

5 TIPS TO AVOID COMMON IT BUDGETING PITFALLS

- A practical guide to overcoming frequent, and often hidden, hurdles in IT budget planning

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Introduction

CIOs and CFOs come together every year to painstakingly strategize an accurate IT budget for the upcoming fiscal year. This process often follows a general framework of careful coordination across various departments to understand their budget requirements, obtain a detailed analysis of IT expenses, and accurately calculate projected expenses.

However, these meticulous plans often fall short due to common pitfalls that plague budget planning. This e-book lays out five handy tips to overcome cumbersome, and often hidden, hurdles faced by organizations in their budgeting journey. By implementing these strategies, organizations can build accurate IT budgets that strengthen business operations and profitability.

Account for IT expenses due to organizational shifts

Most organizations have intricate processes in place to identify and track every expense incurred by the IT department, but often fail to correlate these expenses with initiatives implemented both within IT teams and across other departments.

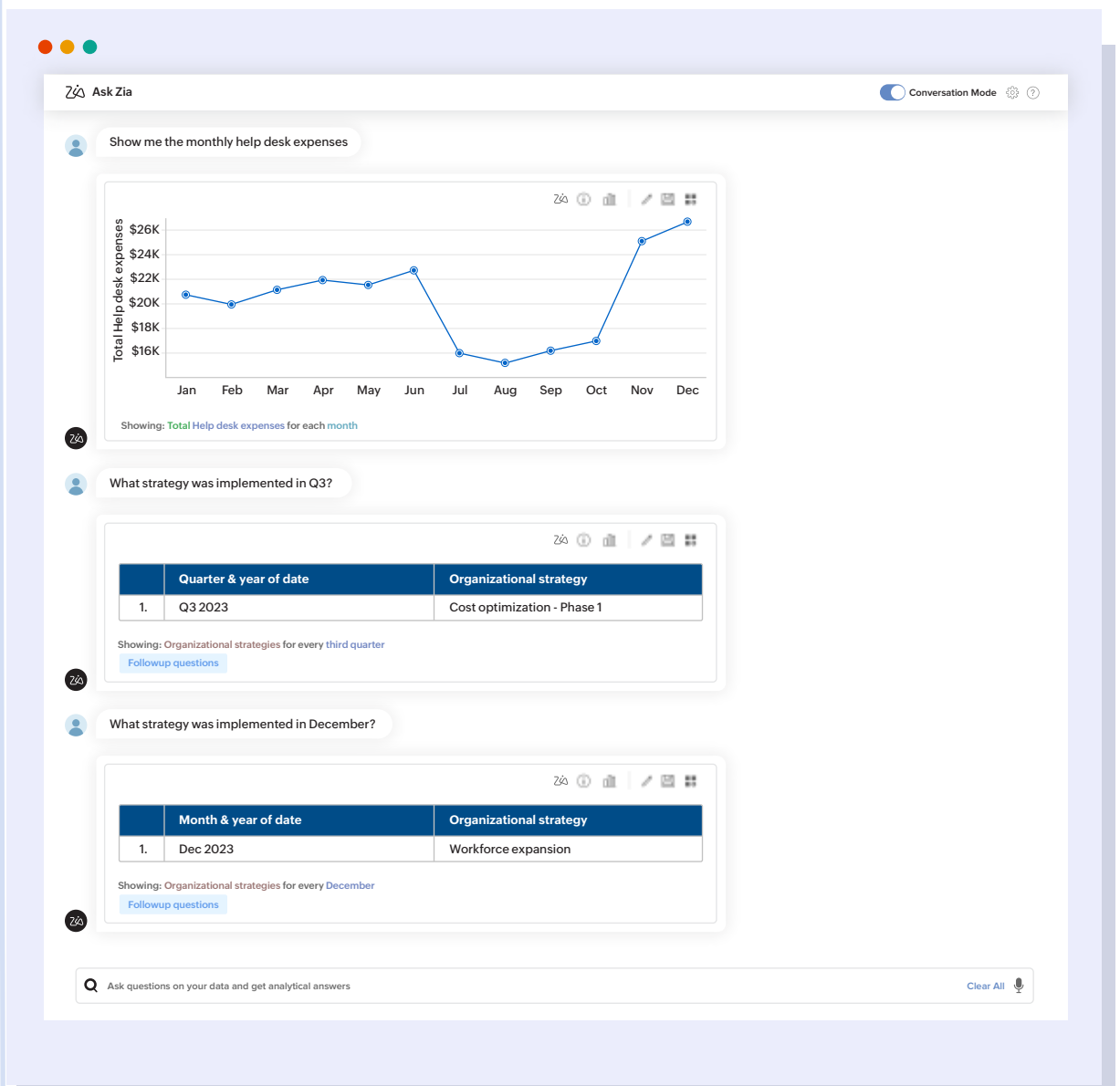
Let's consider the IT help desk, for instance. Help desks make up the lion's share of IT expenses, and as such, are often subject to cost-cutting strategies to curb organizational expenses. These strategies might often bear fruit: lowered costs for the help desk.

