

eBook

5 IT Strategies to Cut Costs Without Losing Business Value



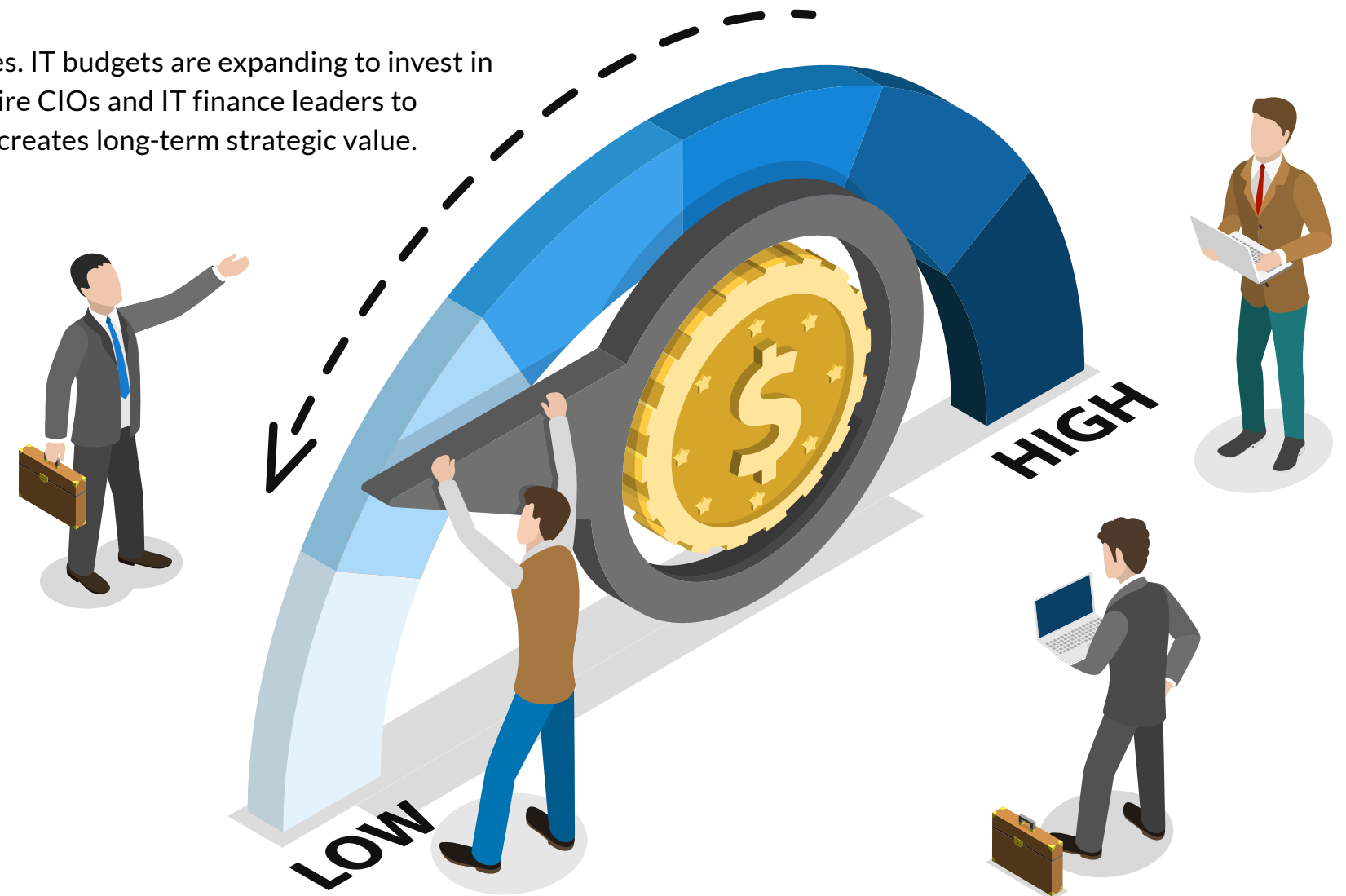
Introduction

There's no shortage of advice on how to cut IT costs. But today's CIOs and IT leaders need to go beyond reactive, tactical cost cutting (which may have unintended consequences) to developing and executing dynamic strategies that help their organizations grow and improve competitive advantage.

