



## Six Tips for More Effective Chargebacks

**Companies across America are losing millions of dollars each year in missed rebates, overcharges, and overuse of their information technology (IT) resources. One of the best—and most difficult—methods of tracking, recovering and controlling IT costs is through an IT chargeback system, a management tool that tracks IT usage and expenses.**

A simple, fair and predictable chargeback process helps companies and their departments understand the relationship between their IT consumption and IT expenses, making everyone aware of how much they are costing the company.

IT investments, already the largest percentage of a company's technology spend, will grow from 30% in 2000 to 50% by 2010.

– Gartner, Inc.

Some experts question whether IT chargebacks work or not. There is truth on both sides of the debate. Chargebacks can work if costs are distributed fairly and employees and department managers view the cost as equitable. If managers see how much IT consumption costs, they will reduce their consumption to save money.

But IT chargebacks don't work if they're not allocated properly or if managers and employees don't understand how charges are made. In addition, if employees and managers perceive chargebacks or cost allocations as unfair, they may react in a negative way.

### Fiscal Eye on the Bottom Line

With financial demands weighing heavily on top-level executives, pressure mounts to put control and order into the technology infrastructure and keep a closer eye on the bottom line.

According to a 2003 study by Gartner Research, IT investments, already the largest percentage of a company's technology spend, will grow from 30% in 2000 to 50% by 2010. Although it is the lifeblood of most successful organizations, telecom expenses are typically the second- or third-largest variable company expense.

Research published by the Massachusetts Institute of Technology shows how important control and coordination mechanisms like chargebacks can be to the development of IT–business unit relationships. Positive chargeback outcomes were clearly demonstrated in companies where the chargeback system had stimulated knowledge sharing, mutual understanding, and relationship-specific investments.

## More Effective IT Chargebacks

Everyone has an opinion on what it takes to develop and implement an effective chargeback system. Before you begin the process, we recommend that you do your homework. Read case studies and learn from companies that use chargebacks effectively. Consider these tips to help you ask the right questions relevant to your internal needs:

### 1. Consider Usage Management

A usage management system is a critical tool for ensuring a successful chargeback capability by providing managers with the information they need to track and control telecom-related expenses in their departments, boost productivity, and ensure infrastructure security.

### 2. Take Inventory

Get a grasp on your company's current technology inventory. Round up your managers who are responsible for telecommunications, IT, finance, and sales/marketing and have them inventory or chart their division's/department's technology tools, the costs, and the users.

### 3. Automate the Information

Before you collect and analyze information, find internal data sources such as various company databases where the data you need is stored and can be retrieved easily. The key to effective data collection and analysis is to find sources of information that are trustworthy. You cannot generate good information upon which to base your chargeback decisions without accurate internal databases and/or other trustworthy sources of information.

### 4. Package Your Data

Once you have collected and analyzed the data, package it into one presentation for your managers to study. From high-level summaries to individual transactions, a browser-based enterprise-reporting package with drill-down capability is an ideal method for presenting information in layers.

### 5. Expect the Unexpected

Errors occur in upwards of 90% of telephone and telecommunication bills, according to Auditel, a telecommunications service provider. Incorporate a method to track and apply unexpected charges or credits. It usually takes months to recover a credit, so make sure you have an equitable and easy way to share the wealth (or pain if it's an unexpected charge).

### 6. Educate and Communicate

Implementing a sound, stable, and management-endorsed chargeback system is the key to success. Incorporate strong business practices that meet your employees' needs. Promote the system's goals, train your managers on how to get the most out of the tools available, encourage questions, and create a way to measure productivity, efficiency and cost recovery. Overcome issues of transparency and clarity with your end-users with detailed and understandable chargeback procedures. Track and measure your IT department's productivity and efficiency with sound pricing models.

## Track, Control, Recover IT Costs

With budgets under increasing pressure from corporate CEOs, everyone on the organizational chart is accountable for the bottom line. **If set up correctly**, chargeback systems change behavior, help everyone organize and understand their consumption-versus-expense factors, and have the potential to save the company a great deal of money.

To learn more, complete our contact form or call us at (800) 775-0025, ext. 4516.

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