

A man in a dark suit and glasses is looking intently at a laptop screen. The screen displays various data visualizations, including a line graph and a network diagram with glowing nodes. The background is a blurred office setting. A yellow rectangular frame highlights the main text on the left side of the image.

Building an IT Strategic Plan to Prioritize Investments and Emerge Stronger in the Next Normal

Rimini Street

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Global Disruption Is Everyone's Disruption

Few CIOs were ready for disruption like that of the COVID-19 pandemic. Every industry, organization, and customer has felt its impact — a shared experience through the interconnectedness of the global economy. IT leaders of enterprises large and small have rushed to adjust business models, implement digital solutions, accommodate remote work, and maintain security.

Ray Wang, CEO of Constellation Research, discussed the global pandemic's impact on IT and business with Hari Candadai, global vice president at Rimini Street. According to Wang, experts have been talking about digital transformation since 2010, and five months of COVID-19 pandemic lockdown accelerated five years' worth of digital transformation.¹

Necessity has triggered invention and reinvention of work processes, delivery systems, and revenue streams. Pre-pandemic business models will likely become a thing of the past, with the COVID-19 response solutions becoming the new jumping-off point once the pandemic has passed.

This global disruption has been everyone's disruption — a rallying cry for businesses, partners, and customers to band together in the fight for survival. Skilled CIOs can also use the circumstances of the pandemic to advance innovation that drives competitive advantage and growth. To do so, aligning strategy and prioritizing IT investments is a must.

“Never Let a Good Crisis Go to Waste”

According to Gartner, organizations spend 90% of IT budgets on ongoing operations and enhancements, and only 10% to transform the business.² In a crisis situation, this simply won't do; every expenditure becomes fair game for scrutiny and potential reallocation, renegotiation, or elimination. IT investments must be prioritized to meet the immediate needs of the business.

Tom Grooms, former CIO of CF Industries and Valspar, has a recommendation: “Never let a good crisis go to waste.” Disruption presents both a unique opportunity and permission for astute CIOs to question everything, including rethinking expensive contracts, fast-tracking those digital transformation projects that are now urgent, and according to Grooms, generating new funding and breathing new life into business strategy.³ It can be an ideal time to make real progress toward dislodging that 90%/10% IT spend ratio and shifting toward a more desirable 60%/40% spend ratio that supports further transformation.

Five months of COVID-19 pandemic lockdown accelerated five years' worth of digital transformation.

– Ray Wang

CEO, Constellation Research



Never let a good crisis go to waste.”

– Tom Grooms

Former CIO, CF Industries and Valspar

Business Response Modes: Survive, Stabilize, Thrive

In turbulent times, enterprises are likely in one of three response modes: survive, stabilize, or thrive. One of the CIO's first steps is to determine the company's response mode. If it is not thrive, then the IT organization must be as proactive as possible to get to this ideal mode as quickly as possible.

Maintaining viability is critical in **survive** mode. Industries will vary, but decreased revenue can disrupt the short run and threaten the long run. Cost-cutting will likely be mandatory to maintain a strong cash position but must be strategic and judicious; too little or too much, and the crisis wins.

For those CIOs in survive mode, Gartner offers detailed guidance on how to respond to a direct cost challenge,⁴ including how to properly evaluate which costs to cut while maintaining business continuity and performance. Gartner also suggests following its IT spend reduction rules⁵ to cut costs while managing risk and minimizing longer-term effects.

Organizations in **stabilize** mode, whether starting there or having successfully progressed from survive mode, must take the information that the disruption reveals — e.g., previously undetected weaknesses, the need for new operational requirements, or insights as to how the market has changed — and mobilize rapidly to fortify the enterprise. Cost management and strategic investment are usually vital to success in this response phase.

Companies in **thrive** mode should spend for growth and leverage business model advantages to capture market share from competitors. Per Wang, those in thrive mode are the market leaders, doubling down to get scale with a mindset of "I can actually do this faster. I can start taking market share. My competitors are weak and I'm going to go after them pretty hard."⁶ Investing in innovation and expanding strategic partnerships during a crisis can elevate a market leadership position to new heights.

During times of disruption, a CIO must first identify the organization's business response mode: survive, stabilize, or thrive.

Build an IT Strategic Plan to Cut Costs and Fund New Initiatives (Yes, It Can Be Done)

Disruption, ironically, can help organizations in all modes accelerate transformation by forcing a shift in focus and commanding rapid response. While pre-crisis IT budgets may have seemed insufficient to accomplish all goals — and unavailable for funding new initiatives — CIOs can build an IT strategic plan to cut costs and fund new initiatives with the resources on hand.

To do so, CIOs must lead with a business-first strategy says Grooms,³ and — per Mark Bartrick, negotiation consultant at Forrester Research — a resolve to fund only those initiatives that demonstrate ROI, e.g., grow revenue, reduce costs, or improve customer experiences.³ During uncertain times, all other initiatives should remain outside the consideration set and outside the IT strategic plan.

