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CIO Challenges:
Spiraling Technology
Costs & Complexity

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Spiraling Technology Costs & Complexity

What are the main concerns facing Chief Information Officers in the modern era? At Orbus Software we have identified 8 major issues that CIOs are likely to struggle with when it comes to meeting the demands of the digital age. This paper will look at the common challenge of spiraling technology costs and complexity.

Every enterprise is going to have their own stories of gargantuan new technology investments or an uncontrollable application portfolio. For the CIO, a critical responsibility is understanding their technology costs and bringing these under control, and a key enabler of this is Enterprise Architecture.
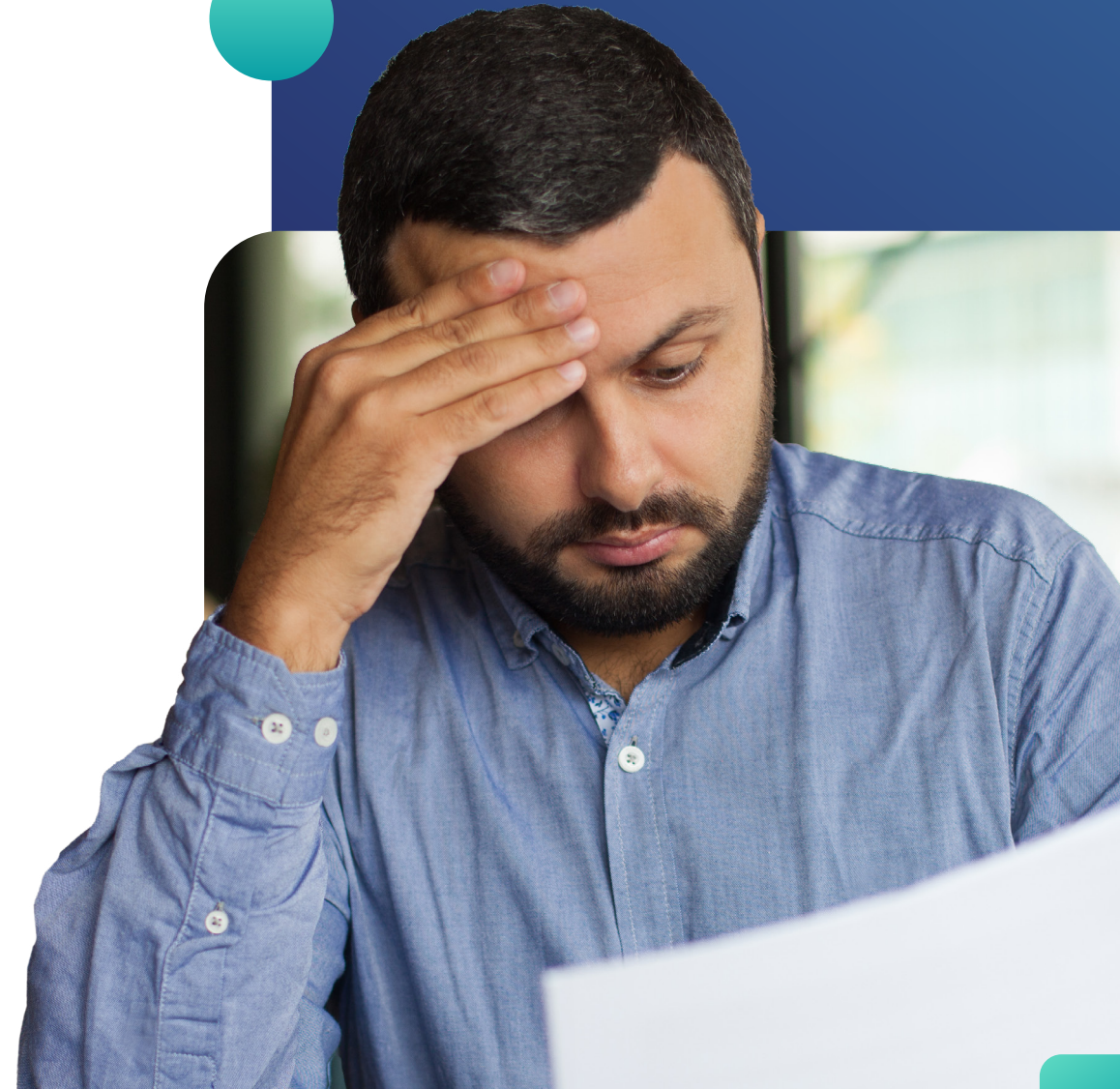
Costs

