

100 IT Cost Reduction Questions You Should be Asking

The Challenge

Technology leaders today need to reduce IT costs—sometimes dramatically and immediately—while continuing to grow revenue, increase profitability, and improve customer experience.

At a time when organizations are being asked to reduce IT costs, one thing remains constant: They must still increase revenue. To meet both cost-cutting and revenue-growth expectations, especially during a challenging economy, IT leaders need to re-evaluate their organizations' existing IT models. They must find ways to cut costs and reallocate freed-up resources to other projects that will deliver value.

This new IT operating model shifts the role of IT from a provider of services to a creator of business value. It eliminates the function of a centralized gatekeeper that bottlenecks growth and inhibits business agility with bloated application portfolios and uncontrolled spend.

Yet, many IT leaders struggle to identify cost-cutting opportunities and leverage emerging technologies that drive business impact.



Introducing Apptio

Reduce wasteful IT spend and repurpose savings to fund projects that deliver value.

For more than a decade, Apptio has helped large organizations, including over half of the Fortune 100, make better decisions about their IT spend. We help CIOs and IT leaders like you, by giving you the visibility into IT spend, waste, and value, so you can optimize your cost structure to self-fund growth initiatives.

Typical results from Apptio customers are on the order of 3–5% annual shift from projects for running the business, to growing the business. For most organizations with an 80/20 budget split on run-to-grow this translates into self-funding a 20% increase in their budget for growth projects.



How can you use this poster on your IT cost-cutting journey?

Determine the cost-cutting scenarios that best describe your challenges. Do answers to question prompts come easily and in the affirmative? It's more likely they raise urgency to review spend, find waste, and seek cost-cutting opportunities. Put this poster up in your office, or bring it to meetings, to initiate conversations on how you can scrutinize, economize, rationalize, and commercialize your IT portfolio to reduce spend.