Figure 1 shows a high-level framework for prioritizing IT projects by category, including recommendations to spend or save, with the savings funding the innovation investments. CIOs who follow this framework can empower their organizations to successfully weather a crisis. The IT project prioritization framework can also help reinforce the shift in the IT budget allocation percentages for continued success.

Prioritizing IT projects: A high-level framework



Figure 1

*CIOs **can** build an IT strategic plan to cut costs **and** fund new initiatives with the resources on hand.*

Specifically, disruption is a perfect time to:

- Defer costly ERP refreshes, upgrades, and migrations
- Reduce infrastructure complexity and cost
- Manage and maintain operations
- Invest in innovation for growth and ROI

Adjusting IT Spend to Your Business Mode

Once the business response mode has been identified and the IT project prioritization framework is in place, CIOs should consider implementing the new IT investment strategy quickly. Figure 2 shows a sample progression of investment scenarios by category — enterprise software, operations, infrastructure and compliance, and innovation — and then by business mode, funding only those initiatives that have ROI for the business.

IT investment scenarios by category and business mode

Investment Category	Survive Mode	Stabilize Mode	Thrive Mode
Enterprise software foundation	<p>Focus on technology projects that reduce operating costs</p> <p>Focus on technology projects that directly address the disruption and prioritize business continuity</p> <p>Defer costly upgrades and migrations</p>	<p>Focus on projects that address areas revealed as weaknesses by the disruption</p> <p>Focus on projects that support new operational requirements brought on by the disruption</p> <p>Rationalize or prune applications that have low usage and high maintenance or subscription fees</p>	<p>Focus on projects that help capture market share</p> <p>Focus on projects that introduce business model innovation</p> <p>Use key partners to support, run, and manage ERP systems, freeing up internal resources to focus on growth initiatives</p>
Productivity and cost management	<p>Immediately eliminate complex, multi-vendor, billable environments [e.g., based on hours and tickets]</p> <p>Integrate service Level 2, 3, and 4 issue management and resolution with a single-source trusted partner</p>	<p>Carefully review managed services contracts to identify any fee reductions to which you are entitled</p> <p>Consolidate support and managed services with a single-source trusted partner</p>	<p>Renegotiate existing contracts with higher levels of services and reduced costs</p> <p>Consolidate support and managed services with a single-source trusted partner</p>

Once your business response mode has been identified and the IT project prioritization framework is in place, fund only those initiatives that have ROI for the business.

Investment Category	Survive Mode	Stabilize Mode	Thrive Mode
Infrastructure and compliance	<p>“Lift and Shift” to a proven public cloud model</p> <p>Cut total platform spend by 10% by shutting down all dev/test IaaS and non-business-critical applications</p>	<p>Maximize the life and value of current ERP investments</p> <p>Expand platform spend by 5%, prioritizing customer-facing applications</p>	<p>Expand total platform spend by 15%, prioritizing customer-facing applications and new application development</p>
Innovation and differentiation	<p>Defer or cancel back-office projects that don't support critical operations</p>	<p>Strengthen or expand e-commerce/systems of engagement capabilities</p> <p>Pare back all back-office projects; prioritize competitive differentiation and growth projects</p>	<p>Expand all front-office projects; innovate around the edges of core systems of record</p> <p>Invest in digital transformation — AI, UX, integration, and orchestration</p>


Figure 2

Investing IT funds in this manner can help CIOs gain efficiency, improve agility, conserve cash, and better align spending with business priorities. In a crisis, Grooms suggests that enterprises take actions to de-risk their environment and build a playbook for the business that creates more capabilities. He also recommends taking advantage of third-party software support, and then using it as a catalyst to “change the nature of your discussion” with your software vendor to gain solutions for leveraging flagship software products and SaaS.³

Do things better, faster, and cheaper during disruption, recommends Bartrick. “You have to adapt to win. You have to spend money on new stuff to drive yourself out of (a crisis).”³ A way to source investment funds, per Bartrick, is by altering or flexing financial terms and timing with existing vendors. Depending on how such efforts go, companies can simultaneously rethink the vendor pool:

- Expand relationships with vendors that are strong strategic partners delivering tangible value
- Eliminate relationships with vendors that are too demanding and troublesome — or unhelpful in a crisis — and replace them with new partners, e.g., competitors such as third-party support and managed-services providers

Disruption also presents a golden opportunity to renegotiate legacy contracts to further drive cost savings. In a crisis, contends Bartrick, it's highly likely that existing contracts “are no longer fit for purpose because your business has changed, or your priorities have changed, or your future roadmap has changed ... go back and talk to your vendor ... rightsize contracts through negotiation ... and include a flexibility clause.” Relationships with vendors who will not renegotiate can eventually be phased out.³



“

You have to adapt to win. You have to spend money on new stuff to drive yourself out of (a crisis).”