On the other hand, help desks also face the brunt of major organizational shifts and events. Be it a merger or a cybersecurity breach, employees inevitably turn to the help desk for resolutions, and ticket costs increase as a result.

IT budgets that only track standard help desk costs are often inadequate, and should also account for variances in IT expenses related to departmental strategies.

Here's how you can streamline this process with a smart analytics platform:

By engaging with Zia, ManageEngine Analytics Plus' intuitive analytics assistant, CIOs can effortlessly access analyses, like the one shown below, that establish correlations between IT expenses and organizational initiatives. Zia enables users to perform root cause analysis with no manual effort, and can uncover hidden correlations instantly.



This line of analysis establishes the evident effect strategies and organization-wide practices have on IT expenses. Insights into these correlations can be wielded to strengthen and streamline IT budget plans, and overcome possible inaccuracies and blind spots.

Business downtime is another classic example of how organizational events can drain IT expenses. Applications inevitably experience performance issues and, despite custom maintenance schedules, business interruptions and downtimes result. When accounting for both direct costs, like detection, containment, and recovery costs, and indirect costs, like labor, overtime, and legal costs, the total cost of business downtime quickly piles up. Failure to plan ahead for these expenses in the IT budget might result in CIOs frantically signing off on last-minute replacement requests and fixes.



Expenses associated with downtime

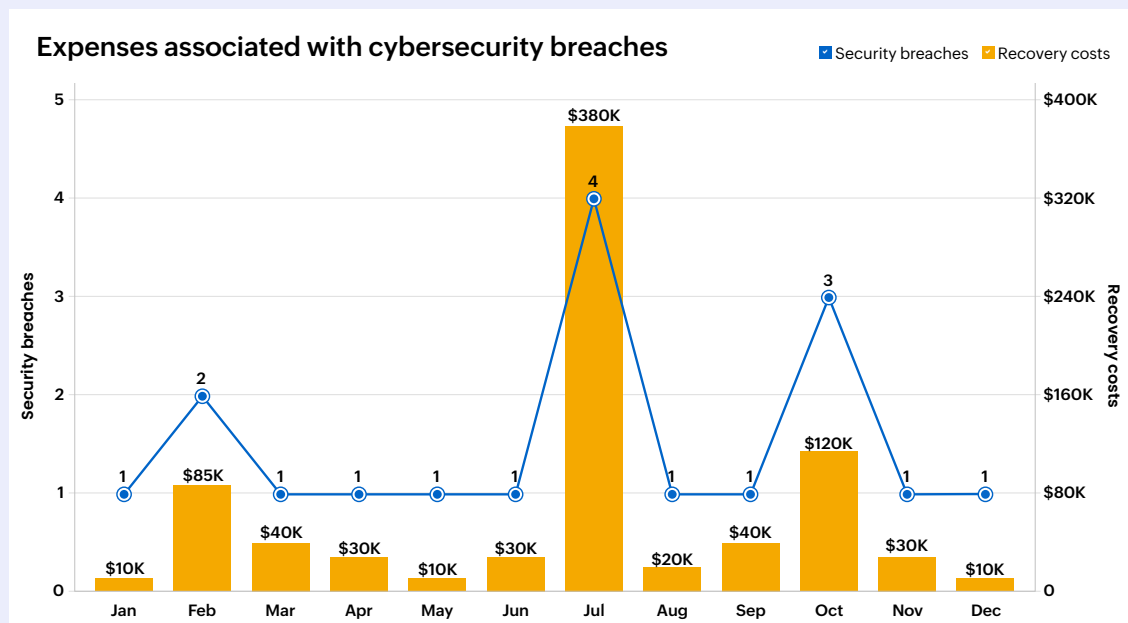
	Asset	Downtime on	Scheduled maintenance date	Repair cost	No of breakages in the last 30 days
1.	HP Inkjet Printer XF1023-0198	26 Nov 2023	30 Dec 2023	\$25	6
2.	Ultraloq U-Bolt Pro Wifi-5911	12 Aug 2023	30 Aug 2023	\$187	5
3.	UniFi access point-0092	28 Sep 2023	20 Dec 2023	\$23	3
4.	UniFi access point-0125	13 Sep 2023	20 Dec 2023	\$21	11
5.	ella-2956	05 Dec 2023	10 Jan 2023	\$279	4
6.	henry-4910	04 Nov 2023	15 Nov 2023	\$450	2
7.	john-3085	08 Nov 2023	15 Dec 2023	\$312	2
8.	kyle-3120	10 Jan 2023	20 Jan 2023	\$513	2
9.	luca-4586	08 Aug 2023	01 Sep 2023	\$295	3
10.	sara-2938	02 Jan 2023	01 Feb 2023	\$386	2
11.	zylker-8471	13 Oct 2023	30 Nov 2023	\$360	4

