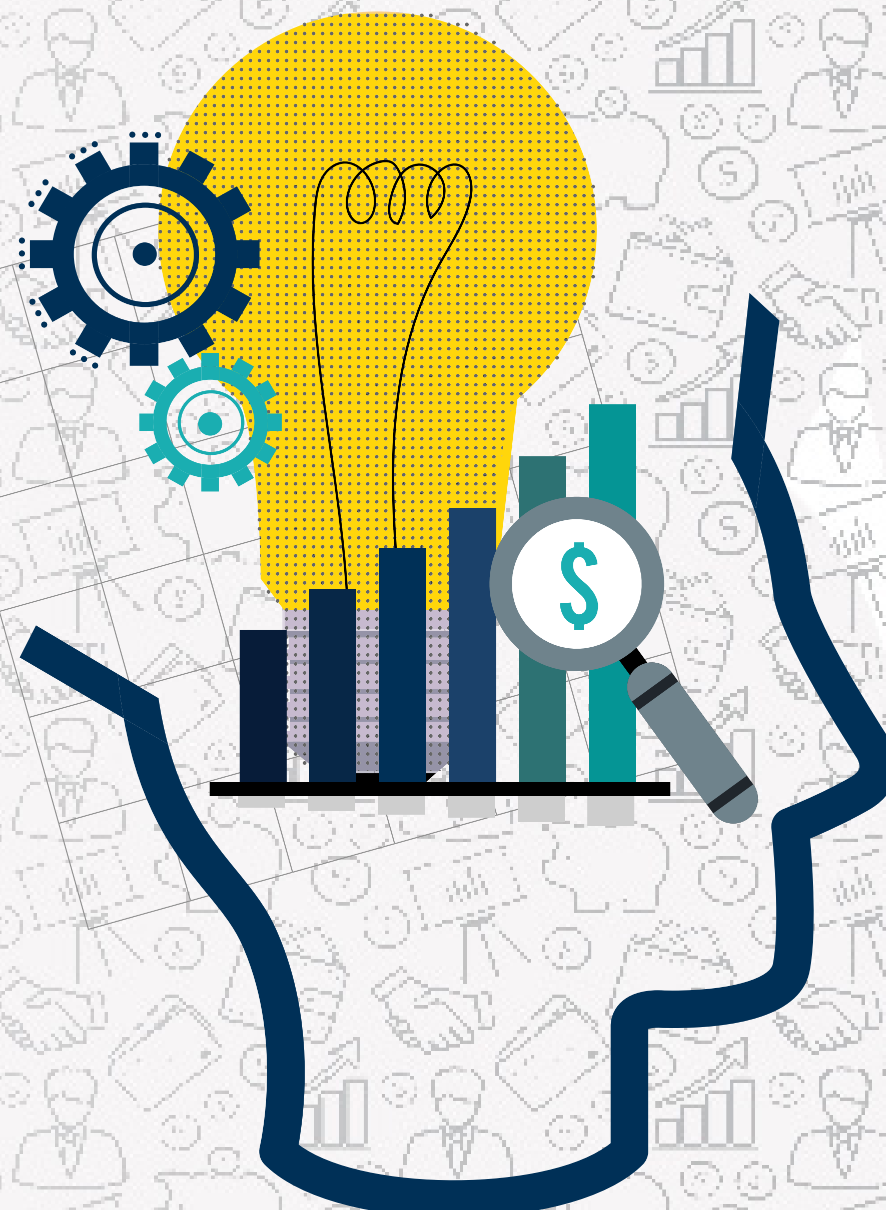
Think Like a CFO:

The Case for IT Automation in an Economic Downturn



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You Know the Importance of IT Automation. Does Your CFO?

IT automation is emerging as an indispensable component for success in the rapidly evolving landscape of today's business environment. By automating a wide variety of tasks and processes, organizations can enhance their efficiency, minimize human error, scale services, and preserve their competitive edge.

However, persuading CFOs to spend company dollars during an economic downturn – even on technology with all the benefits that IT automation can deliver – can be a daunting task.

