

### Help, our ITO is being treated as a Cost Center!

Let's face it. An IT organization that has to justify its budget as a "cost center" has lost the respect of the business community somewhere along the line.

It is either a case of a business community that has not been "educated" on the value of IT or, worse, one that does not believe that IT is adding value. Consequently, it treats IT as a necessary evil not a strategic partner in value creation.

The imperative for such an organization is to first get out of a state of denial. Then, identify the cause(s) of business dissatisfaction and/or apathy. Subsequently, put an action plan in place to transform itself:

- Understand business' expectations, needs and wants
- Understand how IT can add value
- Demonstrate the value of IT through results that meet business expectations
- Educate the business users on the value of IT

However, in the interim, one needs to get a budget passed!

Since the business is viewing every dollar spent on IT as one it could save, the imperative for IT is to demonstrate the "value lost" through such an action. In other words, detail what will happen if this dollar is not spent.

This "cost of non-response" will, hopefully, spur business into action that will not only address the short but also the long term issues outlined above. This will also demonstrate to them that the IT organization's goals and objectives are aligned with their own and the resulting goodwill will go a long way to mend some of the broken bridges.

To rebuild business confidence in IT, eliminate budget items on your own. We all know what these are and their purpose on the budget. Most business leaders will not let them slip in so the best thing to do is to avoid losing their trust.

Now, we are ready to work on a budget that has a chance of being funded by the business!

One should split the budget items, or initiatives, into areas enabling:

- **Business Value producing:** These are items that **directly** and **demonstrably** address an identified strategic business need. Pick non-controvertible items to set the stage for further discussion.
- **Cost focused:** These items are clearly a net cost to the organization that must be eliminated over time. Pick items and show that you are already taking action to reduce expense in these areas. Be careful not to pick too many items because that is a tacit admission of guilt.
- **Supporting services:** These items are clearly ones that the organization cannot live without. Arguably, their costs can be reduced but never eliminated. Usually, infrastructure related items fall under this category.
- **Business as usual:** These items are "keep the lights on" items that form the core of the IT capability. They are already cost optimized and shutting them down essentially means eliminating them – the impact is very clear.
- **Maintenance:** These are items that do have a cost associated with them, however, it is to reduce a bigger cost or risk. Pick items that clearly show the cost advantage or risk reduction which also translates into a cost eventually.
- **Regulatory:** These are items that are a must to comply with a legal or regulatory requirement. Most businesses will not argue with these costs. The discussion will focus on how to get it done cheaper.
- **Everything else:** If there are items left over then these are the ones that need to be discussed with the business. Be prepared to offer a business value driven justification for items in this category. If the business is not convinced then be open to eliminating them.

The presentation of a message is as important as its content. Start the meeting by showing progress on the cost front:

- Have the budgets been reduced over the past 3-5 years? Showcase the wins.
- What are the areas in which they have been reduced?
  - How has this reduction affected business value?
  - Are you suggesting that this reduction continue?
- What are the areas in which they have increased?
  - How has this increase contributed to better business value?

- Are you recommending that this increase continue?

Be ready to respond to the following questions or better yet take them head on in your discussions

- What is the trend in spending?
- How does it relate to the corporate results?
- How does it compare to other companies
  - Use benchmark data or
  - Compare to publicly available information

Always, be firm on items you must have funded but support your point with business value driven analysis – not a “trust me” statement of “fact”. More importantly, be open to eliminate items that clearly do not address a business need.

Remember, this budget always sets the stage for the next one. The carryover is not dollars but confidence and trust – neither is a replenish able commodity.

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