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Gartner Identifies Five Tactics to Protect IT Investment Funding

Analysts to Discuss IT Budget Management for New Projects at Gartner Program and Portfolio Management & IT Governance Summit 2012, 19-20 June, in London

EGHAM, UK, 13 June, 2012 — Almost every CIO identifies reducing operational expenditure and increasing the amount spent on IT investments as a top priority.* However, many fail to manage properly the operational costs of IT investment in new programmes, which can erode investment funding, according to Gartner, Inc.

"Organisations that overspend on operational activity have little money left to invest in new projects. Without reinvestment, organisations cannot restructure and optimise their operational spending," said Stewart Buchanan, research vice president at Gartner. "This results in rising non-discretionary costs, which in turn result in further underinvestment, lack of competitiveness, failing client service and loss of revenue. This makes future spending even less affordable and even less avoidable. Programme and project managers need to break their organisation out of this spiral of terminal decline."

To help CIOs and IT professionals avoid this spiral, Gartner has identified five tactics to help manage IT investment in new programmes.

- **Diagnose the investment challenges your organisation faces and change governance to improve the way they are managed.**

The cost of a new project's implementation, and the ongoing operational expenditure derived from it, are often treated separately. It's imperative to link project and operational spending together and not manage them in silos. If the increase in operating costs from new projects is not sustainable, it can drain IT budgets and reduce the scope for future investments, leading to a downward spiral.

- **Keep a log of nasty surprises your organisation has faced in budget management. Plan ways to detect and avoid similar events in future.**

Hidden costs can be most dangerous. In many organisations, particularly in Europe, the Middle East and Africa, it is now mandatory to forecast future operating costs in project plans. However, over optimism is still widespread when it comes to planning. Common misjudgements in planning new projects include: underestimating support costs because a new kind of service has never been managed before; dependency on sole suppliers, which then raise costs; failure to account for demand shifts.

- **Create a single portfolio view of assets, services and project spending.**

Link project and operational spending management by removing silos. One way may be to require service managers and project managers to work together on business case approval. When working on business

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case approvals, ensure that new operating expenditures are identified through a total cost of ownership analysis. It is also important to create a process that funds new operational expenditure resulting from projects — some companies already provide a budget for operational spending as part of their project costs.

- **Plan asset and service lifecycles to identify when investment is needed.**

New projects and the assets or services they create are often seen as being very valuable to organisations. However, this value tends to depreciate, and this process does not stop at zero because IT assets and services usually cost money to support, maintain and retire. For example, many IT assets or services contain data that must remain readable to ensure legal and regulatory compliance. Whether the decision is to replace, refresh or retire these assets or services, it can involve unforeseen expenditure that can eat away at IT budgets. Without proper lifecycle planning the organisation may be unaware of cost implications and fail to plan for them. The result is that money badly needed for strategic projects may end up being used to "take out the trash."

- **Plan for success by agreeing how wider deployments will be paid for (for example, through chargeback, contingency funding or further projects).**

Often IT is expected to deliver "more with less", and achieve exponential increases in computing power. However, many IT organisations are at a point where it is time to deliver "less with less", if there remains a business goal to continue reducing IT spending. The success of a project can have the effect of increasing demand. Therefore, it is just as important to manage demand for a service or asset as it is to manage the project itself. Otherwise, efficiencies and savings can be wiped out and funding for future projects jeopardised.

Mr Buchanan will discuss IT investment funding at the Gartner PPM & IT Governance Summit 2012, which will run from 19 to 20 June, in London. For additional information on the Summit, please visit www.gartner.com/eu/ppm. Members of the press can register by contacting Robert van der Meulen at Gartner on + 44 (0) 1787 267 738 or at rob.vandermeulen@gartner.com. Information from the event will be shared on Twitter at http://twitter.com/Gartner_inc using #GartnerPPM.

* Findings from Gartner 2012 Executive Program Worldwide CIO Survey
http://www.gartner.com/it/page.jsp?id=1897514

Gartner PPM & IT Governance Summit 2012
The Gartner PPM & IT Governance Summit 2012 will focus on balancing resources, demand and benefits amid a volatile economic environment. The Summit aims to help organisations improve how they select, implement, and manage IT projects and investments. Gartner analysts will advise on how to master tactics that deliver reliably, maintain a lean and agile organisation, gain an accurate view of all the different projects' strategic values, and ensure benefits are realised.

About Gartner
Gartner, Inc. (NYSE: IT) is the world's leading information technology research and advisory company. Gartner delivers the technology-related insight necessary for its clients to make the right decisions, every day. From CIOs and senior IT leaders in corporations and government agencies, to business leaders in high-tech and telecom enterprises and professional services firms, to technology investors, Gartner is the valuable partner to clients in 12,000 distinct organizations. Through the resources of Gartner Research, Gartner Executive Programs, Gartner Consulting and Gartner Events, Gartner works with every client to research, analyze and interpret the business of IT within the context of their individual role. Founded in 1979, Gartner is headquartered in Stamford, Connecticut, U.S.A., and has 5,000 associates, including

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