When the economy takes a turn for the worse, a CFO's first instinct is to tighten the organization's belt, making it difficult to secure funding for new initiatives that can have longer-term payoffs. Instead, they'll focus their efforts on cost-cutting measures, only buying in to initiatives that promise immediate returns. Resources become scarce, forcing IT automation projects to compete with other critical business initiatives for funding.

To overcome buy-in challenges, IT leaders must craft a robust business case for their CFOs that clearly communicates the value and cost-saving benefits of IT automation.

Understanding the CFO Perspective

CFOs across every industry are bracing for economic turbulence as businesses continue to grapple with inflation, supply chain struggles, and global events. During an economic downturn, companies often face declining revenues and shrinking profit margins. To maintain profitability, CFOs are quick to implement cost-cutting measures such as workforce reductions and hiring freezes, trimming non-essential expenses and postponing investments in new projects or technology.

When it comes to spending, CFOs are hyper-focused on making strategic financial decisions that ensure their organizations remain fiscally sound and capable of weathering the economic storm. They prioritize investments, manage cash flow, and carefully evaluate the potential Return on Investment (ROI) of proposed projects and technology investments.

With financial resources becoming scarcer, businesses are increasingly scrutinizing every expense, which creates challenges for IT leaders who are seeking to secure funding for new initiatives, especially those that require substantial upfront investments or have longer payback periods.

Keep in mind that CFOs don't want to cut spending during a downturn just for the sake of cutting. They want to allocate their organization's limited resources as effectively as possible. CFOs say they are most likely to continue to spend money on digital investments, with 78% of CFOs planning to maintain or increase enterprise-wide digital investments through 2023.

Thanks to the economic ups and downs of the last 20 years, nearly every CFO has experienced navigating a downturn. They understand it's an opportunity to make the right investments now so that the company is better positioned for success when economic conditions swing back in their favor. Your job is to help them understand why IT automation belongs high on the investment list.

"Gartner Says 78% of CFOs Will Increase or Maintain Enterprise Digital Investments Through 2023 Even if Inflation Persists," Gartner.com.

The High Cost of Delaying Automation

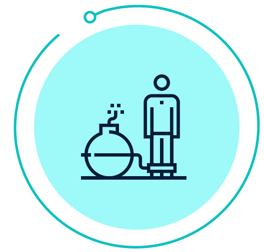
If you think an economic downturn is the wrong time to ask the CFO for IT automation funding, think again. Failing to invest in IT automation now can result in:

Reduced competitiveness

Businesses that don't automate will struggle to keep pace with competitors who do, leading to lost market share and revenue.

Hindered innovation

Businesses that delay IT automation investments face an opportunity cost that throttles their ability to develop new products, services, and processes that could drive future growth.



Higher costs

Companies that avoid IT automation will have to get by with manual, labor-intensive processes, resulting in increased operational costs and reduced efficiency.

The bottom line: While IT automation is mainly an IT focus, the consequences of any delay – lost revenue, lost growth, higher costs – are issues that your CFO definitely understands. The key to securing the CFO's support is to position an investment in IT automation as a way for your business to drive long-term growth during challenging economic times.

The good news is that many CFOs get the evolving role of IT. In the past, IT was primarily considered a cost center — a necessary expense for maintaining business operations and keeping the lights on, but not a driver of strategic value. As a result, IT budgets were often limited and applied to sustaining existing systems and infrastructure. In many organizations, IT reported to finance, with the CFO responsible for overseeing IT budgets and expenditures.

Most businesses today view IT as an essential strategic function that is integral to business success; therefore, many organizations have shifted IT's reporting structure, with IT now reporting to a dedicated technical leader such as a Chief Information Officer (CIO). The shuffle enables businesses to better leverage technology for operations and as a catalyst for driving innovation across the organization.

Together, finance and IT have the power to leverage technology to improve operations, reduce costs, and drive growth. A mutual understanding of each other's objectives and challenges enables both functions to work more effectively to align technology investments with the organization's strategic goals.

