Technology Leadership Academy

Module 3: Budgeting & Return on Investment

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Connecting Up

Review
Module 2

Planning Docs

Brainstorm, Prioritize

Logic Models, Process Mapping

Budgeting

    Guidelines

    Challenges

    Anatomy

    Cloud

Return on Investment

Case Study & Sharing

Budgeting

Most projects will have a budget line item

Not all will require Return on Investment calculations

Goal is accurate budgeting that includes all costs

Insta-Poll

flickr image: sweetenough

I create and manage technology budgets

I contribute information to technology budgets

I have not created a technology budget

Budgeting

Total Cost of Ownership (TCO)

➢Purchase price + Long-term costs + Support

Total Value of Ownership (TVO)

➢Improved work processes, results, morale

Return On Investment (ROI)

➢Current costs (dollars, hours, efficiency) vs expected costs

Budgeting Guidelines

- 36 - 60 month hardware replacement cycle

- Technology ≥ 10% of Your Organizational Budget

- 30:70 Expense Rule

30% Equipment/Software/Service

70% Support/Training/Maintenance

Budgeting Example

Budget - Workstation - 3 years	$	Hours
- Review options, Plan for purchase		2
- Purchase process		2
- Computer purchase	1500	
- Unbox and setup computer		2
- Install software, network setup, test		3
- Install user files, customize		2
- Training as needed, plus ongoing training		10
- Monthly maintenance, upgrades, troubleshooting		48
- Repairs and hardware upgrades	250	
Costs (labor 69 @ $60/hour)	$1750	$4140

IT Budgeting Challenges

- Personnel knowledge challenges
    Accounting doesn't understand IT;
    IT doesn't understand Accounting

– IT costs incurred at varying times, recur in multi-year patterns
    Not just personnel and non-personnel costs
    May not be the same from year to year

– Unable to distinguish mandatory and discretionary IT costs
    Often all intermingled and inseparable

– Single year focus can result in higher long term cost
    Many IT decisions have multi-year impacts, but many IT
    budgets focus on only one year at a time

IT Budget Anatomy - Expenditures

– Personnel

   Salaries & Benefits – employees and associated costs

– Non-Personnel

•Hardware – equipment and other fixed assets, installation costs, maintenance contracts, warranties

•Software – licenses and support contracts

•Subscriptions – could be associated with hardware, software, training, cloud computing and managed service providers

•Services – advisors, consultants, service providers, auditors, legal counsel

IT Budget Anatomy - Personnel

Personnel Budget Questions

– Are there any anticipated changes to salaries?

– Are there any anticipated change to benefits/benefits eligibility?

– Are there any licenses/certifications to add/maintain/end?

  Do any of those have training associated with them?
  Do any of them have exam or license renewals?

– Are there any terminations / layoffs planned?
  Which positions and when?

– Are there any new hires anticipated?
  Is this a full-time or part-time position?
  What benefits would the person be eligible for?
  Is there any training that needs to be budgeted for?

IT Budget Anatomy - Hardware

Hardware Budget Questions

– What hardware is at end-of-life?

– How long will new hardware last?

– Are there any maintenance or support contracts needed?

– Are there any subscriptions associated with the hardware?

– Which costs have to be capitalized?

Additional Hardware Questions

– Do we have enough computers for planned new hires?

– Are there any other departmental plans that will require hardware?

– Are there any IT projects that may impact current hardware?

IT Budget Anatomy - Software

Software Budget Questions

– Are there any software licenses that need to be renewed?

– What period is the software license valid for?

– Are there any subscriptions associated with the software?

– Are there any installation costs?

– Which costs have to be capitalized?

Additional Software Questions

– Do we have enough software licenses for planned new hires?

– Are there any other departmental plans that will require software?

– Are there any IT projects that may impact current software?

IT Budget Anatomy - Subscriptions

Subscriptions Budget Questions

– What is the level of usage of the subscription?

– Should we renew at a different subscription level?

– Does the subscription have a required period associated with it?

– Are there any installation costs?

– Which costs have to be capitalized?

Additional Subscriptions Questions

– Do we have enough subscriptions for planned new hires?

– Should we consider converting any software to subscriptions?

– Have all subscriptions associated with hardware and software been included in the budget?

IT Budget Anatomy - Services

Services Budget Questions

– Is the service level adequate for our coming needs?

– Are the services provided still needed?

– Are there additional services needed?

– Has our volume of services changed? Impact to price?

– Does the service have a required period associated with it?

Additional Services Questions

– Are there any other departmental plans that will require services?

– Are there any IT projects that may impact current services?

– Have services associated with projects been isolated from operational costs?

Reflection

Which Questions Are Unclear?

Adding the Cloud

Cloud Computing/Software as a Service (SaaS)

– Reduces need for equipment purchase

– Reduced up-front implementation costs

– Reduces on-going support & maintenance costs

– Reduces replacement costs

Adding the Cloud

Budget/Cash Flow Impacts

– Reduces cost of acquisition

   Implementation costs usually expensed

– Subscription lifecycle model

   Often monthly payments

   Discounted annual payment up-front

Adding the Cloud

Budget/Cash Flow Considerations

– No "asset" created so usually not eligible for financing

- Consider impact to funding if cost spread over time vs. up-front

– Consider impact to financial statements if expensed?

