

The True Cost of Your IT System

Do you know the true cost of your IT system? If you answer „of course“ spontaneously, you should go on reading as this question may be harder to answer than it seems at first. The saving potential shows in the details.

We would like to outline some economic connections and correlation between the IT systems, the business processes, and the costs. This is important since most companies currently have a saving potential of 10-15% of their administration costs which can be activated in these, slightly difficult times.

The answer seems to be easy at first. After all, you have worked out a budget for the IT area, and the costs are shown in the balance and the monthly P+L. This includes costs for hardware, software licenses, maintenance, and possibly software suppliers. This may be a tidy little sum, which most companies find rather unpleasant. But is that all? Far from it!

On top of the costs shown in your balance, you have to add the IT-related labour cost of your staff. It does not suffice to apply just the labour cost; you also need to take into account the full costs per employee (work place, sickness, fluctuation, etc.). This includes the staff of the IT department (if existing) and all other employees occupied with this matter: This includes base data maintenance, creation of reports, designing of layouts, Excel queries, etc. Some companies even have their software developed in-house – very tempting, especially if one has got a talented employee who does these things on the side. These solutions prove to be quite expensive in fact.

For all those who have been thinking only of their balance so far: Considering these hidden costs, the total of your IT expenses can easily be much higher. But this, just like the

question regarding the costs, depends on the point of view.

Let us make a small experiment: How can we reduce a company's IT costs to zero?

Remember, this is an experiment. Just get rid of all computers in the company! This is the radical way! And what can be saved by this? Quite some

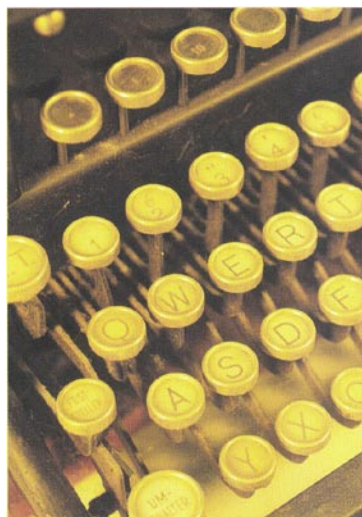


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amount, and perhaps a way to make the balance look much better all of a sudden. Imagine to have this amount, additionally, year after year ...

Again: This is just an experiment! You will retort: „Impossible! I would have to hire much more people to process all orders manually, which will be much more expensive at the end of the day!“

What does that mean? The number of employees, their work and its quality are connected to the IT tools you use.

If it is correct then that throwing out all computers will make the costs explode – might it not

be worth considering the other extreme?

Let us try to explain this:

The sum of all processes in your company, the work they involve, and the quality they produce, describe the current status of your organisation and thus, of the IT technology you are using. Changing your current status by drastically reducing your IT equipment will increase the costs. Still, the current status does not have to be the most economic one. What could be gained by supporting the processes better through new IT solutions instead?

Approaching the Optimum

Imagine you had both an ideal organisation and the ideal IT solution: What costs would be left for all of your business processes? What other goals could you try to reach?

You will say that there is no such thing as the ideal IT solution or the ideal organisation – this is true, of course. Still, it is important for you to know how far you are from the optimum, and how close you can get!

Now we can sum up our little experiment: The true costs on the IT sector is not the money you are currently actually spending on it, but rather the money you lose because you are too far from the ideal status – which is because you spend too little on improvement.

An abstract idea? Imagine you had 3.000 sqm of perfect lawn which you had to mow every week. Since you are appalled by the costs for a lawn mower, for fuel or electricity, for maintenance and repairs, you buy a

cheap, mechanical one that works without electricity and fuel – you only need strong muscles, even stronger nerves, and a lot of time. Your neighbour with his powerful lawn mower, driven by electricity or fuel, only seems to have higher costs as he saves time, power, and nerves. He is closer to the optimum than you are ... and on top of that, your gardening is less well organised.

Potential savings:
15 per cent

But let us return to your company: How large are the sums involved? There are as many answers to that, as there are companies. Your primary potential savings are as high as the amount you regularly lose on the administration side by failing to invest in IT and in organisation. We are talking about approx. 15 per cent of the total administration cost. Additionally, there are the savings due to a better productivity, improved logistics,

improved ability to delivery, etc. These can be stated only after analysis of the individual case.

The true cost of your IT system are therefore due to the fact that your company cannot work optimally with the existing IT tools and organisation so that you are actually spending a lot more than strictly necessary.

Various industries have shown us what can be achieved with integrated and powerful IT systems – the window and door industry has a lot of catching up to do. This is your chance. Those who start to modernise their organisation and IT now, will be better than the average in the long run.



Good software solutions – here at TMP Fenster + Türen GmbH – simplify the organisation, administration, and production processes and pay off quickly

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