This visualization tracks every application breakage that occurred prior to its scheduled maintenance date, and the corresponding expenses. Through this analysis, CIOs can decipher the cost of application replacements, and ensure a sufficient buffer is allocated to tackle unforeseen downtimes.

IT managers can also employ this analysis to identify frequent application breakages and employ targeted strategies to streamline the organization's application maintenance cycles.

While understanding the variances in IT expenses, it is also vital to understand and anticipate the financial impact of security breaches.

Fortunately, this is not a common occurrence for most organizations, but a cybersecurity breach can have far-reaching implications. In addition to hefty data and application recovery costs, a breach can result in a loss of market value and customer attrition; all of which makes a cybersecurity breach a significant complication for CIOs.

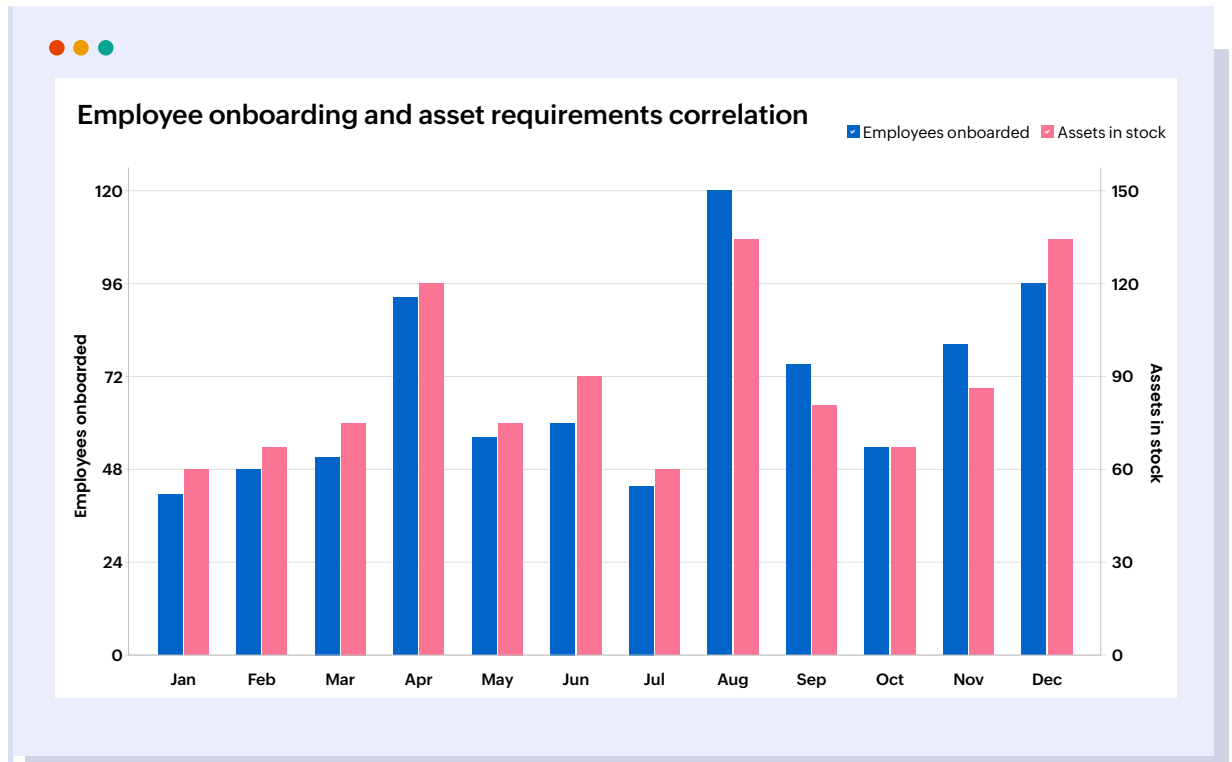


This visualization displays the expenses incurred by the organization in mitigating various security breaches through the year. When strategizing the upcoming year's budget, it is best to allocate a sufficient buffer based on these insights to ensure the organization can absorb the impact of major breaches effectively.

Account for seasonal expenses

Standard IT budgets often account for the predicted number of assets required to ensure business continuity, but fail to account for the impact of varying business requirements and organizational changes on asset consumption. A strategic budget should, instead, consider seasonal business requirements, organizational changes, and economic downturns, and adjust purchase plans accordingly.

Merely tracking asset usage identifies trends in consumption, but overlaying this information with employee onboarding data helps CIOs visualize the impact seasonal hiring trends have on asset requirements across the organization.



This analysis tracks the employees onboarded each month and computes the corresponding assets available in storage to meet the growing demand. This provides valuable insights on asset requirements and especially in terms of influencing elements such as employee onboarding during seasonal fluctuations. By decoding seasonal patterns in the employee hiring and asset usage, CIOs can adjust the IT budget to reflect business seasonality, and ensure sufficient assets are available during mass onboarding.

