

A woman with dark hair and glasses is looking down at a tablet. The image is overlaid with various futuristic digital graphics, including a world map with data points, bar charts, line graphs, and circular radar-like patterns. The background is dark blue with bokeh light effects.

KPMG Technology: Driving IT cost efficiencies through KPMG agentic AI

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Right-sized IT spend: matching cost efficiencies to business demand

It is widely accepted that cost-efficient operations are the engine of organizational health, profitability, and the ability to achieve critical enterprise objectives. It's as true for information technology (IT) operations as for any other organizational function.

The rapid rise of artificial intelligence (AI) and historic levels of investment in business modernization and transformation have intensified competition for capital within many organizations. Chief Information Officers (CIOs) are being asked to quantify current return on such investments and project future spend. But whether capital is abundant or budgets are constrained, the objective remains the same: align IT spending with organizational priorities and allocate resources efficiently to maximize business value. This can become a high-wire act for the CIO, requiring a balance of day-to-day operational budgeting with the need to fund innovation to stay competitive into the future.

IT efficiency is achieved through two complementary disciplines: cost take-out, which eliminates unnecessary spending, and cost optimization, which aligns technology investments with business value. Each has its own mix of “levers” you can pull depending on your organization’s strategic priorities, operating model, and financial objectives.

Reducing spend through cost take-out

Cost take-out typically addresses near- and shorter-term needs with the goal of increasing liquidity or boosting short-term profitability. To accomplish these goals, a CIO might elect to temporarily freeze hiring, place non-critical projects on hiatus, turn off prototyping, or otherwise free up capital for immediate need and quick wins. There are multiple tactical levers that can be deployed to address immediate need as well as to fund strategic, structural changes down the road.

As opportunistic responses to improve performance, tactical levers are based on current capabilities and technologies in support of “business as usual.” These stop-gap maneuvers are designed to discontinue nonessential spend and result in savings that can be used to offset immediate budgetary pressures. They are excellent entry points for immediate, near-term impact. Effective implementation of tactical levers can also create “breathing room” for a shift from a reactive mode into a proactive cost management practice wherein inefficiencies are identified early and spend reduced accordingly, for ongoing benefit over the near term. Because they do not target structural changes, the impact of tactical levers is typically limited to a smaller scale.

Tactical levers include:

Infrastructure / hardware optimization

Potential savings: small percentage of the IT budget

- Asset utilization and reclamation
- Private cloud, data center, network, and compute optimization
- Tech refresh and decommission plan

Software / application optimization

Potential savings: medium percentage of the IT budget

- License right-sizing
- Application and tool rationalization
- Platform and architecture simplification



Public cloud (hosting / infrastructure-as-a-service [IaaS])

Potential savings: a high percentage of the IT budget

- Financial operations (FinOps) and demand management
- Usage and rate optimization
- Cloud modernization

Tactical levers are difficult to maintain in the long run without key structural changes, as costs tend to leak back in, resulting in a higher fixed cost base and reduced flexibility.

Pay the way forward to structural cost optimization

Structural transformation initiatives typically generate the largest and most sustainable returns to IT organizations. They also, however, generally require investment to execute, often a challenge in a constrained financial environment.

IT and Business Technology organizations should look for opportunities to leverage short-term cost reduction tactics to “pay the way” forward and enable the undertaking of the larger structural cost optimization strategies that can yield dramatic, long-term reductions in technology cost structure.

Structural levers include:

Tech modernization

Potential savings: very high percentage of the IT budget

- Performance optimization—right-sizing tooling and processes
- Transformation of the ways of working with modern technology and process
- Reimagination through AI—extreme automation



Workforce transformation

Potential savings: high percentage of the IT budget

- Insourcing efficiency
- Outsourcing efficiency and vendor mix
- Right-sizing to demand
- Location strategy

Compounding benefits

While any one cost-efficiency initiative, tactical or structural, may yield advantages, the whole can be greater than the sum of its parts. For example, if you tackle storage volume efficiency, you might save US\$30,000 a year.

But if you compound that with an outsourcing initiative, revised and more favorable and flexible software contracts, a modernized application portfolio, automated server management, and so on, the benefits can reciprocally impact each other and continue to grow exponentially. That's why it's important to look widely and deeply at your operations—across people, process, and infrastructure—to devise a comprehensive plan to right-size your IT spend and increase the value delivered to your enterprise.

Three steps to a smart start

1. Rapid opportunity assessment

The first step in a sound cost-efficiency initiative is to understand your current situation. Begin with a rapid four-to-six-week assessment to identify and validate spend optimization opportunities. Identify directional opportunities based on benchmarking, leading practices, and ratio analysis with validation. Focus on opportunity identification, hypothesis validation, creating a roadmap, and assessing implementation risks.



2. Strategic cost diagnostic and quick wins

Develop a detailed cost-efficiency strategy and business case based on opportunities identified and a deeper dive into the technical and operational feasibility. In parallel, execute quick wins identified in the rapid assessment to “pay the way forward” for longer-term structural initiatives.

3. Establish a multi-lever execution program

Build a portfolio of initiatives based on your strategy and execution plan. Sequence and prioritize validated opportunities including leveraging near-term savings to fund projects requiring larger investments. Manage execution aggressively to effectively “walk” cost take-outs out of the organization and optimize the impact of redirected spend.

KPMG is here to help

Are you ready to right-size your IT spend? KPMG can help.

KPMG combines enterprise-wide visibility and experience, deep domain intelligence, and advanced agentic AI tools and other accelerators to help organizations identify and execute cost-efficiency improvements effectively and at scale. Our services span rapid cost take-out assessments, broad-based transformation, and long-term operating model redesign.

Our key capabilities include:

- **Breadth and depth across the technology stack:** We can help analyze the broad IT landscape while retaining the flexibility to go deep into specific domains, from software and infrastructure to cloud and workforce models.
- **Accelerated insights through AI and tools:** We leverage proprietary AI agents and accelerators designed to rapidly identify the “big rocks” in cost opportunities, to help speed both assessment and execution.
- **KPMG Blaze™:** Our Blaze platform enables organizations to modernize their legacy systems into cloud-native solutions, and accelerate the creation of new digital applications by automating the entire software development lifecycle, including automated requirement extraction, feature synthesis, code generation, automated testing, and deployment pipeline creation.
- **Advanced analytics:** Our advanced analytics capabilities can help provide deep, data-driven insights into system dependencies, software development lifecycle (SDLC) bottlenecks, and architectural complexity, for faster diagnostics and more precise recommendations.
- **Embedded AI-driven innovation:** Our AI-powered solutions—from cost allocation automation to end-to-end process automation—can help drive new levels of efficiency across IT finance and operations.

Our approach is practical and execution-oriented, designed to help CIOs move quickly from identifying potential cost efficiencies to reinvesting in the strategic AI initiatives that drive ongoing competitive advantage.

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