What technology really costs.

How mid-sized companies make their technology spending fully visible, and what they decide afterwards.

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A point of view from practice

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SUMMARY

The IT cost centre shows only part of what a company spends on technology.

Software, agencies, licences and devices are ordered and paid for in many departments. Nobody sees the full picture. In my organisation, I recorded all technology spending outside IT in full. This paper describes the approach, the typical findings and the decisions that follow.

5
steps from scoping to a verified finding

4
types of finding that appear in almost every review

4
decisions: end, reduce, renegotiate, move

> 90%
lower running costs for one digital product after the review

Three statements

1. **Visibility comes before savings.** Cut before you know the full picture, and you cut in the wrong place.
2. **The biggest findings are rarely overpriced contracts.** They are expenses without an owner: nobody really uses them, nobody reviews them, nobody cancels them.
3. **The review is not an IT project.** It needs the backing of the finance lead and criteria that are fixed before the numbers arrive. Otherwise it is read as an attack on the business functions.

> **For context.** This paper is a report from experience in a company within a corporate group, not a study. I deliberately give no absolute figures. The examples are anonymised. The transfer to mid-sized companies is my assessment.

Why nobody sees the full picture.

Technology is now bought in every department. This is not the fault of individuals, but the result of three habits.

HABIT 1

Ordered locally

Every department manages its own contracts: request, order, renewal, invoice. There is no single place that sees everything.

HABIT 2

Filed everywhere

Contracts sit in spreadsheets, emails and on shared drives. The notice period is known to whoever signed the contract. That person has often moved on.

HABIT 3

Booked in the wrong place

Technology costs run through marketing, sales or project cost centres. Conversely, business costs end up with IT because they involve software.

What follows from this

- **Missed windows.** Cancellation and negotiation dates pass because nobody tracks them.
- **Duplicate tools.** Two departments pay for two solutions to the same purpose.
- **Dependence on individuals.** When the person leaves, the knowledge about the contract leaves too.
- **A metric without meaning.** The IT cost ratio shows only what runs through IT. Comparisons with other companies are therefore flawed.

Shadow IT is not an accusation

Business functions buy technology themselves because they need a solution quickly. That is often sensible. The problem is not the purchase, but that nobody sees the whole afterwards. The review therefore does not look for culprits. It looks for owners.

The review in five steps.

1 **Define what counts.**

The definition comes before the first figure: software and licences, agencies and development for digital products, devices and infrastructure, operations and support. It is agreed with finance. Otherwise every line is debated later.

2 **Overlay the sources.**

Accounts payable and cost centres, contracts and purchase orders, approval requests, cost overviews from service providers. No source is complete. Only their overlay reveals the gaps.

3 **Assign every item.**

Three details per item: an owner in the business, a layer (run, build on, build new) and a contract end date with notice period. Where a detail is missing, that is already a finding.

4 **Check usage.**

Who uses it, how often and for what? Vendors can provide usage data if asked. For devices and licences, comparing utilisation with the contractually expected volume quickly shows what is needed.

5 **Play findings back as hypotheses.**

Every finding first goes to the business function as a question, not as a decision. This surfaces hidden use cases, and the figures later stand up to discussion.

> **On effort.** The review is manual work. It requires access to financial data, patience with incomplete records and many short conversations. A tool does not replace this. It only helps afterwards, to keep the view current.

Four types of finding that almost always appear.

TYPE 1

No owner

Products and contracts that nobody outside technology is accountable for. They keep running because nobody questions them.

From practice: a customer-facing feature had been down for months without anyone in the company noticing.

TYPE 2

No usage

Tools that are paid for but hardly used. Also device fleets whose costs are largely fixed, regardless of how much they deliver.

From practice: an analytics tool on a fixed term that neither the responsible team nor technology used in depth.

TYPE 3

Wrong place

Costs on the wrong cost centre. The department that pays does not consume the service. The department that consumes it never sees the price.

From practice: a licence for a procurement requirement, booked to IT. Content and photography on a technology cost centre.

TYPE 4

No end date

Contracts whose cancellation window was missed. Legacy systems whose original purpose has been fulfilled. Applications kept "as is" that continue to cause costs.

From practice: a frozen application keeps costing money because the platforms around it change.

What the findings have in common

The price is almost never the real problem. What is missing is a person who regularly asks whether the company still needs this service. It is the same observation as in Point of view 01: ownership achieves more than budget. For costs it applies in the opposite direction. Where nobody is responsible, nothing goes down.

From finding to decision.

There are five possible answers for each item. Four of them change something.

1 **End.**

What has neither owner nor usage is cancelled at the next date. If a fixed term does not allow this, the end is secured in writing so that nothing renews.

2 **Reduce.**

What is only partly needed is brought back to its core: an application to the one feature someone needs, a device fleet to the locations with real utilisation.

3 **Renegotiate.**

Where scope and need diverge, renegotiate with usage data and a clear target picture. Service providers move when the client knows exactly what it will need in future.

4 **Move.**

Costs move to the department that consumes the service. This saves nothing at first. But it ensures that someone will check the need in future.

> **Keeping is also a decision.** But it only counts when taken deliberately: with an owner, a reason and an end date.

What it delivers

In one case, the running costs of a digital product fell by more than 90 per cent. More important than the single figure is the state afterwards: every item has an owner and a date on which it is reviewed again.

Three things without which the review fails.

1 **Backing from the finance lead.**

The review reaches into other departments' budgets. It therefore needs a sponsor on the executive team, ideally the finance lead. The order of conversations is fixed: align with the sponsor first, then speak to the business functions.

2 **Criteria before figures.**

Thresholds for "is needed" are set before the analysis is available, and the sponsor sets them. This way a rule decides, not the negotiating strength of a department.

3 **Preliminary talks with those affected.**

Candidates for a cut are reviewed one by one with those responsible before anything is put in writing. Justified exceptions remain. A device in the production area, for example, stays even at low utilisation if removing it would lengthen the workflow.

Afterwards: keeping the view

A one-off review is out of date within a year. Three habits keep it current.

- **A register** of all technology contracts with owner, end date and notice period.
- **A rule at approval:** no new expense without a named owner and assignment to a layer.
- **A date each quarter** on which upcoming renewals are reviewed.

Self-test for boards and executive teams.

Six questions. Every no shows where the conversation should begin.

☐	Do we know our total technology spending across all cost centres, not only those of IT?	YES / NO
☐	Is there a register of all technology contracts with end date and notice period?	YES / NO
☐	Does each of these contracts have a named accountable person in the business?	YES / NO
☐	Do we ask vendors for usage data before we renew?	YES / NO
☐	Do we know which cancellation windows are coming up in the next twelve months?	YES / NO
☐	Do we set criteria for cuts before we see the figures?	YES / NO

Further reading

Point of view 01: "Ownership beats budget". Findings from 19 corporations on why clear ownership achieves more than dedicated funds.

Point of view 02: "Run, Enable, Drive". A three-layer operating model for technology in mid-sized companies. Both available at schoenwaelder.ch.

About the author

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