

Moderator: Hi, I'm Amir Hartman with Mainstay Partners. In this exclusive podcast, sponsored by EDS, an HP company, we explore what it's like to manage IT in tough times. We ask what kind of strategies work in this environment. Are there ways to innovate even while you're cutting back? To find out, we talked to four thought leaders in the world of business and technology. Let's listen to what they had to say.

Patty Morrison served as CIO for some of the biggest companies around, including Motorola, Quaker Oats, GE Industrial Systems and Office Depot. Over the years, she's seen Y2K and the dot-com bubble come and go. So we asked her what it's like for CIOs in the downturn.

Patty Morrison: Most CIOs experience the phenomena of troubled times all the time. Of course, it's a little unprecedented right now because there's no capital available in the markets, we know, and the liquidity situations. And if you were a CIO of a big financial services firm struggling to survive, I'm sure you're being more aggressive. But we think that looking at cost cutting is just part of the normal responsibility of all CIOs.

Moderator: Morrison says that a good technology partner can often businesses find innovative ways to save money.

Patty Morrison: If you're in a longer-term agreement with a particular partner, what you're looking for is innovations, ideas from your partners to reduce costs. Where are the other ideas that you can come up with? How could you move to open source? How can you turn things off? How can you leverage technology innovation to actually reduce footprints and costs?

The really good partners are the ones that put aside their own individual sales quotas and really look at their customers' needs for reduction. For example, it's not about winning incremental business; it's about taking the business you already have and finding ways to reduce the cost of that service or, you know, whatever you're buying.

The key differentiator for me is how innovative you are. I mean it's not about what you're trying to sell. It's about what you're trying to do for your customer.

Moderator: Morrison indicates that even in tough times IT can continue to innovate, but that means finding ways to free up resources.

Patty Morrison: Well, you know if you look at today most IT budgets, I think that kind of the benchmark is probably 70 percent of your costs are going towards maintenance. And so, one of the best ways that IT can help to generate investment capacity is by just getting it out of their own shop, reallocating the existing budget to investment that makes sense.

Whether you're gonna see a lot of really large, big-bang strategic kind of initiatives with no return investment estimate, I don't think that's gonna happen. I think initiatives are gonna be smaller.

A very key theme for partners is willingness to do little things, not always wanting, well, I'm only interested in working with you if it's something really big, from a dollar standpoint. It's a lot of little things that have to get done, and that's really where there's gonna be investment capacity.

Moderator: James Cash is emeritus professor at the Harvard Business School and member of the Boards of Chubb, GE, Wal-Mart and Microsoft. He's one of the foremost business and IT thinkers in the world. He says, "Businesses respond differently to challenging times depending on a host of factors."

James Cash: The fascinating thing, of course, is in the midst of whatever is going on, good times or tough times, there's always a range of experiences based on the company's business model and how it's positioned. If you're in one of those extremely defense modes or positions, usually there's an intense focus on introducing as much operational efficiency as possible, introducing as much flexibility as possible.

For other organizations, again, difficult times spell opportunity. And I would say that an example of that might be Wal-Mart. If you look at the difficult environment we're in it has caused more people to look toward their value proposition as a company than otherwise had been the case. And if you look at their orientation, it is always to be as efficient as possible.

So even though they are outperforming the industry as reported, they recently announced a significant reduction in headcount at headquarters. While they're doing that, of course, they've also communicated significant increased investment in things that reinforce their value proposition, like private-label investments and so forth.

So if you think about some of the IT implications of that activity, you can see that it would be equally as intent as other settings, but in a context that was probably more leverage than more positive than the most dire circumstance.

Moderator: But whether you're in good times or bad, Professor Cash says that cost-conscious IT management habits have to be built into the DNA of your organization.

James Cash: I think there is an expectation today that the evolution of information technology and management science should permit companies on a regular and recurring basis to become more efficient, to be more productive. And if that's not part of your culture you probably aren't going to exist very long into the future anyhow.

The key then becomes not whether you can do that, but what do you do with the funds that are freed up as a result of that assumption of productivity improvement. And that's where the question then turns quickly to how effective are your innovation and growth initiatives.

Moderator: Stuart Campbell is Global CIO for KPMG, the audit, tax and advisory powerhouse that employs over 135,000 people worldwide. We asked Campbell what's the difference about managing IT in tough times or recession versus good times.

Stuart Campbell: What's different is decisions about investments, decisions about almost anything we do, and have a much more accentuated emphasis on costs. And so, if you say what's the big difference, well, one of the things we have to do today, more than ever, is if we allowed a disconnect to emerge between what IT was doing and what the business was doing, we would have a very serious problem.

