

Regulating a Greener Mindset

Using legislation to overcome environmental inertia

We have reached an era in Financial Services where the very concept of customer centricity requires the IT department to be a differentiator.

Time to market is near real-time. There is commoditisation in back-end processes, standardisation of processes, services and deliverables, and a necessary simplification of all deliverables and channels. And this is all due to complexity of technology, product and distribution channels.

Surrounding all this is the impact of a greater focus on the environment, which has driven a steady recognition from groups such as Gartner that IT now accounts for 2% of global CO2 emissions, matching if not exceeding the detrimental effect of the airline industry on the environment.

At the same time, within banking, insurance and Financial Services, we have reached a critical state where the overriding drivers of technology are 20 plus year old legacy-based systems that require a lot of power. Their very maintenance and lack of replacement by effective alternatives means that data centres too are now equally old and require renewal and replacement.

Even though perhaps the business might still require it, a mindset that demands more speed, more power, and more cooling is now morally (and literally) unsustainable.

VIRTUALISATION 'NO PANACEA'

The applications resident on these data centre legacy systems are equally complex, old, inefficient, bespoke and proprietary, and a stark contrast to the rest of the IT world of Web 2.0-based applications and service-oriented architectures. Financial Services organisations have three, four or five times the number of applications they really need to manage their business. Virtualisation can help, but is not a panacea and organisations actually need to eventually see their application estate being cut from thousands of applications to closer to a few hundred.

And it's not just the mainframes. Recent audits at Financial Services organisations have demonstrated that they have on average 1.7 computers

per employee, if you include both laptops and desktops.

Do we really need a PC on every desk? How many people really utilise business-focused applications within the City? Or do they really use their PCs simply for email?

SHARED SERVICES

"What these outdated legacy systems, application spaghetti, redundant PCs and commoditised products are driving us towards is a shared service model between competing

transforming technology into an end-to-end process by truly optimising workflow for commercial business users right through to the data centre.

CURBING POWER HUNGER

Suppliers are already making an effort to curb data centre power hunger with notably Hewlett Packard and IBM building 'greener' systems. Indeed, Hewlett Packard is building large 'Green' data centres that could service a number of City clients, instead of each Financial Services organisation

enthusiasm, what is troubling is that there is still no true mindset change taking place within organisations.

A ROLE FOR SOX

"The only true way of creating real disruption is through regulation and legislation, such as Sarbanes-Oxley and Basel II, driving compliance through penalties for those that don't follow the rules. It is only radical action such as this that can mandate a Green agenda that overcomes the 'next quarter' mindset," says Buckley.

Unless governments and regulators take the initiative, adopting a carrot and stick approach in the form of regulatory compliance coupled with tax breaks for change, progress will be slow. Regulators must put pressure on organisations by making an example of those that don't follow a Green agenda to force acceptance. *Pour encourager les autres*, the French might say.

The smart ones will gain a first-mover advantage, perhaps hand-in-hand with a few brave players and more innovative technology companies.

The trouble with retail Financial Services organisations is that they don't think strategically. For them, it is only about getting it done today, and not about the future. "Organisations are only paying lip service to environmental issues because they are not in danger of being publicly shamed, nor has the issue truly crossed investors' radar screens," says Buckley.

That might change, for example, if Green-compliance were to affect M&A behaviour. That company you want to buy may be a great company today, but if it takes half a billion pounds to make it Green-compliant, that could affect the price of the deal, or whether the deal should go ahead at all.

Today companies are driven purely for revenue, not for income, and they need to have a mix of support and compulsion to drive Green action, not inaction. Making audited, environmental compliance part of SOX, or part of the operational pillar of Basel II by early 2009 would be a start, concentrating a few minds on what really needs to be done. ■



"The only true way of creating real disruption is through regulation and legislation, such as Sarbanes-Oxley and Basel II, driving compliance through penalties for those that don't follow the rules. It is only radical action such as this that can mandate a Green agenda that overcomes the 'next quarter' mindset."

Neil Buckley, Financial Services CIO

organisations because 80% of what Financial Services organisations do can be described as 'commodity'. Every Financial Services firm really does the same thing. Only 20% of the business is competitive and the competitive criteria in future will be customer service-driven. That's when real efficiencies will start to appear," says Neil Buckley, an experienced CIO in the Financial Services industry.

Business units have traditionally demanded more money be thrown at problems, irrespective of the demands on power and air conditioning. Now, that cycle has to be broken, and we must replace the legacy platforms,

having its own data centre.

Yet cutting down the application platforms required by individual companies and closing their data centres will have clear social and employment implications over the expected 5-7 years this takes to gestate.

We are making some progress. Chipmakers are driving lower emissions with cheaper, more effective technology that will no doubt be adopted as soon as it is available. But buying greener PCs will make only a limited difference because of those old legacy systems, and though we have virtualisation being adopted with

SOA attracts Financial Services spend

Companies adopting service-oriented architecture (SOA) spent an average \$1.4 million on software and services in 2007, according to a report by AMR Research.

"The SOA Spending Report 2007-2008," which surveyed IT executives from the United States, Germany, and China, found that the primary drivers for SOA investment were to meet the need to change investments faster, cheaper, and with less risk (22%); to meet requirements of individual projects (18%); and to reduce IT costs through reuse (17%).

