

**Intelligent
Industry**



Mastering IT Cost Takeout:
Strategies and insights for
savings and maximized value.

Issue #04





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In a period of financial restraints, the challenge lies not just in cost reduction, but also in increasing value through IT investments.



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To our readers and valued clients,

We're delighted to present the latest edition of *IQ*, a magazine which aims to illuminate your path through the dynamic economic sectors in times of increasing cost pressure.

It's no surprise that optimizing IT costs has become a top strategic priority for business and IT leaders. According to a Gartner study, global IT spending is projected to increase by 9.3% in 2025 compared to 2024 and by 33% in 2028.¹ With IT departments facing increasingly stringent demands for cost allocation transparency and strict cost discipline, the challenge lies not only in cost optimization, but also in leveraging technology investments to generate revenue and ensure overall profitability at the same time.

IBM's cost transformation portfolio is designed to support businesses in achieving significant cost savings, with potential reductions between 20% and 40%.

Our focus in this issue is to equip you with actionable insights and strategies for navigating the complex terrain of IT cost management by examining the following key questions:

- How do you achieve greater transparency across all technology costs?
- Which steps can you take to transition from a cost-centric view of IT to a value-driven view and align IT investments with broader business objectives?
- What approaches can you employ to identify and address cost-cutting opportunities or redirect resources towards more impactful technology investments?
- How should you analyze an application landscape and identify technical debt and modernization opportunities?

We'll explore these questions against the backdrop of emerging IT trends, focusing on generative AI, hybrid cloud and application modernization, as well as the unique challenges across different industries.

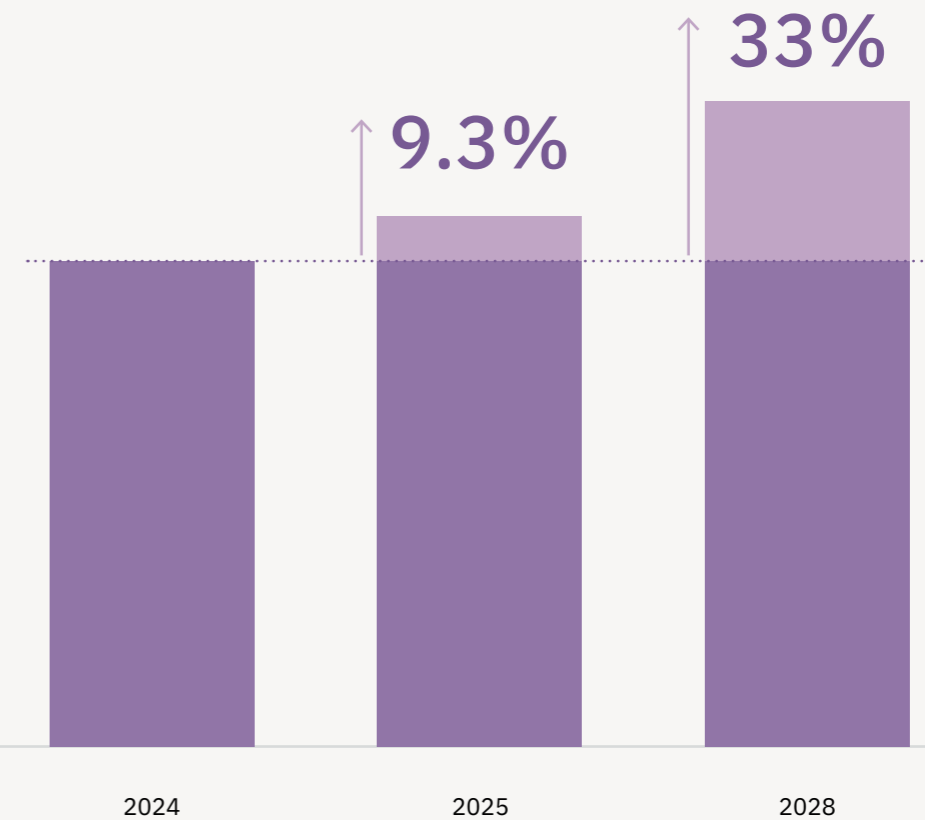
With our experts as your guides, you'll be ready for a more financially intelligent and technologically sophisticated future as we embark on this transformative journey together.

Best regards,
Marcus & Michaela

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Global IT spending is projected to increase by 9.3% in 2025 compared to 2024 and by 33% in 2028.¹

A comprehensive guide to effective IT cost management

Strategic IT cost optimization drives sustainable savings and performance gains. But a structured baseline reinforced by robust frameworks and expertise is essential for lasting success.

What is IT cost optimization?

IT cost optimization refers to the systematic review of IT expenditure to pinpoint and remove unnecessary costs while sustaining operational capabilities. When executed correctly, this practice combines strategies, best practices, and IT solutions to enable cost reduction with value-driven outcomes and maximized performance.

According to BCG only 35% of executives claim their cost optimization approach is planned and strategic, the other 65% refer to ad-hoc actions. Overall, 48% successfully reached their cost saving targets.²

An effective IT cost optimization foundation offers a structured series of pillars for evaluating an organization's IT expenditure. The absence of such a foundation challenges the execution of cost optimization strategies and their ability to reach long-term and sustainable cost reduction.



