



Funding IT Transformation: Break free of the financial deadlock created by old IT



HPE Financial Services can help customers find new ways to plan for, acquire, consume and adapt the technology systems needed for business transformation.

When it comes to digital transformation, tomorrow is now. The right mix of technology innovation, including how it is funded, can help you accelerate transformation. You can't drive innovation today with yesterday's IT investment model. To fund innovation, organizations must find new ways to acquire, operate, and consume technology, in order to support new business models that will drive revenue.

Funding transformation is tough

The Finance department is tapped out. There is insufficient budget left over to fund needed IT transformation, and for the first time in 5 years, IT budgets are expected to remain flat at the median for 2017.¹ In fact, 50% of organizations expect their IT budget

to decrease or remain flat in 2017.² Even the best and brightest companies are impacted by this challenge. Unless you are a young company born in the cloud, you likely have significant existing IT infrastructure, perhaps aging with increasing maintenance costs eating away at your budget.

The challenge is amplified by digital transformation

We're living in an era of digital disruption, where the accessibility and adoption of emerging digital technologies enable companies to reimagine their businesses in exciting new ways. We can all cite everyday examples such as popular ride sharing companies that are using apps and data to disrupt the transportation industry, or Wi-Fi enabled smart appliance companies that are

Solution brief

Pay-as-you-go/use models will account for

50%

of on-premise and off-premise physical IT and datacenter asset spending by 2018, strengthening business and IT partnerships.⁶

using data to improve how we manage our homes. The pace of change continues to accelerate at an unprecedented rate—and we know that you face increasing pressure to keep pace and stay ahead of competitors. 47% of CEOs have experienced pressure from the board of directors to make progress in digital business.³ IT is at the core of this challenge and traditional project-based delivery and funding models aren't flexible enough to meet the need.

Traditional IT funding models are not designed for transformation

As you know, the majority of IT spending goes towards keeping existing systems up and running. 25% - 30% of technology budgets are typically dedicated to create new technology capabilities to support new business initiatives and strategic priorities.⁴ Incremental IT budget is not substantial or flexible enough to fund transformation. In fact, we have found that the average transformation initiative requires double the available IT budget.⁵ The traditional funding model is designed to purchase equipment and hold on to it for long periods of time. On the other hand, public cloud is often seen as a cheap, fast option to fund IT transformation, but it is not always the best option for the business or desired outcome.

It's time to think differently

Legacy lock-in occurs when your owned assets are depreciated over 5-7 years or more, all while maintenance costs are rising. But you may have value hidden in your legacy IT assets that can be used to extend your transformation budget. Do you know the value of your legacy IT assets? Make this a key step in your IT investment strategy.

Accelerate your transformation

Learn the value of your existing IT infrastructure and explore monetizing those assets to help fund your transformation plans. You can convert your legacy IT to a usage-based model as well for a short transition period if needed.

Disruptive transformation requires a disruptive funding model. By taking an IT investment strategy approach to your IT, you can double your innovation budget.⁷ Choose a financial model that gives you the flexibility to change and upgrade when needed, one that aligns to your IT and business needs. Select an IT funding model based on usage rather than ownership and avoid repeating history with a long-term buy and hold strategy.

^{1,2} CEB, Key Findings from CEB IT Budget Benchmark 2016-2017, October 2016

³ Gartner, 2017 CEO Survey: CIOs Must Scale Up Digital Business, March, 2017. ID: G00326068

⁴ Forrester, The Global Tech Market Outlook For 2017 To 2018, January 2017

^{5,7} HPE Financial Services, Innovation Budget Financial Model, 2015

⁶ IDC, IDC FutureScape: Worldwide Datacenter 2017 Predictions, November 2016

Unlock value from legacy investments

Assess residual value

Monetize assets to extend budget

Customize an investment strategy

Choose financial model to optimize flexibility

Optimize costs for business and financial strategy

Simplify the transition

Secure asset removal and value recovery

Transition services facilitate migration



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