

2009

Cutting the cost of IT

A guide for consultancy procurement professionals



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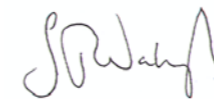
Foreword

IT is a paradox for many organisations. It is a cost centre not a profit centre, and yet it is a cost which underpins the success of all the other functions of a modern organisation. For a few companies, the quality of their IT is a real differentiator, but for most it is increasingly a commodity, with a temptation to focus only on costs. The cost of doing what we did ten years ago has fallen dramatically – and yet somehow the cost of IT has, if anything, gone up. IT is still often seen as something done to the organisation by a slightly alien group, rather than as a core part of business activity, contributing to success just as all the other functions do. Making sense of that is hard enough in the best of times, made harder by the relentless pace of change in technology and how people expect to use it – and now made harder still by the new imperative to cut costs.

For many organisations, this issue will also have been at the top of their agenda around 2002, but, since then, the context has changed, and the questions which needed to be asked then are not necessarily the same as those which need to be asked now. In many organisations, IT has become more dispersed in terms of both technology and business control. More services can be sourced from outside the organisation, with the risk that IT expertise may be seen as less critical, when actually its value to the organisation may have grown considerably, though with a changing mix of skills and experience required.

This report is about how organisations can find their way through all this complexity to achieve the savings they need on their IT costs without losing focus on their business needs. There is a place for deferring investment and replacement costs to better times, but that's a short term tactic, not a sustainable long term strategy. Beyond the easy cuts, success must come from IT working collaboratively with other parts of the organisation to find innovative ways of solving shared business challenges.

Having helped many private and public sector organisations to find the right balance to meet their needs, and in doing so to cut millions from their IT budgets, we firmly believe that this approach is the right one. Xantus is therefore delighted to be associated with this report.



Steve Watmough
Chief Executive, Xantus

Executive summary

In many organisations, the approach to managing IT expenditure has not kept pace with the shift in the IT cost base and does not take into account the limited control the IT department may now have over its costs. Across-the-board cuts in IT expenditure are tempting but they also risk damaging an organisation's long-term prospects for recovery and will limit its ability to make savings elsewhere.

This report explores the new challenges facing organisations that are trying to reduce their expenditure on IT and argues that a technology-led approach, whilst producing valuable short-term savings, will not be enough. The key to making more significant, but sustainable savings is to change the relationship the IT department has with its internal customers.

The new challenge in cutting IT costs

In the economic downturn in 2002-03, IT costs were some of the first that organisations tried to cut. The perception was widespread that colossal amounts of money had been squandered on complex enterprise resource planning systems that had failed to deliver the anticipated benefits and on unnecessary systems changes in preparation for the Year 2000. This time, there has not been a comparable wave of apparently wasted expenditure and that has put IT expenditure in a different light. IT budgets are, of course, under pressure and expenditure is being cut back, but two distinct changes within organisations have created new challenges for the IT department.

A different cost structure: Typical IT spending can be broken into four main areas: people; desktop systems; applications and software licences; and servers, infrastructure and other hardware.

Historically, software and hardware would have been an IT department's major costs but these have been commoditised in the last decade so the balance of expenditure has shifted towards people and desktop systems. "People costs remain high even where an IT department has started to use resources from lower-cost economies," says Steve Bannister at Avail Consulting. "The IT function continues to need highly trained and specialised people and they're never cheap." The range and complexity of desktop systems has increased costs here, too, especially where an organisation has not standardised them. "In a big organisation, there can be hundreds of such systems," continues Bannister. "Each area may have its own applications and the sheer complexity of managing that environment is time-consuming and expensive."

However, on top of these fairly visible costs are indirect ones. "One of the biggest changes to the IT cost base in recent years has been the proliferation of IT outside the data centre," argues Jon Bradbury at The Berkeley Partnership. "In some organisations, distributed governance has led to a sprawling IT estate, with many regional and departmental application variants and a server under every desk. By comparison, the old model of a centralised and discrete IT function was easier to get your arms round."

The last decade has seen a simplification of the core, operational IT function, the part that keeps the lights on. Approaches such as ITIL (the Information Technology Infrastructure Library), a set of concepts and policies for managing IT infrastructure, development and operations] have helped with that. But the murky area is the relationship with business around new projects and the IT component of large-scale business change programmes.

Such programmes are difficult at the best of times, based on the belief that serious investment will trigger substantial improvements in performance. Cutting back the scope of such projects may save the chief information officer money, but it may leave the rest of the organisation bearing higher costs. "IT departments are fantastic at spending money," says Jon Dakin at Boxwood, "and they tend to engineer solutions to a high standard even when that isn't always required. However, at least some of the fault lies with users: it's still rare for big systems installations or changes to be clearly specified, and end-users underestimate the complexity of integrating such work with legacy systems."