Combining different frameworks and expertise, an effective foundation should include the following pillars: ^{3, 4}

1. Foster a cross-functional team and evolve organizational culture

Involve stakeholders from every relevant business division into the optimization process to align and enable informed decision-making. Every department has specific technological needs and spending habits (such as licenses and technologies) which could highlight optimization opportunities. Organizations must also upskill their workforce and cultivate a culture that promotes cost reduction, efficiency and maximizing value.

2. Establish clear business objectives

Aligning IT cost optimization measurements with strategic business goals enables increased profitability, innovation and enhanced operational efficiency. For example, if your enterprise aims to enhance customer satisfaction, the IT team might focus on streamlining business processes and upgrading customer support tools. This not only boosts overall performance but also reduces operational costs with improved efficiency.

3. Implement projectable, comprehensive and transparent cost management.

Cost optimization requires IT budget forecasts to encapsulate actual costs and realistic delivery timelines to give stakeholders a good understanding of how a completed project will impact the business.

4. Assess the IT ecosystem

Perform an exhaustive analysis to gain insight into current expenditure, resource distribution, and inefficiencies. Bringing IT spending data together with business performance metrics can highlight areas where IT investments fail to deliver desired outcomes.

5. Discover optimization opportunities

IT leaders must pinpoint cost-cutting strategies that won't undermine the performance or value of their products and services. For instance, transitioning applications from a pricey on-premises data center to a more economical hybrid cloud environment can decrease both capital and operational expenses while enhancing adaptability and scalability.

Use this outlined approach to help guide your organizations toward a more robust, transparent IT cost management setting and ultimately maximize the return on your IT investments.



Foster a cross-functional team and evolve organizational culture



Establish clear business objectives



Implement projectable, comprehensive and transparent cost management



Assess your IT ecosystem



Discover optimization opportunities



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A structured IT cost optimization guide enables benchmarking, transparency and ultimately maximized return on IT investments.

Driving business value with strategic technology investments

Technology Business Management (TBM) is helping overcome transparency hurdles and unlock data-driven financial strategies for higher ROIs, enabling strategic IT investments with improved clarity, confidence and control for enduring value optimization.

Why Technology Business

Management is key to transparency, efficiency, and long-term value.

In today's era of digital transformation and increasing technological dependency, one thing is clear. Every company is now also a technology company. The question is no longer whether to invest in technology, but how to invest wisely. Recent studies show that the decisive factor lies in the management approach. Technology Business Management (TBM) has emerged as a proven framework that helps organizations align technology spendings with strategic goals and ensure maximum return on investment (ROI).

The latest global survey report by Apptio reveals that 87% of companies use ROI as a benchmark datapoint to understand technology investments. While there is reason to believe this would be accurate and helpful for strategic IT investments, it hides a deeper issue around ROI calculations. Around 36% of executives have reported a lack of transparency for technology ROI data, with 56% also reporting insufficient data quality for those calculations.⁵

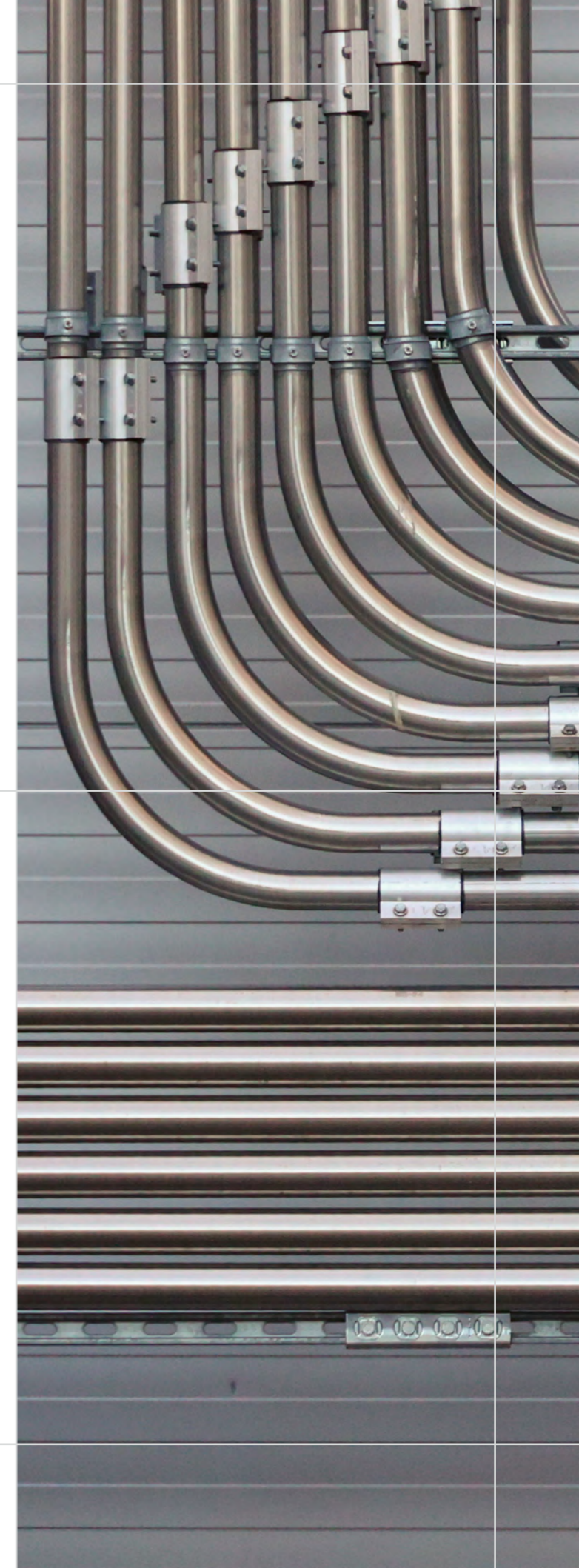
Simple ROI calculations fail to serve businesses adequately. Understanding more complex dimensions of ROI aligned with business objectives is crucial for better budgetary decisions. Considering these dimensions—such as strategic alignment, risk exposure, and long-term adaptation—improves both confidence and clarity in decision-making.