Key Stats

- Gartner Forecasts Worldwide IT Spending to Reach $4 Trillion in 2021

- The average enterprise pays for 1516 applications

- Application costs are estimated to make up 80% of the entire IT budget

- Enterprise Software Spend is predicted to increase 8.4% in 2021

- Forty percent of technology purchases fail to meet expectations of Infrastructure and Data leaders

- 90% of the average IT spend is not supporting innovation

- CIOs prioritize Cloud apps & infrastructure, data analytics, and digital transformation

"Application costs are estimated to make up 80% of the entire IT budget "

"Only 10% of the average IT budget is reserved for innovation "

Where are rising costs coming from?

The modern business world is increasingly driven by technology. As we move to a more interconnected and complex environment, the demands for suitable technologies increase. Customers want more advanced products or new ways to interact & shop. Employees need new tools and up to date hardware. Executives want to improve productivity and shift services to the cloud.

Overwhelming Imperative to Migrate to the Cloud

As an example, 80% and 61% of enterprises are planning to increase investment in cloud applications and cloud infrastructure respectively. Indeed, the percentage of firms with half of their spending going to cloud subscriptions has risen from 9% to 29% over the past three years.

Detached Teams Create Hidden Costs

Another growth area is what is termed as "shadow-IT", technology costs driven by teams outside of the IT function. One survey found 64% of enterprises tolerate or sanction this approach, with 22% of enterprises spending more than half of their budgets in this way. Investing in technology should not mean that costs spiral out of control so, inevitably, enterprises make mistakes when it comes to making investment decisions.

The Average Enterprise Pays for 1516 Applications

As the statistic shows, most firms have far too many applications; functional duplication is a frequent issue, where firms pay for multiple applications which do the same thing. Integration can be another issue, with applications and data becoming siloed due to a lack of communication. This leads to indirect costs as well as work required for integration architecture or third-party solutions. Labor costs cannot be ignored either.

Mounting Technical Debt
leads to Greater Labor Costs

Although people and technology are separate entities, the more complex a system becomes, the more people will be needed to build and maintain it. Indeed, CIO.com argue that personnel costs can be the predominant expense in the IT budget. Though hard data can be hard to find on this topic, there is no denying that there is enormous demand for engineers, programmers, and general IT skills in the modern labor market. A carefully planned technology landscape can help to manage headcount.

Key Stats

- Gartner estimates that firms which follow best practices for application rationalization can reduce total cost of ownership by 30%

- CIOs estimate they actually need fewer than 100 applications

- The drive for efficiency has seen IT operational spending per user decline from $8,183 in 2018/19 to $7,569 in 19/20

