

Thriving in the downturn

CIOs' recession strategies include adding value to the business, adopting open source software and cloud computing, and avoiding the 'Dead Sea Effect'

The recent upheaval in the banking system and the likelihood of a recession has put the focus on financial services IT departments and particularly CIOs to find ways of improving business efficiency i.e. cutting costs.

I like the way one blog post described it. The Burton Group's Collaboration and Content blog in a post entitled "Things IT can do to Get Through the Downturn" said "...it's fair to say that IT managers everywhere are going to be asked today, "OK, what can you do to help us get through this?" Everybody always wants to save money; the question is whether those strategies are viable or just knee jerk reactions that make things worse.

With this question in mind, the Forrester Research group recently convened a meeting with a dozen CIOs at which they discussed "recession strategies" to get through a potential economic slowdown.

As a CIO, at the heart of your options is what your technology budget is for 2009. Figures vary by organisation. Among Forrester's CIOs, one budget was minus 6%, another had a 30% increase, and the average was a 6.5% increase.

Although the economic outlook is choppy, many CIOs are in the middle of business-benefiting projects that are difficult to stop in their tracks - rebuilding infrastructure, implementing new applications or modernising data centres. In an energy-hungry – and energy expensive – world, much of this work is less to do with laudable green initiatives, and everything to do with efficiencies.

For CIOs who might consider outsourcing as a silver bullet, Forrester's CIOs suggest going in an alternative direction, using the recession to build up internal skills, and improving the team by bringing in good people who have been laid off elsewhere.

One topic that Forrester discussed



was avoiding the "Dead Sea effect," an idea written about by an IT consultant, Bruce Webster, who noted that although the Dead Sea has an inlet, it has no outlet, so most of the pure water evaporates, leaving simply brine. The same "Dead Sea effect" applies to IT: don't let your best people evaporate in a recession.

Webster discusses the effect more on his blog. <http://brucefwebster.com/2008/04/11/the-wetware-crisis-the-dead-sea-effect/>

He suggests that many large (and small) IT shops work like the Dead Sea. New recruits are brought in where necessary, and although their qualifications may vary, in general, the competency of the IT department should have the same distribution as the new blood.

"But actually," says Webster, "what happens is that the more talented and effective IT engineers are the ones most likely to leave — to evaporate, if you will. They are the ones least likely to put up with the frequent stupidities and workplace problems that plague large organisations; they are also the ones most likely to have other opportunities that they can readily move to."

Webster says what's left behind are the least talented and effective IT engineers who are grateful to have a job and make fewer demands on

management; even if they find the workplace unpleasant, they are the least likely to be able to find a job elsewhere.

What other recession strategies might you adopt? Forrester's CIOs came up with the following suggestions:

- Use the recession to make tough decisions, such as getting rid of redundant and non-performing vendors, and low-performing employees.
- Accelerate your virtualisation strategy together with any other information technology and business technology efficiency measures
 - Double, then redouble your efforts to add value to the business, sharpening up your return on investment (ROI) metrics; publicising - both internally and externally - your IT and business technology victories; honouring great performers – remember, those are the same great performers that your competitors would like to acquire; and intensifying collaboration between technology and business.
 - Be more - not less - visible with the CEO. Look out for vendor discounts and re-negotiate contracts where possible. Vendors themselves are already showing flexibility on payment terms for organisations weathering the credit crunch.

- Remember that putting things off and doing nothing may not be the right choice. You also have to think strategically and prepare for the upturn.

Open source software is one area that is predicted to see strong uptake within a downturn. Expensive software licensing fees will be difficult to justify to the CFO, and for many organisations, virtualisation has made it possible for CIOs to challenge the status quo of the software licensing model operated by their vendors.

One blog, 'The Open Road' recently carried a post by Matt Asay http://news.cnet.com/8301-13505_3-10063147-16.html which backed the idea that a recession will be kind to open source software as companies seek to lower their IT costs while continuing to service business needs.

"Open source tends to breed communities, which add value to software, making innovation more of a group effort and, potentially less costly. Open source should be a big winner in this downturn, just as it was in 2000-2001."

Cloud computing's simple subscription model being offered by companies such as Salesforce.com will also be more appealing to CFOs who are software-license fee-averse. The CIO of a financial services firm in New York recently admitted, "We're looking at Salesforce because we need to better leverage our IT investment. We have 88,000 servers in our organisation, and we want to reduce that number."

One area, however, that must not become an easy target is training and development. You only cut training and development last of all, because that resource will be critical to success in the post-downturn period that is likely to be around 2010.

Hopefully, by then, a new competitive retail banking and financial services landscape will have begun to emerge, and the current uncertainty and risk aversity will have been replaced by more market assurance, increased IT budgets, and a sector that has regained some degree of its old confidence.

Neil Pullen
Managing Director

Spotting the IT train wreck

The essence of business resiliency is nipping future business continuity problems in the bud and to aid this Gartner has issued a checklist of ten warning signs of impending IT continuity issues. "We are seeing the IT conversation dominated by what projects to do next, status of existing projects and talk of maintenance efforts," said Scott Nelson, managing vice-president at Gartner. "The danger is that many organisations are doing the equivalent of looking down at each step they take, rather than picking their heads up and seeing where the steps are leading. For many companies, the potential for an IT train wreck is significant if the warning signs are not heeded."

