

# ***Caught between the Peak and the Valley -- How CIOs Can Survive Today, While Positioning Themselves for Tomorrow***

*Transcript of a BriefingsDirect podcast on what CIOs need to do to survive the current downturn, while preparing for the coming upturn.*

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**Dana Gardner:** Hi. This is [Dana Gardner](#), principal analyst at [Interarbor Solutions](#), and you're listening to BriefingsDirect.

Today, we present a sponsored podcast discussion on whether CIOs are making the right decisions and adjustments in both strategy and execution, as we face a new era in IT priorities. The combination of the down economy, resetting of IT investment patterns, and the need for agile business processes, along with the arrival of some new technologies, are all combining to force CIOs to reevaluate their plans.



What should CIOs make as priorities in the short, medium, and long terms? How can they reduce total cost, while modernizing and transforming IT? What can they do to better support their business requirements? In a nutshell, how can they best prepare for the new economy?

Here to help us address new questions during a very challenging time, and yet also a time in which opportunity and differentiation for CIOs begins, is Lee Bonham. He is the marketing director for CIO Agenda Programs in [Hewlett-Packard's \(HP's\)](#) Technology and Solutions Group. Welcome to the show, Lee.

**Lee Bonham:** Hi. Thanks very much for having me on.

**Gardner:** We certainly get the sense that CIOs are shifting in their priorities and making real-time adjustments. So much has happened in just the last six months, as a result of the shifting economic landscape. How do you think, from your vantage point, that IT has to adjust, given these new economic realities?

**Bonham:** We all recognize that we're in a tough time right now. In a sense, the challenge has become even more difficult over the past six months for CIOs and other decision-makers. Many people have budget challenges and are having to make tough decisions about where to spend their scarce investment dollars. The demand for technology to deliver business value is still strong, and it perhaps has even increased, but the supply of funding resources for many organizations has stayed flat or even gone down.



To cope with that, CIOs have to work smarter, not harder, and have to restructure their IT spending. Looking forward, we see, again, a change in the landscape. So, people who have worked through the past six months may need to readjust now.

**Gardner:** Is this what you mean by the new economy -- doing more for less -- or is there more to it than that?

**Bonham:** Doing more for less has been around for a little while, and will continue. As we look ahead, we see a few new questions emerging. From an economic and financial point of view, hopefully we're close now to the bottom of the downturn. The forecasters suggest that the economy will start to improve slowly, but hopefully steadily, over the next 6 to 12 months.



What that means for CIOs is they need to think about how to position themselves and how to position their organizations to be ready when that growth and new opportunity starts to kick in. At the same time, there are some new technologies that CIOs and IT organizations need to think about, position, understand, and start to exploit, if they're to gain advantage.

**Gardner:** From HP's perspective, what sort of factors are important in terms of moving to improve productivity and to gain that agility.

### ***Need to take stock***

**Bonham:** If we think about the priorities and the challenges, as they have been over the past six months, what we've been saying is that organizations need to take stock of where they are and implement three strategies:

One is to standardize, optimize, and automate their technology infrastructure -- to make the best use of the systems that they have installed and have available at the moment. Optimizing infrastructure can lead to some rapid financial savings and improved utilization, giving a good [return on investment \(ROI\)](#).

Secondly, they needed to prioritize -- to stop doing some of the projects and programs that they've had on their plate and focus their resources in areas that give the best return.

Thirdly, they should look at new, flexible sourcing options and new ways of financing and funding existing programs to make sure that they are not a drain on capital resources. We've been putting forward strategies to help in these three areas to allow our customers to remain competitive and efficient through the downturn. As I said, those needs will carry on, but there are some other challenges that will emerge in the next few months.

**Gardner:** So, I suppose looking backward over the past six months or so, it's been very much a

cost-cutting and cost-saving mode, but you really can't save your way out of a transformation. How do they know when to make that switch, if you will, from defense to offense?

**Bonham:** That's a really good question. The answer is very dependent on the industry, the geography, and the specific environment that each organization finds itself in. In general, we're seeing and suggesting that now is the time for CIOs to move their foot nearer the accelerator and maybe a little bit off the brake.

If CIOs are not laying the groundwork now and thinking about their plans for when the economy starts to recover, they are in danger of being too late and missing the opportunities as they emerge. There is no hard-and-fast rule, but, at the same time, people should think and take stock and maybe set some plans—or perhaps drop some plans—so that they can get ready for growth over the next few months.

**Gardner:** I imagine that having a strong ROI analysis associated with certain projects will allow them to get funded. How do they balance the long-term with that need for a short-term use case or cost-benefit analysis story?

### ***Focus on the short term***

**Bonham:** They still have to balance those two things. What we've been saying is that firms need to optimize their cost, focus on the short term, and make sure that they can survive in this current period, but also thrive as the economy recovers.

There are a number of different techniques and ways that customers can achieve that. Clearly, an alignment between business and the IT organization is key. CIOs need to work closely with their line-of-business managers and colleagues and make sure they understand business requirements and priorities of the rest of the organization.

There are some tools and techniques that leading CIOs have been putting in place around project prioritization and portfolio management to make sure that they are making the right choices for their investments. We're seeing quite a difference for those organizations that are using those tools and techniques. They're getting very significant benefits and savings.

**Gardner:** I suppose having that visibility, knowing exactly what you have, what works, what doesn't work, and how to measure those become really critical, when you're trying to make the transitions, as we said, from long-term and short-term, offense and defense, or the brake and the accelerator.