Lack of control: Many organisations responded to previous efficiency drives by outsourcing some or all of their IT function, and that can leave them in a difficult position when it comes to cutting cost further. A contract that looks like a good deal at the outset can quickly become a liability as volumes of activity fall. "Outsourcing contracts can limit an organisation's ability to reduce costs quickly," says Steve Watmough at Xantus. "They may find themselves in the invidious position of having laid people off but still having to buy the same volume of IT services." "The type of opportunities to restructure a CIO might have looked for in the past just aren't available today," adds Andrew Morlet at Accenture. "Today's options – shared service centres, more centralised operating models – are more difficult because they rely on the IT department reasserting control."

But underlying all of this is the fact that most of today's IT costs are not driven by IT, but are the result of business decisions over which the IT department – the people tasked with reducing IT expenditure – have no say. That puts organisations in a difficult position: large-scale change projects, of which a significant component will be systems-related, are essential to their long-term efficiency and competitiveness but they also absorb the lion's share of non-operational expenditure. "You have to carefully consider the value of a big change programme, not just look at the cost," argues Bradbury. "Such programmes – when executed well – can be the key to saving costs across an entire organisation but almost unavoidably they rely on IT investment."

When it comes to cutting IT expenditure, the easy options – the low-hanging fruit – have gone

– Rob Price, Atos Consulting

CIOs are pulled in two directions: they know they have to bring costs down, but they're in fact getting increased demand for help from the rest of the business

– Zahid Nawaz, BT Global Services

New baselines for IT expenditure are now emerging and those put renewed pressure on IT departments

– GS Ravindra, HCL Axon

Outsourcing contracts can limit an organisation's ability to reduce costs quickly

– Steve Watmough, Xantus

The expert perspective

– Margaret Smith, former CIO of Legal & General

No one will own up to it, but there are very few organisations that can justifiably claim to run a really efficient IT function.

Of course, CIOs have been under pressure to be efficient for a long time, but how many of them have, for example, carried out zero-based budgeting exercises or use activity-based costing? You can be sure they've looked long and hard at their IT costs, but if they haven't used tools such as these, they'll still have been working on the basis of what costs can be taken out, rather than what costs they absolutely have to have. If you adopt the former stance, you'll ignore the fact that IT is a way of getting massive costs out of a business and miss an opportunity to make substantial savings. If you take the latter approach, and focus on what costs have to be put back, you're more likely to create a dialogue with your end users about what's really needed by them.

I still find it hard to understand why organisations have separate roles for CIOs and COOs, because they're so interconnected: if you cut your IT costs, your operational costs will rise, and vice versa. But that can be a hard argument to make in a recession: people see technology costs falling and they don't necessarily appreciate that their IT may be doing a lot more for the same amount of money. They still want to see absolute costs fall.

But the other factor in reducing IT costs is an organisation's appetite for risk. If you're planning to cut something, you need to discuss what the risk is of not doing it. That's complicated by the fact that some IT people cry wolf, scaring the organisation about the potential impact, so you have to be prepared to challenge sacred cows. One of the things we did at Legal & General was look at how we, as directors of the company, spent our time because we suspected that what we did set a pattern for the rest of the organisation; they followed our example. Going through my diary made me appreciate how much of my time was spent on governance. Clearly, you can't cut corners where governance is concerned but it can take over your life, eating into a lot of productive time, for a diminishing return.

The conventional approach is not enough

The extent to which people have kept their IT costs under control since the last downturn determines their approach now. "The booming economy of the last few years hasn't prevented some organisations investing in far greater IT efficiency," GS Ravindra at HCL Axon points out. "Some are far more mature when it comes to rationalising their infrastructure and in-sourcing or outsourcing: they're more accustomed to treating their IT estate as an investment portfolio which balances short and long-term needs."

There has also been the recognition that changes to technology may not only save organisations money directly but may also cut their carbon footprint. "In the current climate, it's harder to find money to spend on environmental issues," says Myles Gorton at Oakleigh, "but IT departments are finding ways to use new technology to reduce their energy consumption, thus cutting costs and emissions at the same time."

However, plenty of organisations still say they need to reduce their costs across the board but, in doing so, they run the risk of reducing the quality of service. "Anyone can do this, especially on a one-off basis, either by reducing service levels or by outsourcing," points out Steve Watmough at Xantus. In an operations function of 200 people, it's often easier to outsource than get rid of 100 people, but the level of service will be lower."

The situation is complicated by an unwillingness to invest. In other areas of an organisation, it is usually possible to cut costs in a comparatively straight-forward way, by identifying activities that no longer need to be carried out or even entire business units which are redundant. But cutting IT costs often involves spending money – whether that is on installing a more highly automated network management tool or on setting up a shared services centre – and that is particularly hard to justify during a recession. The obvious reason is lack of cash, but concerns over whether paper benefits will be

delivered in practice, no doubt informed by bitter experience in the past, also play a role. "Business cases aren't robust enough," argues Myles Gorton. "If there are substantial and genuine savings to be made, then it should be possible to look at the overall return on investment, but organisations are all too aware that they can lose sight of the benefits during the course of the project."

