

A black and white photograph of two construction workers in hard hats and safety gear working on a narrow, rocky ledge overlooking the ocean. They are focused on a task involving a large pipe or cable. The background shows a steep cliffside and the ocean with waves crashing against the shore.

# *Understanding IT Costs*

## *Increasing the return on IT investments*

Christian Burger

Steven James Mulka

# Introductions

## Christian Burger



*President*  
*Burger Consulting Group*

## Steven Mulka



*Partner*  
*SIS Software, LLC*

# Understanding IT Costs

## ***TODAYS AGENDA***

- The Changing IT Landscape
- Lets look at ROI
- IT Costs
- The “Conversation”
- Summary and Questions



# Objectives

- Provide an understanding of what drives IT costs
- What you can do to improve the return on IT investments
- Looking at IT costs and impact on P/L, Project Profitability
- Aligning IT spending with accountability
- Understanding the dynamics between C-Level and IT Director
- Alternative approaches to managing IT budgets and costs
- Understanding of problems associated with IT spending benchmarks



## Changing Landscape of IT



# The Changing IT Landscape

- ▶ Cloud/SaaS/IaaS
- ▶ **BIM**
- ▶ **Devices and Mobile**
- ▶ More users, tech savvy
- ▶ **Greater need for IT staffing**
- ▶ Greater use of ERP/PM
- ▶ **Content management**
- ▶ Robotics/Drones
- ▶ IoT
- ▶ Laser scanning
- ▶ Demanding owners/ GCs
- ▶ **The connected job site**

# The Changing IT Landscape

## Items with Major Impact moving forward

- Number/Type of Devices and one off applications
- BIM
- IT Staffing and Structure
- Content Management
- Connected Job Site

*How are you leading the change?*





A black and white photograph showing two construction workers in hard hats and safety gear working on a narrow, rocky ledge overlooking the ocean. They are focused on a task involving a large pipe or cable. The background features a steep cliffside and waves crashing against the shore under a bright sky.

## Let's Look at ROI



# Concept of ROI

- R=Return
  - Time, risk, image, customer
  - Recover from jobs/customers
  - Per headcount basis
- I=Investment
  - Easily calculated
  - Five-year TCO



Management routinely makes investment decisions

- Project Managers
- New office
- Piece of equipment

# Measuring ROI

1. Efficiency
  - How, benefits, improvements
2. Risk
  - Outline how risk can be decreased
3. Productivity
  - Process improvements, changes
4. Measurement
  - How to quantify
5. Stakeholders
  - Impact and benefit



