

A man with a beard and glasses is shown in profile, looking intently at a computer monitor. The monitor displays a dark-themed code editor with various lines of code in different colors. The background is a blurred office setting.

Creative Ways To Fund IT Investments: CapEx and OpEx

Let's get started.



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Navigate Your Document.

See what's inside.

Table of Contents

[Introduction](#)

[OPEX Is A Powerful Alternative. Is It For Everyone?](#)

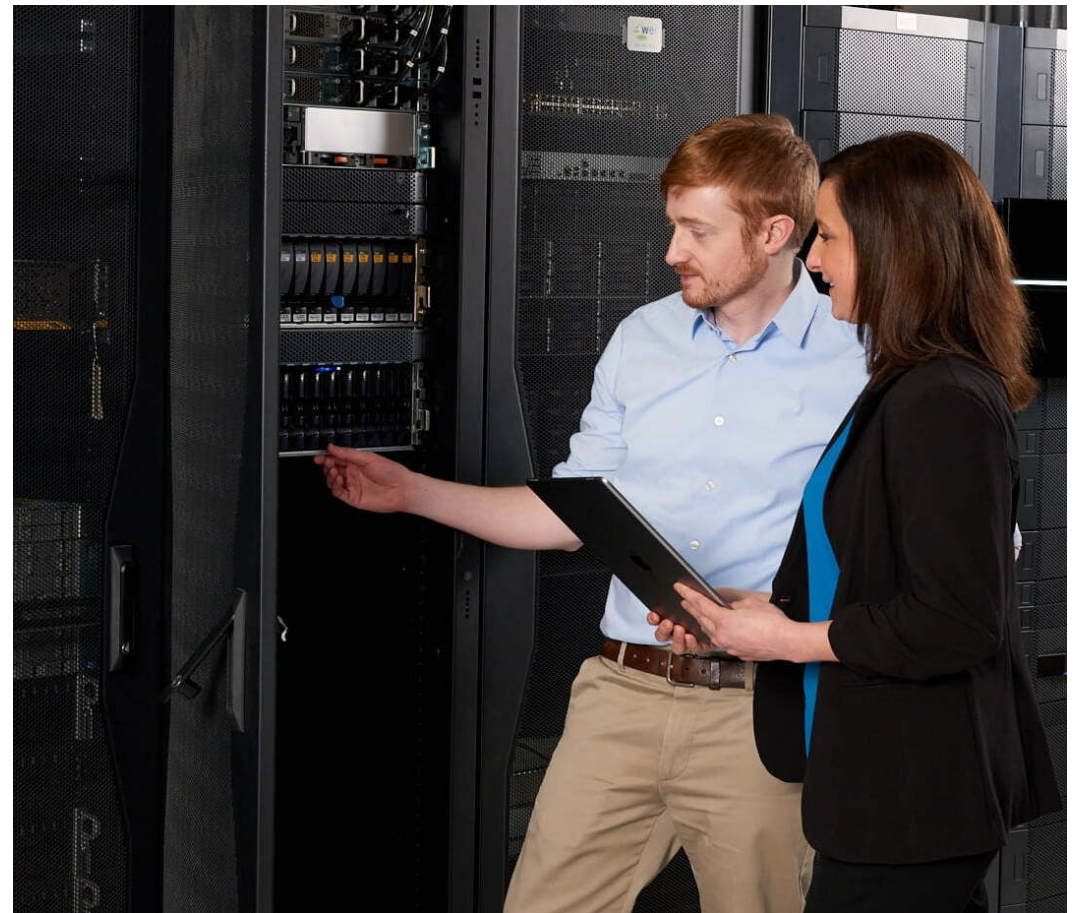
[The Middle Ground Between OpEx and CapEx](#)

[How To Meet In The Middle](#)

[Finding The Middle Ground With WEI](#)

[Asking The Right Questions For The Right Answers](#)

[Before You Go](#)



34% of IT decision makers cited “driving new revenue through innovation” as a top IT investment goal.¹

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**Innovation Is Not
Reserved For Just
Technology.**

Introduction

CapEx? OpEx? Maybe both?