TBM as a strategic response to investment pressure

How can organizations verify that these investments deliver the desired results? The answer lies in proactive planning, ongoing evaluation, and data-driven management—core elements of the modern TBM approach. Only by consistently aligning IT budgets with business objectives can companies unlock long-term value from growing technology investments.

Better data, better investment outcomes

An Apptio survey from last year revealed that 47% of executives consider their current data insufficient for making informed decisions.⁶ This is precisely where TBM comes in. It offers a standardized management framework that will aggregate, normalize and cleanse data, allowing organizations to have the right data, in the right context to the right stakeholders.



Cloud-based software solutions integrate data on resource usage, costs and performance into a single, coherent view. The result: redundant subscriptions and shadow IT are identified, budgets are optimized and resources can be reallocated.

Cloud services, AI applications, SaaS platforms make today's IT landscape diverse, dynamic, and complex. This complexity poses major challenges. Who decides on investments? How are priorities set? And above all: How can the actual value contribution of technology be measured?

Technology Business Management ⁷ addresses these questions by providing a shared language enabling finance, IT, and business teams to evaluate investments from a unified perspective. It helps transform IT from a cost center into a value driver.

Investment decisions are data-driven, budgets are allocated purposefully, unnecessary expenses are eliminated and innovation potential is unlocked.

TBM continually brings clarity to key questions:

- Which IT services generate which costs?
- Which technologies contribute most to value creation?
- Where can savings be made and where should investments be increased?

AI, cloud, and sustainability in focus— TBM makes IT measurable
 The newest Apptio report identifies artificial intelligence as a key investment priority for the coming years: 71% of companies use AI for data analysis and 55% for process automation. Yet many organizations still struggle to demonstrate its business value. TBM supports this effort by linking AI investments to transparent KPIs, such as efficiency gains, revenue growth or risk reduction.

Cloud usage shows similar potential for optimization. TBM helps uncover overprovisioned resources and improves cost allocation, allowing businesses to reduce waste and reinvest in strategic technologies.

The same study found that sustainability is also becoming a central performance driver, with 71% of companies monitoring energy use and 55% tracking carbon emissions. TBM integrates ESG metrics into financial planning and enables greener, more responsible IT strategies.

From tech purchasing to business strategy
 The TBM approach promotes the integration of IT and business strategy on multiple levels:

- Goal-oriented governance: Investments are prioritized based on business impact and not gut feeling.
- Collaboration: Shared metrics and dashboards enable tighter collaboration between IT, finance, and business units.
- Continuous improvement: Instead of rigid annual budgets, TBM allows agile adjustments based on real-time data.
- Trust through transparency: C-level decision-makers get reliable data for approving investments, replacing estimates and case-by-case judgments.


The future of tech governance starts with TBM
 In a business world increasingly reliant on technology, TBM is a necessity. Organizations that aim to strategically manage rather than simply track technology investments cannot afford to ignore the TBM framework.


As global technology spending rises by billions annually, the demand for clear, measurable business value from every investment becomes critical. Technology Business Management provides the visibility and control needed. The strategic governance model makes technology spend transparent, measurably optimized, and consistently aligned with business objectives.


With TBM, companies can manage their tech budgets flexibly and proactively based on valid data and close collaboration between IT, finance, and business units. Organizations that adopt TBM not only gain control over costs but also achieve true governance capabilities in an accelerated digital economy. IT becomes more than a cost factor, it becomes an active value driver for innovation and transformation.


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 Apptio, an IBM Company


The benefits at a glance:

 Greater agility through continuous budget adjustments

 Higher ROI through targeted optimization

 Informed investment decisions based on reliable data

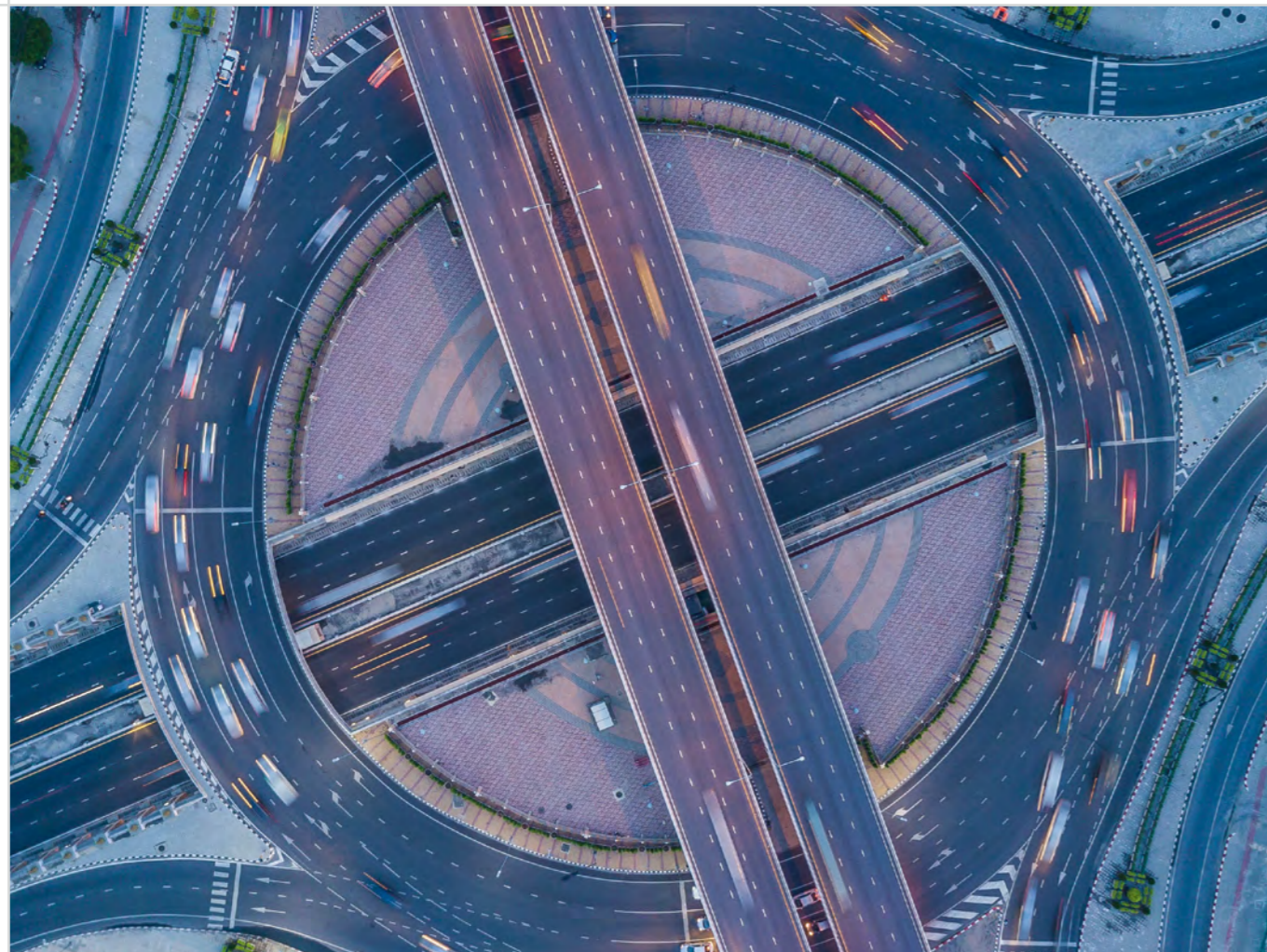
 Sustainability through integrated ESG metrics

 Transparent communication between IT and business units

In organizations that adopt TBM, IT becomes more than a cost factor, it becomes an active value driver for innovation and transformation.

Strategies for cost optimization

Explore sustainable approaches for savings that emphasize a continuous process rather than a singular event.



IT cost management goes beyond budget cuts—it encompasses the optimization of services for enhanced value, drives revenue growth and improves customer lifecycle. IBM synthesized six strategic approaches for IT cost optimization to enhance the return on investment (ROI) from technological expenditures and foster a competitive edge.^{3,4}

1. Consolidate IT assets and establish governance policies

Streamlining IT assets can significantly reduce cost and complexity. Redundant systems, outdated hardware, and underutilized software licenses cause IT sprawl, characterized by shadow IT and a decentralized and complex IT landscape. Consolidating these assets erodes IT silos and facilitates workload administration and operations streamlining.

Virtualization, involving the division of a single computer's resources into multiple virtual machines (VMs), can realize savings by promoting efficient resource usage. Despite the flexibility and scalability afforded by VMs, uncontrolled growth, or VM sprawl, can lead to underutilized or orphan VMs. Implementing IT governance policies and standardized management platforms for VM creation, maintenance, and decommissioning can prevent this issue.

2. Audit software licenses and subscriptions

With the growing prevalence of software-as-a-service (SaaS), organizations often procure technology from external providers to decrease internal IT expenses. Over time, these organizations might accumulate unnecessary or unused subscriptions, sometimes even paying for services which are no longer needed. A survey by Productiv revealed that on average only 47% of SaaS licenses are used over a 90-day period.⁸

A comprehensive IT cost management approach necessitates regular reassessment of licenses by IT professionals to guarantee organizations only pay for utilized, value-adding solutions.

3. Harness automation and AI

The realm of IT services is witnessing an increasing number of tasks that can be fully automated, including server provisioning, infrastructure management and software updates. Automation reduces the dependence on human labor for manual tasks and frees up personnel to concentrate on priority tasks and strategies.

