOs and IT leaders successfully execute new initiatives and reduce time and costs. Our suite of roadmaps provides extensive coverage of IT leaders' top priorities such as:

- Data & Analytics
- Digital Transformation
- Security
- Data Strategy
- Cloud Strategy
- Maturing Information Security
- Cloud Migration
- IT Organizational Design
- Customer Experience
- ERP Transformation

Explore additional resources to learn more about Strategic Cost Optimization:

→ **Identify your top cost optimization initiatives for IT**

Prioritize your IT organization's cost initiatives by business outcomes/value

→ **Craft a fair deal with Gartner BuySmart™**

Reduce costs. Avoid common pitfalls. Buy technology with confidence.