For decades, IT leaders purchased expensive IT systems and infrastructure under the CapEx model. But this antiquated purchasing has led company leaders to grow weary and tired of CapEx's traditional financing method. In fact, nearly one in five companies, according to a WEI-commissioned study in 2020, stated that "Reducing CapEx" was a top use case for cloud technology over the next 12 months.²

Innovation isn't restricted to technology.

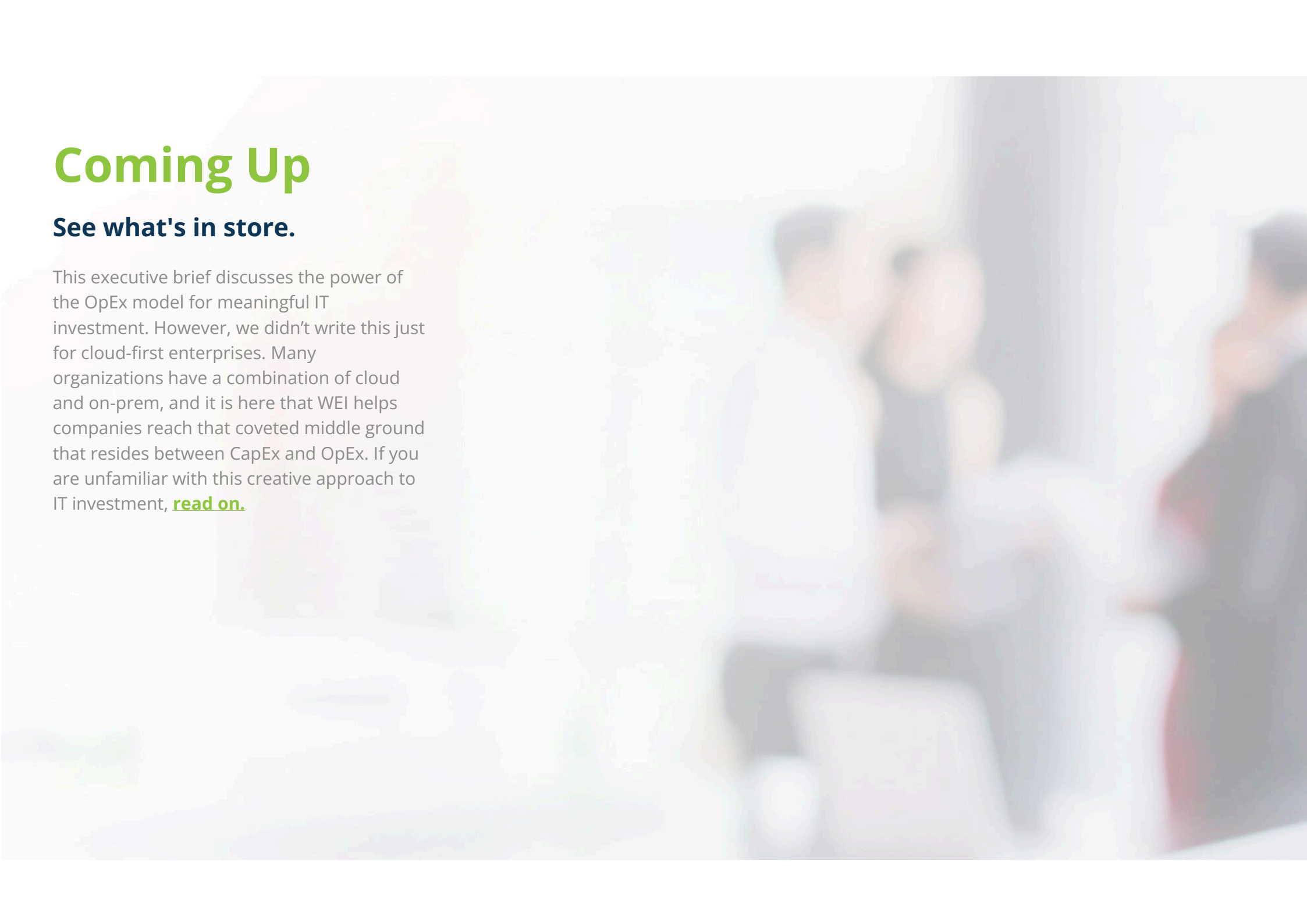
Companies are seeking a more innovative approach to financing large scale IT projects to free up resources that can be directed elsewhere. Additional investment items include:


