



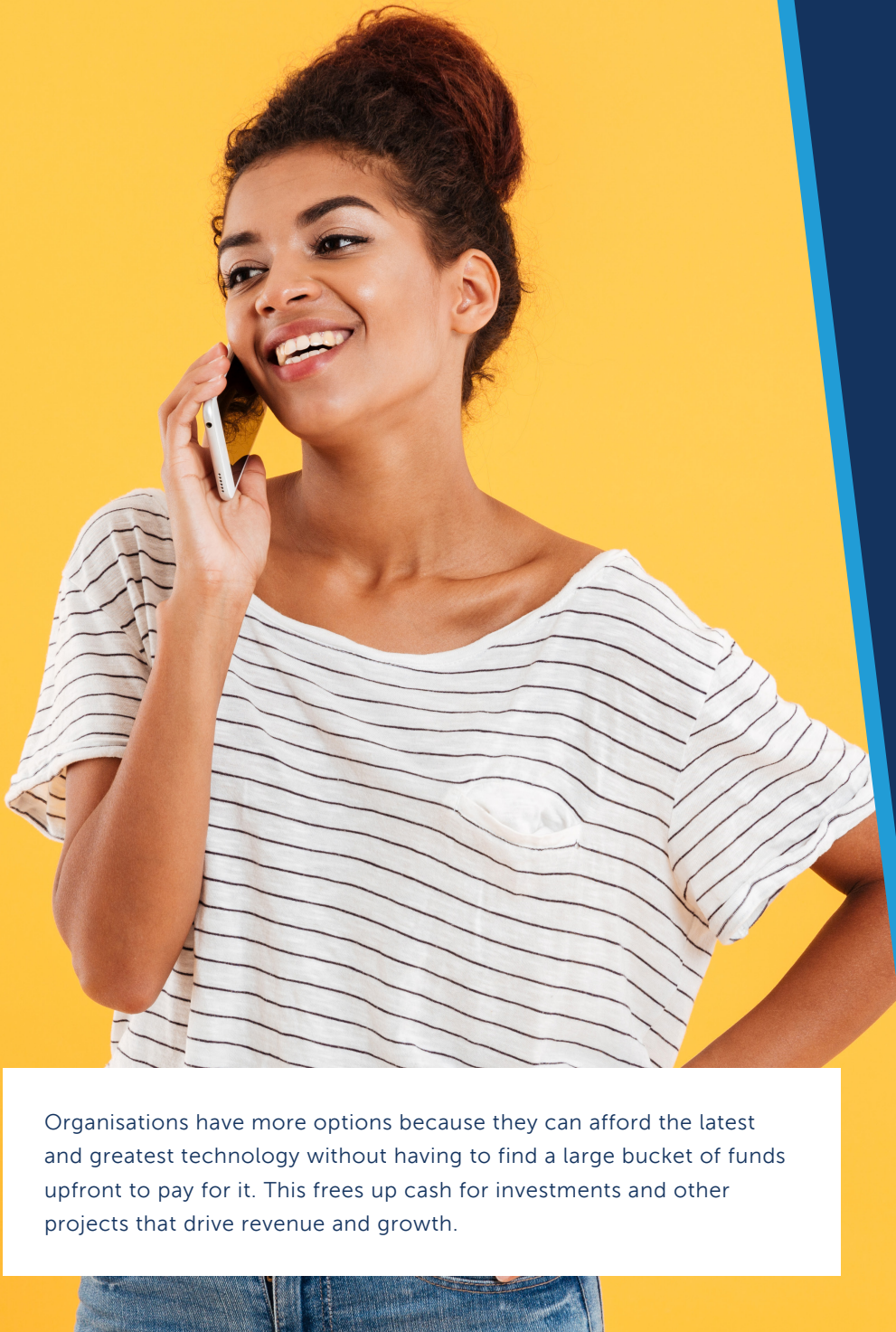
More CFOs are shifting
IT investment from
CAPEX to **OPEX**.

The bottom line is the focal point
in any company. Where to spend
is a tug-of-war, but how to spend
can be just as contentious.