The challenge is intensifying as IT budgets face competing pressures. IT budgets are expanding to invest in innovations like artificial intelligence (AI), yet volatile markets require CIOs and IT finance leaders to demonstrate fiscal discipline and to manage IT spend in a way that creates long-term strategic value.

It's a tall order, but it's well worth the effort. Forrester found that organizations with [high-performance IT teams grow revenue 1.8x faster](#) than their industry peers. And Gartner found that CIOs who effectively communicate IT's business value [maintain 60% higher funding levels](#) than those who don't.

How can leaders reduce IT costs while also strengthening the business? This guide summarizes five progressive strategies that multiply their collective impact when implemented together.



Five progressive strategies to cut IT costs



Diagnose

Establish a credible, unified IT cost baseline to generate a single source of truth for examining and optimizing IT spend.



Govern

Influence demand and use tools to improve accountability for IT consumption and costs.



Eliminate

Identify and remove costs related to things like underutilized infrastructure and orphaned SaaS solutions, while reducing manual processes.



Reinvest

Reallocate funds to strategic priorities that improve innovation, automation, and customer-facing processes.



Rationalize

Close gaps and remove duplicative applications to create a streamlined, optimized IT portfolio.

Strategy 1

Diagnose to illuminate the true cost of IT

Today's complex technology landscape features hybrid infrastructure, decentralized procurement, and proliferating SaaS and vendor contracts. The effect? It can be nearly impossible to gain a comprehensive view of what is actually spent on IT. For instance, how many teams have signed up for AI-related subscriptions in the last year? Probably more than you know.

Yet visibility is essential for accountability and strategic planning, as well as to measure value, usage, and alignment with business goals. According to Gartner, [62% of CIOs lack adequate transparency into IT costs](#)—hindering their ability to explain, much less justify, budgets or influence business behavior. To achieve visibility into the full spectrum of IT spend, leaders should consider the following steps and operating metrics.



Strategy 1

Action steps

- 1** Establish a single source of truth by integrating financial and operational data.
- 2** Map spend to business capabilities and outcomes, not just cost centers.
- 3** Identify shadow IT and distributed procurement patterns that span cloud, on-premises resources, SaaS, vendors, and projects.
- 4** Use benchmarking to compare spend efficiency against peers.

Measuring success

To maintain visibility, IT leaders will want to track a handful of key performance metrics to measure IT spend and detect any variances. These KPIs can include:

- Actual IT spend vs. planned
- Percentage of IT budget spent on cloud
- Application and service total cost of ownership (TCO)

Strategy 2

Eliminate waste

Once you have a comprehensive view and understanding of costs, it's easier to identify and eliminate unnecessary spend. And there should be real urgency to do so because waste is not just a cost issue—it also represents a missed opportunity to invest in innovation and growth initiatives.

The following steps can help you target waste, inefficiencies, and redundancies.



Strategy 2

Action steps

- 1** Decommission underutilized infrastructure and orphaned SaaS licenses.
- 2** Eliminate duplicative tools and manual processes.
- 3** Rationalize labor allocations across projects and departments.
- 4** Conduct vendor audits to renegotiate contracts or consolidate services.

Our work with companies shows the impact these steps can have. For example, [Liberty Mutual](#) saved \$2.4 million by consolidating data centers and streamlining IT offerings, freeing up funds and boosting agility.

Measuring success

Adopting new KPIs can help IT and business teams make better choices about where to invest and how to maintain their focus on value-creating initiatives. Using a metric such as percentage of project spend on customer-centric initiatives can ensure that IT spend and any savings generated from cost review are directed to high-impact areas.

Strategy 3

Rationalize to streamline and optimize your IT portfolio

Can you trace most IT budget line items to a specific strategic priority? That's the objective of the Rationalize strategy. A rationalized IT portfolio ensures that IT spend supports business outcomes while reducing technical debt and improving agility. Using business priorities as your touchstone will allow you to align IT assets and services and consolidate applications, services, and contracts.



