IT COST TRANSPARENCY: KEY TO DELIVERING BUSINESS AGILITY
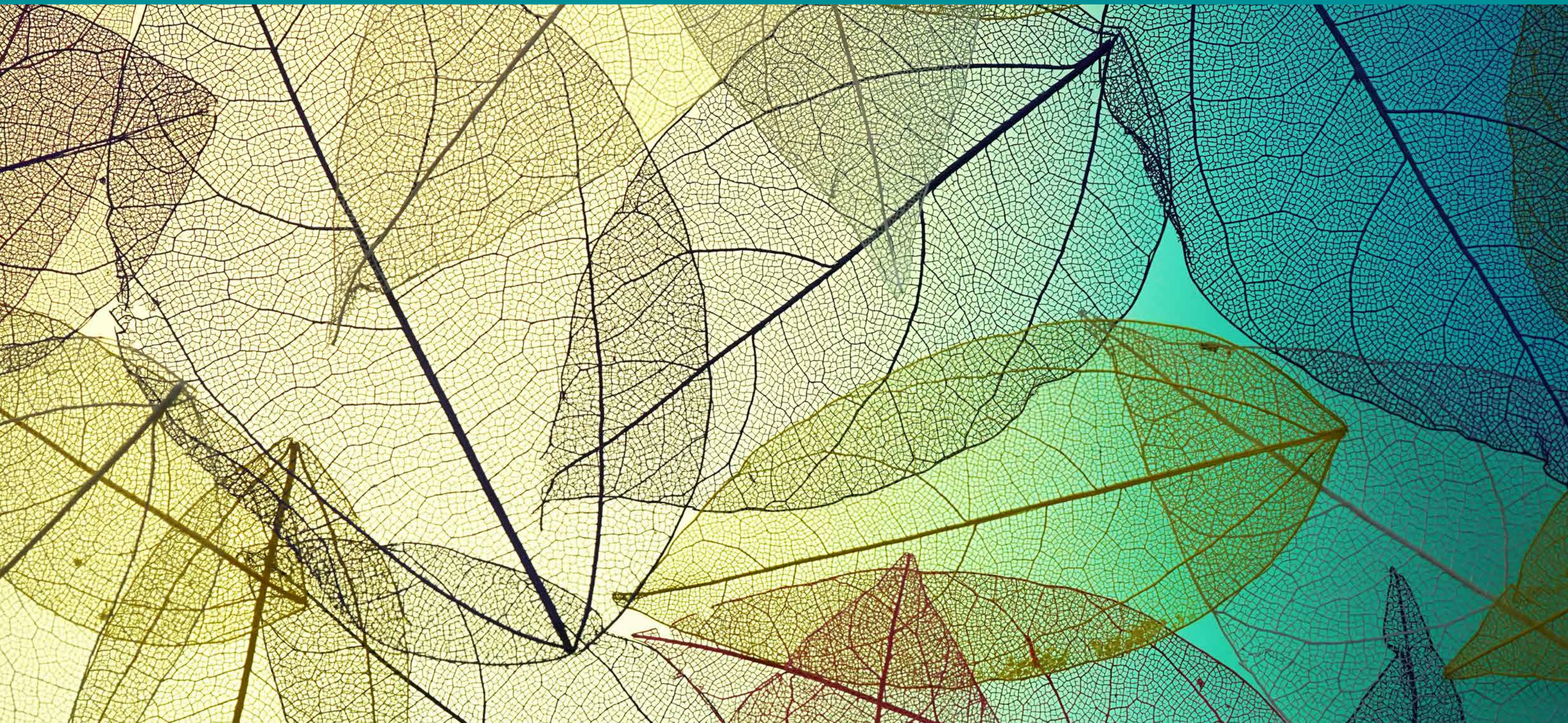
Lack of IT Cost Transparency is preventing organisations from effectively dealing with market challenges such as Brexit and digitisation

CONTENTS ❯

EXECUTIVE SUMMARY ❯

INTRODUCTION

Planning for and reacting to change is one of the key competencies of successful organisations, increasingly so as the need for business agility is heightened by demand for digitisation of services and unprecedented challenges such as Brexit.

2018 is shaping up to be a year where organisations face hugely increased uncertainty. This unparalleled situation will have implications for businesses, particularly the 88% where their IT leaders have not yet delivered IT cost transparency.and are consequently far less likely to be able to support the informed decision-making needed.

Such uncertainty puts a premium on agility and adaptability: the best way to prepare for where you're going tomorrow is to have perfect visibility of where you are today. IT leaders need to have confidence that every penny of their IT budget is pulling its weight, which means understanding both the true cost of IT and the value that it provides to the business.

This year, all organisations will need to focus on market challenges and customer expectations as well as other forces (such as Brexit). Barriers to entry are falling in all industries and the established behemoths are all at risk of being disrupted. Indeed, even the disruptors now face bring disrupted by newer competitors and offerings.

In times of uncertainty, organisations tend to be reluctant to make new investments. Instead, they look inwards at making the most of what they already have. Given this, 2018 represents an opportune moment for organisations to make sure their use of IT is as transparent and provides as much value as possible.

> Cost Transparency is the modelling and understanding of total and unit costs of services. It provides insights into the nature of IT to support improved business decisions and to manage the value of IT.

FOREWORD BY TONY ENGLAND, CIO, FERGUSON PLC

This report underlines the importance of cost transparency to the overall performance of IT leaders: I would even say that this is a basic hygiene factor that should be prioritised when taking up any new IT senior management role.

However, the report reveals the surprisingly small number of IT leaders who have delivered on this goal despite evidence showing cost transparency plays a key role in building trust with business stakeholders.

Delivering transparency of the IT cost base is a pre-requisite for explaining the rationale for decisions taken and approaches being pursued. It is a basic requirement in building confidence

with senior stakeholders across the business. Without this transparency the IT leadership team will spend excessive amounts of time responding to discrete requests for information and 'explaining the numbers' in reviews rather than discussing the key strategic decisions that are on the horizon.

It is also my experience that a lack of trust of the IT cost base leads to overly complex re-charge mechanisms, i.e. when business units aren't confident that the services represent value for money, they work even harder to minimise their re-charge.

Further, the ability to 'slice and dice' the IT cost base once transparency has been achieved is essential to enable the funding on new investments. Without it there will be a lack of belief in IT's ability to deliver benefits claimed within

investment proposals. Investment requests will be regarded as cost 'additive' rather than value adding.

In a world where business success depends heavily upon digital initiatives and the agility that IT solutions can bring to the business, this report is a timely reminder to IT leaders of the importance of stepping up and delivering the cost transparency that will earn the trust of other senior executives.

