Financing IT change

Managing the cost of strategic IT investment without missing out on its value

January 2015

It appears the UK is moving into a period of growth after a significant downturn following the financial markets crisis in 2008. There may be doubts as to whether this is a sustained or balanced recovery, or even a blip before drifting downwards again, but either way, many organisations now face the effects of a significant period of underinvestment in their IT and communications infrastructures.

So, whether preparing to take advantage of new opportunities and markets, or having to cope with further downward pressures, many will be finding their IT and communications systems will require some sort of overhaul. For many, financing these strategic changes will be a significant challenge.

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Commissioned by

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Introduction

Innovation and market pressures to change continue even during downturns. Some organisations will have been playing a game of 'wait and see', assuming that things might become clearer, others may have simply been focussed on keeping systems running with limited resources and staff. The reasons are now relatively unimportant, but the consequences do need to be addressed as the relentless innovation and evolution of technology products has continued unabated.

Tight budgets might have acclimatised many to trying to make incremental or tactical improvements to existing systems, architectures and business processes. This approach can work for a time, especially when IT innovations fall into the well-worn categories of small, faster or cheaper.

However, many recent trends have been far more disruptive, bringing consumer attitudes into the working environment, blurring the boundaries between work and home, and connecting just about anything, anywhere to the internet. Many now require organisations to make a step change in their use of IT which extends beyond simply 'buying it', to become 'buying into it'. Changes have to be made at a people and process as well as technology level. This means making a strategic investment and a serious commitment - in this case it is highly likely that incremental spending will no longer be sufficient or effective.

These disruptive trends have also brought increased complexity to IT solutions that have a wider impact on the working environment; so no longer is it a simple matter of buying discrete items of hardware or software. Technology choices have become virtualised and need to be integrated; effective solutions now require investment in the right blend of hardware, software and services. Delaying or trying to avoid purchasing one element that might once have been considered secondary now becomes a false economy.

Sensible resource management

With so many rapid advances in technology it is easy to lose sight of the mundane reality – technology is there to serve a purpose, not an end in itself. True, for individuals that purpose might often be distraction or diversion with games and entertainment, but for any organisation, IT has to deliver business value.

Every element of IT has to be effective and while it might be interesting and fun to focus on the leading edge technologies and become an early adopter of something that might turn out to be disruptive in a positive way, there are other areas that deliver critical value in the background. These also need to be refreshed, updated and evaluated to ensure they deliver the best possible returns.

It is often these aspects, which to some appear less exciting, that are most important at delivering significant value to the business. This is where the IT infrastructure plays its vital part. It sits behind the scenes, yet day in, day out, delivers value.

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rather than the latest fad or fashion, but it must be regularly evaluated and upgraded and it is still a false economy to go for simply the lowest cost option. Sensible elements of the IT infrastructure need to be as fully funded and resourced as the most glamorous parts – perhaps more so, given the clearer value they return.

Impact and opportunity for the channel

The skills required to support this blended solution of IT products and services are typically well at home in the reseller channel, where a mix of different technical skills and the ability to integrate them have often been in demand. However, the scale of sudden investment required by a reseller's prospective customers to allow them to architect the right sort of solution may pose a challenge. Smoothing out any sudden step change in spending to help the end customer meet its strategic objectives would be very valuable and minimise risk for both reseller and the end customer. It also avoids any lengthy delays or uncertainty, both of which have significant impacts on any IT project.

Cutting the upfront cost of strategic infrastructure investment is something that can be provided by alternative solutions such as managed services. Where the technology is well defined or a discrete set of services, this can be accomplished relatively easily. Entire systems can be hosted and managed

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or individual elements could be delivered in a public cloud-based 'as a service' type proposition.

This might make it easier to spread the impact of IT costs through recurring monthly subscription based on usage, although moving an entire system architecture into a public cloud based approach would not only be challenging but potentially undesirable. Making the transition is something that will require effort and predictable cost management.

