

A Rotten Economy Has a Silver Lining

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It's no secret that times are tough for businesses everywhere. IT organizations are under extreme pressure to cut costs, just like every other department. Is it time to panic? No.

There is actually good news coming out of this latest recession for businesses that can stay focused on driving efficiency gains. The organizations that execute well during down times will emerge with real competitive advantage when the economy turns around.

Your IT budget is getting cut, sure. But let's analyze how your CIO is tightening his or her belt. Maybe he or she's cutting discretionary projects that can't deliver short-term ROI in 12 month or less ROI. Vendor contracts are also getting renegotiated at a time when better deals can be had. But CIOs need to do more.

The problem is that at least 80% of most IT budgets are dedicated to just keeping the lights on. This IT dial tone has been a perennial problem as companies try to innovate, but in a recession the maintenance of existing systems is an anchor.

In the last recession, many IT leaders cut as much as they could by focusing on the consolidation of hardware and data centers. Technologies like virtualization emerged as essential strategies to see these consolidation projects through to a successful conclusion.

Most IT organizations have wrung as much cost as they can from a hardware and data center consolidation strategy. So where is the next big opportunity to dramatically reduce costs? The answer is software consolidation, also referred to as application rationalization.

The last 20 years have seen businesses grow in silos, with associated disconnected business systems. Businesses have actually unwittingly encouraged this behavior by driving business unit incentives that trump larger organizational efficiency.

The decentralization of IT resources, along with a view of IT purely as a service organization, have led to gigantic application portfolios, the maintenance of which soak up the majority of IT budgets at many businesses. The merger and acquisition frenzy of the last few years have only added to the problem.

It is common to hear about IT teams having to support (and pay for) multiple time-accounting systems, CRM applications, logistics solutions, human resources portals and customer-facing applications. The systems don't integrate, are expensive to maintain (often there are a small number of users for many of these systems), and worse yet, don't present a single face to the customer, hindering business growth.

In times of plenty, the business ruled the roost, and suggestions to consolidate application portfolios were invariably shot down. You can almost visualize the business stakeholders wrapping their arms around their machines in a vice grip, refusing to let go of their unique and essential systems, even though they often overlapped with others just like them in different business units.

Here's the good news: In this recession, IT teams and business teams are finally working in a real collaborative partnership toward a common goal: modernizing the business and driving efficiency—fast. It is no longer acceptable, nor affordable, to support large portfolios of redundant business applications. The time has never been better to break down business silos and create a road map for a new, more efficient organization.

How can you pull it off? Try these four steps:

1. Make sure you're working with the business, not separate from it.

The old model of IT as a service organization is so last century. IT and business must work in a collaborative partnership. But what is the common language? The language of business, not technology. IT leaders can jumpstart the partnership by laying out a plan to drive efficiencies—in business terms. Tough times are great motivators for this!

2. Do the homework and identify overlap.

Start by finding candidates for consolidation. One of the best methods is to look across business silos for redundant internal systems. One big bank discovered that every business unit had its own CRM systems; each unit insisted that the way it did business was unique for its customers. In fact, when the IT organization mapped out functions of each system, they discovered a 94% overlap.

The same was true for a large automotive manufacturer that discovered it was supporting 200 different dealer portals globally. The excuse was that every country's pricing, regulatory environment, etc. was different. In fact, after analyzing the functions supported, IT discovered at least 92% overlap in the portals.

You have to do the homework to research the overlap and be able to show the business, in detail, what functions are redundant. More importantly, articulate the business benefits to consolidate systems; what will be the measurable gains in efficiency or reduced cost?

3. Visualize and communicate the end state.

The most successful consolidation projects leverage the power of visualization to give the business stakeholders a way to see and interact with the proposed end state. If you are rationalizing 12 CRM systems down to a single instance, for example, consider forming a cross functional requirements team with the business as a full participant.

Use rapid, iterative definition techniques like JAD or JAM sessions to speed up the process of consensus. Instead of stakeholder review meetings wasting time flipping through giant paper specifications that no one can understand, have your stakeholders interact with a working preview of the reference application. You will get better feedback, faster. And, you can share the visualization globally, involving more stakeholders in the collaboration.

The visualization can be used to test reactions directly from end users. It's amazing what happens when previously resistant users get to actually touch and fully experience the proposed system. They get excited and are willing to participate in the process of collaboration and consensus.

Don't forget: The completed visualizations can be also used as an exact guide by outsourced development teams. Working simulations cut confusion for development teams and virtually eliminate rework, which speeds up the delivery of the final system. And, you're not paying for change orders, further enhancing your reputation for delivery.

4. Measure the costs and quantify the outcome.

Successful rationalization efforts deliver big results, but you need to prove it. Put measurement systems in place to track how many systems have been cut and the net effect that has on the business. In some cases, money saved needs to be given back to the bottom line. But forward-thinking organizations are using this opportunity to convert maintenance dollars into innovation opportunities.

If your CIO can cut the maintenance budget by 30%–40%, can he or she take part of those savings and invest in new initiatives that drive further efficiency or position the company for growth when the recession finally eases? Sounds like a smart strategy to me.

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