"The challenge – and opportunity – is to find innovative ways to reduce costs while maintaining, even strengthening an organisation's IT capability," says Steve Watmough.

In the past, people have attacked IT costs because they've viewed IT as "just a support function", but IT can be a key enabler of cost savings in the business. The key is to consider the business and IT sides together

– Jon Bradbury, The Berkeley Partnership

Organisations are certainly more willing to adopt new approaches and innovative solutions, if they will help them balance the need to reduce costs with improved service

– Rob Price, Atos Consulting

A technology-led approach is still valuable...

Technology-related changes are usually comparatively easy to make and can deliver more immediate returns.

Hardware consolidation and virtualisation, making more efficient use of your storage and processing capacity, can reduce costs by as much as 20 percent over a 6-18 month period. Reviews of software licences, especially in large, sprawling organisations, usually highlight systems which are under-used but over-licenced, creating opportunities to negotiate lower fees, perhaps based on pay-as-you-go rather than a fixed number of users. "Over-licencing is a good example of what happens when an organisation has grown through a series of amalgamations," says Myles Gorton. "They'll be paying for systems that no one uses anymore." He estimates that savings here could be as much as ten percent.

"You have to standardise as much as possible," advises Gary Bettis at Serco Consulting. "A typical distributed organisation might start out at a level of 60 percent common services, but it is often possible to increase that proportion to more than 90 percent. The savings from this are substantial but realising them is dependent on ensuring that each business unit understands how much lack of standardisation costs the organisation as a whole."

There are longer-term opportunities, too.

Switching to buying software as a service is likely to make sense for a lot of organisations, but it is still in its infancy compared to other approaches. Greater standardisation will inevitably save costs, especially in the desktop environment, but can take time to agree, particularly in environments where individual departments or business units have been accustomed to autonomy.

Changing the operating model by, for example, moving to a shared services structure has the highest returns. "Such projects are tougher to do and take longer to mobilise," says Andrew Morlet, "but the returns on, say, implementing a shared services centre in a big organisation can be in the order of 35-40 percent." Critical to success here is getting internal customers' commitment to change the way they work. "People need to know what's changing and why," says Sarah Wilson at Egremont Group. "They also need to know what's in it for them because you have to get them to a point where they genuinely care about the outcome." It is essential, too, to ensure that senior executives are on board: many a project of this type has foundered by lack of real consensus at the top.

You have to be clear about the level of savings you're looking for and the time frame in which you want to achieve them. Short-term measures have to be balanced against long-term strategic objectives. You don't want to destroy your organisation's capacity to respond to the recovery when it comes

– GS Ravindra, HCL Axon

This is an evolving space. We don't yet know what the outsourcing contracts of the future will look like or how organisations will try and balance supply and demand

– Rob Price, Atos Consulting

... But it is not sufficient

A technology-led approach may yield immediate benefits but it comes at a price.

Limited extent of savings: Technology-related costs also tend to be more transparent and are therefore easier to measure, while the lack of reliable information about processes and operations makes it harder to cut these. "A technology-led approach will yield some benefits," says GS Ravindra, "but will miss a host of hidden costs involved in implementation and management of technology. Technology solutions are more tangible so they're easier to look at; they also don't have all the emotional ramifications of the people issues." "Organisations are complicated engines," adds Rob Price. "If you only look at cost-reduction through a single lens, rather than multiple ones which take, for example, value and risk into account you'll only ever see a part of the picture."

Lack of engagement between IT and the business: Technology-led approaches are more likely to widen the gap which exists in many organisations between their IT functions and other business units, yet, with so much IT expenditure driven by end-users, the relationship between the two sides is critical. "You can't separate IT from the processes it enables. The two are umbilically attached," says Jon Bradbury, at The Berkeley Partnership. "We're often asked to go in and help when a large, high profile IT programme is not delivering the expected benefits," says Sarah Wilson. "The underlying reason is that the IT and the business functions aren't really aligned; each side have their own understanding of the intended benefits. Even if they start off with a clear idea at senior levels, they don't communicate the benefits effectively and the business requirements become fuzzier the further down an organisation you go. Rework is constant and expensive, and users still don't get the systems they want."

The wrong skills: Cutting IT costs requires a broader range of skills than cutting other types of costs. Improving engagement between end-users and IT professionals needs people who can speak both languages equally well. "But IT functions

have tended to recruit people who have poor communication and customer service skills," says Zahid Nawaz at BT Global Services. "Rather than try to deal with the complexity – to translate between the two sides – IT departments have tried to simplify things or outsource them, neither of which deals strategically with the fundamental problem."

