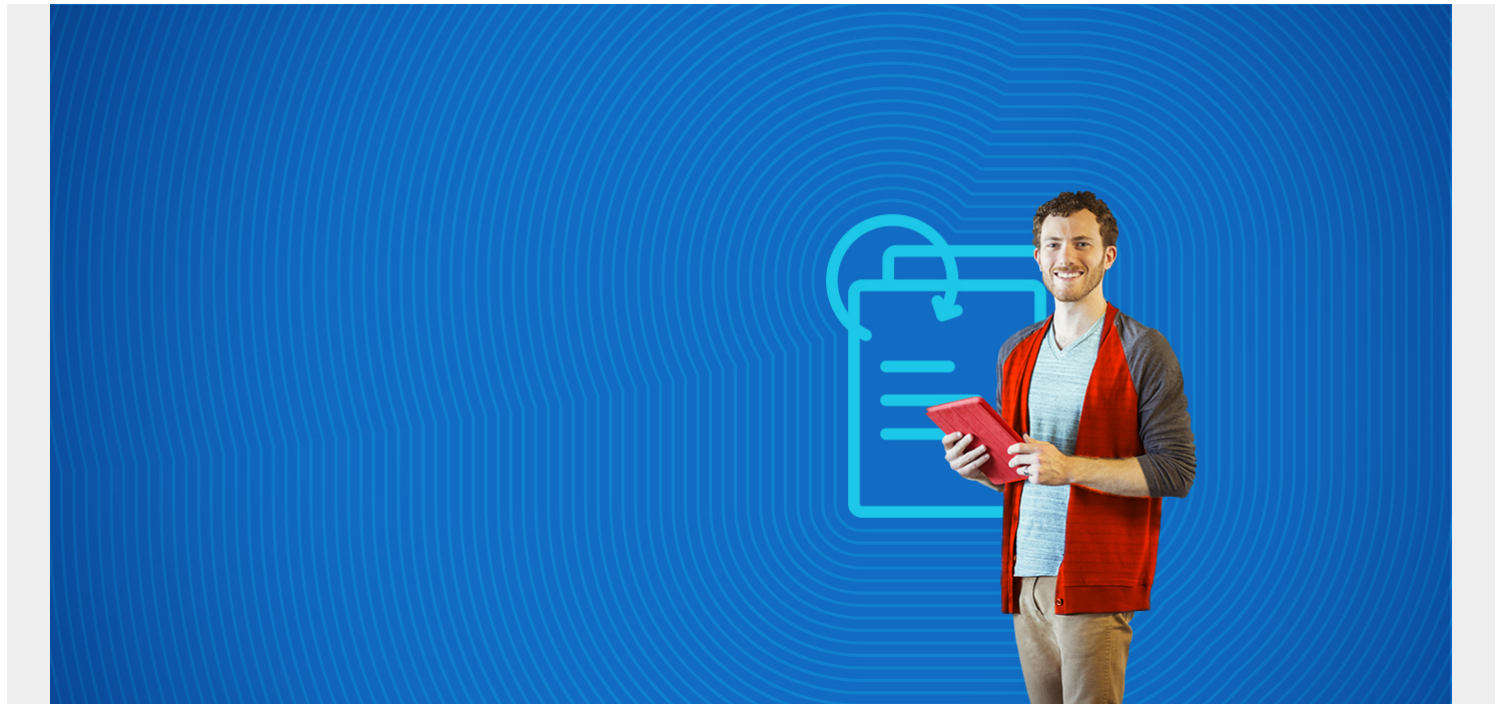# WHAT IS IT COST TRANSPARENCY? IT COST TRANSPARENCY EXPLAINED

As budgets for IT [seem to be on the rise](#) and the importance of a solid technology team only increases, more and more organizations are realizing the necessity of being honest about costs, both to stakeholders and staff as well as to consumers.