100 IT Cost Reduction Questions



	Scrutinize to tie up loose ends Accurately apply ITFM principles	Economize to eliminate waste Use what you need—and no more	Rationalize to avoid duplication Remove redundant business capabilities	Commercialize to curb demand Apply market forces to influence consumption
<p>Business Units</p>	<ul style="list-style-type: none"> What are the total IT costs per business unit? What is the variance between budgeted and actual IT costs per BU? Which BUs drive the most/least IT costs? 	<ul style="list-style-type: none"> How do BUs benchmark against each other in cost per revenue and cost per employee? Which BUs have materially different IT costs per employee than typical? Is strategic pricing being used to drive or suppress demand for services that BUs are consuming? 	<ul style="list-style-type: none"> Can fragmented technology purchases by BUs be consolidated into shared IT services? Which BUs have duplicate business capabilities? Which parts of the BU investment strategy have duplicate capabilities? Is business capability duplication by BU due to mis-categorization or actual redundancy? 	<ul style="list-style-type: none"> Where do recovered costs fall short of actual IT costs? Are any BUs experiencing surprise true-ups? Which consumption levers leave total costs unchanged but shift costs between business units?
<p>Applications</p>	<ul style="list-style-type: none"> What are the fully-burdened costs of each app or service? Which eliminated applications are still incurring run costs? Which applications have the highest variable spend? 	<ul style="list-style-type: none"> Which IT towers, vendors, and support costs are driving the largest cost per application? Which mature apps are incurring high run costs from legacy hardware or technical debt? Which applications are associated with at-risk projects? 	<ul style="list-style-type: none"> What is the strategic plan for each application (e.g. tolerate, invest, migrate, eliminate)? Where are multiple applications providing duplicate functions to the business? What is the run vs. development spend for each application? Which applications are critical to day-to-day business operations? 	<ul style="list-style-type: none"> What level of BU accountability is there around app spend? What per-unit cost and consumption levers have the largest impact across BUs? What opportunities exist to consolidate contracts across BUs?
<p>Projects</p>	<ul style="list-style-type: none"> What is our fully-burdened project spend? What are the planned ongoing run costs for each proposed or in-flight project? How are project costs split by run, grow, and transform? What is the overall status by budget, scope, and timeline for each project? 	<ul style="list-style-type: none"> Are there doomed projects that should be cancelled immediately? Which less-impactful projects could be suspended to reallocate resources? 	<ul style="list-style-type: none"> How do project investments align to the portfolio and business initiatives? Do we have projects delivering duplicate business capabilities? 	<ul style="list-style-type: none"> What are the active projects by sponsored BU? What is the expected value of project investments per BU? What is the expected value of project investments across BUs? How are current budgets per project tracking to plan?
<p>Vendors</p>	<ul style="list-style-type: none"> What is the total IT vendor spend by function and category? Which vendor invoices are outside contracted spend band thresholds? How much vendor spend bypasses standard procurement control processes? Which contracts are within 30/60/90 days of expiring or auto-renewing? 	<ul style="list-style-type: none"> Have the services we're paying for actually been delivered as expected? Which POs that have uncommitted spend can be cancelled or changed? Which contracts are related to applications that are targeted for retirement? Which soon-to-be retired applications or services have unused contract hours? 	<ul style="list-style-type: none"> Are there redundant contracts across vendors or multiple vendors providing the same service? Which vendors are being used that are not in the managed/approved vendor list? 	<ul style="list-style-type: none"> Which BUs drive the largest vendor spend and are the charges accurately passed on? Which BUs are using the full quota of billable hours?
<p>Labor</p>	<ul style="list-style-type: none"> What is all IT labor spend and how is it trending vs. budget? What is the mix of internal and external labor supporting each IT function? What are labor cost trends by region, role, and sourcing model? 	<ul style="list-style-type: none"> Is internal labor being leveraged before turning to external labor resources? Is increased labor spend driving higher unit rates for IT resources? How do staffing efficiencies compare to our peers? Is increased demand or labor driving fluctuations in app and service costs? 	<ul style="list-style-type: none"> What are the fully-burdened unit costs of labor by region and employee type (e.g. in-house vs. outsourced)? What regional differences for comparable roles exist? What are the unit rates for labor across vendors? 	<ul style="list-style-type: none"> Is BU demand for apps and services driving increased labor costs? Which BUs drive the largest share of labor spend? How much labor spend is allocated to customer-facing BUs?
<p>Cloud</p>	<ul style="list-style-type: none"> What are all cloud costs and are the appropriate tagging and processes in place to achieve total visibility? Are cloud costs allocated to the DevOps teams and app owners consuming them? What is the fully-burdened cost of cloud, including items such as support charges and shared services? What is forecasted cloud spend vs. budget and how accurate is it? 	<ul style="list-style-type: none"> How much of production workloads are covered by reserved instances, savings plans, and continued use discounts, and is it optimal? Are right-sized services being used, or over-provisioned, and is there a process to continually evaluate? What legacy costs could be subsumed by cloud and which will be retained? 	<ul style="list-style-type: none"> What is the fully-burdened cost delta between equivalent on-premises and cloud services? What is the plan for underutilized on-premises hardware still in a depreciation schedule? What are the overlapping costs to support transitional hybrid (i.e. the migration bubble—dual run costs, development costs, etc.) 	<ul style="list-style-type: none"> Are cloud consumers being empowered with real-time visibility into spend, and/or showback/chargeback? What KPIs are needed to effectively communicate the business value of cloud investments? Should hybrid service pricing be adjusted based on cost, usage, and demand?
<p>Infrastructure</p>	<ul style="list-style-type: none"> What is the fully-burdened infrastructure cost by cost pool (e.g. labor, facilities, assets)? What budget is required for impending hardware refreshes? How are legacy and modern infrastructure impacting overall costs? Are any decommissioned on-premises assets still being depreciated? 	<ul style="list-style-type: none"> How much compute resources support virtualization and private cloud platforms? How do average unit costs compare across physical, virtual, private, and public cloud? Are legacy hardware costs driving higher infrastructure unit costs (e.g., maintenance and operations support)? 	<ul style="list-style-type: none"> What is the infrastructure spend for each application? How do infrastructure unit costs compare between applications? What on-premises hardware needs to be retained to support legacy apps that can't be moved to the cloud? 	<ul style="list-style-type: none"> What infrastructure services can be mapped to BU usage and feed a defensible showback or chargeback model? Which infrastructure must be retained to support BU legacy apps not suitable for the cloud?
<p>Spend</p>	<ul style="list-style-type: none"> What is total IT spend by cost pool? What is the breakdown of costs by expense type (e.g. CapEx/OpEx and fixed/variable)? What is the current spend split between run, grow and transform the business? What is existing variance to budget, how is it trending, and which cost centers are highest drivers (either real or mis-categorized)? 	<ul style="list-style-type: none"> Is there spend associated with applications that have little or no usage? Is there spend associated with infrastructure that has little or no usage? 	<ul style="list-style-type: none"> Is there duplicate account-level software spend across vendors, and if so, is it real or due to mis-categorization? Which cost centers are increasing cloud spend without cutting on-prem spend? Is contract labor spend adding capacity or hiding inefficient FTE resourcing? 	<ul style="list-style-type: none"> How does spend compare across revenue-generating vs. non-revenue-generating BUs? What methods of consumption-driven allocation are being used? How much spend falls out of consumption-based showback or chargeback?