IT needs to be seen as a business issue, not just a technical one, only then will organisations be able to exploit the full potential for technology to add value and increase efficiency at a lower cost

– Zahid Nawaz, BT Global Services

The IT department can often feel powerless when it comes to cutting costs in the "supply" side of IT, without being able to control the "demand" side of what the business wants from IT, such as better service levels and more flexibility

– Jon Bradbury, The Berkeley Partnership

There are only so many levers to pull when saving IT costs; the important factor is to maintain quality, flexibility or responsiveness of IT services necessary to support the business

– Jon Dakin, Boxwood

The CIO's perspective

– Myron Hrycyk, CIO Severn Trent

As a group, CIOs were slow to respond to this economic crisis, but we've since made up for lost time by adopting a more intelligent approach.

For the first half of last year pressure was certainly building, but it wasn't until the early autumn when the extent to which the economic climate was deteriorating became apparent. The rapid acceleration to a world of much tighter cost control brought back memories of the "cost down" aftermath of the year 2000 and the dotcom boom. My colleagues on the Board had to make cuts in their operational base and as an IT department we were expected to contribute to that process. Prices of commodity services and software licences softened in what rapidly became a buyer's market. We went back to lessons learnt in 2001, renegotiating support costs, weeding out non-essential software and reducing the service levels for non-essential systems.

However, the response since then has been more sophisticated. Rather than simply cutting our costs, we're making cautious and considered investment in some areas to allow us to save more money more quickly. Having lived through several rounds of cost-cutting in the past in which we were expected to get "more for less", we have to be careful that we don't cut into the bone and irreparably damage our long-term business prospects. There's always a temptation to re-trench in a crisis and rely on what's familiar, but new technology options exist, such as virtualisation and cloud computing, which weren't available before and we have to take advantage of them.

The other thing that's changed since the millennium is the increasing amount of IT expenditure that has been moved to external service providers, so optimising existing contracts is critical. Most outsourcing companies have welcomed the opportunity to work together in order to save money. One of the lessons they've learnt is that a

good customer is a financially healthy customer so it's as much in their interest as ours to make savings. But the extent to which you can turn such discussions into valuable strategic partnerships depends on your sharing the same outlook and culture. When you're both under pressure, will you react the same way?

This is just one of several reasons why CIOs are rightly reluctant to cut their people costs. With most commodity services outsourced, it's essential that the people who remain in the IT function are those capable of speaking to their colleagues in other operational units as equals; people who have an excellent understanding of the business and who can make sensible, practical recommendations. Someone like this can save the organisation millions, far more than could be recouped from cutting their costs as an individual. Good people really are our best asset.

The other critical success factor at a time like this is to spend time with the other senior people in the business and to help them understand the impact their commercial decisions have on IT costs. It's absolutely essential for a CIO to hit the right balance of cutting costs and making the case for investment, but it depends entirely on our ability to maintain a high level of engagement with the rest of the organisation. We have to keep our finger on the pulse of the business, whether we're in a recession or boom period, but we should also be able to exploit these channels of communication to see where, at the ground level, we should and shouldn't be reducing our IT costs.

To me, that's been the most important lesson of this downturn: you have to keep up the conversations. CIOs should look for opportunities, the chance to step forward to become a real business player, to help puzzle out and navigate through the downturn. It would be wrong to isolate ourselves: we need to do everything we can to increase the dialogue between ourselves and our operational colleagues.

Changing the role of the IT function

While a technology-led approach may produce immediate savings, the key to greater cost efficiency in the long-term is to re-engineer the way the IT department works with the rest of the business.

There are five things which, if an IT department were to change, would release significant savings while actually improving the quality of service.

Better information: Most conversations between IT people and end-users are hampered by misconceptions on both sides. From the IT department's perspective, it is difficult to identify what costs are incurred where, at least at a level of detail where it becomes possible to make changes. By and large, end-users do not see IT costs as their problem. "Transparent IT costs are still comparatively rare," observes Andrew Morlet, "but they're fundamental to enabling you to benchmark your status quo and to choose which cost levers to pull." Information is also critical to being able to see the elements of your IT estate as a portfolio and to help you identify which of these components may deliver short-term savings, which have the potential for longer-term, perhaps more significant savings, and which are sacrosanct, so essential to the organisation that any deterioration in service cannot be risked. "You have to take a comprehensive approach, seeing your IT services in the round rather than looking at individual elements," advises Morlet.

Better skills: It is common for organisations to complain that their IT department lacks flexibility and entrepreneurialism, and that is perhaps not surprising given the time the latter have spent honing processes and investing in risk and quality management. "IT is a massive enabler but there hasn't been much appetite for exploiting this or for taking risks," argues Steve Watmough. "It's all very well having great technical capability but you need people who are change agents and who can understand business processes, what's needed and what's not, but such skills are in short-supply."

