How to implement AI and reduce IT spending at the same time

By: Phil Ringling Coerper
October 2025

How to Implement AI while Reducing IT Spending

Executive Summary – Key Points

- **Challenge the Status Quo:** Over half of IT budgets may not deliver measurable business value; executives should demand clear ROI from technology investments.
- **AI Is Not a Silver Bullet:** Implementing AI on top of a complex or inefficient IT stack often increases costs and rarely delivers the promised business outcomes without foundational changes.
- **Avoid Piecemeal Approaches:** Small-scale AI pilots and incremental tech additions can test outcomes but often lead to fragmented solutions and escalating costs, with limited strategic impact.
- **Business Outcomes First:** Prioritize IT investments that directly support business goals, such as improved margins, revenue growth, or reduced operating expenses.
- **Simplify and Optimize:** Streamline existing IT infrastructure before adding new technologies; this can be hard work but enables successful AI adoption with lower net costs and higher ROI.
- **Link IT Spend to Results:** Ensure investment dollars spent on IT—including AI—can be traced to tangible business outcomes, not just technology upgrades.
- **Demand Accountability:** Require teams to produce plans that reduce IT expenses while enabling innovation, fostering a culture of critical evaluation and financial discipline.

Introduction

Organizations today are under pressure to invest in artificial intelligence (AI) as a driver of growth and automation. However, many IT budgets are bloated with spending that fails to deliver measurable business value. The prevailing narrative encourages increased investment in AI, yet few can demonstrate a clear return on many of these expenditures. Without a strategic approach, layering AI onto a complex IT environment often leads to higher costs and disappointing results.

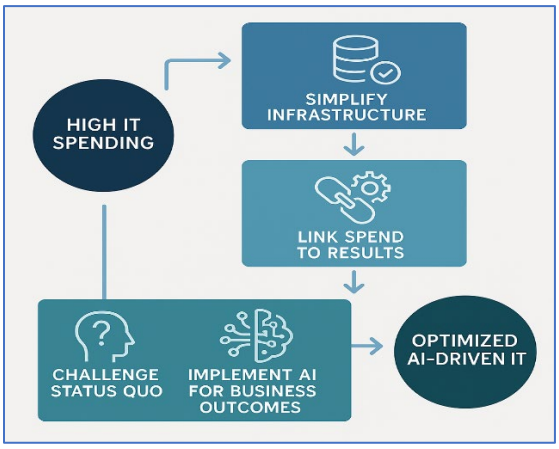
The Pitfalls of Traditional IT Spending

Traditional IT spending often follows a pattern of incremental pilots and piecemeal technology additions. While these initiatives may seem innovative, they frequently result in fragmented solutions and escalating costs. Many organizations become trapped in a cycle of continuous development, adding new platforms such as cloud solutions, CRMs, and ERPs without pausing to assess their true impact.

The proliferation of reports and dashboards rarely translates into decisions that improve margins, drive revenue, or reduce expenses. The lack of a holistic strategy means that technology investments are often disconnected from business outcomes, leading to wasted resources and missed opportunities for value creation.

Executives should recognize that simply increasing IT budgets or layering new technologies on top of existing systems does not guarantee success. Instead, it can amplify complexity and make it harder to achieve measurable results.

Breaking the Cycle: A Strategic Approach



To break free from this costly cycle, organizations should adopt a more disciplined and strategic approach to IT investment. Executives should challenge their teams to critically evaluate every component of the IT stack, asking tough questions about ROI and business impact.

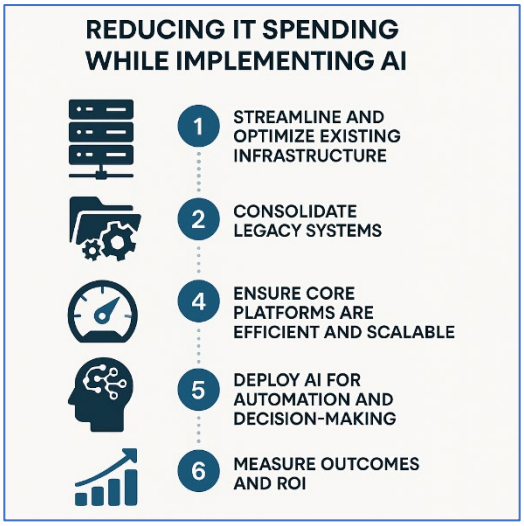
Which systems are truly essential, and which are merely overhead? How can foundational functionality be delivered more simply and cost-effectively?

This process involves unwinding unnecessary spending and redirecting resources toward investments that directly support business objectives.

By fostering a culture of accountability and financial discipline, leaders can ensure that technology decisions are aligned with strategic goals. This approach not only reduces waste but also creates the foundation for successful AI adoption, enabling innovation without inflating costs.

Building a Roadmap for Success

A successful AI journey begins with a solid IT foundation. Before implementing AI solutions, organizations should focus on streamlining and optimizing their existing infrastructure. This means consolidating legacy systems, eliminating redundancies, and ensuring that core platforms are efficient and scalable. With a simplified IT environment, AI can be deployed to deliver real business value—such as automating processes, enhancing decision-making, and driving operational efficiency. The roadmap for success demands clear accountability, rigorous evaluation of outcomes, and a relentless focus on linking IT investment to tangible business results.



By prioritizing investments that support strategic objectives and measuring their impact, organizations can achieve both innovation and cost reduction, positioning themselves for long-term growth.

Examples of Reducing IT Spending While Implementing AI

- **Legacy System Rationalization:**
  Unilever modernized its manufacturing operations by integrating AI-driven systems and retiring redundant legacy platforms, resulting in a 30% reduction in IT costs and a 40% improvement in operational efficiency.
- **Cloud Optimization:**
  Booking Holdings (the world's largest online travel company) implemented cloud cost optimization strategies, including rightsizing resources and eliminating underused servers. This led to targeted savings of $450 million over three years, with annual cloud spend reduced by 25–30%.
- **Process Automation:**
  JPMorgan Chase deployed its COIN AI platform to automate legal contract review, saving 360,000 hours of manual work annually and reducing related operational costs by millions of dollars. In manufacturing, **Toyota** used AI to automate quality assurance workflows, achieving a 35% reduction in quality control costs.
- **Data-Driven Decision Filter:**
  Walmart uses big data analytics to optimize inventory management, dynamically adjusting stock levels and reducing waste. This data-driven approach has helped Walmart minimize costs and maximize sales, with measurable improvements in customer satisfaction and operational efficiency.

For a ½ hour introductory call on reducing IT spending while implementing AI, please go to RBS Call/30min

Phil Ringling Coerper is the Managing Director of Ringling Business Solutions. Phil has over two decades of CEO expertise leading mid-market companies. Phil has a hands-on and proven track record of leveraging Digital Transformation and technology investment to drive business expansion and growth. We help CEO's win Digital Transformation and Get Digital Technology to Speak Business.
Phil e-mail Phil LinkedIn