A strategic approach to IT cost-cutting in Higher Education
With a wide-spread economic downturn well underway, top leadership is prioritizing cost reduction as never before—and they are looking for new solutions and proven practices. It's inevitable that cost-cutting efforts will land heavily on IT since it is a significant cost center and because it impacts costs in almost every part of the university.

That's sobering news for CIOs, most of whom have taken out plenty of cost across their IT functions in the last few years. Most have already done "the easy stuff," and although those efforts have contributed to the bottom line, conditions and circumstances have changed thus calling for a new look at sustainable and dramatic cost reduction.

Two areas that historically (and often wrongly) have received the lion's share of cost cutting attention are discretionary spend and IT funds earmarked for growth. It's not that these approaches to short term cost-cutting don't help, of course. They can be (and often are) highly effective at the department and project level, where smart middle managers can do a fine job of prioritizing the right candidates for cuts from their points of view.

But in the case of discretionary spend, on average it only accounts for about a fifth of today's overall IT budget. Too often, cuts made only in discretionary IT spending can have unintended consequences by affecting IT service quality, which in turn diminishes the value and demand for centralized IT services and negatively impacts the university's business efficiency and effectiveness. The reduced demand prompts yet more funding cuts.

The current economic downturn requires a strategic approach to cutting IT costs. High-performance organizations successfully reduce overall costs sharply and for the long term, shifting spending toward IT capability and new mission focused capabilities while stepping up IT performance at the same time. Here are the three practical steps that they follow.
The way forward: A strategic approach to cost-cutting

So what’s the way forward, as the calls for cost reduction grow louder? Accenture finds that high-performance central IT organizations typically follow a three-phase journey built around an integrated approach that delivers short-term cost savings. This approach not only funds the changes that will produce greater savings but lays the foundations for growth and innovation:

1. **Minimize:** First, identify areas of clear and immediate cost reduction opportunities. This step provides increased room to maneuver while boosting the confidence of stakeholders in the prospect of near-term cost relief.

2. **Optimize:** Then work to run current operations more efficiently by improving the use of software and hardware assets, thereby divesting non-essential assets and decreasing the average IT unit costs.

3. **Redesign:** Then embed structural changes by shifting the focus to an efficient and effective IT operating model. This drives significant improvements in labor costs, extracting savings through better operating models, industrialized processes, transformational technologies, and sourcing strategies.

Accenture’s work with aspiring high-performance universities who are eager to cut costs strategically, begins with discussing a “to be” version of the IT budget that envisions substantial compression of the non-discretionary component with a dramatic increase in the portion that goes to discretionary projects. The big point here is that discretionary funding is not only protected but enhanced.

The work is focused on isolating and removing “hidden” IT costs—the shadow IT assets and infrastructure found throughout the university—and then teaming with academic and business leaders to manage demand for IT services more cost-effectively and explore changes to funding models that encourage the right choices. This layered approach is a tall order, no doubt. But it’s a practical route to ensure that cost-cutting and high performance for the long term become attainable together—not at the expense of each other. There are substantial benefits: In our experience, the approach allows CIOs to achieve durable cost reduction that is up to four times greater than with traditional cost-cutting efforts.
Focus on immediate cost reduction opportunities

Focus on improving the use of hard assets and decreasing their average transaction costs

Focus on lower cost delivery models

**Scale of Cost Savings**

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**Innovative Approach**

Does not limit the scope of cost improvement and is therefore aggressive enough for achieving significant cost reduction while balancing organizational performance.

**Significant Savings**

25-40% cost reduction across all aspects of the technology operation from hardware to application renewal; through process reengineering and personnel re-allocations; through organizational, operating model and sourcing redesign.

**Sustainable Savings**

Methods which avoid the dangers of simplistic or reactionary cost cutting which may endanger business priorities.

**Capability Development**

Determines the need for selectively reinvestments vs. taking savings to the bottom line. Shift IT spend from operations and maintenance to capability development.

**Self-Funding**

Techniques for upfront savings to fund investment in broader or more structural cost reduction.
One way in which the CIO may be able to tap into relatively rapid savings opportunities is by seeking out and tackling "hidden" IT costs that have grown in the colleges and administrative areas over the years and in many ways have become operating costs with compromised value. Accenture went through this stabilization exercise itself when, in the course of a company-wide IT overhaul, our CIO decommissioned more than 200 applications around the world, saving Accenture more than US $12 million as a result.

Accenture's internal IT optimization effort shows the benefits of careful reallocation of IT spending. Leveraging the Internet's scale and cost efficiencies, Accenture was able to move to a single technology platform that involved migrating the company-wide messaging and collaboration solutions. Accenture rolled out a three-year staged rapid migration of nearly 80,000 e-mail users in 48 countries. At the height of the nine-month rollout, up to 1,000 e-mail users were transferred per day in one of the largest and fastest e-mail migrations ever completed. The company also installed an e-mail capability that allows employees on the go to manage their e-mail through mobile devices.

Many leading universities are finding that they can consolidate their data processing environments to gain substantial cost reductions with continual payback. Today's data center is much better equipped to scale up than in the past because sophisticated "virtualization" tools are now available to manage the software environment. However, the move toward virtual systems places more pressure on governance, not less. Achieving the potential savings of server consolidation requires the CIO to be able to exert influence over these elastic resources. Migrating applications and data services into consolidated environments often requires a fresh approach to managing funding and chargeback.

At the same time, the data center is a valid focus area in IT's efforts to support the university's environmental agenda. It is only one green IT opportunity among many. IT can make a real and demonstrable environmental contribution in a wide variety of areas, ranging from changing working habits to the increased use of multifunction printers and from reducing travel through the latest wave of collaboration tools to encouraging recycling and reduction in internal paper production.

Sustaining Change: Winning the support of academic and business leadership

Of course, the more complex the proposed change, the greater the potential to incur resistance across the organization—and the more it calls for heightened levels of leadership on the part of the CIO and university's executive leadership team. It also calls for a closer look at how funding is managed to ensure that while efficiency is managed, innovation is not discouraged and sufficient capital is made available to leverage new capabilities for the benefit of the broader university.
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About Accenture

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