Reducing costs on a sustainable basis is difficult but organisations still declare blindly that they can do this. Experienced CIOs know this can be short-sighted and that they may be buying themselves a major headache. But there's also a shortage of money for investment: organisations want to reduce the long-term costs of IT but expect payback in the medium term. In these circumstances, they have traditionally gone to outsourcing companies but nowadays even the big service providers may not be in a position to finance their clients in this way. So the focus has shifted, towards working with suppliers and also to taking a more innovative approach, looking for ways in which most of the benefits can be delivered for a fraction of the costs

– Steve Watmough, Xantus



Better overview: The disconnection between the IT function and the business it serves is fuelled by a mutual lack of understanding. Technical people often feel uncomfortable dealing with business issues, preferring to deal with bottom-up technical issues, such as server consolidation, and that costs organisations money. "They need to look at how the components of an organisation fit together like pieces in a jigsaw, so they can place IT needs within a business context, and vice versa," says Steve Bannister.

Better dialogue: How much money continues to be wasted because IT people and end-users still do not speak the same language? "There's a complete disconnect in terms of language," continues Bannister, "and that means that requirements are misunderstood and systems are specified incorrectly." The cost of having to do things again runs into millions.

Better accountability: Greater transparency and more meaningful discussions combine to create a clearer picture of who is responsible for what and to put in place the targets and metrics that will drive down IT costs across an organisation as a whole. "If you attempt to reduce costs in a haphazard fashion, you're never going to deliver the right outcome," says Andrew Morlet at Accenture. "You have to adopt a structured approach." But clearer accountability does not just result in savings from improved financial control; it also reduces the need for unnecessarily elaborate governance structures. "These have got very unwieldy in recent years," says Gary Bettis, "and that adds a huge overhead in cost terms. Organisations have to be able to nominate people who will take decisions about what is really required where."

"When you look at what an organisation wants, you usually find that the IT department and end-users are in violent agreement, but that the organisational engagement and mobilisation hasn't happened," says Sarah Wilson. Changing that will be the most important source of cost savings in IT – and one that can be achieved while actually improving the quality of service the IT department delivers.

There are only so many levers to pull when saving IT costs; the important factor is to maintain quality, flexibility or responsiveness of IT services necessary to support the business

– Jon Dakin, Boxwood

There are only a minority of CIOs who really understand just how important a more commercial stance and better engagement with the rest of the business are, and that limits the level of savings they can find

– Gary Bettis, Serco Consulting



Case study – Bird's Eye iglo Group

Creativity has been a hallmark of the business philosophy of the Birds Eye iglo Group [BEiG] ever since it started producing fish fingers at its Great Yarmouth factory in 1946. A leading manufacturing business operating across Europe, BEiG has always striven to innovate, and this approach proved vital when it moved into the ownership of leading private equity firm Permira in November 2006 and faced the challenges of separating from former parent company Unilever.

BEiG is highly dependent on its IT and communications systems to ensure the smooth-running of the business. While it was part of the Unilever group, BEiG's technology needs were provided by Unilever. Under new ownership, BEiG needed a new, flexible, scalable, "fit-for-business" IT environment to support its entire sales, manufacturing and back-office operations and workforce in the UK and across Europe – and to ensure minimisation of costs wherever possible. But BEiG had a problem – it had virtually no IT staff of its own and the timing of developments was business critical: deadlines for its separation from Unilever carried significant financial penalties.

The situation presented clear opportunities to standardise the IT and applications, systems and infrastructure across the group, simplify the way BEiG worked as a business and to implement new technology and standards in a manner that would reduce operating costs. The result was a highly complex change programme involving: the procurement and delivery of applications and infrastructure; defining the requirements for an SAP system for the business; and the management of key suppliers. But perhaps the most complex element of the programme was to manage simultaneous application and infrastructure change while maintaining continuous delivery of service – a point of failure in many similar projects.

One of the keys to success was the consulting team from Xantus that BEiG chose to work with as the

programme management partner. Xantus combined technical expertise with a business-savvy approach and this helped BEiG to achieve highly demanding project objectives and overcome the challenges along the way. Xantus managed the entire project; at critical points along the path its teams had the experience and aptitude to successfully handle issues ranging from procurement, through legacy systems, to system testing and implementation.

As a result, BEiG now has the flexible and scalable IT solution that it needs to tackle the demands of its industry, while new owner Permira can easily flex the company to exploit new markets and territories, making the most of its investment. Throughout the programme, excellent project control and management of risks enabled the business to achieve savings in excess of £18 million. Importantly, BEiG now has financial control over its ongoing IT costs, which at less than 1 percent of net sales, hit an ambitious target set by Permira, as well as being less than half of the manufacturing industry average of 2.4 percent of revenue.