Leveraging automation tools and AI-driven intelligent workflows strengthen business performance and secure a competitive edge:

- Automate repetitive tasks: Routine IT operational tasks can consume substantial resources when performed manually. Automation can manage repetitive chores like software patching, infrastructure provisioning and regular maintenance. Automated monitoring systems can detect issues before they affect operations, offering opportunities for timely intervention and cost-saving measures.
- Enhance cost visibility and control: AI-powered tools provide real-time insights into IT spending, pinpoint cost anomalies, and generate reports that help IT leaders understand and regulate costs effectively.
- Strengthen cybersecurity: The global average cost of data breaches rose 10% compared from 2023 to 2024 according to an IBM data breach report.⁹ Given its pivotal role in IT cost optimization efforts, cybersecurity benefits from automations and AI that can expedite threat detection and response, reducing the time to identify vulnerabilities and mitigate risks.

4. Upgrade to new technology & IT lifecycle and asset management

Depending on the current infrastructure and setup, extending the IT lifecycle can save money. Conversely, outdated applications may incur technical debt, leading to future expenses and suboptimal decisions.

IT cost management goes beyond budget cuts—it encompasses the optimization of services for enhanced value, drives revenue growth and improves customer lifecycle.



Based on a holistic evaluation the strategy for each application needs to be defined.

- Extend IT Lifecycle: Prolonging the service period maximizes the organization’s benefit from these services. Real-time visibility into services and consistent assessment of every IT system component are crucial for understanding infrastructure performance and maintenance or replacement needs.
- Upgrade to new technology: Investing in new technology can, counterintuitively, save money. Outdated technology often accrues technical debt (e.g. temporary patches), resulting in future expenses from suboptimal decisions made today.

5. Operate sustainable IT

The implementation of a sustainable IT strategy significantly contributes to cost optimization. This can be achieved by adopting a cloud-first or cloud-smart strategy to optimize resource consumption. Some architecture patterns that can help accelerate a sustainable IT operation are microservices, containerization, serverless to reduce idle computing and designs for longevity and low maintenance like easy scaling. FinOps measures also help adopt and implement sustainable IT ecosystems.

Sustainable IT emphasizes the creation of a robust and consistent technological infrastructure through strategic planning and foresight. This involves making long-term investments in scalable, interoperable systems that can adapt to evolving business needs rather than hastily implemented, short-term fixes.

6. Implement cloud cost management

The escalating costs associated with cloud services stem from factors like paying for idle capacity, lacking cost transparency, or funding extra storage for non-critical data. Effective cloud cost management strategies can also facilitate FinOps, a burgeoning discipline in cloud financial management that seeks to maximize business value within hybrid and multi-cloud ecosystems. FinOps enables proactive identification and reduction of unnecessary expenditure, scalable cloud resource management and automated cost control policies.

FinOps is a complementary approach to TBM that includes FinOps data for a holistic chargeback approach and introduces value evaluation to the key business objectives.

Additional cloud optimization tactics:

- Rightsizing: Aligning the type and size of cloud computing instances with workload demands can enhance cost efficiency by ensuring optimal purchasing of cloud instances.
- Reserved Instances (RIs): Purchasing reserved instances, typically at a discount, offers savings and flexibility, particularly during high-demand periods.
- Spot Instances: These allow customers to buy unused computing capacity at a reduced rate for short-term tasks such as batch processing from cloud service providers.

A comprehensive IT cost management strategy requires the integration of all six of the IBM’s strategies, tailored to each company’s unique structure and requirements. This is vital to optimize services, enhance value, drive revenue growth and cultivate a competitive advantage while saving costs.

As businesses navigate continuous technological shifts, IT cost optimization must remain an ongoing process rather than a one-time event. Balancing cost-efficiency and performance hinges on adopting the right tools and strategies.

