How to Strategically Budget for IT

Dial 844- WEB ADIGO (844-932-2344) *no ID needed*

Start time: 5 minutes after the hour
We'll go for 20 minutes until 25 past

A Conferencing Tips Webinar with Brad Volin, President of Adigo

Agenda

- Intro's
- Aligning IT budget with organizational strategy
- Determining IT budget categories
- Assessing the financial impacts of an IT budget
- Creating a year-round IT budget
- IT budget essentials
- Questions

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Introductions

- President, Adigo
- Experience at Public and Private companies

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Aligning Your IT Budget

Working Together

- IT team must work with together with the decision makers of the company
- Look at IT spending as an investment
- Look at the organization's long and short-term goals
  - How does IT play into achieving these goals?

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Aligning Your IT Budget

Consider the Constraints

- Organization's cash flow
- Impact on the organization's overall capital and operating budgets
- Major projects occurring that might impact the IT infrastructure

Aligning Your IT Budget

Look at the Big Picture

- Do your IT initiatives align with and support the organization's strategic objectives?
- Should any initiatives that weren't selected be reconsidered?
- Would any of the organization's strategic initiatives make one of the selected IT initiatives obsolete?

IT Budget Categories

Breakdown your IT budget into 3 major categories:

1. Run
2. Grow
3. Transform

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IT Budget Categories: Run

1. Run

- Budget items that keep the organization operating
  - Critical server replacements
  - Key software upgrades
  - Day-to-day personnel costs associated with administering and maintaining IT
- Avoid cutting Run initiatives at all costs
  - Could introduce operational risk

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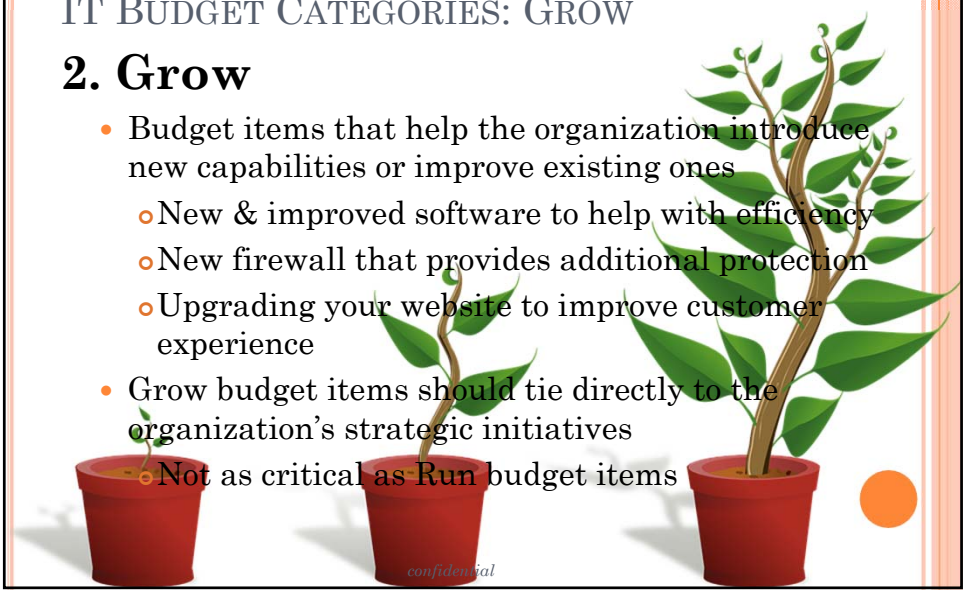
IT Budget Categories: Grow

2. Grow

- Budget items that help the organization introduce new capabilities or improve existing ones
  - New & improved software to help with efficiency
  - New firewall that provides additional protection
  - Upgrading your website to improve customer experience
- Grow budget items should tie directly to the organization's strategic initiatives
  - Not as critical as Run budget items