"When you have a team of people who deliver great things and nobody is interested – or even notices – whether they are permanent employees or consultants or third-party providers, then you know you have got it right," observes BEiG's Chief Information Officer, Tania Howarth. "Xantus' approach to the project was based on a genuine interest in and understanding of the issues and challenges involved, and the Xantus team would always do their best to provide an appropriate solution to any concern raised. They provided first class programme management and strategic IT and vendor management skills throughout the life of our programme. As such, they have become truly trusted partners of the organisation and built productive relationships with our key technology delivery partners".

Differentiating between consulting firms in this field

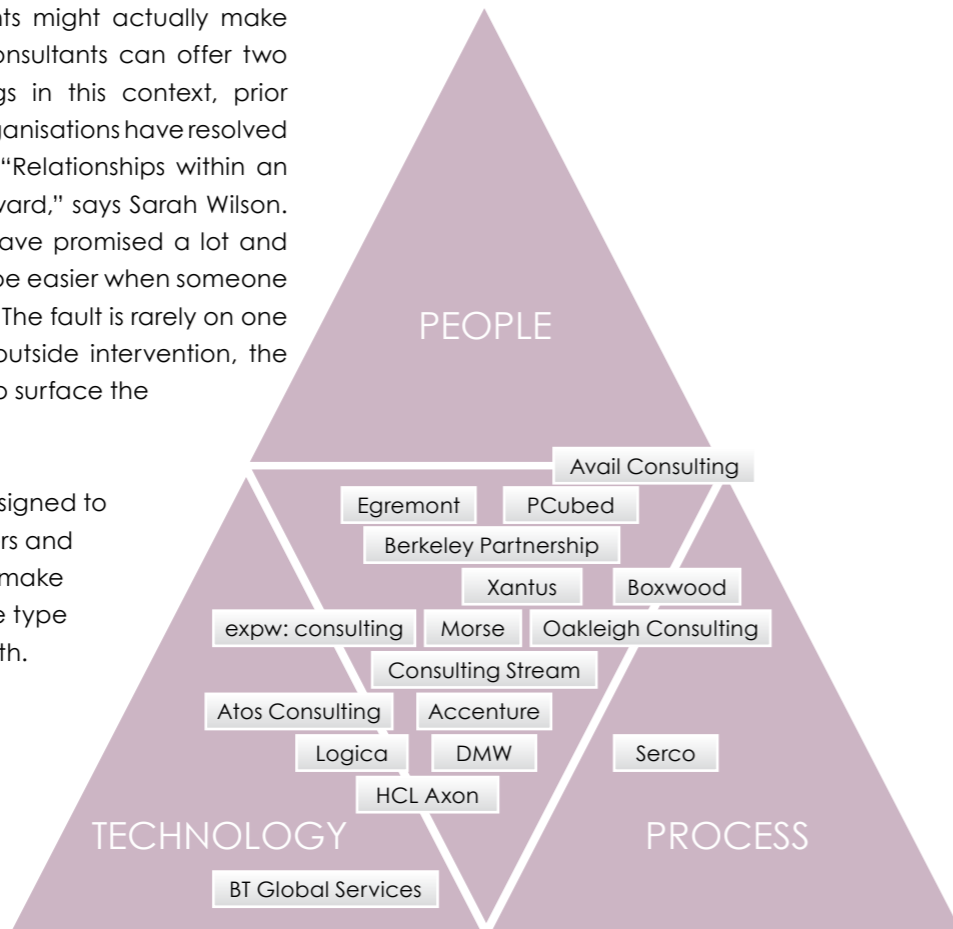
Clearly, organisations that are taking the across-the-board approach to cutting IT costs do not need specialist advice to help them do this. Conversely, where specialist knowledge about exploiting new technologies such as virtualisation and cloud computing is required, bringing in experts in this field makes sense.

But if there are significant savings to be found by changing the relationship the IT department has with its internal customers, what role, if any, should consultants play? Clearly, there is a danger that you might create an additional barrier between the IT department and the rest of the business or that you become dependent on the consultants translating between the two. It therefore makes sense to use consultants thoughtfully and judiciously: employing a large team of consultants might actually make things worse. However, consultants can offer two particularly valuable things in this context, prior experience of how other organisations have resolved this issue and objectivity. "Relationships within an organisation can get awkward," says Sarah Wilson. "The IT department may have promised a lot and feel under threat, so it can be easier when someone comes in from the outside. The fault is rarely on one side, but you often need outside intervention, the independent broker, to help surface the real issues."

The following pages are designed to help procurement managers and other users of consulting to make informed choices about the type of firm they want to work with.