**Bonham:** It's really important to understand what projects are in progress, what projects are delivering real value, and to optimize the spend. What we've seen is that leading organizations are really focusing their resources on projects that are delivering fast ROI, typically, within six months or less, so that they get real benefit, savings, and real business value in the short-term.

But, there is also another set of applications and opportunities as people look to grow. Growth may come in emerging markets, in new industry segments, and so on. CIOs need to look at innovation opportunities. Matching the short-term and the long-term is a real difficult question. There needs to be a standard way of measuring the financial benefit of IT investment that helps bridge that gap.

**Gardner:** A little earlier, you mentioned new technologies. What is it that organizations can put in place that maybe is not just process, not just people, but actual technologies to assist them in these crucial times.

**Bonham:** Well, if we look at the area of financial cost savings and efficiency improvements, there is a whole range of technologies that people are adopting. Our survey work shows that technologies like consolidation, virtualization, application modernization and data-center automation have really moved up the scale in terms of importance.

Just as an example, server and storage consolidation is being implemented by well over 50 percent of the major organizations around the world as a way of saving cost and improving efficiency. That's not the only area that's important. I've already outlined the topic of project prioritization, making sure that you're spending your scarce investment dollars in the right way.

### *Optimizing the investment*

Tools like [Project and Portfolio Management \(PPM\)](#) software help allocate budget and decide which programs and projects are delivering a good return and should be continued, versus those that are maybe not so important and should be delayed or canceled. Those software tools can help in making sure that organizations optimize their investment.

**Gardner:** I wonder if you have any examples, either use cases or companies that have moved in this direction. What sort of payoffs do they get?

**Bonham:** We've seen quite a few customers who have really taken a great approach and have been ahead of the game in terms of using consolidation and virtualization tools, standardizing their data centers and other technology components.

As an example, [Joanne Cummins](#), chief information officer of [Standard Register](#), a document and print management services company based in Dayton, Ohio, has really used a whole range of techniques to reduce operating cost, simplify the technical infrastructure, reduce the number of servers and server and storage administration costs, and really get the most from her technology investment.

She's delivering yearly savings of \$400,000 for the organization, as well as delivering a number of other benefits, like a flexible allocation of resources and faster application development and

deployment. A combination of techniques is often the best approach. We're seeing that we can help customers choose the right solution to meet their needs in many cases.

**Gardner:** When the CIO leadership individual needs to go back to the business leadership -- the accountants, the bean counters, if you will -- what sort of metrics do they need to describe in order to get the investments to make these new technology improvements?

**Bonham:** Over the past six months, the financial community is looking for fast return -- projects that are going to deliver quick benefits. CIOs need to make sure that they represent their programs and projects in a clear financial way, much more than they have been before this period. Tools like the PPM software can help define and outline those financial benefits in a way that financial analysts and CFOs can recognize.

**Gardner:** I'm also curious about the advice you would give for CIOs listening here today. What's the general advice that we can offer in terms of getting that new economy bang for the buck.

**Bonham:** Let's try and think about this in terms of some metrics. There is a total IT budget metric that CIOs need to think about. Over the past few months, many have been focusing on reducing the total cost of IT and maximizing efficiency, as well as targeting effectiveness. But, there is also a metric of how much you are spending on maintenance and management of existing systems versus innovation and growth. Typically, organizations spend 60-70 percent of their budget on maintenance and management of existing systems.

What CIOs need to think about going forward is how to grow the spend on innovation and applications, so that they can drive real business value and better business outcomes for their organization and be more competitive as the economy emerges.

**Gardner:** So, for that large chunk of their budget, it's going to these ongoing operations, maintenance and support. You can consolidate, call out applications that might not be delivering much value, archive and remove data, this whole notion of modernization, and then use virtualization, and I think that can significantly reduce that larger nut of the equation, right?

### ***Transformational approach***

**Bonham:** That's exactly right. Those organizations that are taking a transformational approach, an end-to-end approach, choosing those technologies that are giving them efficiency are going to lead the way. They are the ones that are going to have investment dollars available to allocate to new projects, which will drive their business in the upturn and give them the growth opportunities they want.

**Gardner:** So, for a CIO, they want to find that golden strategy that both reduces costs over the long-term, but increases that business agility, and then frees up those funds for those innovations and additional technologies. It's a trifecta, if you will, of consolidate, modernize, and virtualize.

**Bonham:** Absolutely. We're seeing many firms on that course.

**Gardner:** For those folks who are interested in learning more or getting started, where do they go for information, and how do they set up a process?

**Bonham:** HP has a whole range of services and technologies that can address the specific needs that we've talked about -- virtualization requirements, the services to help firms consolidate and standardize their technology, to implement automation tools, to better manage their portfolio projects, and to speed up software development.

Through EDS, an HP company, we have outsourcing, which can take the burden away from CIOs by outsourcing those services. We have HP Financial Services that can help fund through leasing and financing new investment requirements.

These organizations and CIOs want to think through their next step and think through where to start and how to make sure their IT strategy is in line with their business needs. We also have some consulting services and workshops that we call the CIO Agenda that can help people get started and make sure they are on the right course for the next few months to optimize their investment and their business outcomes.

**Gardner:** We've been discussing whether CIOs are making right decisions and how to make adjustments moving forward, both in strategy and execution. We've been joined by Lee Bonham. He is the marketing director for the CIO Agenda Programs in HP's Technology and Solutions Group. I welcome his thoughts and appreciate his input. Thank you for joining us, Lee.

**Bonham:** Well, thanks very much indeed. Have great day.

**Gardner:** This is Dana Gardner, principal analyst at Interarbor Solutions. You've been listening to a sponsored BriefingsDirect podcast. Thanks for listening and come back next time.

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