



# **How To Cut Costs and Gain Efficiencies By Consolidating IT Vendors:**

A Conversation With Our CTO



U.S. companies are tightening their operations. At Leapfrog, nearly all of the business leaders we speak to are taking more control over their IT operations budget.

The COVID-19 boom has passed and companies have begun to lay off employees, cap budgets, and move back towards an austerity footing. It's part of the cyclical nature of business that responds to changing times — we've been here before. Leapfrog has been helping clients achieve the right IT spending balance for over two decades.

**However, one of the areas that's different this time is the extent to which companies are overspending on IT operations. In a conversation with Emmett "Trey" Hawkins, our chief technology officer, we discussed how IT leaders and CIOs can tighten their IT operations budgets while managing security and technical debt.**

**Q:** During the scramble to digitally transform during COVID, which helped trigger the [Great Resignation](#), companies added vendors to their IT environments at a pace not seen before. They had to stay in business. But now they have bloated IT operations budgets.

### **What's the first thing IT leaders and CIOs leaders should do when considering how to trim their IT operations budgets?**

**A:** The first thing they should do is take a look at what they're spending on their IT vendors. During last year's budgeting process, the realization hadn't quite sunk in for a lot of companies that their IT operations spending was unsustainable. Now that they're starting to advance their 2024 goals, it's become clear — the budget isn't there.

Or, if they submitted their budgets based on their strategic objectives, what they got back was a fraction of what they requested. But they still have to get the work done. So what can they do?

Start by looking at all of your vendors and where their services overlap so you can start to consolidate. Not only does overlap add bloat to your budget, but it makes managing your IT ecosystem more complicated. Neither of those things are good.

### **Q: Let's talk more about inefficiencies — no one likes to waste money. Are there one or two inefficiencies that you see most often?**

**A:** I can give you three. The first is the inefficiencies created when your IT team has to act as the middleman.

Let's say you have a problem with your network that touches five or six different vendors — all of them have to be coordinated to resolve the issue. That's a significant amount of coordination between five or six individuals at different companies. And since your company probably isn't one of the biggest customers for any of those vendors, it may take a while for your IT department to get the whole thing resolved.

And you have to go through the same process every time a problem touches more than one vendor. That's inefficient.

The second is when companies bring on a new vendor to take advantage of a special deal. For example, we have a client whose CEO recently got a couple of calls from a phone system vendor who said he could save them 20% over the vendor who manages the software. That sounded like a significant savings, so the CEO considered it. But when he understood the gaps he'd create between the vendor's software, the system the software runs on, and the support of that software, the 20% savings disappeared and instead became an added cost based on the inefficiencies. Fortunately, he contacted us first and didn't take the deal.

The third inefficiency we encounter most often is when clients want to have different vendors for server infrastructure and network operations. This creates a highly unintelligible situation because the nature of virtualized environments is dependent on the process. It's much more efficient for the same vendor to manage everything, and it ends up being cheaper, too.

Creating the most efficient and secure IT ecosystem that reduces risk and cost is a mindset. It's what we're all about at Leapfrog.

**Q: So let's say a company wants that — an efficient, secure IT ecosystem that reduces risk and cost. How can they get there through vendor consolidation? Is there typically low-hanging fruit to get rid of as a first step?**

**A:** The first step is to talk to your IT partner if you have one. If you don't have an IT partner, then choose a main ecosystem that already exists — usually Microsoft, Amazon, or Google — and make sure that each vendor's offering fits into that ecosystem. The low-hanging fruit will make itself obvious.

**Q: Are you getting a lot of inquiries from clients about consolidating vendors?**

**A:** Absolutely. And the timing is right. They're seeing that you get a better return on investment when you tie your IT spend to appropriate roadmapping and compatible offerings.

Of course, this means that sometimes you're not going with the vendor that has the coolest offering. But having the coolest option isn't the goal. The goal is to streamline the ecosystem to make it stable, efficient, well-running and well-architected so you can grow your businesses and meet your other business goals. We're not interested in running up the price and managing as much stuff as possible.

**Q: How are your clients consolidating vendors while also managing security and technical debt?**

**A:** The trend I'm seeing is that consolidation is creating the budget and momentum to finally pay down overdue technical debt. It's a lot harder for your company to move forward if it has too much technical debt.

Paying off technical debt and managing security can be related because technical debt can create security issues you have to manage — the more technical debt you have that's related to vendors, the more you're spending on managing that vendor. Many vendors (including Leapfrog) are modernizing their environments to become more manageable and void of untreatable vulnerabilities. We often roll up these remediation projects into the overall managed services agreement so it's a win-win for our clients.

**Q: Do you think it's unusual to be focusing on budgeting at this time of year considering most companies just completed their budgeting processes for 2024?**

**A:** Not at all. Now is when IT departments and CIOs are seeing how those budgets translate into action. This is the "figuring-it-out place" or the strategic angle on a tactical act, and it will continue for the first half of the year. Do your thinking now about how you can reduce operational expenses so you can create the correct budget and be better prepared to meet all of your objectives.

Consolidating IT vendors is one of the most important things a company can do to manage IT costs. Take a look at the reasons why you're probably overspending on IT vendors in our post [The High Cost of IT Vendor Sprawl](#) and get insights into what it takes to bring sprawl under control with consolidation in [How To Develop an IT Vendor Consolidation Roadmap](#). Also, keep an eye out for more installments in this series about streamlining IT operations.

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**96%**

*say they will continue to partner with Leapfrog for the next 12 months*

**97%**

*say Leapfrog is more effective than their in-house IT staff*

**96%**

*are happy with our after-hours support*

**97%**

*have confidence in Leapfrog security*

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