And so, as we look around our business, we basically have three businesses. We have the audit business, the tax business and the advisory business. If we aren't fully aware of what is happening out in the marketplace in each of those businesses for our firm, we risk making decisions that don't pass the common sense test.

In other words, is the business aware? Has the business bought in? Have they bought in again because many decisions get revisited more than once? And is what we are doing, does it make sense today? This is not a once-a-year activity.

Sure, we have an annual budget, but we are looking every month at the activities we're gonna undertake the next month to say, "Okay, we were planning to start this project. Does it still make sense?" And just assuming that we had a budget approval three or four months ago doesn't necessarily give me or John the comfort that we need to proceed without revalidating many, may decisions every month.

Moderator: From Campbell's perspective, in this environment, prioritizing projects is critical.

Stuart Campbell: We tend to think of our projects, I think – I don't think of them – I think of them as sort of very important or not quite as important. But actually, I'd split them up into what I call tactical and strategic.

And so, as we are going through this year, there are a couple of what I call strategic projects that will not have an immediate impact on the business, but which – absolutely fundamental to what the business wants to be three years out. And it's my job there to act as the advocate for the previous decision and to protect the investment as much as I can.

And so you take one tact, I think, with what we believe are the two or three key strategic investments that we're making. And then the tactical ones, the – you sort of very quickly get into the can we defer, because, actually, defer does equate to save.

Moderator: Bottom line, Campbell says, is that IT isn't an island. So it's unrealistic to think you can avoid cutbacks when the rest of the organization is cutting back itself.

Stuart Campbell: For me to stick my head in the sand and say, "Well, you know I'm not cutting anyone in IT," you know that's just stupid. It shows you're disconnected; it shows you're not understanding. And, actually, what you have to do is actually participate with the business in the tough times.

And I don't think you can accomplish it by just cutting off the variable cost element with certain suppliers. Certain of those suppliers could be just as key as your own people.

Moderator: Jeff Womack is vice president of product marketing for EDS, an HP company, one of the world's largest technology service providers. These days, Womack encourages the businesses he works with to take a fresh look at their IT spending patterns.

Jeff Womack: From the standpoint of advice to clients, I would suggest that they look at those parts of their business that are mission critical, and then the available investments that they feel like they need to make to keep the motor running, if you will.

And then, ideally, to continue to invest for competitiveness' sake, to go look at those areas for, you know, the strategic investments if they feel like they can even make such a thing, or at a minimum, operational reviews, and operational savings and service-level reviews to see how they can stretch through the current economic climate.

There's been no better time than now to take a look at the merits of what a systems integrator and outsourcer – to help those customers with from that standpoint. We've done some studies in HP and what we've found, which is fairly interesting, is that the leading edge companies, from the standpoint of letting technology enable their business, spend much less as a percentage of revenue on IT than the companies that are not leading edge.

And so, that tells you that if you're smarter with IT, you can actually get by with less money.

Moderator: Womack is seeing new trends in outsourcing emerge in the tough economic climate.

Jeff Womack: Those that have already begun the journey, from an outsourcing standpoint, it's being able to take that experience with that business model or that sourcing model, and to go further it, right. So if they're doing infrastructure-related monitoring and support, then they may look to explore the applications layer, right. If they only do applications, then they're looking to do infrastructure.

We've even seen a number of clients, that have never done outsourcing, that dived right into neither of those that I just mentioned and go straight into BPO because they feel like that there's a greater and more immediate opportunity to go look at some of the business processing outsourcing opportunities.

One of the things that we've done more recently, is we're starting to unbundled a lot of the traditional larger multi-tower, multi-discipline outsourcing offerings that we've had, where we can just look at very specific, but critical, business processes like service desk or remote monitoring of a critical set of servers in storage.

Or not necessarily a outsourcing of the entire application portfolio, but perhaps a very specific line of business or set of applications related to a specific business function. So by unbundling, we've given them an opportunity to, again, kind of get the benefits of outsourcing in a more accelerated fashion.

Moderator: Ultimately, Womack says, for the stronger companies, this tough economy may come with a silver lining.

Jeff Womack: There's two types of clients now, right. There's the clients that are, really, on the precipice. And they're making it for months and months, and they're really in survival mode. And those are – you know, unfortunately, the list of clients in that position's probably much longer than it's ever been in a long time. However, there are clients out there as well, and I'd like to put HP in that position as well, by the way, where times are tough because times are tough for everybody.

But this is an opportunity in a position of maybe strong cost structure and operational soundness where you want to go put yourself in a position to take market share from, maybe, your competitors that are weaker, and you know, when this window finally opens back up, emerge on the other side in a much stronger position.

Moderator: We hope you've enjoyed this exclusive thought leadership podcast sponsored by EDS, an HP company. This has been Amir Hartman with Mainstay Partners. For more insights, go to www.eds.com.

[End of Audio]