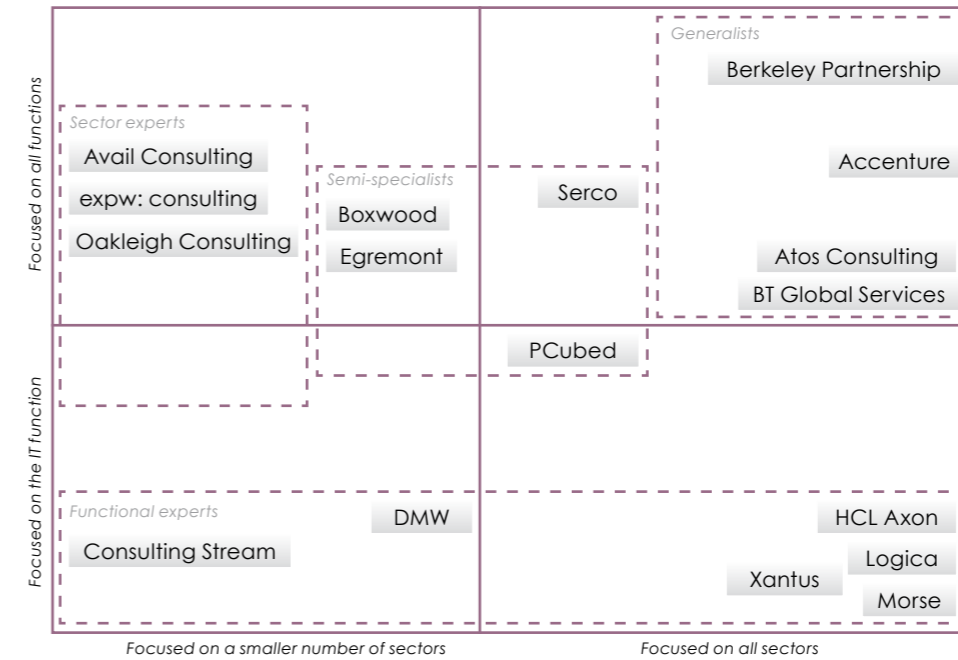
(1) Starting-point

Consulting firms will tend to start from a particular point and this colours the services they provide. Some may tend to focus on people issues and some on processes, while others pay more attention to systems. Other firms may focus on combinations of these. Which starting-point is right for you depends on the nature of the problem you are facing: clearly, hiring a systems-focused firm to look at a people problem will not make sense. It is perhaps not surprising that most of the firms included in this report are technology and process-orientated (see below). Firms that start from a people perspective are scarcer.



(2) Specialisation

Consulting firms differ in the extent to which they specialise in a given field. Small firms may focus in just one area, while bigger firms are more diverse. If the problem you face is small-scale and discrete, a niche firm might be the appropriate choice, but if you think you will require a variety of skills, selecting a larger firm that is capable of pulling in additional resources might be better. Firms that offer IT cost-cutting services can be divided into four categories (see below):



- **Functional experts** specialising in the IT function either in one sector or across all.
- **Sector experts** specialising in specific industries but not necessarily focused on the IT function.
- **Semi-specialists** focusing on a small number of sectors and functional areas.
- **Generalists** covering all sectors and services.

(3) Style

You should also consider the scale and level of expertise you require. Although this is something you can really only judge when you meet the individual consultants, a small firm where a particular service constitutes a large proportion of its work is more likely to staff your project with experts. However, it may also, precisely for this reason, be more expensive. Larger firms are clearly able to handle larger projects but are more likely to use a range of people from different backgrounds and at different grades. Largely, though not exclusively, firms that offer IT cost cutting services fall into one of two categories, larger IT-based firms and smaller firms of which relatively few are IT specialists.





The following table provides an indication of the sectors and services in which the consulting firms referred to in this report primarily carry out cost-cutting work. Please visit www.sourceforconsulting.com for further information on these companies and case studies on cost-cutting work.

	Sectors						
	Financial services	Energy and utilities	Telecoms, media, high tech	Retailing and FMCG	Manufacturing	Transportation and construction	Public sector and healthcare
Accenture	■	■	■	■	■	■	■
Atos Consulting	■	■	■	■	■	■	■
Avail Consulting							■
Boxwood			■	■			■
BT Global Services	■	■	■	■	■	■	■
Consulting Stream			■	■	■	■	■
DMW Group	■	■	■	■	■	■	■
Egremont Group		■	■				■
expw : consulting	■				■		■
HCL Axon	■	■	■	■	■	■	■
Logica	■	■	■	■	■	■	■
Morse	■	■	■	■	■	■	■
Oakleigh Consulting	■	■		■	■		■
PCubed	■	■	■	■	■		■
Serco Consulting	■	■	■			■	■
The Berkeley Partnership	■	■	■	■			■
Xantus	■	■	■	■	■	■	■

This report offers examples of firms that you might like to consider. It is not an exhaustive list of suppliers, nor does it attempt to suggest who is best. But considering the points in this section and analysing where you are and what you want, will help you to decide who is best for you. Further information about all consulting firms can be found in the consulting firm directory on www.sourceforconsulting.com.



