

# 10 IT Cost Optimization Techniques for Private and Public Sector Organizations

**Private and public sector CIOs should explore these 10 techniques for IT cost optimization to navigate budget constraints in a volatile business environment.**

When a business executive asks her CIO to reduce operating costs, together they evaluate their IT spending and cost drivers. They calculate how IT costs impact the delivery of IT services, as well as their effect on business costs and revenue. However, they neglect to evaluate its impact across other business units (BUs) in the organization.

“CIOs who have successfully optimized IT costs have teamed with other C-suite executives, particularly the CFO, to collaborate in enterprise [cost optimization](#) initiatives,” says [Irma Fabular](#), Senior Director Analyst, Gartner.

CIOs can achieve cost savings within IT and throughout the organization by focusing initiatives on 10 IT cost optimization techniques.

[Cost Optimization](#)

## The CIO Roadmap to Strategic Cost Optimization

[Download the Roadmap](#)

## Technique No. 1: Implement shared services

Some CIOs leverage IT shared services across business units to drive economies of scale. Most savings and cost reductions can range from 15% to 20% of service costs in 18 to 36 months, and the highest savings can reach over 25%.

## Technique No. 2: Adopt a cloud-first policy where appropriate

Opting for a cloud-first policy offers a spectrum of capabilities ranging from infrastructure as a service (IaaS) through software as a service (SaaS). While many private and public sector organizations choose cloud services for increasing agility, flexibility and scalability, they also experience cost efficiencies over time. To achieve cost savings, perform strict cloud governance or risk seeing increases in infrastructure and application costs if governance is weak.

## Technique No. 3: Consolidate enterprise data centers

As organizations expand their operations, the cost of maintaining a traditional [data center](#) will increase. This drives some IT organizations to shift their data centers to data-center switching architecture. Through data center modernization and consolidation efforts, cost savings can range between 10% and 20% of a data center budget.

## Technique No. 4: Rationalize and standardize enterprise applications

The application portfolio represents a large part of an IT budget. CIOs who standardize and rationalize their application portfolios can reduce and control costs. Savings can range between 15% and 25% of the application budget.

## Technique No. 5: Improve IT financial transparency practices

Understand how IT services are being delivered and what the associated costs are for IT operations. Gartner refers to this as IT financial transparency. Work with CFOs and finance personnel to associate general ledger entries (asset-based view) to technical costs and

related costs for business services. Such transparency in enterprise IT spending enables you to deliver business value and optimize costs via IT services.

### **Technique No. 6: Focus on IT demand-side spending for greater business cost optimization**

Approximately 96% of enterprise operating expenses occur outside of IT, which presents significant opportunities to reduce IT spending. By partnering with your BU peers across the organization, you can evaluate business processes, resources and capacity to determine where IT can improve productivity, efficiency and effectiveness.

### **Technique No. 7: Implement robotic process automation**

Leverage technologies like robotic process automation (RPA) and [artificial intelligence](#) (AI) to analyze and identify patterns that can then be used to make strategic business decisions. These technologies can identify new insights from data and automate or augment processes that are inefficient for humans to perform.

### **Technique No. 8: Evaluate IT asset management practices**

CIOs often overlook asset management capabilities, and this oversight leads to increased IT operating costs. Shift IT asset management (ITAM) responsibility from “tracking” individual assets to corporate governance of IT and technology assets. Evaluating ITAM practices can achieve cost savings of 10% to 20%.

### **Technique No. 9: Evaluate digital business transformation ideas**

Invite business stakeholders to contribute cost optimization or technology application ideas. Share any savings generated from these idea-generating sessions with the BU and then potentially start a cycle of continuous reinvestment. Such a partnership can increase visibility within BU IT spending and mitigate redundant IT expenses.

## Technique No. 10: Optimize the workforce

Use workforce management application capabilities like automation of manager experience or virtual assistants for routine and common tasks to reduce staffing costs. Implement bots to augment the capabilities of human workers and enable a more productive work environment.

“As you determine which of the top 10 suggestions you can initiate or continue to gain short-term cost savings, consider how you will also want to institutionalize IT cost optimization as an ongoing discipline,” says Fabular.