

## A FORSYTHE CASE STUDY

# IT Cost Management/Return-on-Investment (ROI) Analysis

## A National IT Solutions Provider

### Business Challenge

A national IT solutions provider had experienced tremendous growth in recent years. Over time, and as the company's offerings had evolved, a variety of systems had been implemented to support its different business units in their numerous tasks. The company was now eager to replace more than twenty disparate, siloed, legacy systems with a comprehensive, integrated environment that would not only allow for enterprise-wide data access, but also eliminate redundant data entry and support more automated data reporting. In addition, it needed a solution that would be scalable for future growth.

At the same time, the company's CIO was very aware of cost issues and of the importance of strategically aligning the company's IT initiatives with its business objectives. Before diving into an expensive, company-wide systems overhaul, the CIO and the company's IT steering committee sought a return-on-investment (ROI) analysis to confirm the feasibility of the huge project, and also whether the benefits of such a project would be cost-justified.

### Solution

Forsythe began by conducting research, including fact-finding interviews and document review to gather information on the company's current and future business requirements and objectives. From this information, a set of business assumptions were developed and presented to the company's senior management for confirmation. Once confirmed, these assumptions were used to construct a financial model for quantifying the anticipated benefits of the initiative in the context of different company growth scenarios.

On the cost side, the model took into account primary costs, such as hardware and software costs, initial implementation costs, and ongoing maintenance and support costs. On the benefit side, the model considered productivity improvements, resource-use savings, revenue enhancements, and cost avoidance—such as by reducing hiring costs or eliminating unnecessary hardware maintenance and software licensing costs. Another important element evaluated was the scalability.

In determining feasibility, basic questions were addressed such as, How did it align with the company's growth strategy? Who would

need to be involved? and, How long would the project take? The latter question was examined in depth, as the company recognized that the success of each proposed sub-project would depend heavily upon the ownership and involvement of an appropriate business unit. Likewise, the question of project duration was critical in order to structure the overall project plan and schedule each sub-project to minimize their impact on day-to-day operations.

### Results

The analysis found that the planned new environment was, indeed, feasible and cost-justified. Using a conservative growth rate, Forsythe's model estimated that the project would pay for itself within four years. At the same time, the planned environment was confirmed to be highly-scalable, and to promise even better cost-savings, faster, if growth rates exceed current predictions.

Equally important for a project of this magnitude, Forsythe's ROI analysis helped to clarify business process and system interdependencies. By taking these interdependencies into consideration, the company can prioritize and schedule project segments in a way that hastens and optimizes its return on investment.

Likewise, careful consideration of the time commitment required of each business unit to ensure the project's success led to a decision to stagger certain sub-projects in order to "load balance" demands on personnel so that that the project implementation would not unduly compromise current productivity.

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