How CIOs are addressing spiraling costs

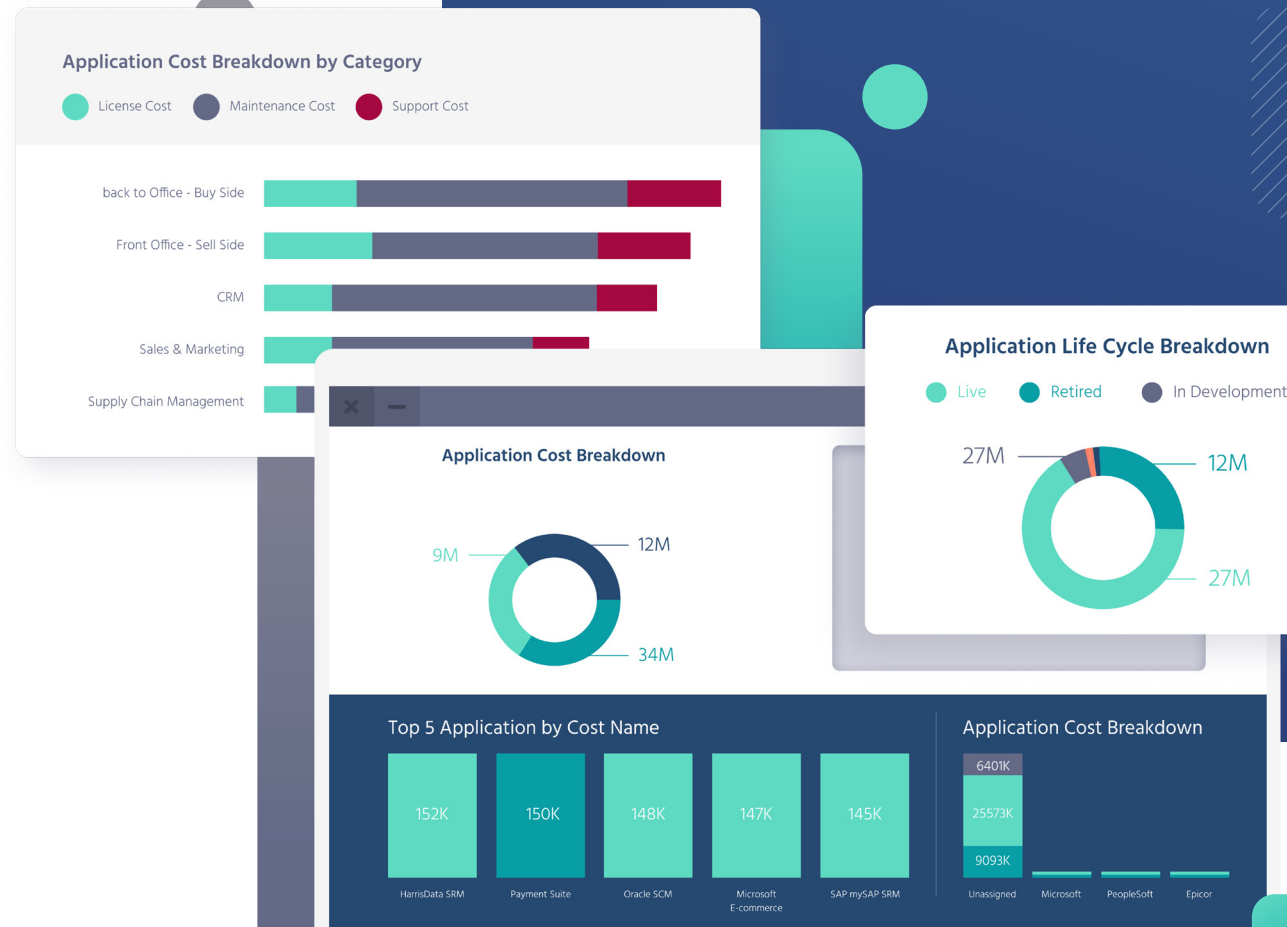Enterprise Architecture is a critical enabler for CIOs to control their IT portfolio. Gartner state:

"Enterprise architecture (EA) is very well-positioned to identify redundancies in IT spending in the near term, as well as moderate investment behaviors for the longer term"

A robust and flexible enterprise architecture delivers valuable insights and provides a strategic view of change. It will ensure alignment of the business and IT, facilitating agility, speed, and the ability to make real-time decisions based on reliable and consistent data.