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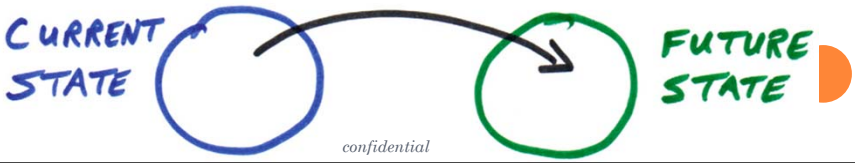
IT Budget Categories: Transform

3. Transform

- Budget items for research and development
  - Technology for new organizational capabilities
  - Technologies connected to new products or services
  - Small-scale testing of new systems and business applications
- Transform budget items are often the first to be cut
  - Failure to include Transform initiatives can stunt future success
  - Key to an organization's long-term growth



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Assessing the Financial Impacts

Determine if your IT budget makes financial sense

- What is the impact on financial KPIs (Key Performance Indicators)?
  - Use different financial KPIs to gauge performance on IT initiatives
  - If necessary, make adjustments to the timing of initiatives to meet KPI measurements

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Assessing the Financial Impacts

Determine if your IT budget makes financial sense

- What is the impact on cash flow?
  - IT initiatives can have large upfront costs
    - Manage the impact by adjusting the timing or securing different financial agreements
  - Use a reserve approach
    - Set aside money each month or year for future IT initiatives
  - Remember to think long-term

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Assessing the Financial Impacts

Perform an IT Audit

- Performing an IT budget audit in each department can help identify overspending
  - Unused software licenses
  - Unused support expenses
  - Outdated tools

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Creating a Year-Round IT Budget

Build a Foundation

- Track what you spend as you go
- Recognize unplanned purchases
- Track recurring costs
- Track contract end dates and payment dates
- Track costs for new hires by department

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Creating a Year-Round IT Budget

Categorize

- Breakdown costs into categories
  - Initiatives, recurring costs, salary, etc.
  - Create subcategories
    - Hardware, software, support, licenses

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Creating a Year-Round IT Budget

Create a calendar of spending

- Indicate priorities & planned purchases
  - Provides insight into when purchases are expected to occur
- Include descriptions of purchases and initiatives
  - Relate back to your organization's strategy and goals

IT Budget Essentials

- **Consumables**
  - Easy to overlook, expenses can add up quickly
  - Printer cartridges, batteries, etc.
- **Software**
  - Tools that help with efficiency, customer experience, tracking, analytics, etc.

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IT Budget Essentials

- **Hardware**
  - Computers, servers, phone systems
  - Updating your hardware will allow use of technology innovations and create a more secure system
- **Security**
  - Network, data, and physical security systems
    - Up-to-date firewall
    - Up-to-date antivirus software
    - On-site security cameras
    - Management software with monitoring capability
    - Cloud technology with advanced encryption

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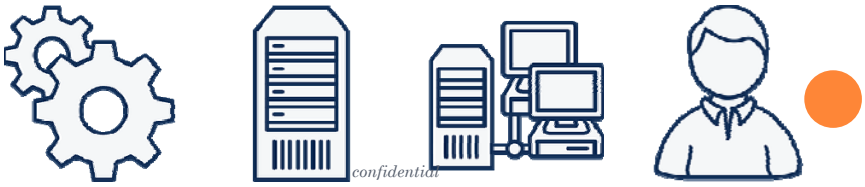
IT Budget Essentials

- **Training**
  - Technology is only as good as your ability to use it
  - For every new initiative, software, or hardware include the cost to properly train staff and management
- **Maintenance & Support**
  - Factor in the ongoing maintenance and support for hardware and software
  - Resources to conduct updates, routine upkeep, etc.



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Resources for How to Strategically Budget for IT

- http://www.journalofaccountancy.com/issues/2012/mar/20114439.html
- http://www.techrepublic.com/article/it-budgeting-the-smart-persons-guide/
- http://www.inc.com/elizabeth-dukes/dont-overlook-these-6-things-from-your-tech-budget.html
- http://www.zdnet.com/article/simplify-it-budgeting-year-round-with-our-template-and-tips/

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CONNECT

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How helpful was this? 1 (not much) – 5 (super)

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