- Potential mergers and acquisitions to attain new technology or market share.
- Expanding to new areas for greater ROI.
- Increasing the agility of the organization to adapt to market changes more quickly.
- Investing in new research and development.
- Modernizing aging business methods and processes.

Coming Up

See what's in store.

This executive brief discusses the power of the OpEx model for meaningful IT investment. However, we didn't write this just for cloud-first enterprises. Many organizations have a combination of cloud and on-prem, and it is here that WEI helps companies reach that coveted middle ground that resides between CapEx and OpEx. If you are unfamiliar with this creative approach to IT investment, [read on.](#)



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OpEx Is A Powerful Alternative. Is It For Everyone?



OpEx Is A Powerful Alternative

But is it for you?

There are good reasons why organizations turn away from a CapEx IT spending structure. Chances are, these are the same reasons why many executives look more favorably to the flexible approach of OpEx-based public cloud services.

Many cloud service providers claim they can charge your enterprise monthly for the IT resources that are consumed and nothing more. Great idea in theory, right? And for certain workloads and certain companies, it may prove to be the optimal time to make the transition to OpEx-based cloud services. Many enterprises are already reaping the benefits of OpEx modeling for areas such as cloud-based email, CRM, and workloads for human resources.

Many other companies, however, are not quite ready to go “all in” with public cloud. A common example is that the personnel on your IT support team does not have the skillsets required to fluently speak the language of a mainstream public cloud provider. Other organizations have concerns about how they will protect their own IP and that of their customers in areas like cloud security and regulatory compliance. Others are concerned about what it might take to make their key legacy workloads “cloud-ready.” And of course, there are the hefty egress charges they might incur should they decide to move their data out of one public cloud into another.

Fear not, however.



Interactive poll not supported

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Finding The Middle Ground Between CapEx And OpEx



Finding The Middle Ground Between CapEx, OpEx

The middle ground we talk about between CapEx and OpEx initially emerged from the responses to certain IT questions.

These were questions posed by IT clients, their solution providers, and the IT vendors themselves.

Questions go something like this...



Questions For Meeting In The Middle

What are the primary IT investment objectives for your organization and how would they change if your IT team wasn't consumed by routine IT management and maintenance tasks?



Questions For Meeting In The Middle

What are the five top technologies that you plan to upgrade or maintain over the next two years and what type of cost modeling will you utilize to finance them?



Questions For Meeting In The Middle

If you had a choice in how to deliver your applications, tools, resources, and other IT services to end users, which delivery model would you choose?