Understand asset expenses through their lifecycle

Organizations tend to structure asset budgets based on purchase costs, and often fail to look beyond to analyze the expenses incurred through other stages in an asset's life cycle. Every IT asset goes through cyclic stages that comprise acquisition, deployment, maintenance, and disposal. While the previous section detailed a handy tip to calculate acquisition costs accurately, let's break down how asset maintenance and disposal costs impact the IT budget.

The following visualization tracks each asset type's maintenance schedule and the corresponding costs for hardware maintenance and software upgrades. CIOs can leverage this handy analysis to allocate sufficient funds at accurate intervals and overcome the last-minute expense requests.



Asset maintenance costs

	Asset	Asset state	Maintenance date	Maintenance cost	No of assets present
1.	CRM database	In use	15 Jun	\$100	1
2.	Central servers	In use	20 Apr	\$800	30
3.	Cisco 2951	In store	01 Feb	\$200	250
4.	Employee database	In use	01 Aug	\$120	1
5.	HP Inkjet Printer XF 1023	In use	20 Aug	\$50	20
6.	HP Laser Jet MFP E72525	In store	01 Mar	\$50	200
7.	HP ProCurve 5412	In store	01 Mar	\$250	635
8.	Kaspersky Endpoint Security for Windows	In use	20 Feb	\$100	2500
9.	Latitude E7440	In use	10 Apr	\$300	582
10.	Nest Learning Thermostat	Repair	15 Sep	\$250	18
11.	OptiPlex 7440 AIO	In store	20 Feb	\$320	824
12.	Payroll application	Repair	15 Feb	\$200	1

The last stage in assets' life cycles—asset disposal—is often glossed over in budget calculations, but contributes a significant sum towards overall IT expenses.

Several organizations tend to use assets beyond their disposal dates in an attempt to prolong an asset's useful life. While this promotes cost savings in the short run, it is not always good practice. In using outdated hardware and software assets, organizations might be exposed to expensive risks ranging from data loss to critical cybersecurity breaches.

This visualization leverages asset management data to single out devices that are operating past their disposal dates, and the subsequent costs incurred due to break-fixes. After disposing of outdated assets, IT managers need to provision immediate replacements to avoid critical business interruptions. CIOs can use this analysis to understand these replacement costs and factor them into their budget plans.