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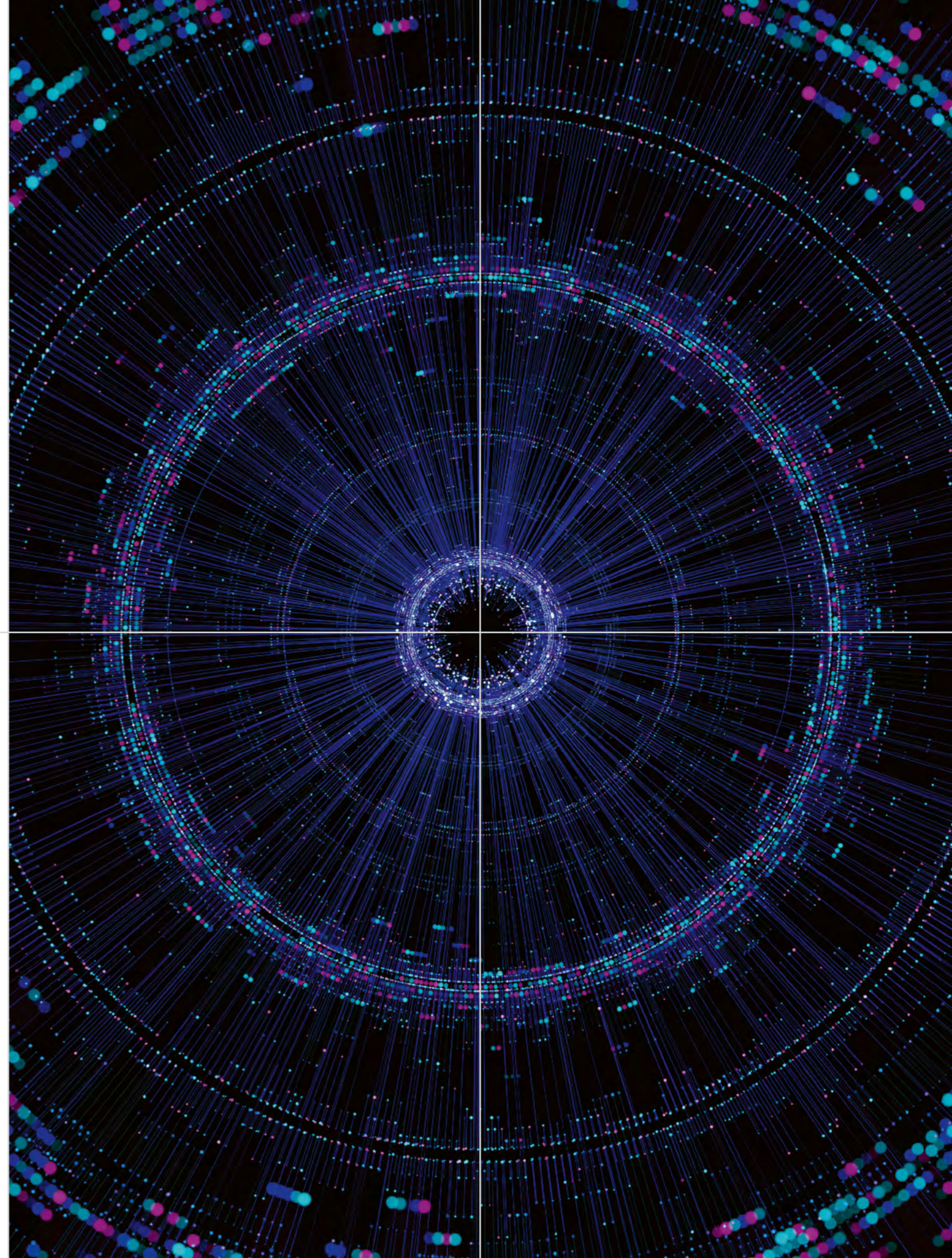
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FinOps in action: Driving smarter cloud investments

As cloud usage becomes increasingly vital for business agility and flexibility, effective FinOps management is essential to ensure optimal cloud usage, minimize waste and align spend with strategic objectives.



Recent research shows that effective FinOps practices can reduce cloud costs by 20–30%. However, the benefits of FinOps go far beyond pure cost savings: it enables companies to fully exploit the economic advantages of the cloud and generative AI.

Adopting FinOps best practices allows organizations to capitalize on the economic potential of cloud and other technology. This operational framework promotes cross-departmental collaboration, enables data-driven decision-making and maximizes the business value of technology.

A recent study found that enterprises are wasting billions of dollars on their public cloud infrastructure due to inadequate management, with more than three-quarters of respondents estimating that between 21% and 50% of their cloud spending is wasted.¹⁰

Cloud spend has risen approximately 20–30% per year due to several factors, including delivering cloud migrations over budget or cloud transformations failing to drive the anticipated cost savings.¹¹

Thanks to a new financial operations practice (FinOps), the days when IT was seen purely as a source of expense are nearing an end.

FinOps keeps an eye on Cloud spend in real time

FinOps is an operational framework and cultural practice that maximizes the business value of the cloud by providing real-time insight into cloud spend. In doing so, FinOps enables decisions to be made based on data and facts and promotes financial accountability and collaboration between finance, engineering and business teams.

The FinOps Foundation describes FinOps as a combination of systems, best practices and cultural transformation that aims to bring financial accountability to the cloud's variable spend model, and enable distributed teams to make business trade-offs between speed, cost and quality.

Bring clarity to cloud investments

In the cloud model expenses are operating costs (OpEx) that can fluctuate from month to month depending on usage.

This shift to OpEx can make it difficult for companies to manage and predict their cloud costs. This is where FinOps comes in. It provides a framework for organizations to understand their cloud costs and make informed decisions about their cloud usage and spend.

The FinOps process generally includes three phases: Inform, Optimize and Operate.

- Inform: This phase is about understanding the economics of cloud services, analyzing past spend and forecasting future spend. This is usually achieved by using various cloud cost management and transparency tools.
- Optimize: The next step is to identify how to reduce unnecessary expenses and increase efficiency. This can be achieved through practices like customizing instances, identifying underutilized resources and taking advantage of discounts with cloud providers.
- Operate: The process concludes with implementing the framework through organizational changes, training initiatives and clear directives for embedding FinOps into the company culture.

FinOps brings together technology, business and finance teams to ensure that organizations get the most value from every dollar spent in the cloud. The goal is to make cloud costs more predictable and manageable and ensure they align with business objectives.

From real-time information to real-time actions

Recent research shows that effective FinOps practices can reduce cloud costs by 20-30%.¹² However, the benefits of FinOps go far beyond pure cost savings: it enables companies to fully exploit the economic advantages of the cloud and generative AI (gen AI).

FinOps equips companies with a powerful toolset that brings together business and tech expertise to maximize cloud cost efficiency.

By promoting transparent cost management and ongoing monitoring, FinOps enables organizations to plan proactively, forecast budgets accurately and eliminate unnecessary expenses, ensuring optimal cloud resource utilization.

By encouraging collaboration between finance, engineering, and business teams, this operational framework enhances transparency and ensures decisions align with broad organizational goals. This comprehensive perspective not only supports informed decision-making but also fosters innovation, enabling companies to operate efficiently and focus resources on growth opportunities.