2018 SURVEY ⊙

THE IMPORTANCE OF COST TRANSPARENCY

With the increasing digitisation of business, the importance of IT to the business has never been greater – nor has IT ever been as visible.

The unremitting demand for change that has become essential to business survival means that there's a heightened appreciation amongst business leaders of IT's role in creating the business agility that is so critical to dealing with external challenges – be they Brexit, GDPR or other expected or unexpected business challenges.

In response, IT needs to operate as a true partner to business teams, aligning to common goals and being measured as a key business function. This requires IT to:

• Understand and respond to the business's needs, and the development of service functions and performance to deliver business outcomes

• Deliver meaningful communications to business teams to explain the service capabilities, performance, risk and cost, so they can make informed choices affecting the running of the business and choice of services

• Understand and manage costs and the relationship of cost with service scope, performance and delivery risk.

Cost transparency is at the heart of this. It is the art of capturing, understanding and reporting costs in a way that enables both IT and the business to better understand IT services and make improved business decisions.

In our 2018 Survey of 130 IT leaders of large organisations, we have found that those that score highly in cost transparency are trusted as true 'partners' who not only understand current business issues but are able to advise on the best strategic decisions for taking the company forward.

Only those IT leaders who have optimised their IT costs will be well placed to deliver this flexibility and agility.

IT leaders who are successful in cost transparency are:

2x
more likely to be represented at Board level

3x
more likely to use cost information to assess business impact of changes

7x
more likely to link IT performance to genuine business outcomes

2x
more likely to have the commercial skills they need to drive success

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THE SURVEY: COST TRANSPARENCY LEADERS

Our 2018 survey asked senior IT leaders, the majority of whom are based in the UK and mainland Europe, to answer a range of questions to examine industry maturity when it comes to cost transparency and explaining the value of IT to the business.

This enabled us to identify organisations that have had success in these areas, and to establish (a) what they do differently and (b) the benefits they experience as a result.

The survey found that only a small group of companies had achieved success in these two key areas.

1. They have created cost transparency, meaning:

• IT cost information is accurate and available;

• Services are fully costed and the cost drivers are known, and;

• IT manages the cost lifecycle.

2. Cost transparency extends to the business relationship, meaning:

• Accurate, detailed cost information is provided to the business;

• The business understands why IT costs what it does, and;

• IT cost information is used to assess business impact of change.

This leading group, which we have labelled Cost Transparency Leaders, totalled just 12% of the companies surveyed – a very small proportion, but one that reflects the continuing reality of IT grappling to find its rightful place within the business.

So, what have we concluded from this research? By comparing the responses of this group with other organisations we are able to show that **companies that get cost transparency right are better able to align business and IT, assess the business impact of changes, and to support the constant demand for agility that is typical of the modern, digital enterprise**.

12%

88%
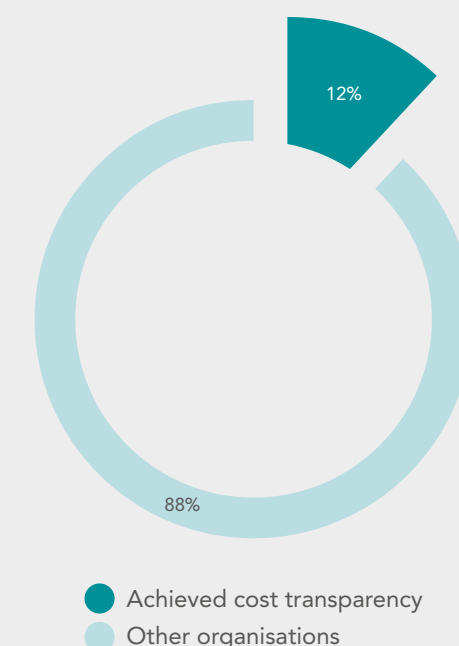
● Achieved cost transparency
● Other organisations

COST TRANSPARENCY

COST TRANSPARENCY DRIVES BUSINESS ALIGNMENT

The survey reveals that IT organisations that have successfully created cost transparency are far more likely to achieve greater business alignment.

We found they are:

- **Twice as likely to be directly represented at board level**, with all the Cost Transparency Leaders reporting this is the case vs just 54% of the others;

- **More than 1.5x more likely to involve IT leaders in setting business strategy**, with 85% of the Cost Transparency Leaders doing so compared with just over half of the others;

- **Nearly twice as likely to report that IT leaders demonstrate their alignment with business strategy** 90% of Cost Transparency Leaders doing so vs half of others.

Where cost transparency is established, IT is so core to the business that IT leaders are on the board and participate in the setting of business strategy. While a good proportion of other companies also do this, the difference is stark and companies that are successful in cost transparency find much greater levels of strategic alignment with the business.

Cost transparency also signals more trust in the relationship the IT department has with the overall business. Given this, it's perhaps no coincidence that these leading cost transparency organisations are also nearly twice as likely to demonstrate strategic alignment between IT and the business.

This improved integration with the business means that the Cost Transparency Leaders are better able to get involved at the early stages of business projects, giving them improved visibility of business requirements and the opportunity to be more responsive as a result.

What this demonstrates is the start of a partnership cycle. Cost transparency helps to improve business/IT relationships which help promote greater understanding and alignment between the parties, which in turn deepens trust in both directions.

> The importance of IT to the business has never been greater, nor has it ever been as visible. This blurs the traditional Customer/Supplier relationship – in effect, IT truly becomes part of the business. Leaders in cost transparency have shown that they are better positioned to make this transition

Is IT represented at Board Level?

100%	
54%	

- Cost Transparency Leaders
- Other organisations

Are IT leaders fully involved in setting business strategy?

85%	
55%	

- Cost Transparency Leaders
- Other organisations

Do IT leaders demonstrate alignment with business strategy?

90%	
50%	

- Cost Transparency Leaders
- Other organisations

EXPLOITING INSIGHTS TO BUILD BUSINESS VALUE

The survey demonstrates that Cost Transparency Leaders are able to exploit the insight they develop to help build further business value.

For instance, they are;

- **Three times more likely to develop pricing structures that help the business understand and consume services.** Successfully pricing IT services enables improved visibility between demand behaviours and cost, enabling the business to make informed choices to manage their consumption and total cost. It can also be used as the basis of recharge, enabling a more effective budgeting approach.

- **Four times more likely to align IT services to business capabilities.** This is a key driver of business value, and is a natural consequence of deeper business/IT relationships where IT is better able to understand the needs of the business and build services to match.

- **Five times more likely to create a flexible cost base that changes in line with consumption.** This is an important factor and overcomes a major inhibitor to the IT / Business relationship – that of step changes in cost; where every change or end-of-life refresh requires up-front investment from the business, or where IT costs are locked in and the business does not get the benefits of reengineering.