Financial services came in at the bottom in the SOA adoption tally, but further analysis showed that although a smaller percentage of financial services companies have adopted SOA, those adopters are spending more than their peers in other industries.

AMR Research Finds Average Spending on SOA Software and Services Reached \$1.4 Million in 2007
AMR Research, February 25, 2008
<http://www.amrresearch.com/Content/View.asp?pmillid=21204>

For IT, this economy's different

When CompuCredit began feeling the sting of the subprime mortgage mess and resulting credit crunch toward the end of last year, CIO Guido Sacchi's IT organisation was forced to absorb a 20% year-over-year hit to its annual IT budget.

Last time, IT budget-cutting was a one-time exercise. Now, Sacchi and his IT finance team are making weekly adjustments to the company's IT budget.

They're using scenario planning to analyse changes in consumer spending and credit-market conditions, in order to roll with the business and fine-tune its IT spending plans on an ongoing basis.

The situation at CompuCredit illustrates that the current economic deceleration is different for IT than the recession that followed the dot-com bust. For starters, many IT organisations have risen to the status of business partners, and IT's visible contributions to corporate revenue growth and efficiency gains have made senior management more selective about cutting IT investments.

(Recession revisited: Will this time be different for IT?) Computerworld, March 4th, 2008
<http://www.computerworld.com>

CIO Coaching with JCA

We are delighted to announce an agreement with JCA Group to provide executive coaching for CIOs and those either aspiring to be on a Board or imminently doing so. If you would like more information please contact Neil Pullen on +44 207 969 2745.

Change managers buck credit crunch

The credit crunch is leading to pink slips in yet another group of investment banking personnel: information technologists. Executive recruiting company Heidrick & Struggles released a report saying that many large investment banks have cut their IT staffs from 5% to 20% over the last 12 months - with retrenchment spreading internationally.

But while investment banks are cutting staff, other players in the finance industry are not. "We are seeing asset management and the hedge fund space continuing to be active in hiring senior staff, with an emerging trend for high-quality change or project management officer people to drive major change initiatives across these businesses," the report stated.

(IT Jobs Latest to Go in I-Banking, Report Shows)
BankNet360.com, February 22, 2008
<http://www.banknet360.com/blogs/Item.do?pkid=10410&serviceid=1&bild=>

CIOs worry over business expectations

Over the next three years, 85 percent of chief information officers see significant change coming as they look to meet rising business expectations for IT, according to a worldwide survey of 1,500 CIOs by Gartner Executive Programs.

The message in the Gartner EXP "Making the Difference: The 2008 CIO Agenda," survey across more than \$132 billion dollars of IT spending and insight from over 1,450 is that business leaders expect IT to make the difference rather than deliver generic IT solutions.

Gartner suggested that CIOs recognise the importance of IT in changing business processes, attracting customers, and developing new products and services, but while momentum has been building for IT to play a larger role, expectations are beginning to outpace the CIOs' confidence to deliver.

(Gartner CIO survey predicts major global IT change) Wisconsin Technology Network, February 23, 2008
<http://wistechology.com/articles/4559/?id=4559>

CIOs now told: 'Get business unit experience'

Experienced IT practitioners, including current chief information officers (CIOs), must begin acquiring one or two years of non-IT business unit management experience if they wish to viably pursue new CIO opportunities in 2009 or 2010, says Gartner.

The research organisation says it has detected some intriguing CIO hiring trends, with CIO candidates not required to have formal technology-oriented backgrounds, yet be able to show that they have managed a non-IT business unit. Professional qualifications and competence are still necessary for those wanting to become CIOs, but these qualities will not be enough in future.

Gartner said, "For some time, we have believed that CIOs needed business experience as well. Now we have discovered that leading recruitment executives report business unit management experience to be an actual requirement of chief executives looking for CIOs."

(Would-Be CIOs Need Far More Than Technical Skills, says Gartner) Tekrati, February 7, 2008
<http://www.gartner.com/it/page.jsp?id=598007>

If you'd like to contribute to future issues of the CIO Bulletin, or give us your thoughts on this edition, email: npullen@freestone-executive.com



Is IT ready for Virtualisation?

The tools businesses need to be able to manage a virtualised data centre are coming, though they haven't arrived yet, according to a panel of industry executives. What's more, IT may not know what to do with them when they get here.

The most obvious effects of virtualisation in the data centre, most experts have predicted, is a radical consolidation of processing power. Today, most server processors use about 5% of their total processing capacity. Engineers at Microsoft expect that figure to grow to as high as 60%,

once operating systems such as Windows Server 2008 and built-in virtualisation hardware on both AMD and Intel CPUs, are deployed in big business' data centres.

Nobody doubts that virtualisation can work. But the roadblock IT shops are facing, according to AMD corporate vice president Randy Allen, is that CIOs don't yet trust their own IT shops to be able to manage the task of deploying virtualisation.

(The virtualisation challenge and whether IT is ready) BetaNews, March 5, 2008
http://www.betanews.com/article/The_virtualization_challenge_and_whether_IT_is_ready/1204763988