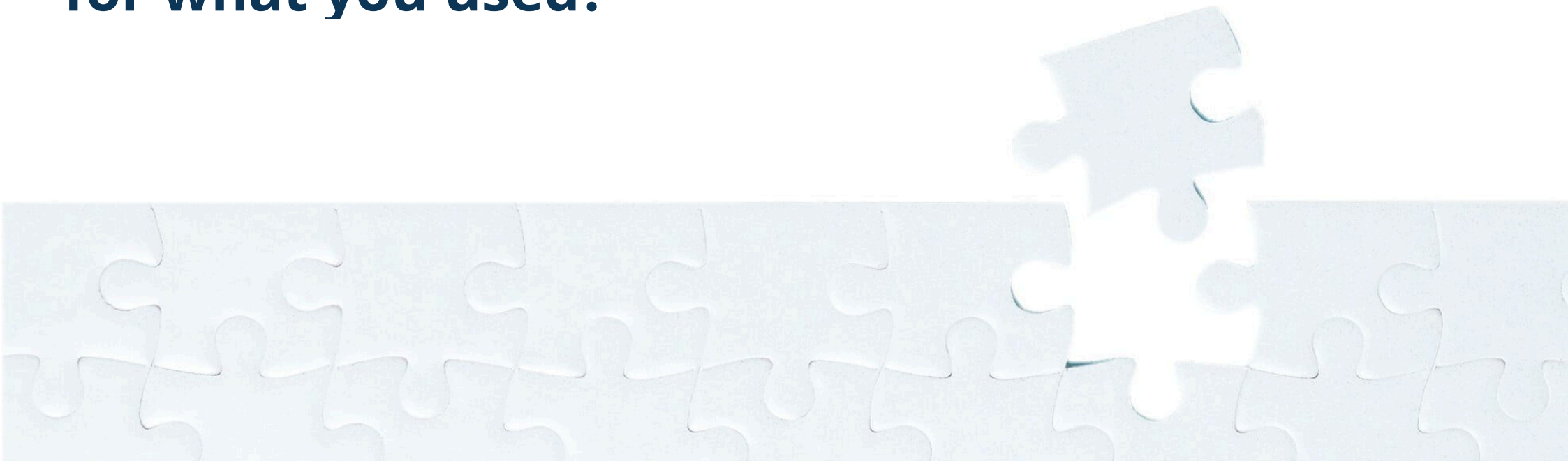
Questions For Meeting In The Middle

Have you ever considered the possibility of attaining the benefits of a modern public cloud (greater agility and scalability) for your on-prem sources and infrastructure?



Questions For Meeting In The Middle

What if you could have the best of both worlds in that you could choose the specifics of your on-prem software/hardware stack, but also utilize a pay-as-you budget structure so that you only paid for what you used?



Questions For Meeting In The Middle

How much would it accelerate your digital transformation efforts if you could automate the process of moving legacy workloads to their optimum environment, whether that be cloud, on-prem or both?



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Answers to these questions proved that achieving an attractive middle ground was more than doable. In fact, for many cases, this middle ground wasn't just feasible, but even seen as preferable to straight CapEx or OpEx options.

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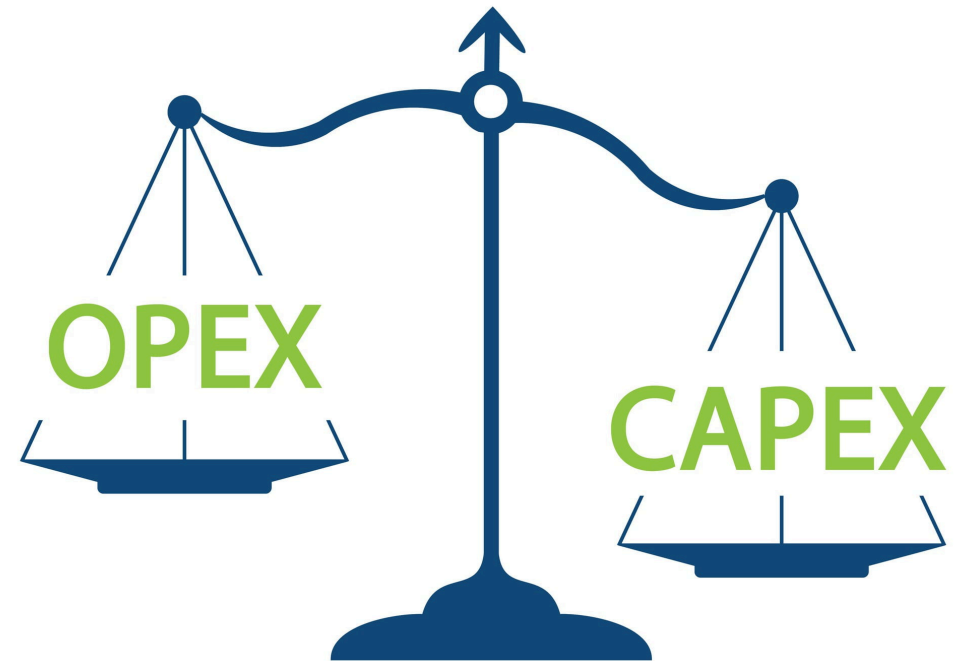
Real World Scenario: Finding Middle Ground Between CapEx, OpEx