- **Seven times more likely to link IT performance to genuine business outcomes.** Another value driver, this enables the business to truly understand how IT supports (and affects) its business goals. For example, instead of reporting on availability of technical components, mature IT discusses the impact on the business. For instance, in financial services, a 10-minute network outage affecting a contact centre may impact productivity of 300 staff and prevent 3,000 customers accessing services (and may result in loss of business as a result).

	How IT Delivers Business Value:	Cost Transparency Supports By:
Service	Defining and delivering the service functionality the business needs	Providing costed service options for informed decisions e.g. public vs private cloud
Performance	Ensuring services deliver required availability, throughput and speed	Demonstrate the relationship between service performance and cost – "yes, we can improve speed but this will cost $x"
Responsiveness and Flexibility	Quickly responding to business needs for new and changed services	Providing information needed to assess implications and benefits of change, providing insight into cost drivers
Cost and Pricing	Ensuring cost of required service scope and performance is as low as possible	Developing financial insights to help drive cost efficiency and make effective decisions for business and IT changes
Benefits	Defining, tracking and managing benefits of change initiatives	Tracking cost and benefits of business change, demonstrating return on investment and helping business exploit change
Risk	Identifying and minimising risk of service interruption	Identifying cost of risk and mitigation actions e.g. cost of DR solutions
Communications	Explaining IT services so the business can better exploit technology opportunity	Communicating cost of IT and cost drivers, helping to justify IT project spend based on demonstrable business value

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TRANSFORMING IT FROM 'COST CENTRE' TO 'VALUE CENTRE'

Cost transparency is core to demonstrating the value of IT. In fact, we found that organisations that have achieved success in cost transparency are:

- **Twice as likely to see their IT as being core to the business**, with all companies in the Cost Transparency Leadership group in agreement with this statement compared to only 49% of the others

- **Less than half as likely to view IT as only a cost centre** (as opposed to a value-adding unit), with 23% of the cost leadership group being in this situation vs 56% of the others

- **Twice as likely to report that the business values IT's advice**, with all companies in the Cost Transparency Leadership group in agreement with this statement compared to only 52% of the others.

These findings matter as they are key indicators of the business understanding IT's value. Traditionally, IT has been regarded as an opaque, albeit necessary expense, whereby IT does not play a central role in business projects. This needs to change, and if IT is to become an essential business partner, these indicators must score highly. So, while more must be done to improve IT's standing as a value creator within the industry at large, the Cost Transparency Leaders have posted much more positive responses. IT in these companies is a core business function, and it is valued when it comes to the business needing advice. It is also much more likely to be viewed as a value centre rather than as a cost centre.

The results are clear, then so is the message - if IT is able to explain its cost to the business, it is much more likely to be seen as a trusted business partner.

The rationale here is that, while value is about more than just cost, it's difficult to explain value without first understanding cost. Cost transparency frames the discussions around service, performance and risk. It also provides the justification for further investment in IT services. It is therefore a critical step to building a trusting partnership with the business.

With this in mind, the results of the survey are not surprising; those organisations that have built cost transparency are better able to demonstrate full value to the business – and this in turn enables the partnership to develop with IT being seen increasingly as part of the business.

> Transparency is a key ingredient to a trusting partnership and this is shown in the responses. Organisations that build and share insight into cost are much better positioned to build enhanced alignment between IT and the Business
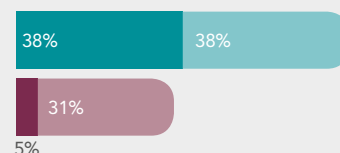
Has IT created effective pricing?

31%	67%
11%	38%
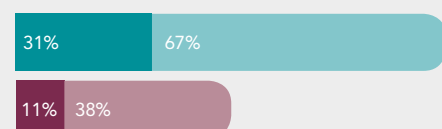
Has IT created a flexible cost base?

46%	46%
9%	34%
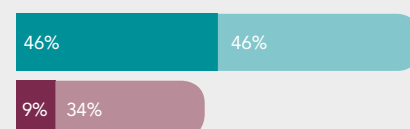
Are IT services aligned to business capabilities?

62%	38%
15%	38%

Does IT link performance to business outcomes?

38%	38%
38%	31%
5%	

% of Cost Transparency Leaders   ● Constant Success   ● Partial Success

% of other organisations   ● Constant Success   ● Partial Success

> As CFO I need to have a clear understanding of the value that is being delivered to our business by every pound that we spend. For me the report advocates essential factors in achieving the agility of IT that we require; transparency of IT costs and the ability to articulate the impact of IT spend in a commercial context.

Mark Slade, CFO, European Tyre Enterprise Ltd

Companies that view IT as a core business function:

27% / 100% / 49% / 24%
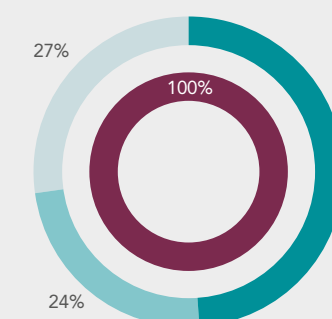
Companies that view IT as just a cost centre:

7% / 8% / 23% / 69% / 56% / 37%
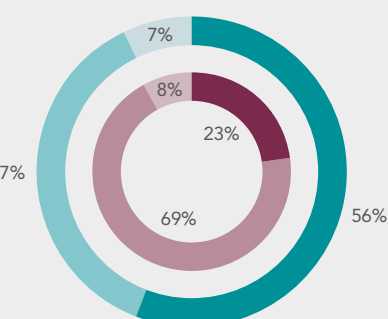
Companies where the business values IT's advice:

19% / 100% / 52% / 29%

% of Cost Transparency Leaders   ● Agree   ● Disagree   ● Other

% of other organisations   ● Agree   ● Disagree   ● Other
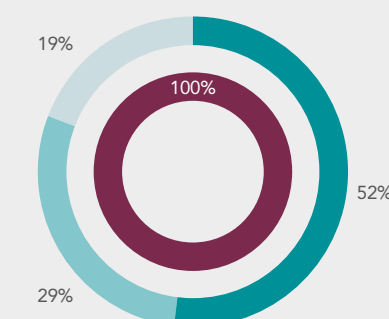
ASSESSING BUSINESS IMPACT OF CHANGES

The survey found that skills and processes are the key drivers to achieving and exploiting transparency.

In fact, companies successful in cost transparency are twice as likely to have the commercial skills they need to drive success.

In terms of process, the survey responses show that successful organisations are:

- **Three times more likely to use cost information to assess business impact of changes**. These organisations are much more likely to be able to quickly calculate and track accurate benefits, supporting better decisions and business outcomes.