Outdated asset costs

	Asset	Disposal date	Repair cost post disposal	Maintenance cost	Replacement cost
1.	API upload tool v. 1023	05 Apr 2023	\$100	\$120	\$85
2.	Adobe Illustrator	10 Nov 2023	\$144	\$35	\$30
3.	AppleFileServer 1.2	03 Oct 2023	\$400	\$90	\$50
4.	Epson VS250 Business Projector	27 Nov 2023	\$310	\$420	\$300
5.	HP Inkjet Printer XF - 0008	07 Sep 2023	\$243	\$160	\$125
6.	Kaspersky Endpoint Security for Windows	03 Aug 2023	\$345	\$650	\$539
7.	Nest Learning Thermostat	01 May 2023	\$368	\$235	\$180
8.	Ultraloq Pro Wifi	15 Jun 2023	\$134	\$325	\$249
9.	UniFi access point - 0021	24 Sept 2022	\$346	\$320	\$269
10.	VMware Virtual Platform 6.5	10 Feb 2023	\$256	\$1,023	\$995

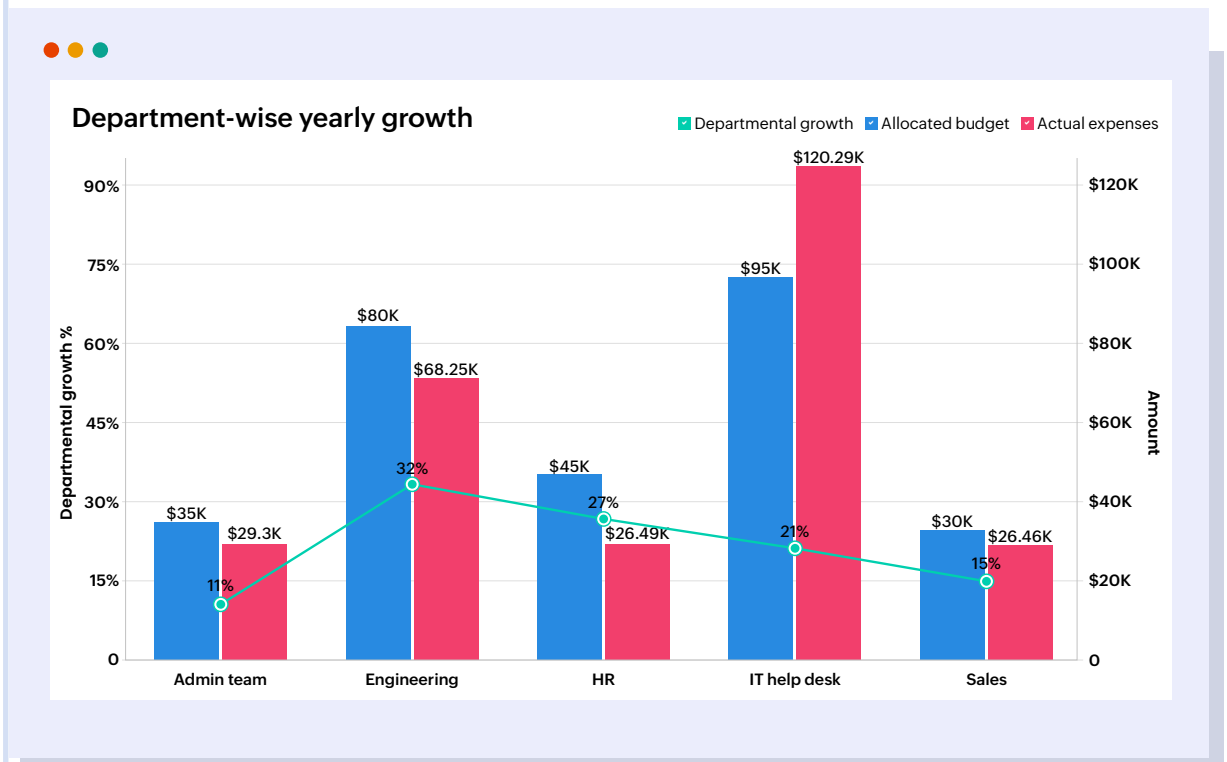
Set aside funds for business expansion

Many organizations are now leveraging AI and related applications to expand their operations and ensure sustained profitability. But organizations need to look beyond the immediate costs of AI investments and plan for resultant IT expenses. This can range from investments in new technologies to accelerated R&D, all of which increase overall IT expenses.