Strategy 3

Action steps

- 1** Assess application portfolios to identify and reduce overlapping services or low-value tools.
- 2** Consolidate platforms and vendors to reduce complexity and improve manageability.
- 3** Shift from “run-the-business” to “grow-the-business” investments.
- 4** Use service catalogs and cost models to link IT services to business impact.

Rationalization and consolidation can free up significant funds, boost flexibility, and improve consistency of service delivery. Adopting more-rigorous IT financial management (ITFM) allowed the [Bank of Ireland](#) to reduce its application portfolio by 15% in the first year and to radically decrease the number of licenses for one application from 5,000 to 400, resulting in substantial savings.

Measuring success

Optimizing your portfolio will most likely require tracking new metrics to reinforce alignment between IT spend and business priorities. Measuring the percentage of IT spend allocated to *running* the business (i.e., legacy operations) versus *growing* or *transforming* the business, for example, can ensure your application portfolio is weighted toward supporting innovation.

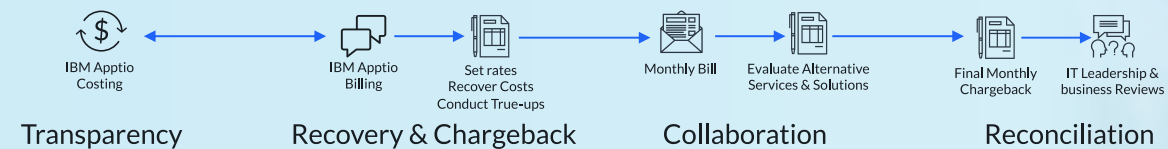
Strategy 4

Govern to influence demand and enforce accountability

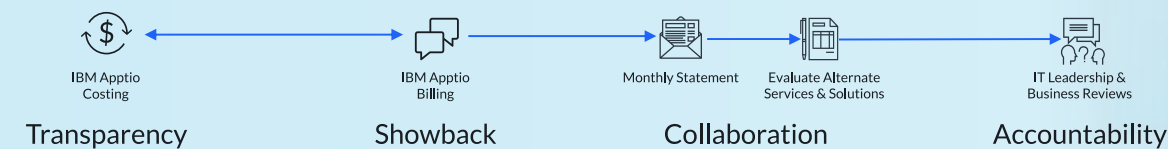
Many business units operate as if IT services are free—a mindset that can lead to overconsumption and undisciplined or unproductive spending. IT leaders are in the best position to help business partners understand and own the costs of the IT services they use. Influencing responsible IT consumption by clarifying the cost of IT and the connection between spend and strategic goals can lead to better, more collaborative decision-making from both IT and business leaders.



Understanding chargeback



Understanding showback



Strategy 4

Action steps

- 1 Implement showback and/or chargeback models to drive responsible consumption.
- 2 Establish budget guardrails and enforce them through planning cycles.
- 3 Automate variance analysis and forecasting to improve agility.
- 4 Foster a culture of financial ownership across IT and business units.

Done well, IT governance invites business leaders to be partners in optimization. Armed with credible cost analysis about the true impact of their IT consumption, IT and business leaders can embark on a shared mission to deploy IT for improved business performance. [National Grid](#) captured 95% of IT spend and is on track to save \$106 million over three years by adopting a consumption-based allocation model.

Measuring success

Better information leads to better IT consumption decisions. Adopting KPIs designed to enhance IT cost transparency and increase user accountability can help. Consider tracking and reporting metrics such as:

- IT spend by business unit
- Unit cost accuracy
- Chargeback recovery rate

Strategy 5

Reinvest to advance strategic goals

Cost reduction and optimization aren't endpoints; they're steps to achieving the ultimate goal of generating business value through IT spend. The key is ensuring that freed-up funds are strategically reinvested to transform IT from a cost center into a growth driver and strategic partner.



Strategy 5

Action steps

- 1** Redirect savings toward digital transformation, AI, and automation initiatives.
- 2** Prioritize funding that enhances customer experience, generates revenue, and differentiates your organization's capabilities.

IT organizations that reinvest savings strategically demonstrate both utility and agility, underscoring their contribution to meeting long-term business goals.

Measuring success

To maintain an ongoing investment in growth and innovation, IT teams can track reinvestment impact metrics such as:

- Percentage of IT investment spent on key business priorities
- Business value delivered by portfolio per quarter



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