Despite the many advantages of cloud computing, it carries certain financial risks. Since resources are available on demand, costs can rise unexpectedly. Without vigilant monitoring, this may lead to misguided decisions and overspending. FinOps addresses these challenges by improving compliance, reducing financial risks and aligning spending with governance requirements.

Continuous performance monitoring further drives improvement, enabling organizations to benchmark against industry standards and gain insights for strategic growth.

The discipline of FinOps helps companies find the best return on their capital by using gathered data intelligently and in real-time. With major cloud providers leading the effort, finding budget transparency and clarity of process is now more straightforward than ever.

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Navigating the future: Major trends driving IT cost optimization

Unlock IT cost savings with application modernization, VMware takeout and process mining.



Application modernization:
Optimize the core, unlock the legacy and build new digital capabilities.

Application modernization has become a critical enabler of both cost takeout and long-term technology agility. Many organizations continue to operate on legacy systems characterized by fragmented data and rigid monolithic architecture. These outdated environments not only increase operational costs but also inhibit scalability, delay delivery timelines and prevent organizations from responding quickly to changing business needs.

Modernizing the application landscape, reducing technical debt and optimizing operations significantly reduces total cost of ownership (TCO).

According to an IBM publication a successful app modernization enables:¹³

- 15–35% annual infrastructure cost savings
- 30–50% reduction in application maintenance and operational costs
- 74% lower costs on hardware, software and staffing
- 14% increase in annual revenue

Beyond cost efficiency, modernization lays the essential groundwork for AI enablement. Artificial Intelligence depends on high-quality, connected, real-time data, alongside the technical flexibility to support continuous model training, automation and rapid deployment.

A key aspect of successful modernization is the adoption of flexible, cloud-native architectures, including microservices, containerization and API-driven integration. These technologies enable scalable and modular systems that can evolve with business demands while coexisting with existing investments.

In addition, they foster a culture of adaptability by aligning IT capabilities with long-term strategic goals.

As with any complex IT transformation, application modernization unfolds in distinct phases. The following four-step framework provides a structured path for successful modernization independent of technology (e.g. Java, mainframe, .net.) with each stage presenting opportunities to embed generative AI into critical workflows.

1. Assess

Conduct a comprehensive evaluation of your current application and ecosystem landscape. Identify modernization opportunities and define a strategic roadmap.

2. Plan

Translate the assessment into a detailed project plan. Establish clear modernization milestones and prioritize based on business impact and technical feasibility.

3. Transform

Modernize applications by re-architecting or re-platforming them onto modern infrastructures, such as cloud-native platforms and modular service layers.

4. Test

Rigorously validate the modernized applications to ensure they meet defined performance, security and functionality requirements.

To unlock the full value of artificial intelligence and achieve lasting cost efficiencies, organizations must modernize both their data infrastructure and application landscape. Clean and connected data, scalable platforms and flexible integration capabilities are now essential components of competitive enterprise technology strategy.

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Future pathways for VMware clients

Given the change in VMware's licensing model, post-Broadcom acquisition, it has become paramount for clients to evaluate their current usage to understand the implications of these changes. According to the 2nd ECCO report (European Cloud Competition Observatory) on Broadcom, client-reported license costs increased up to 800-1500%.¹⁴ Clients must now grapple with the new conditions and the urgent need to explore alternative providers, underscoring the importance of evaluating VMware usage in this transformed landscape.

Decision criteria to determine future pathways

As organizations that use VMware explore the paths in front of them, it's recommended to use six specific criteria to evaluate their strategic direction:¹⁵

1. Types of applications (For example, mission critical versus ephemeral.)
2. Time frame of VMware license renewal
3. Technology refresh cycles
4. Risk profile of transformation efforts
5. Operating models and practices
6. Skills needed for transformation and for operations

Clients do not always choose just one approach—migration and modernization strategies can vary based on application type, business goals and timing.

Migrate first (Lift-and-shift)

- Prioritizes speed minimal change to application architecture to quickly exit VMware.
- Applications are rehosted onto Red Hat OpenShift Virtualization with zero to minimal impact to app teams.

Technical debt reduction

- VMs are rehosted onto OpenShift Virtualization, but clients are more focused on refactoring apps to reduce tech debt.
- Rationalization efforts identify legacy apps for retirement, consolidation, or upgrade.