Firm	Outline of approach to IT cost cutting
Accenture	Uses a proprietary model to assess levels of IT maturity and capability, covering the core dimensions of the IT function, from strategy and governance, and applications and architecture to workforce. Benchmarks each category in order to provide an evaluation and plan of action across the entire CIO agenda.
Atos Consulting*	Views the entire IT operation through various “lenses” and assessing the speed at which the client needs, and is able to change. The lenses cover finance, process, technology, value and innovation underpinned by a comprehensive set of benchmarking data covering generic spending areas and total cost of ownership. Takes into account how fast clients need to realise savings by accelerating the process if necessary, by innovating, leveraging cutting-edge technology and focusing on quick wins.
Avail Consulting*	Focuses on the leadership and experience of the IT function, looking at potential savings and areas for investment from a top-down perspective and helping the IT department develop an enterprise architecture approach that bridges the gap between technology and the rest of the business.
Boxwood*	Believes that sustainable cost reduction can only be delivered when people, process and technology are orchestrated to achieve this aim together. From the outset, ensures a top-down business case that draws together the business’ strategic intent with clear financial ambitions. Leverages frontline resources by facilitating people’s expert local knowledge and combines this with a broader industry expertise.
BT Global Services*	Offers an approach that combines deep understanding of technology-led savings with a strategic overview of business objectives in order to mesh the two together, identifying areas where technology can help increase organisational effectiveness and efficiency.
Consulting Stream	Treats each client as unique and invest a short amount of time defining the scope of each engagement to ensure the highest impact. Collects and analyses key information in order to create prioritised list of opportunities and converts this into detailed risk adjusted plans to deliver these savings.
DMW Group	Delivers significant cost savings for its clients IT departments primarily through improvements in processes and technology deployment. Includes reducing outsourcing supplier costs, as well as IT support costs through the implementation of consolidation and virtualisation technologies.
Egremont Group*	Focuses on alignment between the IT function and the rest of an organisation, in large-scale IT programmes as well as operational processes, and looks at what the organisation wants to achieve and how the engagement and commitment of end-users, as well as IT staff, can be improved in order to realise its goals.
expw: consulting	Focuses on refocusing failing projects and on aligning and driving multi-supplier teams towards final project goals, primarily in the telecoms and media sectors. Aims to provide a rapid and innovative approach to IT cost cutting issues.
HCL Axon	Helps create alignment between the aspirations of the business and the strategy for IT. Builds an IT organisation with the structure and competence to deliver that strategy. Puts in place a fully cascaded measurement system that can link strategic goals to real-time system delivery.
Logica	Is able to deliver savings of approximately 30% by improving or outsourcing applications, infrastructure and test management activities. Through working closely with our clients and taking an agnostic approach, we are able to get close to our clients and fully understand their business issues and priorities before recommending appropriate IT, process and people focused solutions.



Firm	Outline of approach to cost-cutting
Morse	Believes that most costs can be saved by improving what is delivered, not by just cutting the cost of delivery. Works with organisations to help them identify areas for cost-effective improvement, to make quality the driver of change and to outsource at a better price.
Oakleigh Consulting*	Focuses on “cost savings”, because “cost cutting” can have negative connotations and reducing IT costs is most often achieved through people and process change than exclusively through technology itself. Works closely with clients to develop a deep understanding of their situation and a definite plan of action to achieve cost savings.
Pcubed	Does not just plan and strategise a resolution around cost reduction needs, but also provide the tools and people to see it through to the end, whilst transferring skills. Reduces costs through the smart application of fundamental elements of the portfolio, programme and project management toolset.
Serco Consulting	Focuses on helping organisations get better value for money from IT, primarily from looking at areas where organisational structure and processes have driven up the cost of IT. Looks at how organisations can improve the quality of service they get from their IT department and/or outsourcing service providers as well as lowering its costs and delivers our large scale transformation.
The Berkeley Partnership*	Works with IT and the business to develop a sustainable cost-cutting strategy that manages business “demand” for IT services as well as the IT “supply”. Shapes change programmes to achieve measurable benefits and takes ownership for driving that through via using a small number of consultants embedded in client teams.
Xantus*	Develop a strategic approach to immediate and sustainable cost reduction, by working to identify profitable investments and reduce/optimize IT spend, whilst improving performance in specific areas and across the IT organisation. Also provide an insight into the right level of investment across IT functions by benchmarking client spend against industry standards.

*Premium or Platinum member of Sourceforconsulting.com. For further information on benefits of membership, please contact Jodi.davies@sourceforconsulting.com or telephone 0845 293 0992



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