# Concept of ROI

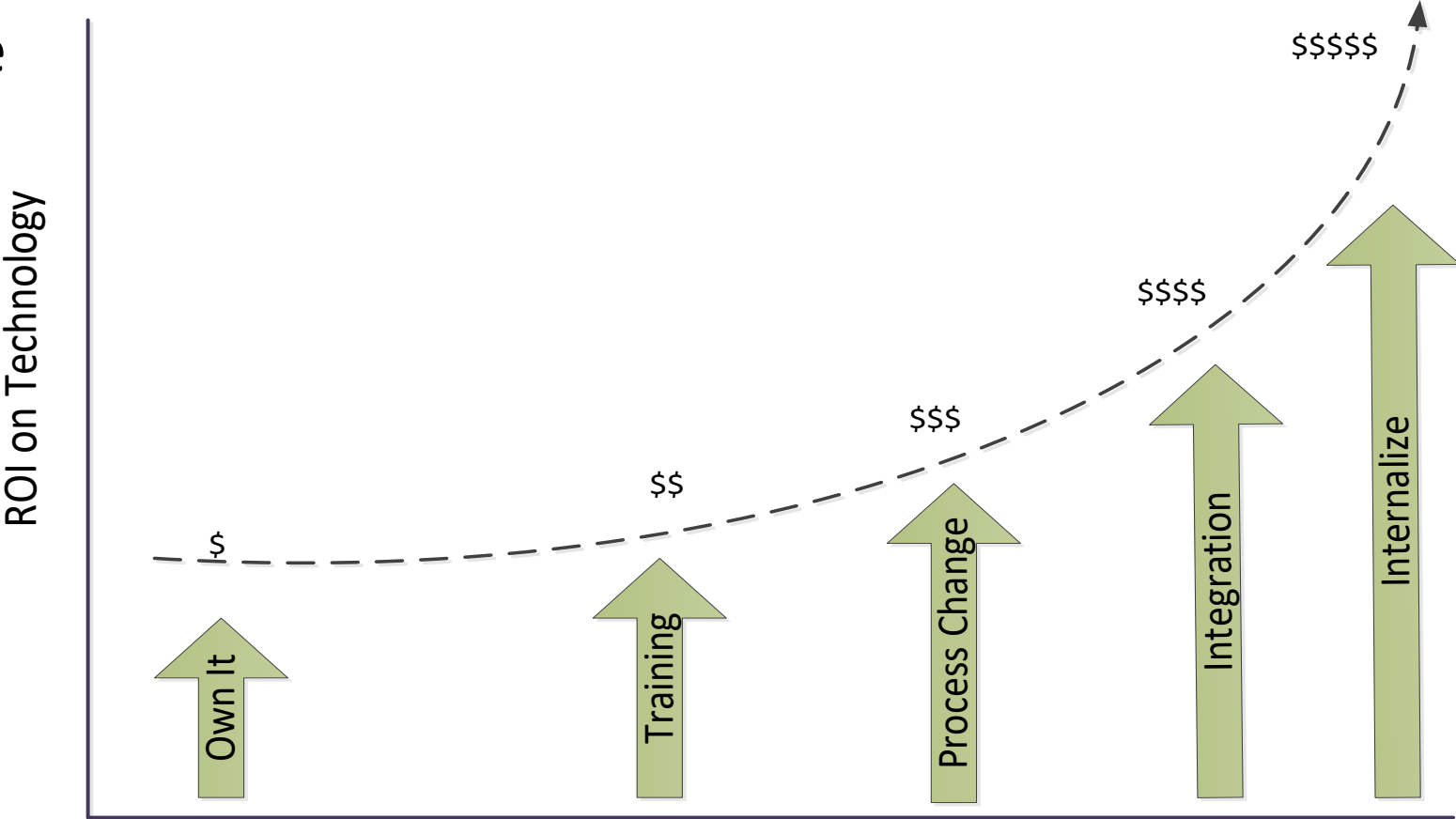
- Owner expectations
  - Owners want contractors to innovate,
- Paying for innovation
  - How to make the case for investments
- Raising barriers to entry
  - Harder for customer's to change providers





# Concept of ROI

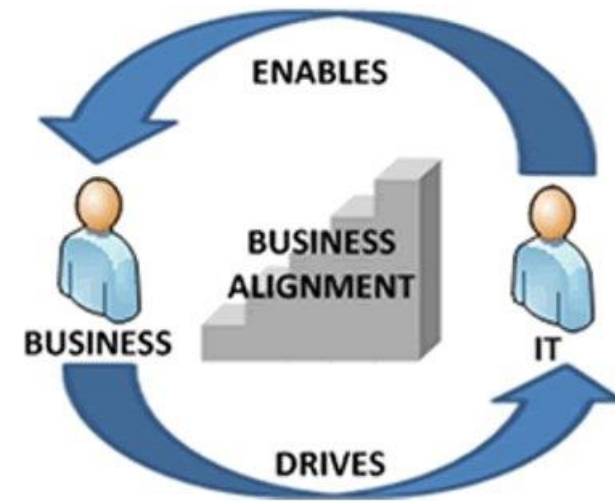
- Moving the line



# Alignment of IT Expenditures and Business Goals

## Strategic Functions and Processes

- Project Accounting
- Contract Management
- Labor Management
- Equipment Management
- Service Management
- Safety
- Marketing



