Integrating Technology into a Cost Transformation

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Technology is so fundamental to business that not involving IT leaders in an organization’s cost transformation from day one is like driving a car that’s low on fuel—you won’t get far.
Technology supports and enhances business processes. In a cost transformation, it may be used to completely reinvent them. When organizations integrate IT into business strategies as part of a cost transformation, it can help them optimize operations, reduce costs, and improve service delivery, all of which enhances overall competitiveness and efficiency.

Chief information officers and chief technology officers can be true partners to C-suite leaders or to a transformation office running a cost management program. Tech leaders understand which cost transformation changes are technologically feasible. They are familiar with the art of the possible and with technological advances. They know which skills—digital and otherwise—the organization needs to execute.

As more companies adopt generative AI, IT leaders must be involved early in a cost transformation process to provide guidance, knowledge, and expertise for effectively implementing this advanced technology.

**IT’s Role in Cost Transformations**

Technology needs to be integrated throughout every level of the organization and in every phase of a cost transformation. CIOs and CTOs should be included in decisions at the C-suite level to ensure that technology has a role in shaping the cost management strategy.

At the operational level, tech leaders can make sure that IT acts as the glue that binds a company’s products and business processes. In the initial phase, the IT team can collaborate with the business to analyze financial and operations data, identify cost-related challenges and performance gaps, and design target outcomes. In the implementation phase, the IT team can map out and execute the actions needed to reach the target outcomes. If an assessment found that the IT costs for cloud computing are too high, the team could determine the actions and time required to implement improved financial operations (FinOps) management to reduce the costs.

In addition to enabling business cost savings, cost campaigns are opportunities to optimize IT costs. Our client experience has shown that improving IT cost management can reduce technology spending anywhere from 15% to 40%, depending on the situation. Improving IT costs is one way for an organization to take a “quick win” and free up resources to fund long-term initiatives. Examples of quick wins include bringing service level agreements in line with business realities and improving license utilization. The organization could invest the savings these actions create in longer-term ventures such as rationalizing applications or updating its business-tech operating model.

GenAI exemplifies the value that IT brings to a cost transformation. Adopting GenAI allows the workforce to complete tasks faster and with higher quality output, which could free up people’s time
and funds for other uses. One Fortune 50 company we worked with used GenAI as part of a cost transformation to cut the time needed to develop a new application from six months to four weeks.

**Three Steps to Set Up IT for Cost Transformation Success**

To ensure that the IT side of a cost transformation reaches its intended goals, leaders should do the following:

**Signal IT’s importance.** Technology isn’t just a cost reduction tool. It’s a strategic enabler that can make the business more competitive. Making the technology leader part of the cost transformation steering committee is a signal to the rest of the organization of technology’s strategic role.

**Think through the broader implications of IT changes.** CEOs or other top leaders don’t need to be IT wizards. They do need to know enough about company’s technology landscape to ask the right questions, and to understand the business implications of technology changes in a cost program. For example, if business leaders adopt GenAI to automate low-value tasks, they need to understand how the switch will affect people and business processes.

**Focus on the people side.** Based on our experience working on hundreds of cost transformations, we know that technology is the relatively the easy part. Tech typically accounts for only 10% of the challenges associated with a transformation. Another 20% of the challenges stem from process changes. The bulk of the challenges—a full 70%—are related to the human element. However, this people side is often neglected. Consider a company using different software applications in different business units to do the same tasks. Getting the business units to agree on a single tool means some won’t get all the features they are used to. In such situations, transformation leaders must be radically transparent about the choices, the decision, and the path to make the changes. The focus has to be in doing the right thing for the enterprise, but the change management has to be done locally.

Integrating technology into a cost transformation isn’t a one and done effort. Just as cars need constant refueling to run, organizations must continually look for opportunities to use technology to power their cost campaigns.
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