Implementing an IT budget without a clear vision of business growth and its consequent requirements will result in an inaccurate allocation of funds that can critically impede organizational growth. For instance, workforce expansion might not require as much of an investment as a stronger focus on research and development. An efficient IT budget should reflect these varying expenses.

To accomplish this, organizations must move beyond a siloed mode of operations to incorporate a unified platform that provides comprehensive, end-to-end insights into the organization's processes, operations, and future requirements.

The visualization below pulls in data from various departments to compute the departmental growth over the last year, the funds that were allocated to facilitate that growth, and the actual expenses incurred by each department's growth.



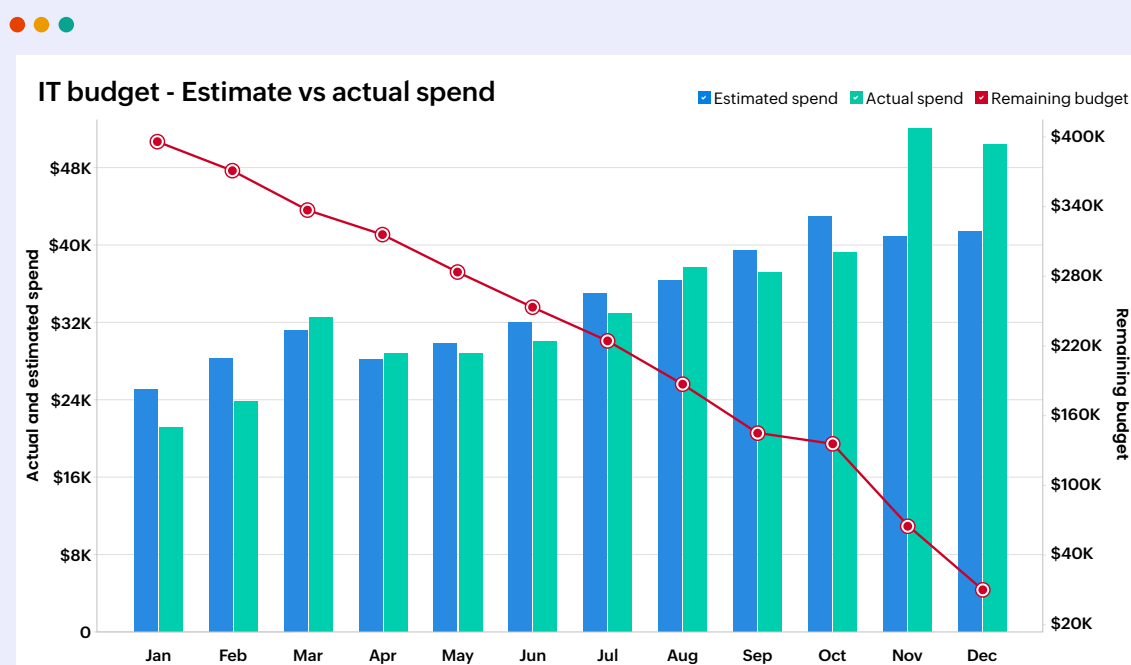
CIOs can leverage this analysis to understand how each department is expensing their allocated funds. For instance, most of the cash allocated to the HR team was left untouched, while the IT service desk has blown past its allocated budget. This might prompt service managers to request additional funds to meet growing requirements. To avoid similar last-minute scrambles, it is good practice to funnel the insights from this analysis into restructuring the IT budget to reflect business expansions preemptively.

Break down the root cause for overspending

It is common for organizations to track variances in past budgets and allocate a buffer amount for excess spending in the upcoming budget. However, by understanding the root cause behind excess IT spending, CIOs gain valuable insights that enable them to develop an accurate and efficient IT budget.

Here's how you can accomplish this with an intuitive analytics platform like Analytics Plus.

An ideal starting point is an analysis that compares historical IT spending against its calculated projections. The visualization below overlays last year's estimated budget consumption with the actual expenses incurred.



This analysis points to the scenario where allocated funds were nearly exhausted at the end of each month, with some months shooting past their budget. However, blindly allocating additional funds might leave some departments with excess funds and others strapped for cash. The efficient route is to understand the cause behind the variance in budget allocation and consumption, and structure the IT budget based on these learnings.