— Mark Bartrick
Negotiation Consultant, Forrester Research

Create New Funding and Resourcing Options with a Business-Driven IT Roadmap

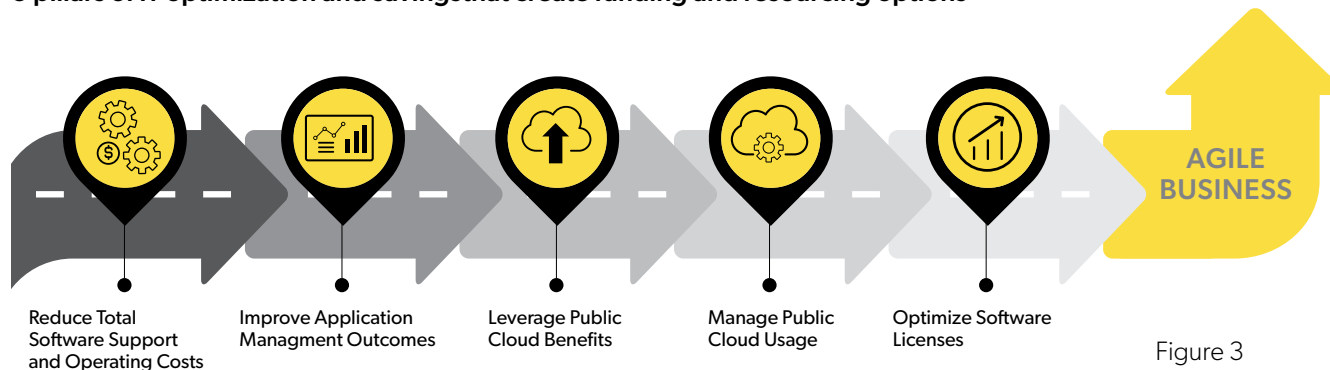
CIOs who follow a Business-Driven IT Roadmap are in a strong position to create new funding and resourcing options through an IT strategic plan and strategic IT investments that are aligned with business priorities. Resources, both budget and staff, that become available from strategic savings can be adeptly reallocated to critical new initiatives to help navigate the organization through a survive or stabilize mode or accelerate through a thrive mode.

Figure 3 shows five pillars of IT optimization and savings along a Business-Driven IT Roadmap that create these new funding and resourcing opportunities, leading to a more agile business:

1. Reduce total software support and operating costs
2. Improve application management outcomes
3. Leverage public cloud benefits
4. Manage public cloud usage
5. Optimize software licenses

Implementing these five steps can free up cash and reduce capital and operating expenditures to help drive the business forward.

Leveraging a business-driven roadmap strategy: 5 pillars of IT optimization and savings that create funding and resourcing options



“

(In a crisis, it's highly likely that existing contracts) are no longer fit for purpose because your business has changed. Rightsize contracts through negotiation.”

– Mark Bartrick
Negotiation Consultant, Forrester Research

Create funding and resourcing options by following a Business-Driven IT Roadmap strategy.

CIOs who leverage independent, third party support can take the first step and reduce annual software support fees and total maintenance costs by 50% or more. Plus, those who choose application management services (AMS) that are integrated with Level 4 software support — and are based on a problem-management and root-cause approach to improve outcomes — can achieve the second step.

Activities that CIOs can take to address steps 3 and 4 include shifting to IaaS for data center management; implementing hybrid IT with SaaS capabilities around the existing ERP; and leveraging cloud services to enable remote work.

In considering step 5, Bartrick recommends eliminating waste in the form of duplication, shelfware, and underused applications.³ Engaging with a skilled software license services provider will help CIOs reduce costs, navigate vendor license complexities, and minimize compliance risk.

Keep Powering Forward to Emerge Stronger in the Next Normal

CIOs who build an IT strategic plan that sequences projects via an IT project prioritization framework; adjust IT spend to business response mode; and follow a Business-Driven IT Roadmap can cut costs and create new funding and resourcing options. Doing so can accelerate digital transformation to help power the organization to emerge stronger in the next normal.

For more information and to help position your IT organization to survive, stabilize, and thrive during times of disruption, watch "Prioritizing IT Initiatives to Drive Recovery and Business Impact," a Rimini Street on-demand webinar featuring Mark Bartrick and Tom Grooms and moderated by Hari Candadai.

Drive digital transformation with integrated third-party support and AMS, hybrid IT, and professional software license services.

Reference

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About Rimini Street

Rimini Street, Inc. (Nasdaq: RMNI) is a global provider of enterprise software products and services, the leading third-party support provider for Oracle and SAP software products and a Salesforce® partner. The company offers premium, ultra-responsive and integrated application management and support services that enable enterprise software licensees to save significant costs, free up resources for innovation and achieve better business outcomes. Global Fortune 500, midmarket, public sector and other organizations from a broad range of industries rely on Rimini Street as their trusted enterprise software products and services provider.

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