For a majority of companies, expenses are the most common factor that influences IT budget decisions and without a transparent plan in place these costs can quickly skyrocket, especially as technologies require updates or replacements down the line.

For organizations that adopt IT cost transparency, not only can IT departments make educated and powerful decisions as a result of knowing where money is spent, but they are also on the same page as the business department related to the cost of running IT, ensuring the best strategies for future innovation.

## What is IT Cost Transparency?

In short, IT cost transparency is tracking the total cost it requires to deliver and maintain the IT services that are provided to the business. By making all costs and expenses highly transparent through management software and systems, organizations are better able to ensure business growth is not impaired by the pressure of IT budgets.

In the broader scope, IT cost transparency is a component of IT cost optimization – which itself is part of a global IT optimization strategy. When IT departments achieve cost optimization, they are guaranteeing strategic initiatives can be met and supported while budgets remain appropriately

constrained. Creating cost transparency, and further on cost optimization, in the IT department requires a complete understanding of not only what the business needs from IT but also of the current IT cost baseline.

# Elements of IT Cost Transparency

There are multiple factors that must be considered when moving towards IT cost transparency and it is necessary for organizations to be properly informed of the main elements involved.

## IT Asset Baseline

One of the first steps towards IT cost transparency is to find the IT asset baseline. This is accomplished by performing a complete analysis of the number of IT assets that are chargeable and determining how they are used. These assets might include things such as servers, networks, storage, software, mobile devices, and employee workstations. This baseline number must be accurate and completely reflect the amount of money towards these assets.

## Business System Correlation

The next element of IT cost transparency is business system correlation. What this means is that the numbers from the analysis and asset baseline must be understandable in order for action to occur. By expressing facts in ways that decision makers can understand, IT costs and systems can be properly identified along with the value they provide the business.

## Business Intelligence

Although making the asset baseline transparent and easy to understand is important, those steps alone are not enough to achieve IT cost transparency. The relationship between the deployment of software and its configuration must also be made transparent, including the connections of clustering, virtualization, and licensing. Another component of business intelligence is usage. While most organizations have multiple servers and hold expensive licenses, it is necessary to be able to identify who uses each of these components and what their value is to the systems. Being able to decommission unnecessary hardware and software is a huge piece of cost transparency.

# Benefits of IT Cost Transparency

While the idea of decreasing costs is a huge draw to undergoing IT cost transparency, there are many other benefits to adopting a solid system, as well.

## A Complete View

One of the biggest benefits of IT cost transparency is that it provides a complete view of where money is actually being spent throughout the department. This information gives IT leaders and stakeholders the ability to make accurate decisions regarding current needs as well as future innovations.

## Leverage

For IT leaders, being able to have more leverage is a huge benefit of IT cost transparency as it allows them to more confidently communicate the reasons behind costs and their overall value to the company. By putting things into terms for even non-IT leaders to be able to understand and analyze, the business can start to put plans into place on what makes sense and what does not.

## Evidence

When assumptions about spending are replaced with numbers and data, it is much easier for companies to make decisions based on facts rather than emotions. IT cost transparency clarifies total expenses associated with IT, and factors in other elements like labor and assets. By providing this information, most open and honest conversations can occur between stakeholders.

## Change in Behavior

As costs are regularly reviewed and analyzed, executives have the ability to see how their employees affect consumption and how teams are performing. When staff knows that data is going to be seen and shared, it can lead to increased engagement and reduced unnecessary costs. Once numbers are reviewed on a routine basis, cost transparency can influence employees to notice services and software that isn't beneficial.

## Conclusion

IT cost transparency shouldn't be viewed as just another major project that IT departments must undergo in order to check it off the list. Rather, it should be seen as a solid investment that will end up saving tons of time and money as the years go on. By reporting assets, understanding business system correlation, and seeing how business intelligence interplays with other systems, organizations can become one step closer to IT cost transparency and ultimately complete cost optimization.