

Shared Knowledge is Power

Partnering with AP to Better Understand IT Expenditures

Who better to shed light on your hidden IT costs than the one who pays the bills? Your AP department is a powerful source for information to help you truly understand the expenditures of your IT organization, so you can calibrate your budget to deliver maximum business value.

Can't see the forest through the trees? Most of us like to think we have a good grasp of our company, including all the business units, their functions and expenditures. On the contrary, few CIOs *truly* understand the complete spending of their IT organization. Due to the nature of the role, CIOs are often too submerged in everyday details to effectively see opportunities or shortcomings.

In today's uncertain economic climate, it's more important than ever for CIOs to find useful ways to reduce costs, optimize services and demonstrate value to their organizations. The accounts payable (AP) department can be a tremendous resource for uncovering hidden IT costs and helping you to better understand actual expenditures. Partnering with AP can provide valuable insight, empowering CIOs to make strategic decisions and substitutions.

Greater understanding will enable you to calibrate your IT budget to deliver maximum business value. This article provides you with a starting point and discusses a few places across different business units where hidden costs are commonly found. We'll also talk about how you can work alongside AP to implement best practices and drive organizational change, resulting in reduced IT costs and overall strategic benefit.

1. Communication:

The first step toward greater understanding is communication. The CIO must proactively engage the CEO and CFO in open-ended questions about how the IT strategy fits within the overall strategic goals of the company.

Every organization should take the time to map IT to corporate strategy in order to prevent cutting back or eliminating spending that has strategic value. This type of top-to-bottom assessment can often be accomplished by an internal cross functional team.

2. Understanding:

Few companies are fully aware of how individual business units and their activities drive IT spending. Without clarity, cuts can be made that result in IT's failure to deliver what the company and the business units may want or need. What IT thinks the businesses need and what the businesses think they need do not always match and can create a perception problem. Engaging AP can be extremely valuable in helping you to have a clear view of your organization's expenditures, thus, making it easier to identify redundancies and find better ways of delivering precisely what the businesses need.

Below are a few areas where hidden costs are commonly brought to light and a great starting place as you work toward budget optimization.

- **Applications:** Re-evaluate and rationalize your applications. Many costly applications may not be mission critical, so get rid of the ones you don't need and postpone issuing some upgrades. The licensing and support costs of maintaining these superfluous applications can add up — fast.

- **Talent Management:** Take a long, hard look at your workforce and eliminate redundant skill sets. Consider all aspects of your labor costs including recruiting, training and retention, and entertain the option of using outsourcing or contractors in certain areas to improve efficiency and flexibility.
- **Help desk:** It may be time to change the configuration of your help desk. Implementing measures like creating FAQs or adding a self-service Website can greatly reduce your costs in this area.

3. Working Together:

It's no surprise the costs of supporting the finance and HR departments comprise a large percentage of most IT budgets. So, partnering with AP to glean useful information is just one of the benefits of this collaboration. In addition, partnering with them to implement best practices and initiate operational change can reduce IT support costs and provide strategic benefits to the entire company.

Besides the obvious recommendations of automating functions and eliminating paper-based processes, here are a couple of other areas where IT and AP can work together to gain efficiencies:

- **Vendors:** Consolidate vendors (both IT and otherwise) and leverage them for cost-containment. Implementing a master vendor program is a great way to reduce variations in billing cycles, flow, reconciliation, etc.
- **Contracts:** Along with managing multiple vendors, come numerous contracts requiring legal review (internal or external). Much of the time and expense involved can be greatly reduced through the implementation of best practices.

4. Conclusion:

Gaining a deeper understanding of expenditures will enable CIOs to enjoy a leaner, more effective IT organization in the face of increasing pressures and shrinking budgets. Partnering with your AP department is the best way to obtain both holistic and granular insights regarding actual IT spend. This cross-pollination of ideas will help you optimize your IT budget and demonstrate value to the company's future growth and success.

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