- **Twice as likely to use cost transparency information as the basis for ongoing cost efficiency initiatives** rather than treating cost reviews as an ad-hoc approach (e.g. when budgets are costs).

- **Nearly three times more likely to forecast project portfolio impacts on operating costs**, which helps to prioritise and plan budgets, supports effective capacity planning and supports service lifecycle costing.

That's not to say that other organisations do not do any of the above; but the Cost Transparency Leadership group are far more likely to have embedded this into everyday processes rather than treat as one-off or ad-hoc activity. This in turn supports

improved agility throughout the organisation through the provision of meaningful data at the point it's needed – shortening the decision cycle and ensuring that decisions made are taken on the basis of fact.

> ❝ I would definitely agree that organisations where both the business and IT have visibility of, and understand, IT costs are in a better place to be responsive to business demand. I am surprised that so few organisations have implemented this successfully and I hope this survey spurs on more business and IT leaders to push for clearer view on IT costs. In my experience it is certainly easier to have a conversation with business colleagues and customers when you are able to clearly articulate the cost impact of a new request to help understand its relative value and business priority.

Andy Palmer, VP Common Service Design and Products, Uniper S.E.
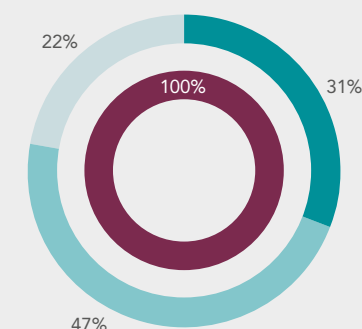
> ❝ In my experience, any senior IT leader wanting a seat at the top table needs to be able to 'talk business' rather than 'talk IT'. If they can talk about IT in terms of actual cost, business benefit and genuine timescales then this provides critical support to the business in making key decisions. While in the past this was an aspiration, it is now considered the price of entry.

Bob Barbiaux, Vice President, Global IT Services, Essity

Do you have the commercial skills you need to create effective cost transparency?

92%
46%

- Cost Transparency Leaders
- Other organisations

Is Cost Transparency data used to assess business impact of change?

22%
100%
31%
47%

Is Cost Transparency data used as the basis for ongoing cost efficiency initiatives?

27%
8% 8%
39%
84%
34%
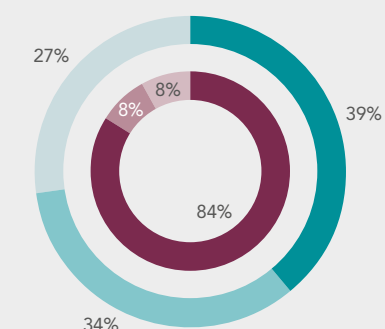
Is Cost Transparency data used to plan operational impact of projects portfolio?
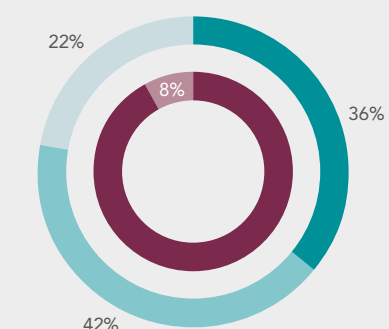
22%
8%
36%
42%

% of Cost Transparency Leaders ● Agree ● Disagree ● Other
% of other organisations ● Agree ● Disagree ● Other

GETTING STARTED WITH COST TRANSPARENCY

Our work with a wide range of organisations in recent years has often involved cost transparency, either directly or as an influencing factor in other issues that impact the ability of IT to meet business demand.

We have found that there are clear and common issues that companies often face that can be addressed through our tried and tested approach to cost transparency:

|	How IT Delivers Business Value:
Build a Strategy	A lack of clear vision results in outcomes that don't meet expectations or require rework to support. At the outset, there should be a case for transparency, including objectives (what are you trying to achieve? E.g. improved cost information; improved pricing, benchmarking) and approach (including responsibility for creating and maintaining the data).
Create a Roadmap	Creating and exploiting cost transparency is a journey; it won't happen in a single step. Prioritise where to focus first (e.g. Infrastructure, projects, applications? Pricing? Cost efficiency?).
Create a Data Model	The structure of data and the way costs flow from cost sources is the main constituent of the cost transparency approach. Key considerations here include: • Definition of the components to be costed • The tooling required to capture and map costs • Data availability and quality to support the model
Identify Data Requirements	Identify the data required for the objectives and to support the data model, including both financial and operational data needed to make sense of the costs (e.g. asset, service, consumption and performance data).
Build a Data Quality Approach	No organisation has perfect data; but this shouldn't stop progress. Understanding the limitations of the data will help understand the cost reports, and help to identify the actions required to build a better outcome going forwards.
Business Change	Exploiting cost transparency needs new processes, new behaviours and a significant amount of communications and training. There may even need to be new roles and capabilities in the organisation. But without a business change approach there is a danger it becomes a one-time approach and soon be out-of-date – handy for the here and now, but in a year you'll be back to where you started.

"

I definitely agree that cost transparency is important for demonstrating the value of IT to the business. However, with this comes a significant responsibility on the IT team and management to present costs in way that is easy to understand and to explain, in business not technical terms, how the various cost components interact and support the business, or are prerequisites for other IT components.

Sarah Cobb, Group Business Systems Director, Renold PLC

Take our Cost Transparency survey and receive a personalised report from Coeus Consulting that details your cost maturity and provides recommendations.

Please take the Cost Transparency Survey here (it should take 5-10 minutes).

BREXIT

THE BREXIT QUESTION

Against this backdrop of change, organisations that have any operations across both the UK and EU today face huge uncertainty based on potential regulatory change in addition to market forces. Our view is that Brexit is likely to impact eleven critical areas based on either direct regulatory change or what is perceived to be the most likely impact of regulatory change.

Decreasing

- Flow of skills into UK from EU nations
- UK spend on IT
- Foreign investment in the UK
- Consumer spending (on IT)
- Cost of services to foreign customers
- Leverage that UK has in trade deals

Increasing

- Divergence of standards and regulations
- Flow of skills out of the UK
- Market uncertainty and risk
- Costs of financial services
- Cost of services to UK customers
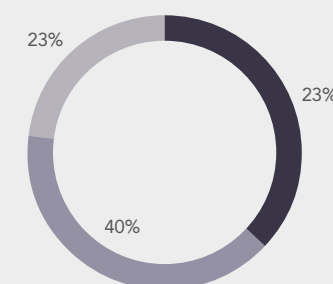
BREXIT – PLAN OR WAIT?

Planning for Brexit is clearly difficult as the negotiation phase is still far from complete. Until details about trade agreements, regulation, migration, etc are known, no plans can be made based on the actual impact of Brexit.

