



HP Financial Solution Analysis: Insight and Expertise to Improve Return on IT Investment

Overview

Total Cost of Ownership (TCO) is a financial estimate that assesses both direct and indirect IT expenditures. The intent is to arrive at a figure that reflects the actual cost of an item. Simple as it may sound, the route to determining TCO is not easy.

Industry analysts estimate that only about 30 percent of companies' IT expenses are hardware related. Some associated costs, such as software upgrades, training expense and disposal fees, can be relatively easy to determine. But other, less obvious costs that comprise the majority of TCO are considerably more difficult to nail down.

For example, while IT acquisitions are usually funded at the corporate level, costs such as maintenance, power and cooling and applications development typically fall into departmental or facilities budgets.

For most chief financial officers (CFOs) and chief information officers (CIOs), a lack of hard TCO data hinders their ability to develop and implement a financial strategy that effectively prioritizes competing demands for capital.

The IT investment process needs a data-driven, holistic view that empowers better decision making. Today's CFOs and CIOs need a structured approach to evaluate IT investments that deliver:

- Comprehensive information on the full costs related to IT investments
- Data to evaluate the merits of competing IT investment approaches
- Clarity on how their capital dollars can be most effectively invested
- Guidance on focusing IT investment to support innovation and business growth

Assessing the big picture of IT investments

The HP Financial Solution Analysis enables clients to assess their IT investment approach and determine whether existing methodologies fulfill the business imperative to reduce costs while driving innovation. It is a diagnostic tool that looks across the full spectrum of costs related to IT investment – including expenses for

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hardware, software, maintenance, training, applications development, downtime and end-of-life disposition.

HP Financial Solution Analysis is conducted in partnership with enterprise clients. Since each client's financial and IT resource situation is unique, the tools and data examined are individually customized. Analytical tools are applied to a client's current state, delivering comparative results that drive smarter IT investment decisions.

The analysis includes assessing the current IT infrastructure, engaging clients in questionnaires, preparing and compiling TCO calculations, as well as analyzing IT options and timing.

Although the HP Financial Solution Analysis is customized with each client, there are common contributions and results, including:

Typical inputs

- Remaining book value on existing IT infrastructure
- Quantity and type of IT assets
- Number and type of IT end users
- Approximate costs of existing IT support organization

Typical outputs

- Comparison of a portfolio life cycle management approach to IT versus existing processes
- Advantages of a managed operating expense (OPEX) environment, compared to the traditional IT capital expense (CAPEX) ownership model
- Recommendations for migrating to a lifecycle management approach

HP Financial Solution Analysis provides a comprehensive assessment of TCO, which enables enterprise clients to understand how to derive more value from their capital. This facilitates development of a finely tuned IT strategy focused on business innovation.

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