The Business Benefits of IT Automation

While you probably already know all about the benefits of IT automation, your CFO might not. When discussing potential IT automation projects with your finance team, make sure to highlight the following benefits:

Greater Cost Savings

IT automation can significantly reduce labor costs by automating repetitive and time-consuming tasks, which allows employees to focus on higher value work.

Improved Accuracy

Automated processes are less prone to human error, ensuring higher levels of accuracy and consistency that result in greater productivity.

Increased Efficiency

IT automation allows organizations to streamline processes and optimize workflows for quicker response times, faster issue resolution, and greater operational efficiency.

Enhanced Scalability

IT automation allows organizations to scale their operations more efficiently without requiring additional staff or resources, so the business can grow and adapt without the extra cost.

In addition to communicating the business impact of IT automation, don’t forget to include the impact it can have on IT team operations. Modern IT teams require both technical skills to manage and maintain systems, and strategic skills to drive innovation and transformation. IT automation helps ensure IT keeps its staff focused on the strategic issues that move the needle by allowing automation to pick up the technical slack.

What Metrics Matter Most to CFOs

While IT professionals often focus on KPIs like efficiency and time saved, it's important to understand how CFOs evaluate the benefits of IT automation. By understanding how your CFO defines success, you can position your initiative in a way that shows how IT automation will help the organization achieve tangible results. Here are the three metrics you'll want to focus on when speaking the CFO's language:

Return on Investment (ROI)

ROI helps CFOs assess the expected return on a project relative to its initial cost to evaluate the potential value of an investment. To calculate ROI, you'll need to factor in:

Cost savings
Estimate how much your organization can save by automating specific tasks or processes. This may include labor cost reductions, decreased error rates, and increased productivity.

Implementation costs
Account for the upfront expenses associated with the IT automation project, such as software, hardware, training, and integration with existing systems.

Ongoing costs
Consider the ongoing costs of maintaining and operating the automation system, including software updates, maintenance, and potential future enhancements.

Intangible benefits
While harder to quantify, it's essential to recognize intangible benefits, such as improved employee satisfaction, reduced risk of errors, and enhanced agility in adapting to market changes.

Internal Rate of Return (IRR)

IRR demonstrates the expected annual rate of return on an investment over a specific time period. By comparing the IRR of different initiatives, CFOs can prioritize projects that offer higher rates of return and better align with the organization's financial objectives. To calculate IRR, you'll need to consider:

Cash flow projection
Estimate the net cash inflows and outflows associated with the IT automation project throughout its life cycle, including the initial investment, ongoing costs, and anticipated cost savings or revenue generation.

Time value of money
A dollar today is worth more than a dollar in the future due to its potential earning capacity, which means you need to discount future cash flows to their present value when calculating IRR.

Ongoing costs
IRR requires a specific time frame to be calculated, so you'll need to determine the expected lifespan of the IT automation investment.