However, organisations can still make (and possibly start to implement) plans to mitigate potential Brexit impacts based on likely outcomes and expert analysis. We have identified three areas where IT teams are able to undertake planning activities to help identify the risks and make plans based on those. These areas are:

- Establishing a Brexit response initiative
- Undertaking scenario planning
- Engaging with business colleagues

Our 2018 survey shows that attitudes to Brexit are restrained, with only 37% of senior IT leaders progressing activities in all of these areas to assess and plan for the potential Brexit outcomes.

Key Brexit Activities

51%
IT leaders who have a Brexit response initiative

59%
IT leaders who are engaging with business colleagues

58%
IT leaders who are scenario planning

In our 2018 survey, we wanted to understand how well senior IT leaders understood these potential impacts, how they are currently planning to address these once the deal is known and how they are working across the traditional IT/business divide to address them.

Recent press coverage about the increasing level of dissatisfaction among business leaders, about the lack of detail available on the UK and EU plans, and their hope and expectations around the outcomes of the Brexit discussions demonstrates that there is a restlessness around Brexit and a desire to take action.

Using the 2018 survey results together with existing advice and best practice we have identified clear, positive actions that IT leaders can take to put themselves in the best position to react well to this detail once it is known.

> It is too easy to use the current political uncertainty being reported on by the media as a reason to delay planning – adopting the "wait and see" approach as identified in the report. However even organisations that are not massively impacted should at least have identified potential issues, so as not to be caught out at the last minute.

Sarah Cobb, Group Business Systems Director, Renold PLC

23% / 23% / 40%

% of IT leaders who have conducted scenario planning, established a Brexit response initiative and engaged with the business

- All
- Some
- None

42%

% of IT leaders who have access to the right IT cost information to plan for Brexit

51%

% of IT leaders who understand how Brexit might impact their data storage arrangements

The survey reveals that, while approximately half of all senior IT leaders have put some activities in place to plan for Brexit, only just over one third have put all of these in place, and a similar proportion only have plans to take some action to plan for Brexit.

What this suggests is that the majority of IT leaders are adopting primarily a 'wait and see' approach around Brexit. With so many different potential outcomes and so little factual information to make plans against this is perhaps not unsurprising. However, it is concerning that such a high proportion of IT leaders have no plans to engage with their business colleagues to discuss Brexit plans and potential responses. Once the actual Brexit deal is known this lack of communication is likely to lead to further delay and possibly confusion over the organisational response to Brexit. This could have a hugely detrimental impact on the organisation as those who are able to respond quickly and accurately to the opportunities and challenges posed by the Brexit deal will be those most likely to flourish within the new environment.

A further concern is around the base knowledge of the existing IT environment that will be needed to assess the impact of regulatory change on areas such as data management, investment and trade. The survey results showed that only 42% of senior IT leaders agreed that they had some or all of the IT cost information that would be needed to understand the impact on areas such as their supply chain. Additionally, only 51% agreed that they understood how their data storage arrangements might be impacted.

With many law firms and industry bodies advising organisations to undertake audits to identify their potential exposure to regulatory change based on the critical areas identified above it may be that IT departments are not engaging enough with their business colleagues to ensure that IT is a clear focus of these recommended audits and that the organisation is able to respond quickly, consistently and coherently once the impact is known.

BREXIT CONFIDENCE

Our survey showed that IT leaders' have a high level of confidence in their organisation's ability to overcome the challenges that will be caused by Brexit. Almost two thirds of respondents were confident that they could overcome any Brexit challenge.

However, it also showed that this confidence is not linked to the amount of preparation that IT organisations have done around Brexit. In fact, the level of confidence was very similar amongst those who have done very limited planning than those who have done considerable planning. It is possible that this points to over-confidence or could be that organisations who have not done specific Brexit planning have focused efforts on understanding their IT estate, supply chain and business demand.

The survey also found that expectations on the impact of Brexit are lower than we thought. Just over half of the respondents said that they expected Brexit to have a major impact on operations, leading to a conclusion that either IT departments have already mitigated many of the potential risks around Brexit or that the impacts are not well understood amongst IT teams. The fact that this lack of understanding is a possibility suggests that more work needs to be done to document, assess and plan for the risks associated with Brexit.

Interestingly, those respondents who did not expect Brexit to have a major impact on operations still showed the same level of confidence in their ability to react to Brexit as the other respondents.
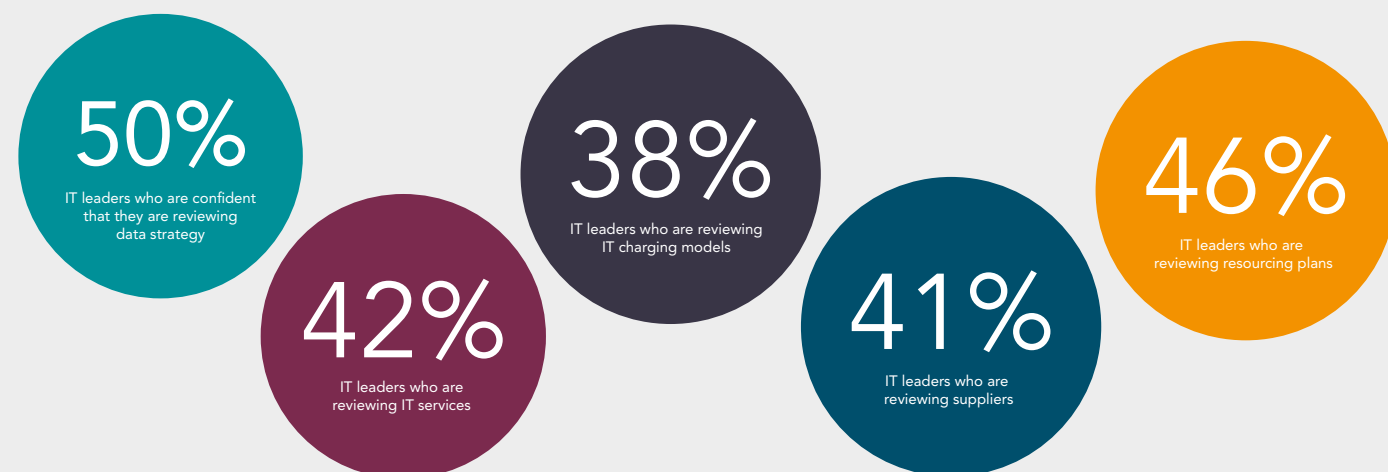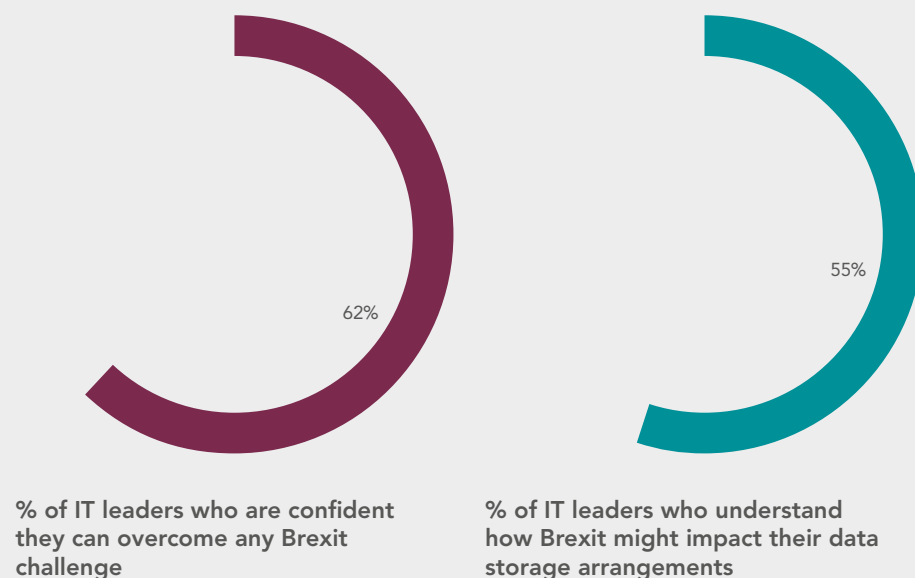
What is clear from these results is that 2 out of every 5 senior IT leaders do not feel confident that they are able to meet the challenges of Brexit, despite any effort already put into preparations. This could partly be due to the perceived complexity of dealing with EU countries from the outside. For example, HMRC predicts a 500% increase in import forms as a result of Brexit, resulting in both increased cost and difficulty for businesses in both the UK and the EU.