Real World Scenario: Finding Middle Ground Between CapEx, OpEx

Here's one example of how this happy middle works in the real world:

Your organization needs to modernize its infrastructure but isn't ready to go all-in with public cloud services.

Also, it is not prepared to invest in a multi-million dollar CapEx project to overhaul its IT infrastructure.



Real World Scenario: Finding Middle Ground Between CapEx, OpEx

You work with a respected solution provider, **like WEI**, to assess what level of IT resources you need for now.

There is also an assessment for future needs over the next 2-3 years.



Real World Scenario: Finding Middle Ground Between CapEx, OpEx

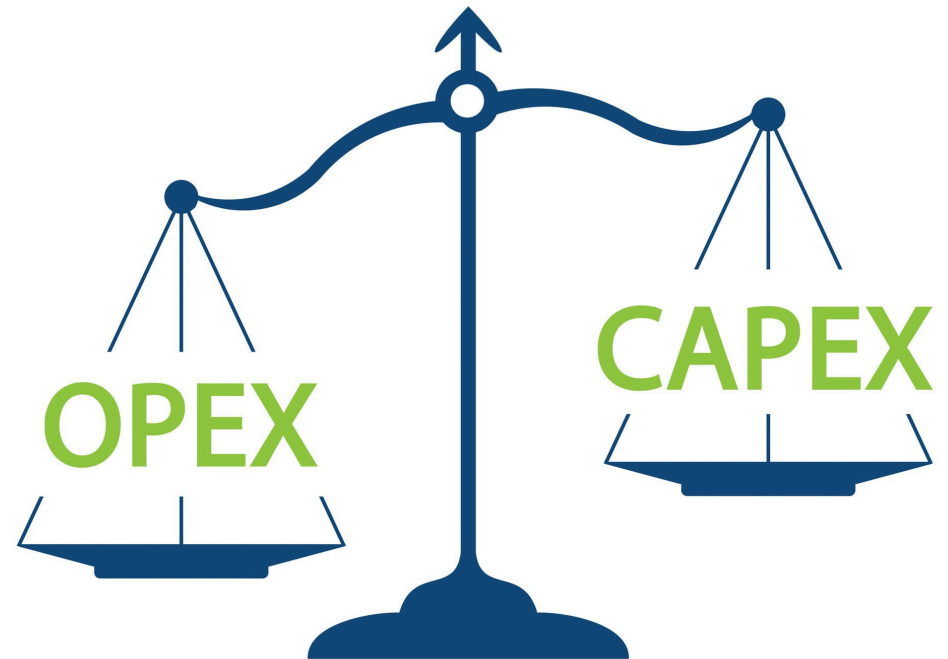
You agree on a minimum base level of the services you are likely to consume over that period.