System architectural and strategic decisions should in any event be based on business requirements not on financial constraints, and so the best approach would be to ensure the financing options support the right technology decision. This not only means that the customer gets the right and complete IT infrastructure in place, but that they can have it when they need it, rather than trying to make do and mend. This gives them flexibility to then support business moves to grow, or to manage costs or risk.

Those involved in selling and supply can be confident that they can offer the optimum solution to keep their end customer happy and strength the customer relationship. They should also be assured that they have won the entire piece of business and can be rewarded up front, rather than risking losing out or being undercut as customer circumstances change over time.

With the right financial package the entire infrastructural solution - hardware, software and professional services - can be incorporated. This ensures that even the most complex and strategic integration projects can be delivered without having to hunt around for pockets of funding or underspent budgets.

Getting off on the right footing with any IT project by delivering a system architecture that is based on the entire business need provides a firm foundation for future innovation and is the best way for IT departments and their supplier to be recognisably acknowledged as supporting commercial goals.

Conclusion

It is never easy finding funds to embark on IT projects, and especially now when economic conditions have been challenging in many parts of the world. However, innovation and technology advances continue, and many will no doubt offer significant benefits to the businesses that make best or early use in them.

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The technology landscape is no longer about scaling up to bigger and bigger boxes of IT hardware with the consequent big ticket items having to be budgeted for. Today's IT investments are based on big strategies that have incremental but profound effects right across the entire business – for example, mobile, managed print services, cloud, unified communications.

Each big strategy will require a commitment to fund a broad and wide-ranging deployment of a portfolio comprising of hardware, software and services.

Financing these big strategies requires new thinking too. It has to be tailor made to fit the complex portfolio of specific requirements, and spread to encompass all elements, not just the hardware. It requires an understanding that big IT strategies are not focused around a single issue and point deployment, but spread with multiple consequences across multiple parts of the organisation and over a period of time.

Companies that are embarking on these big IT strategies have to seek out partners that are stable and robust, with the commitment and understanding to offer finance packages that will underpin and support the strategy to completion. They also need to consider how best to define their plan. With a plan and suitable finance partner in place, even in the currently challenging economic climate, big IT strategies should not be daunting.

Five step plan for effective project financing

Identify key issues.

Most organisations are facing pressures on their IT, communications and office infrastructure that have strategic consequences, so must identify the immediate stress points - working practices, collaboration, asset management. Then, decide how these map onto the major rising trends in the technology landscape.

Draw out the strategic impact.

Infrastructure spend can look like simply a ‘cost’ rather than an ‘investment’, especially outside the IT or facilities management functions. Identify the opportunities created by a fully funded infrastructure investment and the threats to the business of cutting corners or paring costs down too low.

Outline the bigger picture.

Incremental or partial spending on infrastructure often fails to deliver the anticipated benefits. Good technology choices need to be combined with a complete set of services, training and a commitment to drive change through in order to be fully effective. Trying to cut costs by leaving these out will negatively affect the outcome; extending financing to encompass the entire set of needs will deliver far better results and a far faster return on investment.

Build a strategy, deliver tactical benefits.

A strategic direction and goal must be set, but progress needs to be visible, and delivered as rapid and frequent, incremental improvements. The end objective needs to be clear, but there will always be obstacles and the odd wrong turn. A project fully financed to the end is much more likely to be able to deal with unexpected problems en route and deliver successful benefits than one picking up ‘spare’ budget along the way – or hitting the brick wall of unavailable budget.

Measure and align.

Ensure that both the direct financial return and the indirect or more intangible benefits are identified and measured. Align the technology investments to the business value achieved so that the benefit of financing the complete solution is clear and traceable. This helps demonstrate that the actions of those making the technology selections were justified and builds the case for the next project to be properly financed from the outset.

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Through researching perceptions, Quocirca uncovers the real hurdles to technology adoption – the personal and political aspects of an organisation's environment and the pressures of the need for demonstrable business value in any implementation. This capability to uncover and report back on the end-user perceptions in the market enables Quocirca to provide advice on the realities of technology adoption, not the promises.

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