CFOs SHIFT CAPEX TO OPEX



Powering connections



Organisations have more options because they can afford the latest and greatest technology without having to find a large bucket of funds upfront to pay for it. This frees up cash for investments and other projects that drive revenue and growth.

THE GROWING ROLE OF OPEX IN IT SPENDING

CFOs have to consider multiple factors to determine expenditures, and every year brings changes and market conditions that impact those decisions. Traditionally for technology investments, CFOs preferred capital expenditures (CapEx) over operating expenses (OpEx) because they could take advantage of amortisation and depreciation of those investments over an extended period of time. There's a growing argument that OpEx has distinct advantages over CapEx making it favoured by finance departments and CFOs.

There are many hard costs that require large, upfront investments and should be a part of the approved budget (CapEx). They can be planned for in advance, but predicting future need is risky. Although the actual spend for approved projects is predictable, what was planned does not necessarily align with what is needed by the business over the life of that investment. In light of the rapid advancement of technology, IT infrastructure needs are becoming less and less predictable.

Today, technology options and how they're delivered are simply incredible. What once required dedicated real estate, skilled employees, and time can be fulfilled remotely via the cloud or by dedicated companies that charge a subscription fee for a service.

SOME DIFFICULTIES WITH CAPEX SPENDING

- Large amounts of cash required
- Error-prone guesswork to estimate future capacity needs for static hardware/software
- Lengthy and arduous processes to estimate budget and get it approved
- Once the technology is purchased, the company is stuck with it – despite technology advancements or changes in company growth

Operating expenses, on the other hand, are generally used for the day-to-day costs of running a business and can be more stable. While some CFOs are still reluctant to move much of their IT spending to the cloud and other providers, technology developments are occurring faster than companies can digest and are the exact reason why many CFOs are shifting from a reliance on capital expenditures to operational spending.

Technology as an operating expense allows a company to:

- Pay only for the capacity it needs and scale as requirements change
- Ease and speed up the budgeting process because short-term spending requirements are lower
- Make multiple investments across the business since capital isn't tied up in large upfront expenditures
- Fund expenses faster through operations rather than needing to borrow money or divert money from other projects to pay for large, upfront technology costs
- Smooth out cash flows over time instead of requiring lumpy outlays



Some might argue that the move to OpEx might make cash flows less predictable since costs are based on actual usage. Imagine that your website traffic spikes because someone features your product on a YouTube video that goes viral. You didn't predict the surge in traffic so your costs will spike for that month. At least you have the agility of getting the needed capacity on demand. However, what was the alternative in the CapEx model? Have the website crash because you hadn't planned for a sudden spike in traffic during your budget planning process in January?



SOME TECH WAS MEANT TO BE OPEX

When companies decide to move their IT infrastructure to the cloud, they immediately feel additional benefits. The company no longer needs to dedicate the same resources, time and space for the hardware and software. Many processes are automated and standardised, improving efficiencies. Services, features and options can be purchased as needed and used on demand, so companies aren't paying for underutilised components.

If capital expenditures are generally meant for static investments and operating expenses are intended for fluctuating costs, it makes sense that rapidly changing technology should be considered for OpEx. IT procurement is turned on its head: instead of purchasing technology based on long-term projections decided years ago, the company pays only for the IT services it needs, when it needs them, and can scale them as needed.

Reduce communications costs with the cloud:

- No costly, upfront investments in servers, switches, and PBXs
- No budget "surprises" – consistent, predictable calling plans
- No costly, across-the-board software upgrades with new features – get the latest versions immediately, automatically
- No wasted money on over-provisioned trunks or underutilised hardware
- No high-energy and cooling costs to run a roomful of equipment, and rent to store it all

The cloud offers a better path for growth. It not only saves you money through economy of scale, but also it scales cost-effectively as you grow. You never have to worry about adding more servers and switches as you add more employees. You simply add another seat in the cloud at a fixed monthly cost and have the assurance that new employees are connected into all of your business communications from day one.