Whilst Brexit talks are ongoing and the outcome remains unclear, IT teams still have a large opportunity to put measures in place to ensure that they understand the Brexit risks and are well-placed to manage the transition once the outcome is known, particularly given than the changes are likely to be communicated and implemented in phases.

62%

% of IT leaders who are confident they can overcome any Brexit challenge

55%

% of IT leaders who understand how Brexit might impact their data storage arrangements

50%
IT leaders who are confident that they are reviewing data strategy

42%
IT leaders who are reviewing IT services

38%
IT leaders who are reviewing IT charging models

41%
IT leaders who are reviewing suppliers

46%
IT leaders who are reviewing resourcing plans

KEY BREXIT QUESTIONS FOR IT LEADERS

Whatever the outcome of the Brexit negotiations, organisations with operations and /or customers spanning the UK and EU will be impacted by regulation change that affects supplier relationships, resources, competition and costs.

The likely result is that IT departments will be challenged to reduce costs faster, to increase the speed of digital adoption and to have a far more visible impact on the organisation's finances.
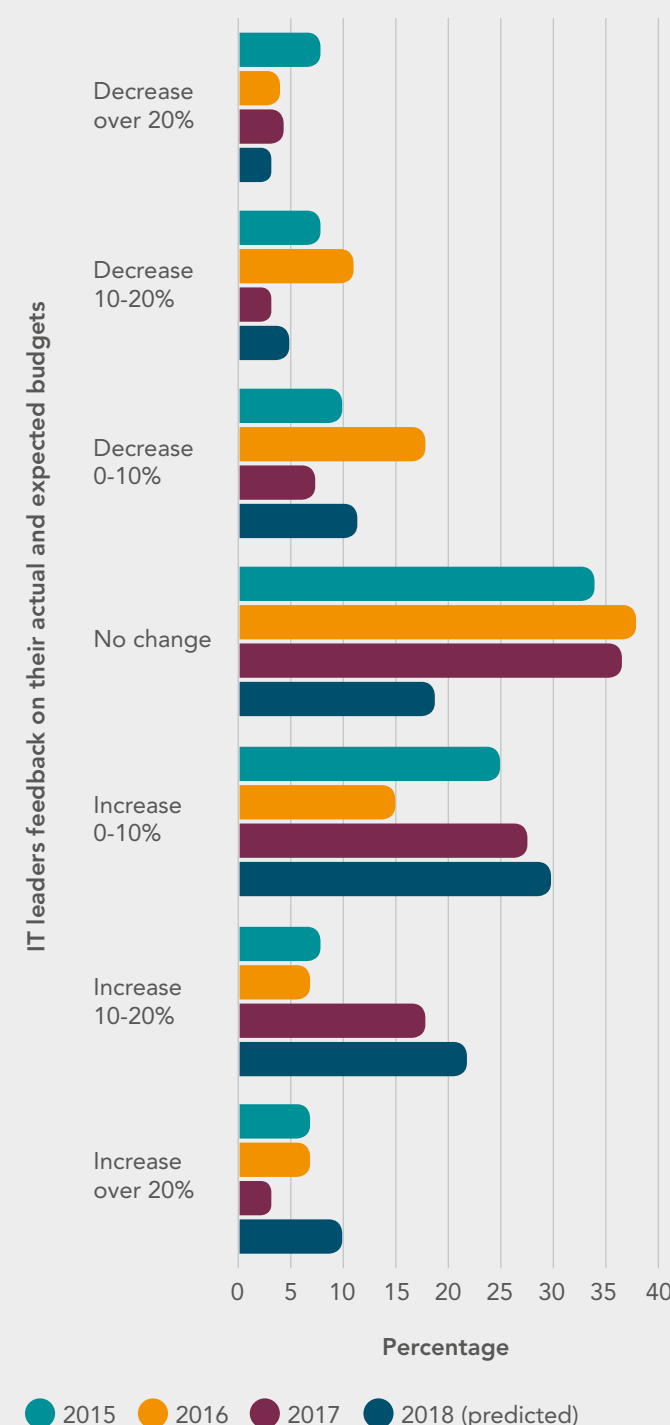
We suggest that IT leaders need to ask themselves the following questions to help assess how well they might be able to respond to changes in regulation including those driven by Brexit:

- Have you positively engaged with senior business colleagues to discuss and plan for Brexit?
- Do you know where all of your customer data is stored?
- Is your supply chain and operating model documented and up to date?

- Are your costs transparent?
- Have you exploited the benefits of automation and agility across IT?
- Are you able to work with small, agile vendors (who are not necessarily mature delivery organisations)?
- Are you confident that your key teams could work together remotely, across geographic boundaries?
- Are you aware enough of technology innovation and new vendors?