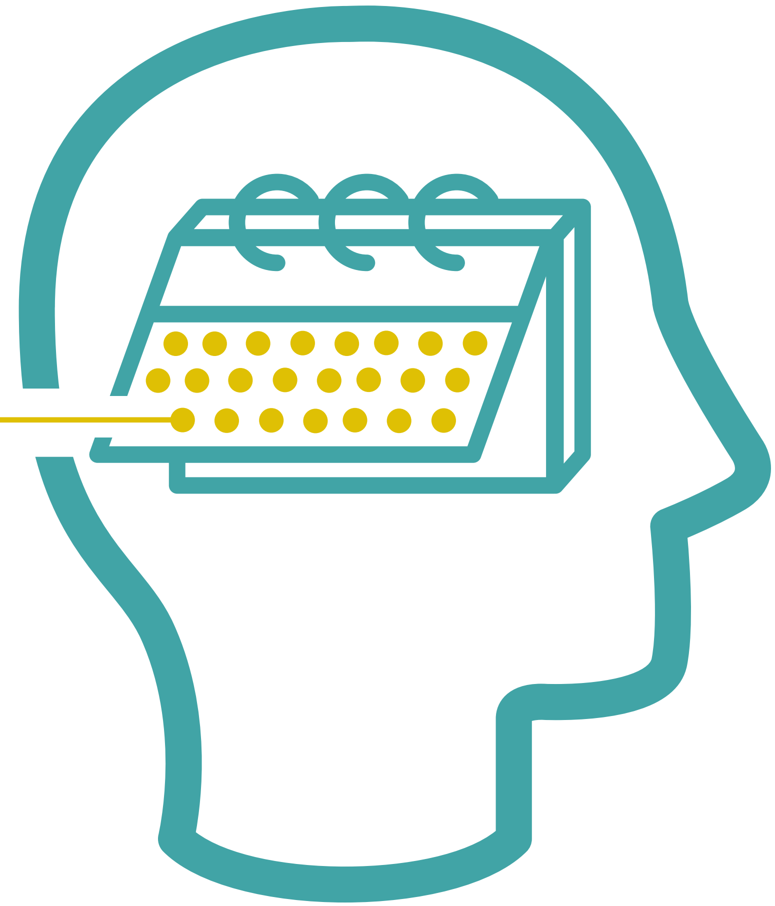
Payback Period

The payback period metric represents the time it will take for the initial investment to be recouped through the resulting cost savings and benefits. It helps CFOs and other financial decision makers assess the liquidity and risk associated with a particular investment. A shorter payback period can make the investment more appealing, as it indicates that the organization will recover its investment sooner and potentially generate positive cash flow earlier. To calculate the payback period, you'll need to include:

Initial investment
Determine the total upfront cost of the IT automation project, including expenses related to software, hardware, training, and integration with existing systems.

Annual cash flows
Estimate the cost savings resulting from labor reduction, increased productivity, and reduced error rates.

Cumulative cash flows
Calculate the cumulative cash flows over time, starting with the initial investment (which is a negative cash flow) and adding the annual net cash inflows.



5 Steps for Building a Compelling IT Automation Business Case

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1 Align IT automation with your organization's strategic objectives.

Collaborate with your CFO to pinpoint the strategic objectives the business must address as it seeks to overcome the economic downturn. Here's how to position IT automation as a solution to the CFO's most common objectives:

Cost Reduction

Emphasize how IT automation will help the organization achieve its cost reduction objectives by streamlining processes, reducing manual labor, and minimizing human errors. By improving productivity and reducing the time spent on repetitive tasks, employees can focus on higher value work and accomplish more work in the same amount of time, boosting productivity.

Business Agility

Explain how IT automation will enable the organization to adapt quickly to market changes and customer demands by automating repetitive tasks, improving data management, and allowing employees to focus on more strategic initiatives. The business can then respond to evolving conditions faster and more effectively.

Innovation and Growth

Highlight how IT automation can drive innovation and growth by increasing efficiency, enabling faster decision making, and providing a foundation for exploring new business opportunities. By automating routine technical tasks, IT can spend more time on strategic initiatives that will help the rest of the organization move the needle.

2

Develop a clear and well-defined automation plan.

Outline the processes and tasks to be automated, the proposed technology solutions and tools, and the time frame and resources required for implementation. By providing a concrete roadmap for your IT automation initiatives, you'll give your CFO confidence that their money will be well spent. Here are just a few of the initiatives that IT automation can help you handle:

IT Service Management

- Password resets and responding to locked account complaints
- General service and change requests
- Employee onboarding and offboarding tasks
- Configuration Management Database (CMDB) updates

Business Agility

- Infrastructure & Operations service requests, such as resource provisioning, resource decommissioning, and application performance issues
- Incident response and remediation tasks, including triage alerts, ticket creation, low disk space remediation and server/VM stop/start/restart

Innovation and Growth

- Provisioning and configuration of infrastructure, devices, and software
- Network auto-remediation tasks including IT incident response, event troubleshooting, and diagnostics
- Proactive network testing and network assurance to ensure network health

3 Identify and address potential objections

Address potential concerns about the initial investment required for IT automation by emphasizing the long-term financial benefits and cost savings, as well as the likelihood of a quicker payback period. Issues to consider include:

Upfront Costs

In addition to emphasizing the long-term financial benefits and cost savings that IT automation can bring, select an approach with a shorter implementation time so you can reduce your payback period.