## IT Costs and Budgeting



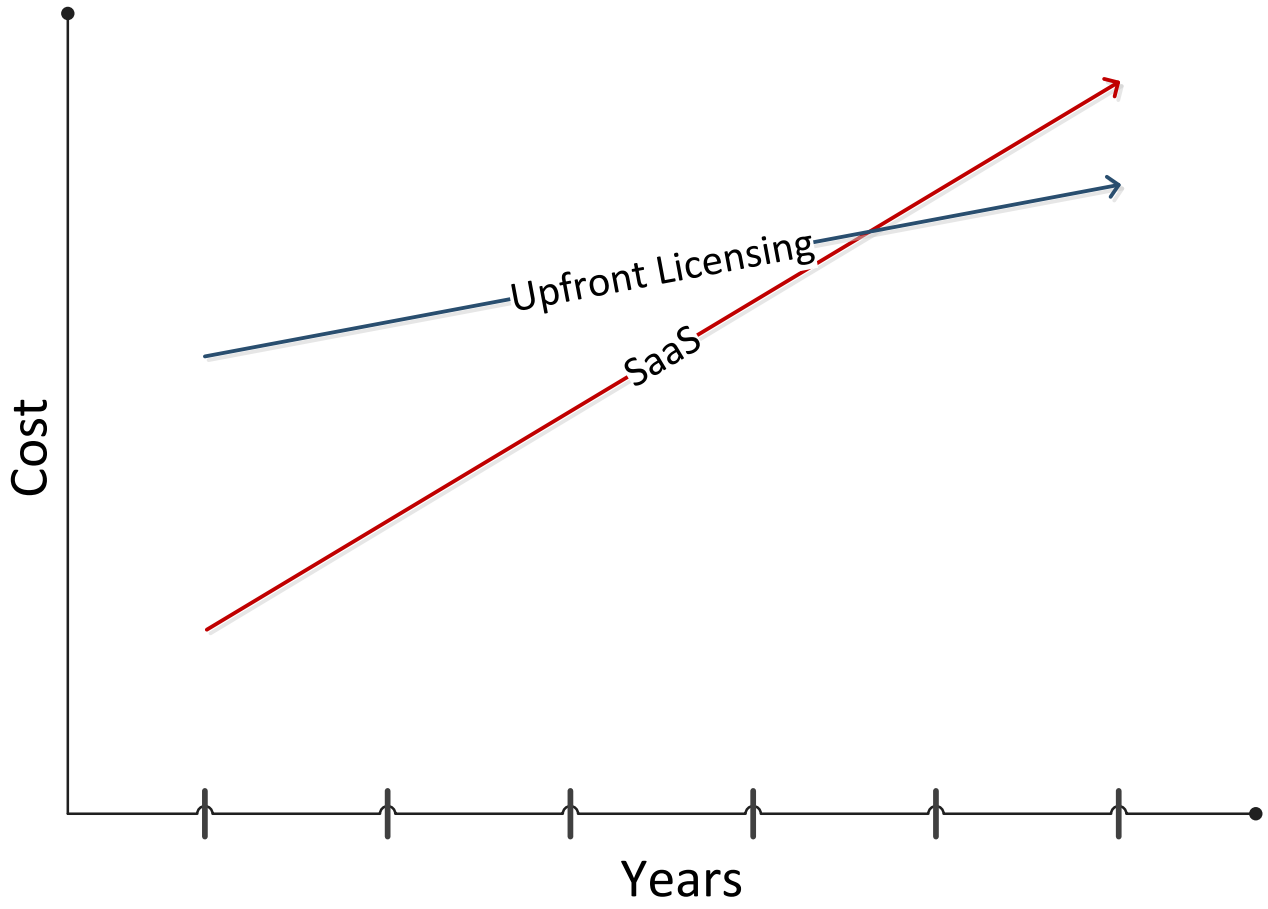


# IT Costing Models and Approaches

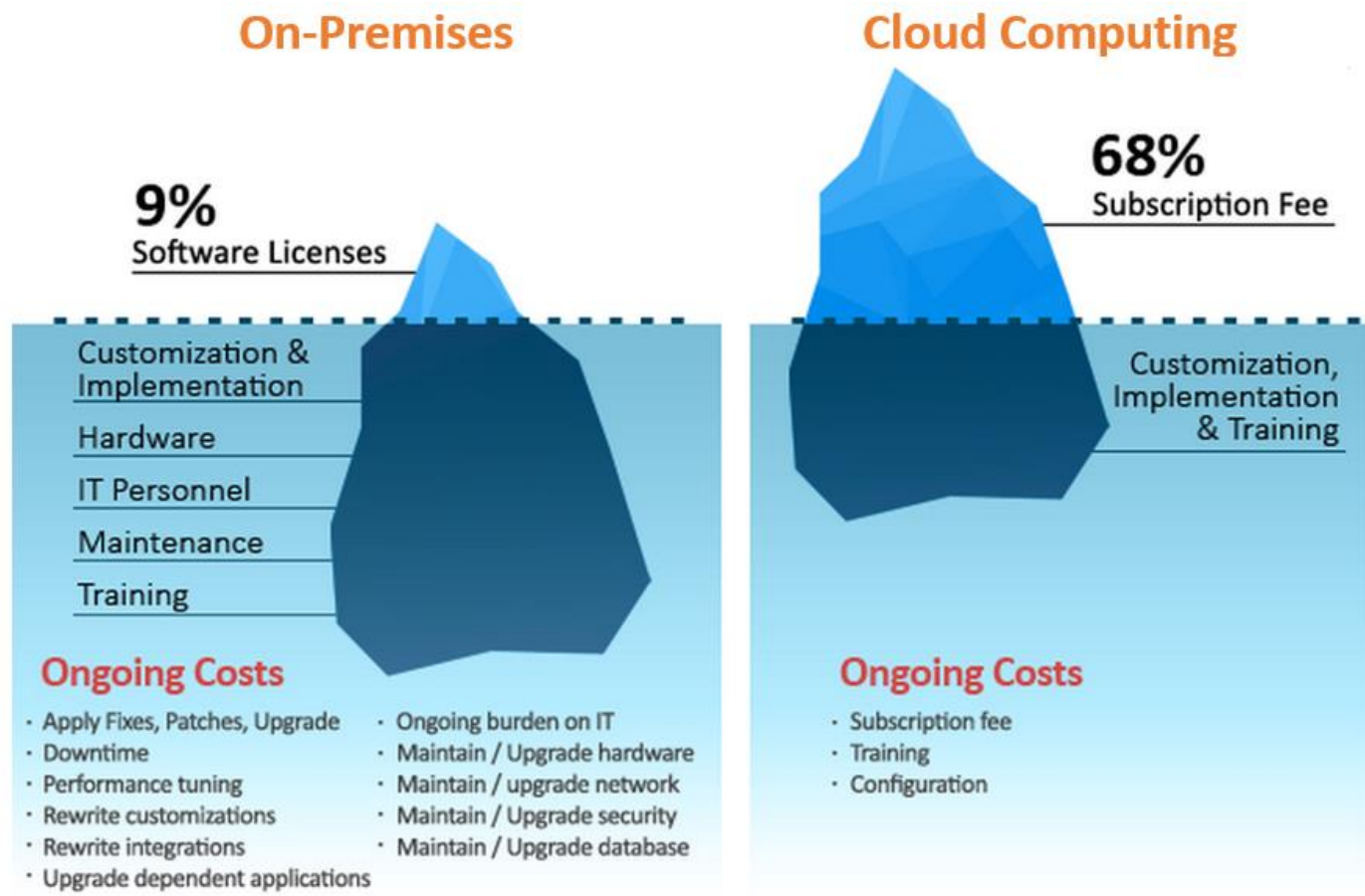
- Flaws with current thinking (.6%)
- Conventional measures
- Investment vs Expense
- CapEx versus OpEx
- Reimbursement from customers
- Billable to jobs
- Five-year TCO
- Cost per user



# IT Costing Models and Approaches



# On Premise versus Cloud Solutions





# Evaluating IT Planning, Budget and Expenses

- IT Planning-Is IT a part of the Executive Team?
- IT Budgeting-What does your IT budget look like?
  - Department Expense
  - Actual Cost Model- Costed to Projects based on what factors
  - IT Cost allocations/recovery
- IT Expenses-What is a real IT expense in 2017?
  - Hardware, Software, Employees
- IT Management-What is your measure yardstick?
  - IT Project Performance
  - IT Cost per employee
  - 1, 3 and 5 year plan



## Who's the Boss? IT or Operations

# Who's the Boss, IT or Operations?

- Historically IT drove software evaluation and requirements
- Larger shift towards Operations driving software requirements and sometimes even purchase
- IT Steering Committee
- Focus on the problem not software features



# Who's the Boss, IT or Operations?

- IT responsible for infrastructure and below
  - Security/governance not negotiable
  - Visibility around necessary IT costs
- Managers responsible for applications and up
- Solutions charged to departments
- Where do IT personnel report into
  - IT level
  - Department level
  - Hybrid approach





## The “Conversation”

# How to have the budget conversation with your IT Director

- Shattered Paradigms
- Turn intangible into a tangible
  - Clearly define business problem
- Identify, communicate and measure the tangible benefits
  - Desired outcome/objectives
- Impact to the organization
  - How are things going to work in the future
- Clearly define the ROI and payback
  - How much productivity gain and how

# How to have the budget conversation with your IT Director

- IT should have a budget: capital and operating
  - Spending within guidelines
  - Not asking permission for each purchase
  - Some investment decisions made by departments
    - (e.g. HR, Estimating, Precon, BIM )
- IT Steering committee or CIO directs strategy
  - Priorities dictated by managers
- Need for tighter governance

# How to have the budget conversation with your IT Director

- Traditional IT Expenses
  - Infrastructure
  - Staffing
  - Software
  - Services
    - Consulting
    - Training
    - Cyber
- Departmental Accountability
  - Costing of operational items at department level
  - Dimensional Account Structure

## THE CONVERSATION





## Summary & Questions

**QUESTIONS???**