IT BUDGETS AND CHALLENGES

IT BUDGETS EXPECTED TO INCREASE FOR 2018

▶ IT budget change 2015-18

IT leaders feedback on their actual and expected budgets

Decrease over 20%

Decrease 10-20%

Decrease 0-10%

No change

Increase 0-10%

Increase 10-20%

Increase over 20%

0 5 10 15 20 25 30 35 40

Percentage

● 2015   ● 2016   ● 2017   ● 2018 (predicted)

coeus consulting

We have consistently asked survey respondents about their IT budgets every year.
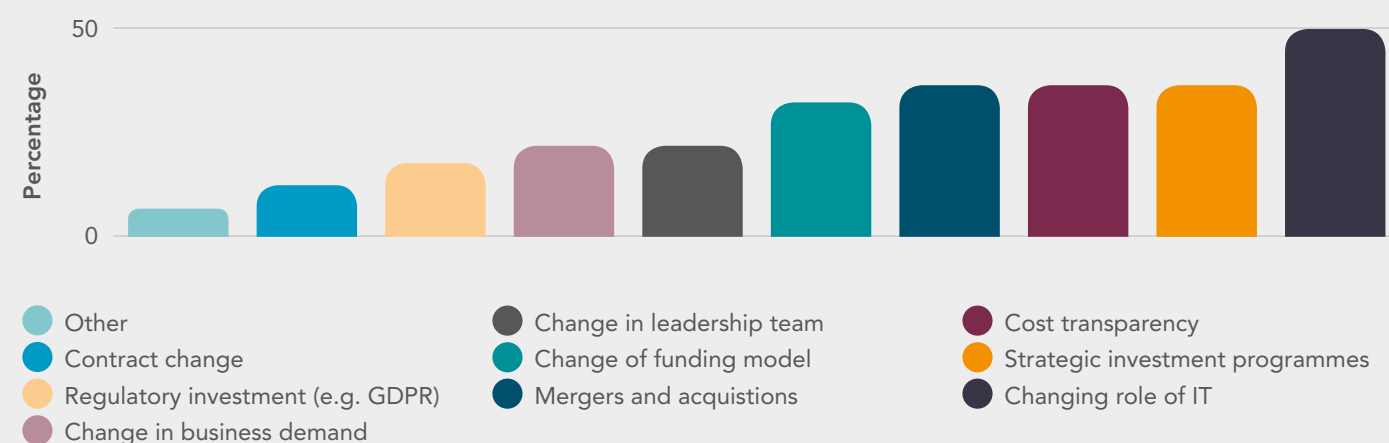
The most recent figures, combined with respondent's predictions for 2018 budgets show a significant amount of optimism for IT spend.

The data shows a significant drop in IT leaders expecting to see no change in their budget for 2018. This shift to the right upwards suggests that IT leaders are expecting to receive increased funds based on the continued drive for digitalisation, increased focus on responding to changes such as GDPR and Brexit and possibly increased business understanding of the value of IT.

Factors affecting IT budgets

Percentage

50

0

- Other
- Contract change
- Regulatory investment (e.g. GDPR)
- Change in business demand
- Change in leadership team
- Change of funding model
- Mergers and acquistions
- Cost transparency
- Strategic investment programmes
- Changing role of IT

This view is borne out by the responses to our question about budget affecting factors. IT leaders are clearing predicting IT to play a greater part in the business and a continued focus on business change. Almost a quarter also believe that the potential regulation change in 2018 will lead to increased IT budgets. It is also very interesting that 38% of our respondents are expecting a change in their leadership team to lead to budget changes. This appears to be a very high percentage expecting a change at senior levels in their organisations.

These findings certainly support the message that IT is being seen as an increasingly important part of the entire business operation and is experiencing the budget changes and focus that would be expected as part of this. This also means that business colleagues are likely to expect increased evidence of the value that IT contributes to the business and increased business leadership from IT executives. IT teams must therefore ensure that they are well positioned to operate in an increasingly commercial environment, offering clear figures and evidence around costs and value as well as demonstrating the commercial acumen and technology knowledge needed to advance the business as a whole.

ABOUT THE REPORT

SURVEY METHODOLOGY

The 2018 Coeus Consulting survey was conducted between 18th September and 16th October 2017 amongst 130 senior IT leaders.

More than half of respondents are C-suite from organisations with revenues between £200m up to more than £30bn (59% of revenues provided were over £1bn) and represent a wide range of industries, including financial services, healthcare, manufacturing and public services.
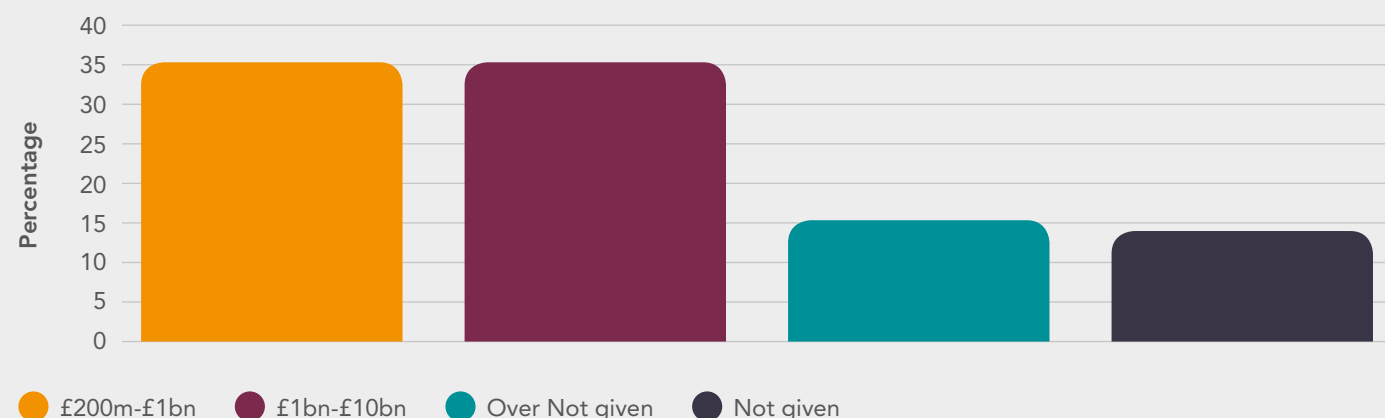
RESPONDENTS

What is your job role within your organisation?

