

# Managing Cost Savings

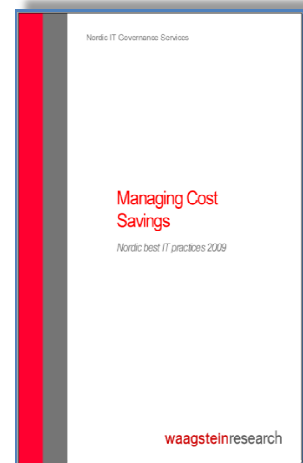
*Nordic best IT practices 2009*



**Managing Cost Savings – Nordic best IT practices 2009** maps out major aspects of IT-related cost savings in large Nordic companies. This entails looking at such areas as how costs can be reduced within the IT unit as well as how companies use IT to save business costs. This report will give you valuable insight into how large Nordic companies handle IT cost-saving requirements in the economic downturn.

*The report is designed to:*

- ▶ **Give an account** of how important the companies consider IT is for reducing business costs.
- ▶ **Show the ways** in which IT is used by Nordic companies to reduce business costs.
- ▶ **Examine the use of joint-teams** of business and IT executives for reducing company costs.
- ▶ **Report on the companies' targets** for reducing total IT costs.
- ▶ **Present how much** the companies estimate they will be able to reduce IT costs in specific categories such as hardware and staff.
- ▶ **Present information** on how well different types of IT objectives, including IT and business cost reductions, have been fulfilled in Nordic companies.
- ▶ **Rank the importance** of different drivers of IT costs.
- ▶ **Provide information** on what factors that are considered to be the largest barriers to reduced IT costs.
- ▶ **Give a ranking** of the most popular approaches for realising IT cost savings.
- ▶ **Present information** on the importance of different third-party resources in reducing IT costs.
- ▶ **Present information** on the past success of IT cost savings.



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## Waagstein Research Nordic IT Governance Services

Waagstein Research Nordic IT Governance Services are targeted towards the IT management in large Nordic companies and organisations. Our services provide continuous coverage of important business and financial aspects of IT operations in large organisations. The key objective is to provide insight that saves time and facilitates decisions concerning IT operations.

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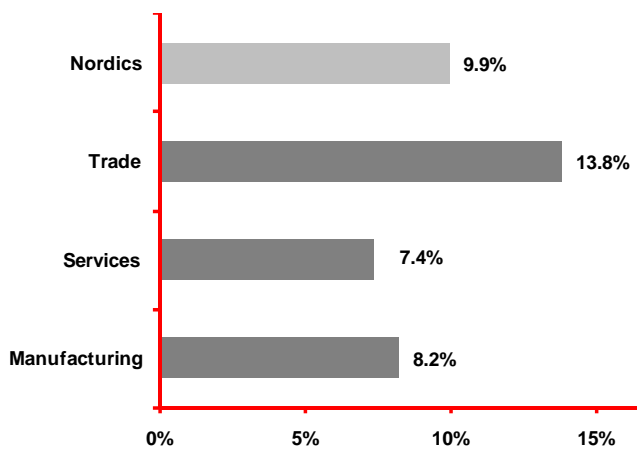
## IT as a cost-saving tool

While the IT unit may be challenged to reduce its own costs, there is a growing realisation that the effectiveness of IT can affect a company's overall cost position and strategically increasing the spending on information technology can drive even greater costs out of other parts of the business. For example, automating routine and manual processes (e.g. the processing of insurance claims), reduces overall business costs.

Although spending on IT often only makes up a small share of the total company costs, senior non-IT executives frequently turn their attention to IT budgets for substantial cost saving contributions. However, in many cases, IT delivers more value to a company by creating new efficiencies in the business operations than any savings gained from traditional cost cutting can generate. Information technology has become more and more tightly integrated with the core business of many companies. IT capabilities have for example enabled the creation of new sales channels and new business models. This makes reductions in IT spending more complicated than ever before. Simplistic cuts that are applied across the board may jeopardise critical business priorities such as customer service and sales support.

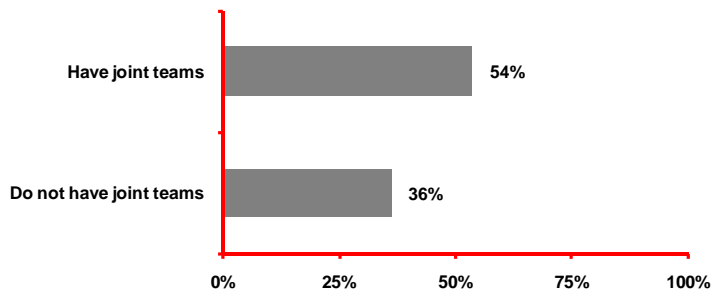
This entanglement of IT and business should cause any senior corporate executive eager to find quick savings to become more careful. IT units should of course continue to make their operations more efficient and to reduce costs, especially in areas that are bloated, and gauge their cost base regularly to see if there are areas of cost inefficiency or excess which could be reduced. Discipline has a tendency to slide during lengthy economic upturns like the one that has occurred in recent years. Reducing pockets of unproductive expenditure will bring savings that help meet company cost targets. However, except in the most serious circumstances, turning off IT investments during a downturn is counterproductive. When business picks up, the company may lack critical capabilities.

A critical objective during a downturn is getting more value from each employee, for example, by increasing a company's



Size of overall required costs savings within next 18 months

operating scale, making processes more efficient to reduce rework, and stepping up efforts to automate manual procedures. IT is essential to all of these efforts. Besides, many IT investments can improve profitability in the short to medium term. When IT and business executives jointly take an overall look at business processes, the resulting investments can multiply the impact of traditional IT cost reduction efforts. The trick is to look for opportunities such as improving the customer experience, reducing revenue leakage, and improving operating leverage. Such an effort begins with a survey of the operations for areas likely to produce near-term revenue and efficiency gains.



Effect of joint IT cost-saving teams on success in reaching lower business operations costs

### Method

The report is based on data collected from a telephone survey of respondents in 65 large (300 or more employees) Nordic companies. The respondents are all leading decision makers with profound knowledge of their respective companies' IT costs and cost-saving activities. In most of the cases these are IT managers or CIOs but in some cases other persons such as CFOs and CEOs were also interviewed.

The respondents were selected randomly from a comprehensive database of survey targets. The interviews were made in the second quarter of 2009. The results from the survey is presented and analysed broken down by industry: Trade, Services and Manufacturing.

### Answering your key questions:

**How large are the required IT cost savings in Nordic companies?**

**Which are the most important contributors to increased IT costs?**

**Which barriers to IT cost savings are considered to be most important?**

**Which approaches to realising IT cost savings are considered most important?**

**How successful have IT units been with past IT cost savings?**

**How can IT best contribute to reduced business costs?**

**What are considered the most important ways in which IT can save business costs?**

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**Waagstein Research** is an independent research company that provides IT governance services. Our focus is on the business and financial aspects of corporate IT operations.

Our customers are large Nordic companies and organisations and our target audience is decision-makers such as IT managers, IT strategists, financial managers and controllers.

Waagstein Research's industry-specific analysis, competitive insight and strategic advice give businesses the tools they need to optimise their IT operations.

### Who should buy this report?

**Managing Cost Savings - Nordic best IT practices 2009** is written based on mainly the needs and requirements of the IT management of large Nordic companies. The target group of the report is primarily: CIO/IT managers, CFOs, Controllers, IT strategists, Consultants and CEOs. The report will however also be interesting for vendors of IT products and services in order to better understand their customers.

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