Implementation Risks

Outline a detailed implementation plan that includes risk mitigation strategies, contingency plans, and a clear timeline, along with a strategy for ensuring a smooth transition to the automated system.

Employee Impact

Explain how IT automation can lead to more meaningful work for employees by eliminating repetitive tasks and freeing them up to focus on strategic initiatives. In addition, discuss how you'll retrain and upskill affected staff members so they're able to adapt to their changing work environment.

System Compatability

Choose an IT automation solution that is proven to easily integrate with your existing systems so that you won't have to waste extra time or money making additional upgrades or modifications.

4 Establish clear OKRs and KPIs

To effectively demonstrate the value of your IT automation initiative and secure support from your CFO, it's crucial to establish clear Objectives and Key Results (OKRs) and Key Performance Indicators (KPIs) that align with the finance department's definition of success.

Begin by outlining the objectives of your IT automation initiative using the SMART (specific, measurable, achievable, relevant, and time-bound) framework and include four elements: what is being measured, why it is being measured, how it is being calculated, and when it should be used. Examples of objectives that align to both IT and finance include reducing operational costs, improving efficiency, and increasing business agility.

Next, identify the key results you'll use to demonstrate your progress toward achieving your objectives. They should be quantifiable and time-specific, making it easier to track progress and measure success.

To dig deeper into defining your KPIs, check out our eBook:
The KPI Compass Navigating a Clear Path to IT Automation Success

5

Foster collaboration across your organization

In addition to engaging with finance early in the process, work to gain support from other departments to build cross-functional buy-in and support. It will help the CFO determine that IT automation is a priority across the organization, as well as maximize the chances of a successful implementation.

Identify key stakeholders from across the organization who will be involved or affected by the IT automation initiative. For example, a push that would automate employee onboarding and offboarding might impact HR, finance, facilities management, information security, the compliance department, department managers, and the learning & development manager. By involving these stakeholders from the outset, you can ensure that their perspectives and needs are taken into account and incorporated into the project plan.

Once you identify stakeholders, create a cross-department team to help identify potential challenges, develop solutions, and drive the project forward. Not only does this demonstrate demand for the project to your CFO, but it can help you reduce project risk while ensuring adoption.

3 IT Automation Initiatives CFOs Will Love

While it's tempting to go to the CFO with a single IT automation use case, keep in mind that your IT operations are only getting more entwined and complex. Siloed automation tools may only provide limited results as they struggle to work together.

Instead, work with your CFO to help them understand the value of investing in an IT automation and orchestration platform. This helps you automate high-value use cases as needed, with the confidence that you can automate additional processes later.

As each process builds on the other and leverages the same sources of data,it can significantly increase your ROI and IRR while reducing your payback period.

Use these IT automation initiatives as a starting point for calculating the ROI you want to achieve. Each use case can be delivered by an IT automation platform, and are all proven to be relatively straightforward to implement, highly correlated with financial benefits, and more likely to free IT staff to focus on strategic initiatives:

1 Infrastructure & Operations Service Request Automation

Automating the end-to-end network IT resource provisioning process allows you to deliver and scale new services instantly while saving hours of manual work.

2 Proactive Network Testing

Automated network testing enables you to minimize unexpected and costly downtime.

3 Incident Resolution

Automation can detect an initiating event, create a ticket, and execute the complete resolution process without human intervention, helping users get back to work faster.

Accelerate Your Journey to IT Automation with Resolve Systems

As a leading IT automation platform, Resolve delivers everything you need to achieve IT automation at scale. With Resolve, you can automate anything from the simplest task to the most complex process, helping your organization save hundreds or even thousands of IT hours each year so you can alleviate IT staffing issues, reduce costs, and increase efficiency across your organization.

Ready to learn more about how Resolve can help you automate the specific use cases that will propel your business forward?

Request a Demo ▸