

Gearing up for the Recovery

By Irv Rothman

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As economists, media pundits and others jump onboard the “recession is over” bandwagon, significant and fundamental questions abound. Chief among them: How – and when – will battered economies in the United States and around the world shift into recovery mode and resume growing?

Less obvious questions are potentially even more far-reaching: What permanent changes in the business landscape will we experience as a result of the most severe global recession in generations? And how does the savvy business leader take advantage of them?

For CTOs and CIOs, the implications are profound.

With economic renewal come increased IT demands. Correspondingly, new generations of technology arrive at a dizzying pace. As pressure builds on in-house IT teams to deliver ever-greater functionality and efficiencies from IT platforms, decisions about migrating to next-generation technologies – which? when? how? – become critical.

For years, conventional wisdom held that IT “enabled the business.” No more. Today’s hard truth is that IT drives business and in some ways even has become the business. IT systems and services drive the end-to-end business environment to access, generate, share and synchronize data and applications across the full business value chain. In today’s business world, data is everywhere. Reliance on data-rich application software, information and communications is critical to business performance.

New Thinking, New Approach Required

Intuitively, most of us sense that a period of economic volatility demands new thinking and a fresh approach to markets.

We understand that an economic downturn accelerates the introduction of new technologies,

best practices and business models as organizations struggle to balance the risks and opportunities inherent with constrained resources and reduced business demand.

In fact, research shows that economic downturns can more than double the likelihood that a business significantly changes its industry ranking; those that make it into the top quartile during a downturn typically sustain their market premium for an average of three years. To the downside, during the last recession, 40 percent of companies that were in the top quartile lost their leadership position after the recession.

It’s reasonable to expect that a comparable realignment will occur as the current recession recedes. One might even argue it’s already well under way; consider the dramatic changes we’ve witnessed over the past year in the financial services, automotive and construction industries. Less obvious but equally significant are changes in energy (shift to renewable sources), health care (potential new legislative and regulatory requirements, including a shift to universal electronic records) and utilities (regional requirements for new smart grid requirements).

Capital Remains Scarce

Economic growth earlier in the decade was fueled by abundant and relatively cheap capital. With the recession came a dramatic belt-tightening. Even today, as we edge into recovery and interest rates hover near historic lows, credit standards are tight and capital remains scarce. That’s not likely to change anytime soon.

Business and IT leaders facing an onslaught of escalating IT service requirements and hamstrung by bare-bones budgets have no choice but to evolve their IT business models. Central to the challenge will be making IT platform and investment choices that use capital more efficiently. Put another way, the IT “financial architecture” becomes central to organizations’ technology plans in our post-recession world.

In a recent white paper sponsored by HP Financial Services, "The Great Realignment: A Radically Changed Economy Demands New Approaches to IT," IDC's Joe Pucciarelli, research director for Technology Financing & Management Strategies, states: "Capital constraints increasingly will shape IT strategies and business models - with cloud computing being a focal point. The rationale is simple, compelling, and straightforward: While IT remains a major "consumer" of investment capital, its low average device utilization makes it an inefficient user of that capital. With business capital at a premium - and likely to remain so through 2012 - IDC believes that IT will be increasingly challenged to make platform and investment choices that use capital more efficiently."

It's Time to Re-Evaluate Options

He further encourages IT organizations to conduct a fresh, "no-holds-barred" review of requirements, constraints and opportunities, coupled with a ground-up evaluation of IT funding and financing options.

It's sound advice.

As we head into the economic upturn, business leaders will face a different but equally arduous set of challenges driven by the need to modernize and enhance their IT infrastructures while keeping the lid on spending. Not an easy puzzle to solve.

Working with customers as they develop their IT investment approach, we recommend three fundamental strategies:

- Standardize, optimize and automate your current technology infrastructure to make the best use of the systems you already have in place. Optimizing your infrastructure can generate efficiencies and sometimes even dollar savings, improving return on investment (ROI).
- Map changing business process requirements against new technologies that promise to meet your company's requirements for the next economic cycle; then prioritize. When funds are tight, getting the best return on

every investment dollar is critical. Turn off the tap on low-yield initiatives and focus IT investments on areas that promise competitive advantage and a good return.

- Consider flexible sourcing and financing options when evaluating new technologies - and don't allow capital constraints to limit the pace of your organization's IT transformation. HP Financial Services offers a number of creative solutions designed to help customers accelerate deployment of advanced technologies without breaking their budgets. For example, sale-leaseback programs allow customers to monetize existing assets, thus creating capital for further IT expansion or new projects.

Opportunities Ahead

Given the volume and magnitude of changes wrought by the recession, it's entirely likely that the recovery will unleash a second and equally significant wave of change. Savvy business and IT leaders attuned to the shift will be in a strong position to take advantage of opportunities in the months ahead.

For additional insights and perspective, I invite readers to view a special webinar sponsored by HP Financial Services, in which IDC's Pucciarelli offers his thoughts on steps enterprises should take today to prepare for - and prosper in - the economic recovery.

The [webinar is available on-demand](#). The [white paper authored by Pucciarelli and sponsored by HP Financial Services](#) is also available.



About the author

Irv Rothman is President and CEO of HP Financial Services, the leasing and lifecycle asset management services subsidiary of HP. HP Financial Services generates volume of more than \$5 billion annually and offers a full range of financial services solutions.