Percentage

60
50
40
30
20
10
0

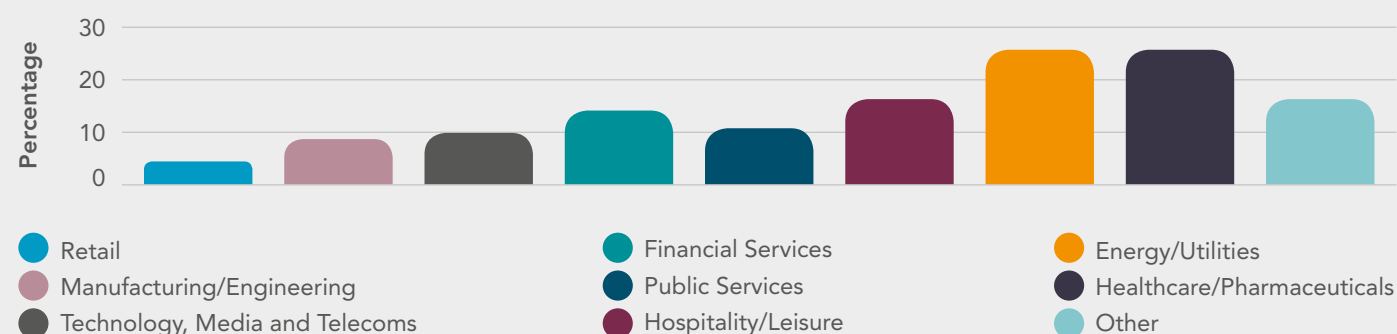- C-suite
- Senior IT
- Not given
- IT Director
- Other
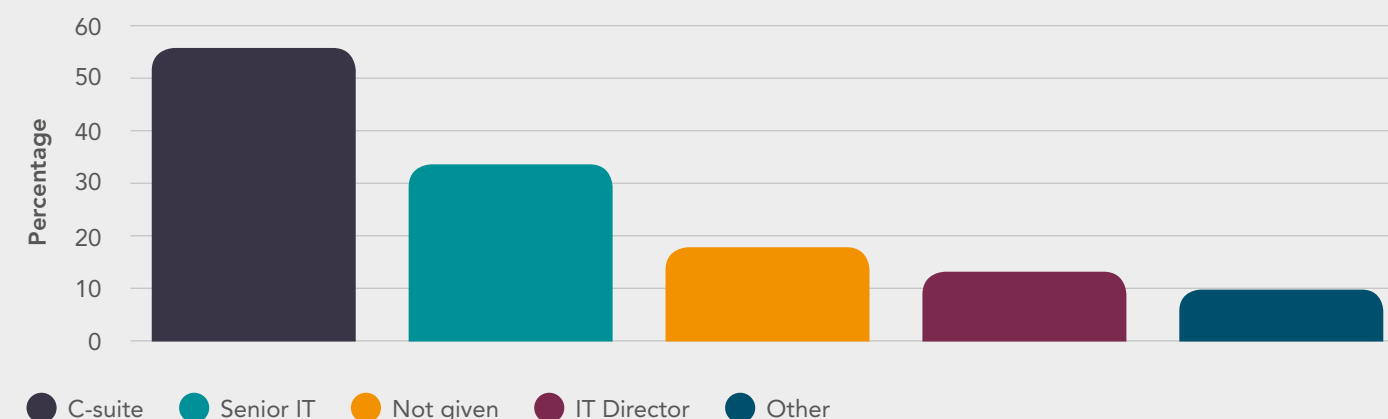
> Our IT systems provide multiple services to our global membership. We need to ensure that we understand the total cost of each one so that we can focus on developing those that provide the best value to members and to us as an organisation. Having this IT cost information easily available helps drive constructive conversations with our business customers and users.

Richard Best – Head of IT & Digital Services, The Institution of Engineering and Technology

What is the size of your company revenue?

- £200m-£1bn
- £1bn-£10bn
- Over Not given
- Not given

Respondents by industry

- Retail
- Manufacturing/Engineering
- Technology, Media and Telecoms
- Financial Services
- Public Services
- Hospitality/Leisure
- Energy/Utilities
- Healthcare/Pharmaceuticals
- Other

ABOUT COEUS

Coeus Consulting helps IT leaders to drive business growth, enhance agility and create efficiencies.

We are an independent IT consultancy providing both strategic advice and programme execution to multinational clients, particularly those operating in highly-regulated industries.

Our people have the right blend of skills and experience to deliver trusted advice on commercial, technological and business issues resulting in strategic benefits for our clients.

OUR SERVICES

Digital Transformation
Helping IT leaders define their digital vision and supporting them through the cultural and operating journey.

Commercial Management
Empowering IT leaders to understand their true cost of IT and the levers available to ensure the best value for money.

Risk Management And Avoidance
Helping IT leaders ensure their business is protected against operating threats and ensuring compliance.

Strategy And Operating Model
Helping IT leaders define their IT strategy and operating model to support future business.

Sourcing
Supporting IT leaders in maximising the value generated from the IT Supply Chain.

Technology Management And Adoption
Helping IT leaders get the best business performance from their ecosystem.

Change Delivery
Supporting IT departments through flexible yet benefit focused project, programme and change delivery.

Mergers And Divestments
Advising IT leaders through every stage of the Mergers and acquisitions and divestment lifecycle.

Service Integration And Operational Excellence
Helping organisations define, operate and improve IT business services.

OUR COMMERCIAL MANAGEMENT SERVICES

Coeus' Commercial Management services empower IT leaders by providing them with expertise in implementing successful controls and a variety of tools and methodologies to create the transparency required to make effective IT commercial decisions.

Our services in this area include:

- Commercial Management
- IT Total Cost of Ownership Review
- IT Cost Optimisation
- Supplier Consolidation
- Business Case
- Recharging of IT
- Benchmarking

HOW DOES YOUR ORGANISATION COMPARE?

Take our Cost Transparency survey and receive a personalised report from Coeus Consulting that details your cost maturity and provides recommendations.

Please take the Cost Transparency Survey here (it should take 5-10 minutes).

THE AUTHORS

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Director

Ben is a business and IT transformation professional with over 20 years' experience in consulting and management roles. Previously he was Director, CIO Advisory at KPMG, and has also held roles at Xantus Consulting and Capgemini. He has coached and led senior clients on strategy development through to transformation and benefits delivery.

JAMES COCKROFT

Director

James is an IT outsourcing and transformation professional, and his experience includes 20 years as a consultant with companies such as KPMG, Xantus Consulting and Mason. James has a proven track record in advising and coaching organisations on large complex global outsourcing deals, IT transformation and strategy.

MICHAEL WARD

Head of Service Integration Practice

Michael has 20 years' experience of leading assignments across multiple industries. He specialises in IT Strategy and Organisational Design and IT Service Management. His key focus area is helping organisations define, integrate, operate and improve IT business services.

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Keith is an experienced Enterprise Architect and IT Strategy consultant with experience of working with blue-chip, utilities, healthcare and government clients. His key focus area is helping IT leaders define their IT strategy and operating model to support future business.

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