Performing this root cause analysis is straightforward with tools like Analytics Plus, and by simply conversing with Zia, CIOs can zero in on the departmental initiatives and strategies that resulted in increased IT spending. In this case, it is evident that the overall increase in IT spending in the last few months originated from the help desk in addressing employee onboarding at year-end, as evidenced by the analyses from the previous sections. By visualizing employee onboarding for the upcoming year, CIOs can allocate funds to IT accurately, and streamline their budgeting process.

Conclusion

The practical tips detailed in this e-book equip CIOs with the information needed to formulate an efficient IT budget that reflects the organization's requirements and facilitates business growth and sustainability.

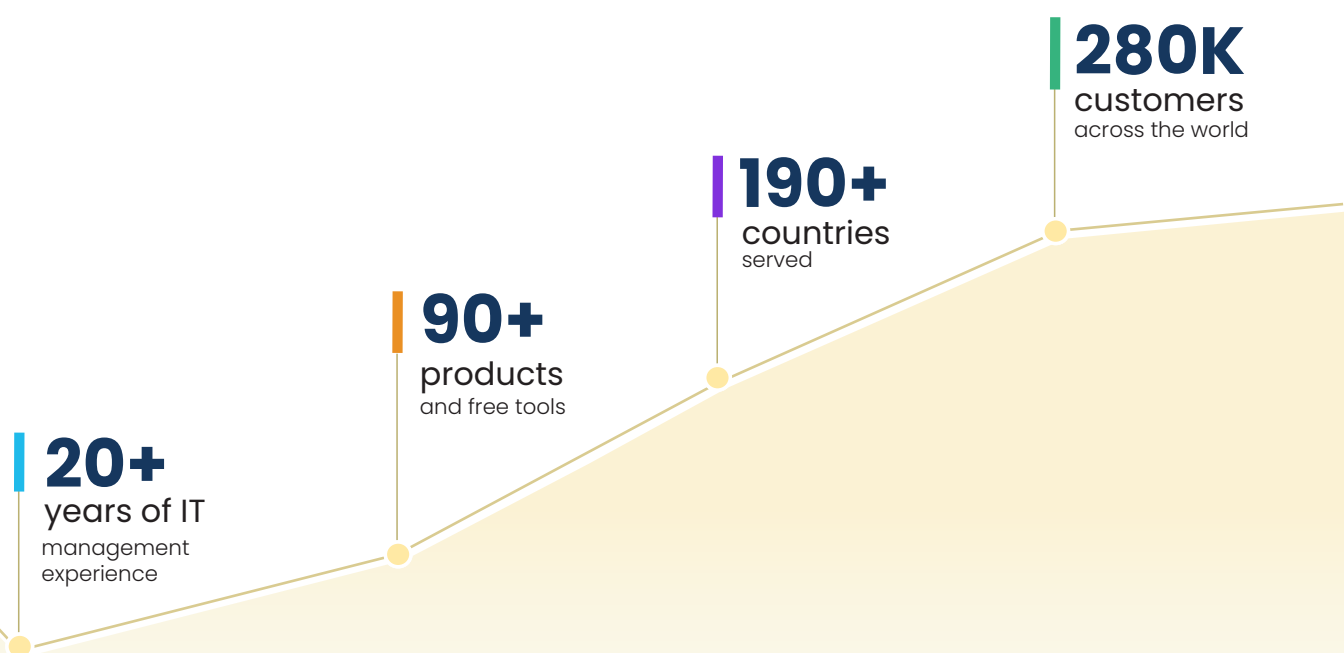
About

ManageEngine Analytics Plus is a self-service, AI-driven IT analytics solution that helps organizations implement complex initiatives to address the requirements of expanding businesses. Available on-premises and in the cloud, Analytics Plus visualizes IT data from several applications and integrates out of the box with several popular IT applications such as ManageEngine ServiceDesk Plus, Jira, ServiceNow, Zendesk, and ManageEngine Endpoint Central. Analytics Plus features an AI-powered analytics assistant that responds to voice and text prompts to provide meaningful visualizations. This eliminates the need for a data analyst to aid help desk managers and reduces report building time while enabling organizations to make faster, data-driven decisions.

Kick-start your IT analytics journey with a free trial of Analytics Plus.

Want to learn more about the product before giving it a try?

Sign up for a free, virtual tour with one of our solution experts.





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