- Does conversion to Cloud/SaaS reduce costs in other areas?

Questions about

Cloud budgeting?

Preventative Budgeting

Adjusting the Outlook,

Facing Technical/Economic Realities

Preventive Budgeting

Allocate Money Annually (TCO)

- ➢ Hardware
- ➢ Software
- ➢ Training
- ➢ Tech Support

Workstations, Printers, Peripherals

Acquisition, Upgrades, Support, Training

Internal Systems, New Tools & Options

Maintenance, Troubleshooting

Budgeting

Goals

➢Get Accurate

➢Understand benefits & costs of adopting/not adopting

➢Appropriate, Appropriate, Appropriate

Consider...

➢Including in Proposals - Cost per FTE

➢Describing how you use tech in promotional material

➢Technology focused fundraising campaign

What is new/different about
these budgeting activities?

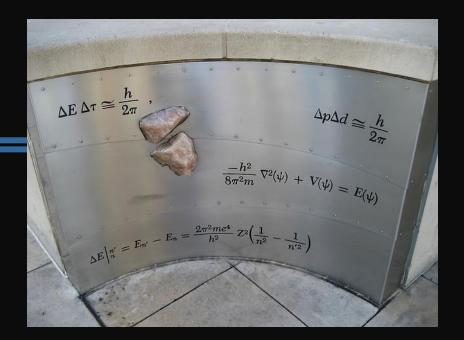# ROI

More than just:

What you Gained

Minus

How Much you Invested

Equals

Net Return

ROI

Not Just Cost but Benefits,

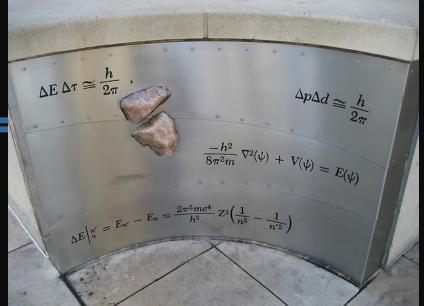Translate That Into a Value, Then Do Equations

Benefits Not Features

Internet Access via Smartphone – Feature

Improved Response Time to Client Questions - Benefit

Four Step ROI

1. Identify the Benefits

2. Identify Costs

3. Do Pilot

4. Tell Your ROI Story

ROI Example

Tablets

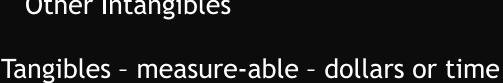What are the gains in efficiency, effectiveness, other measures?

What do you loose?

Do they require additional equipment? Training?

Can you quantify the impact on dollars or time saved, ease of use?

ROI Example

Hard to Measure Efficiencies,
   Other Intangibles

Tangibles – measure-able – dollars or time

Intangibles – behavior oriented –
      Innovative approach,
      Happier employees,
      Improved morale contributing to efficiency

Report the results of both factors

Include Qualitative information

Numbers and Stories Both Important

Why We Don't Measure

Fear of Measurement – What if it's Negative?

Takes Time

Shouldn't take more time/cost to measure than the project

Streamline process, integrate into process -

Collect as you go

Analyze as you go

What is an ROI project I can do?

Review/Next Steps

Include All Costs

    Personnel

    Hardware

    Software

    Subscriptions

    Services

Add budget to projects

Complete ROI assessment

http://www.rgtech.com.au

Tony Nissen

Case Study: Xavier Children's
Support Network

Quantifying the Total Cost of ICT

- Fixed ICT costs
- Hidden costs – Productivity loss | Cost of downtime

IT Costs Analysis - Sample	
Productivity Loss To Network Inefficiency	
Number of Users On Client Network	135
Number of Servers At Client Location	16
Average Monthly Network Inefficiency - Includes	**Hours**
Productivity Loss Each Month	7.2
Internet Connection Slow or Offline	0
Server or Desktops Slow or Offline	0
Average Network Inefficiency Monthly	0
Total Productivity Loss Annually Per Staff Member	**86.4**

Quantifying the Total Cost of ICT

- Staffing costs
- ROI

IT Costs Analysis - Sample	
Staff Labor Costs	
Average Salary Per Employee	$55,000.00
Total Employee Yearly Payroll	$7,425,000.00
Average Annual Employee Hours (38 Hours Per Week)	1824
Total Annual Employee Hours	246240
Average Hourly Labor Cost Per Employee	$30.15
Productivity Lost Due To Inefficiency Annually	*$351,710.53*
Productivity Lost Due To Inefficiency Per Hour	*$4,070.72*
Proposed Solution Costs	
Development Costs	$75,000.00
Hosting Costs	$10,000.00
Increased WAN Costs	$6,000.00
Yearly Return On Investment	**$260,710.53**

Budgeting/ROI

What isn't clear about tech budgeting for you?

Budgeting & ROI

What challenges do you face in budgeting for tech?

What did you hear bout today that was helpful?

What might you change in your process for determining/demonstrating ROI?

Thank You!