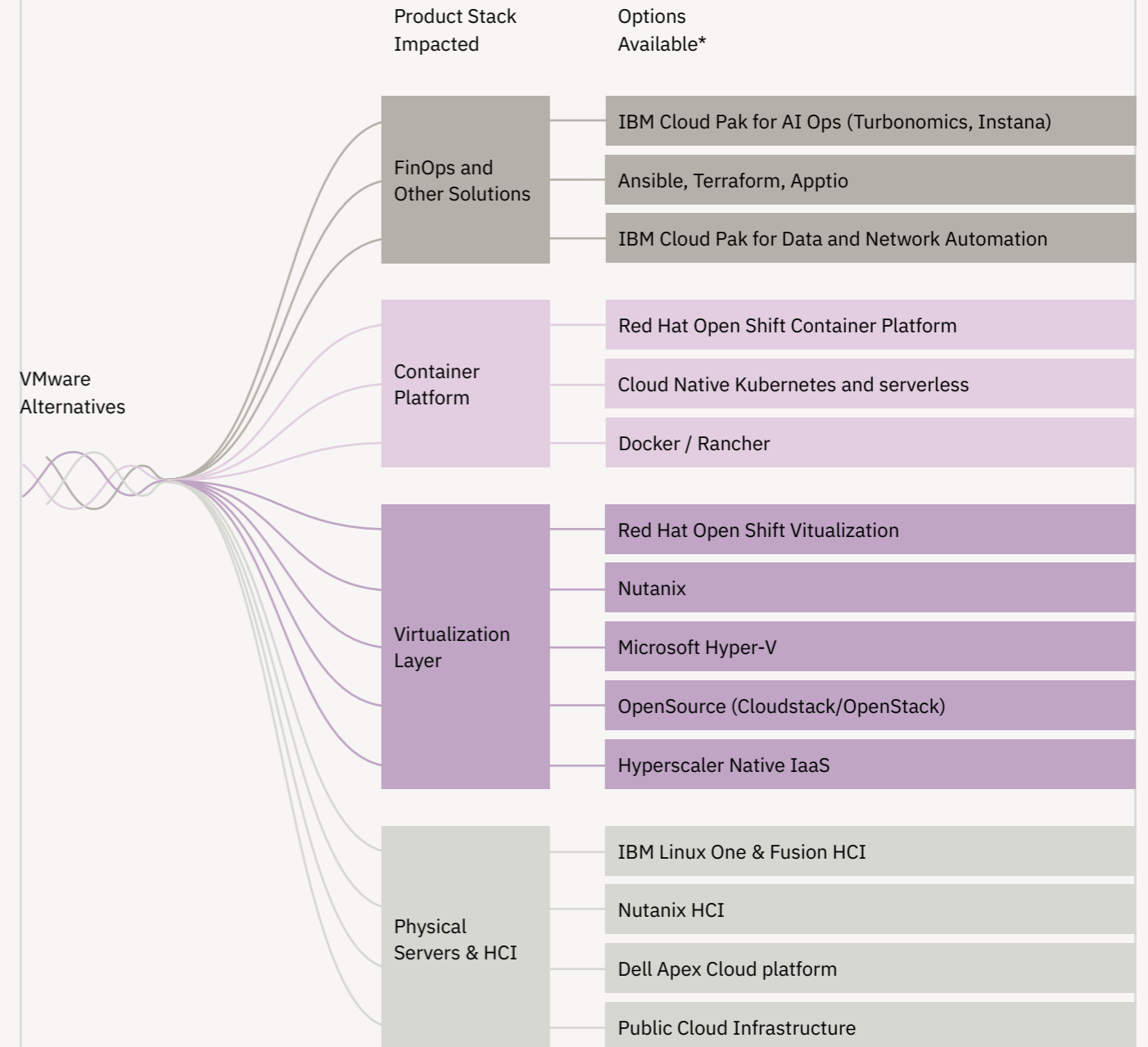
Container-first (Modernization-led transformation)

- Skips the VM rehost step and directly targets containerization of workloads across hybrid environments.
- This approach maximizes long-term business value by aligning workloads with cloud-native architecture from the start.

Based on the selected approach and targets, there are multiple options to reduce your VMware footprint and migrate workload to a new target environment. Explore the potential VMware alternatives shown in the graph on the right side.

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Exploring new strategic avenues



*The listed options are non exhaustive.

From black box to clear view: Data-driven IT cost optimization with Celonis

Without a precise understanding of how processes truly operate, optimizing IT costs remains a formidable challenge. Traditional methods often yield an incomplete picture, impeding effective optimization strategies. Celonis addresses this by providing an X-ray view, analyzing event logs from core IT systems (ERP, CRM, ITSM) to visualize the actual process flow. This creates a 'digital twin' of your operations, offering objective data-driven insights. Celonis leverages these insights, by employing AI and automation to systematically identify and remove barriers, thereby enabling the continuous remediation of inefficiencies. This establishes a dynamic, data-driven framework for sustained cost reduction.

Targeting IT inefficiencies:

Celonis use cases for cost optimization

Celonis directly targets IT cost reduction by enhancing visibility and enabling data-driven actions across critical operational areas:

- IT service management (ITSM) optimizes workflows to improve service delivery and reduce operational overhead.
- Software development life cycle (SDLC) identifies bottlenecks and minimizes rework, accelerating development cycles and enhancing productivity.

- Software asset management (SAM) provides crucial insights by analyzing actual usage data, enabling optimized license utilization and expenditure.

Collectively, these applications deliver demonstrable and quantifiable results across key performance indicators, including increased efficiency, significant cost reduction, improved working capital, accelerated cycle times and strong return on investment. These outcomes directly enhance IT performance and contribute positively to the organization's bottom line.

Process intelligence as the cornerstone of IT financial health

In an environment characterized by rising costs and increasing complexity, traditional IT cost takeout methods often fall short. Sustainable optimization necessitates continuous data-driven process intelligence. By offering objective visibility into process performance, analyzing root causes of inefficiency, and enabling targeted action, Celonis provides a robust solution for optimizing spend within ITSM, SDLC, and SAM.

This approach transforms IT cost management from a reactive exercise into a strategic imperative, fostering long-term financial health and operational excellence.

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The setup of an insight-driven cost optimization framework is the baseline for a profitable, value-maximized business in the era of AI.



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