"It is easy for companies to turn a blind eye to changes in the IT application landscape, but these systemic changes are unavoidable and companies that ignore the signs will have problems with their application strategies," said Val Sribar, group vice president at Gartner. To avoid the so called IT train wreck, Gartner advises that organisations put IT strategic planning, rather than tactical budgeting at the heart of the CIO management agenda.

📁 **Ten ways to spot a potential IT train wreck**
Continuity Central, October 7 2008
🌐 <http://www.continuitycentral.com/news04200.html>

IT takes 'Mother, may I?' road

As H.B. Fuller CIO Steven John absorbed the tumultuous economic events, it "made me go down the hall to talk to the CFO."

It's a simple and essential action item for CIOs today-personally take fresh stock of the company's financial situation, to make sure IT spending and projects have the same priority they did even a few months ago. Those who don't, risk being out of touch with fast-changing economic realities.

As CIO of Daimler Financial Services Americas, the lending arm of Mercedes-Benz and Daimler trucks, Jan Brecht's feeling the effects of tight credit and slower consumer spending. In discussing IT strategy with fellow executives, Brecht uses a triangle with these imperatives at the points: Optimize IT, areas to cut; Build IT, projects to spend more on to give the company an edge; and Empower IT, training programs he's staunchly defending to build skills and keep up IT morale.

IT organisations are moving into "Mother may I?" mode, says Geoff Endris, CTO of insurance company Capital Assurance. "You have it budgeted, but you have to ask permission to spend it," he explains. Endris isn't cutting spending, but he's preparing his IT team for that possibility.

📁 **How CIOs are setting strategy amid economic uncertainty**
InformationWeek, October 4 2008
🌐 <http://www.informationweek.com/news/management/interviews/showArticle.jhtml?articleID=210605555>

Think Globally, Act Globally



Today's CIOs need to think globally—and act globally. New research - "2008 Globalisation & IT" - by Smart Enterprise shows just how globalised business has become, and the huge impact it has had on CIOs and their IT operations.

In fact, globalisation affects nearly every facet of IT and the CIO's role in the organisation. At a time when the sluggish U.S. economy is straining many IT projects, globalisation provides CIOs with a new opportunity to invest in technology that can help their organisations expand into new markets.

Other key findings of the survey:

- Globalisation has led CIOs to increase spending in areas that include security, IT infrastructure, network infrastructure and compliance. For example, more than 40 percent of the survey respondents say globalisation has driven them to spend more on IT infrastructure this year.
- Globalisation affects the way IT executives address several key issues, including planning, collaboration, leadership and compliance.
- The leading driver of accelerated IT projects is globalisation. In fact, among respondents who are accelerating major projects, nearly 70 percent attribute the acceleration to globalisation.

📁 **Globalisation and IT Smart Enterprise Magazine, October 2008**
🌐 <http://www.smartenterprisemag.com/showArticle.jhtml?articleID=210603988>

"And you'll report to the CFO..."

In a few short years CIOs are going to find themselves closer than ever before to the person holding the IT department's purse strings: as the global economic crisis bites, analyst house Gartner says it's vital CIOs and CFOs learn to trust each other - for the good of the business.

Data from Gartner's Executive Programs (EXP) from 2002 to 2008 shows a gradual upward trend in the proportion of CIOs reporting to the head of finance. And increasing numbers of CIOs also believe they will be reporting to the CFO in three years' time. If the trend continues, by 2013, more CIOs will be reporting to the CFO than the CEO, according to Gartner.

Dave Aron, vice president and research director for Gartner EXP, said that although CIOs have been told to sell the business importance of IT to finance for some time, CIOs' and CFOs' objectives remain misaligned.

"The CIO and CFO have to devote time to aligning the economic architecture and the enterprise architecture of the business. In order for CFOs and CIOs to ally closely, they must come to a shared view of value. The most powerful tools for achieving this alignment are portfolio management and enterprise architecture," he said in a statement.

Gartner says a strong CIO-CFO team can boost business value in a variety of ways - for instance, having the CFO's ear could give a CIO more boardroom influence and thus help encourage the executive team to consider more strategic IT investments.

📁 **CFOs to be bossing CIOs by 2013 Silicon.com, October 10, 2008**
🌐 <http://www.silicon.com/ciojury/0,3800003161,39301033,00.htm>

Daimler's DIY plan saves on separation costs

When the big-name consultants said separating Daimler's and Chrysler's financial systems would take years and cost more than \$100 million, CIO Jan Brecht launched a huge internal undertaking that cost half as much, saved loads of time, but required some heavy lifting from his staff.

For employees at Daimler Financial Services, April 12 wasn't just any overcast spring day in Sterling Heights, Mich. It was Day X, a date they had been working toward for months. The first disks holding 10 TB of data related

to more than 500,000 auto and truck loans were loaded into the trunks of two black Mercedes-Benz S-Class sedans at Chrysler's data centre. They drove off on their first trip to their new home - an EDS data centre 15 miles away in Auburn Hills - flanked front and back by other Mercedes cars carrying armed guards.

For the nearly 400 people involved in separating Daimler's financial systems from Chrysler's, this procession marked the end of eight months of dinners at their desks, late-night

meetings, and sleeping on cots in conference rooms. It also proved that Daimler's financial systems could be extracted from Chrysler's far more quickly and inexpensively than the experts said.

📁 **Daimler Takes DIY To The Extreme To Extract Financial Systems From Chrysler**
InformationWeek, October 18 2008
🌐 <http://www.informationweek.com/news/showArticle.jhtml?articleID=211200970&pigno=1&queryText=&isPrev=>