Application Cost Breakdown by Category

- ● License Cost
- ● Maintenance Cost
- ● Support Cost

- back to Office - Buy Side
- Front Office - Sell Side
- CRM
- Sales & Marketing
- Supply Chain Management

Application Life Cycle Breakdown

- ● Live
- ● Retired
- ● In Development

27M
12M
27M

Application Cost Breakdown

9M
12M
34M

Top 5 Application by Cost Name

152K	150K	148K	147K	145K
HarrisData SRM	Payment Suite	Oracle SCM	Microsoft E-commerce	SAP mySAP SRM

Application Cost Breakdown

6401K
25573K
9093K

Unassigned | Microsoft | PeopleSoft | Epicor

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626
Application Count

$3.61M
Total Cost

79
Capability Count

Capabilities by Application Cost

Search by Capability

Break Down by Top Levels

Capability

● 1. Sales & Service
● 2. Middle Office
● 3. Core Processing
● 4. Corporate

Total
813M

Top 10 Capabilities by

Accident	54M
Account Analysis	54M
Actuarial Modeling	54M
Annuity	54M
ATM	54M
Audit	54M
Branch	54M
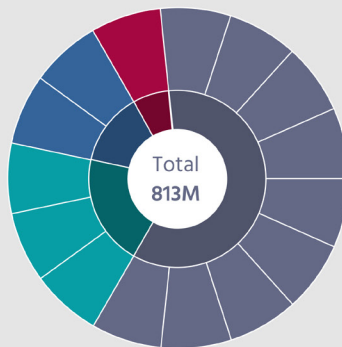
A Single Source of Truth for IT Costs

More practically, EA provides the structure necessary to pursue cost-saving measures such as Application Rationalization, the act of reducing the size of an organization's application portfolio. By building a central repository that contains all application data, organizations can analyze their entire application portfolio, scoring for business and technical fit to decide on candidates for retirement.

Beyond these more general guidelines, there are of course a host of small changes a firm could make. For example, hardware and data costs can be shifted to the cloud to save money. Server costs can be reduced by using virtual servers built into containers on a single machine. Open-source applications can be sourced to prevent spending anything on some applications. Nice-to-have hardware and software can be decommissioned in favor of only the core technology.

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Applying the best practices of Enterprise Architecture provides the insights necessary to understand the technology costs which plague most IT functions. However, implementing EA is by no means easy, let alone having all the best practices necessary for directing investment decisions or controlling a technology portfolio. Solving the challenges facing CIOs requires a specialist platform.

iServer365

The iServer Suite has won Gartner's Peer Insights Customers' Choice for EA Tools for 5 years running, and was named a Leader in the EA Tool space by Forrester. Here's how the iServer suite can deliver superior outcomes for your IT portfolio:

"We are at the start of our journey with the product but see huge potential in how we can use it shape our architecture roadmap and make better informed decisions on how we prioritize our spending to drive our organization forward in a more strategic way"

Lead Architect, Retail Firm

A Single Source of Truth for your Enterprise

A web-based, central repository manages all enterprise content, creating a single source of truth for the application portfolio and all costs related to it, enabling Enterprise Architecture and Portfolio Management through data.

Pre-Built 3rd Party Integrations

The Central Repository can be automatically populated through pre-built connectors to sources of application and technology data, such as ServiceNow and Cherwell. Engage business stakeholders to determine the business and technical fit of applications directly through SharePoint and Teams.

Insights for Smarter, Faster Decisions

Make real-time decisions with iServer365's dynamic heatmaps, data-driven graphics and impact analysis tools. Access powerful visuals which answer key business questions for the application portfolio, concerning business and technology fit, costs, functional duplication, and technology dependence.

Unlocks the Full Potential of Microsoft 365

iServer365 integrates directly with Microsoft 365, meaning users can work in the tools they use every day, managing repository content and collaborating via SharePoint, gathering application data from business owners via Teams and visualizing application and technology data in dynamic Power BI dashboards.

Start Fighting Spiraling Technology Costs and Complexity

Book a tailored demo today to find out how the iServer Suite can transform your understanding of technology costs and deliver savings across your portfolio

Book a Demo

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