Real World Scenario: Finding Middle Ground Between CapEx, OpEx

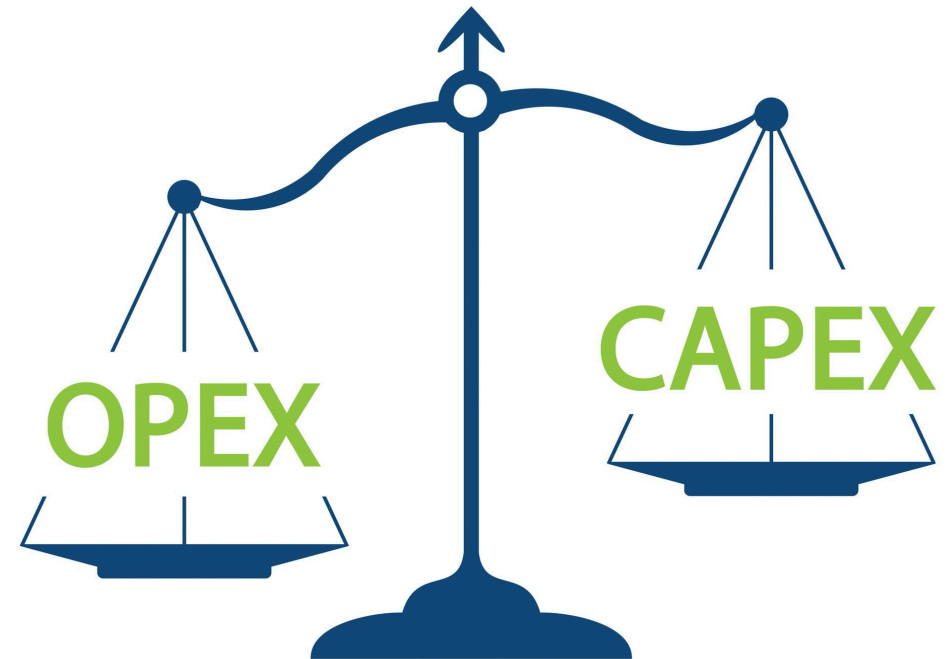
You are billed monthly for that minimum base consumption level.

If you consume more than the minimum default, you are charged just for the level of services you consume.
Nothing more.



Real World Scenario: Finding Middle Ground Between CapEx, OpEx

If you choose a monthly OpEx-like payment you can also include the maintenance and optimization of these basic IT services by your solution provider in to **modernize workloads.**



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**We Have Experience
Implementing The
Middle Ground
Model**

WEI's Experience Implementing The Middle Ground Model

Your middle ground scenario doesn't have to be similar to the example we provided.

Some clients want the terms arranged differently to include longer or shorter terms. You may even prefer a more OpEx-dominated model while others wish to retain current depreciation costs that work with existing accounting methods. Some companies may have a different preference between being billed monthly or quarterly, too.

These different sets of preferences are the beauty of this favorable middle ground approach. This intermediate IT investment model can accommodate many funding variations depending on what a company is trying to accomplish and how fast they need to achieve their business objectives.

In the end, it is about giving companies greater control over how they invest in their own IT resources without breaking the bank in the process. This control also extends into how they choose to evolve and operate their own data and application workloads.





Turn Questions Into Solutions

Being Innovative Means Being Creative

Ask the right questions, get the right answers.

We take pride in our ability to explore new and creative ways to help you fund IT investments. The outcome of these efforts often surprises our present and future clients. If you would like to explore some of the innovative approaches to fund IT transformation, please get in touch.

Why WEI? We go further.

WEI is an expert in business technology improvement, helping clients optimize their technology environments and work efficiently. WEI understands customer goals to integrate strategy with technology solutions, and leverage their current IT environment into one company-wide model to increase utilization and efficiencies around their unique business processes.

WEI's clients benefit from a strong focus on customer satisfaction and attention to detail. From solution design through implementation, WEI's sales and technical team remains focused on providing unwavering support throughout a project. **Call 1-800-296-7837 to get started.**



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Sources:

1. Foundry (IDG) Research commissioned by WEI, Jan 2019.
2. Digital Transformation Strategy study by Foundry, commissioned by WEI 2021.

Thank You For Reading

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Call WEI at 1-800-296-7837