

Beating IT recession blues

A guide for organisations wanting to outpace their peers

April 2009

IT spending is often an issue for any organisation, but especially in harsh economic times it is even more important to see what benefit IT brings to the business. This report looks at the degree to which UK organisations understand what IT is doing for their business, and in particular how some companies measure this and benefit from it.

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Companies have to remain competitive, but the recent years of prosperity have made this less of a driving need in many industries. Most organisations think they can outperform their rivals, and many believe that their approach to IT can play a significant part in this. There is a link between the performance and capabilities of the IT function and overall business performance, but not everybody is aware of this, or takes advantage of it.

- **Companies that believe they are growing have a more mature attitude to IT**
Not only do growing companies tend to view IT investment as strategic to the business, IT management is also far more acutely aware of what other parts of the business think about the IT function. Where there are problems with the internal perception of the IT function, the IT managers in growing companies are far more likely to be trying to address them.
- **New technology should be viewed optimistically, but not with rose-tinted glasses**
Those taking a strategic approach to IT investment view new technology as an opportunity that can have a positive impact on the business and add value. Many, in organisations that have been around for some time, tend to have become more cynical; some view implementing new technology as extra work, but those in young and maturing businesses still have an interest in the technology, although they must guard against investing in things simply because they are new and innovative and keep an eye on business value.
- **Bringing in external experts can improve overall business performance without spiralling costs**
Working with 3rd parties who provide industry knowledge and understanding helps businesses grow faster and improve efficiency and reduce costs. They look in those 3rd parties for specific industry knowledge, depth of expertise and reputation in order to build relationships, rather than just finding cheap suppliers to dump everything on.
- **Too many IT projects run over time and budget or fail to meet their intended scope**
Those companies that do not believe they are keeping up with their peers have the worst records, with one in three admitting that fewer than 30% of their projects are completed on time. While budgets and time are precious resources, missing project scope will be noticed by those outside the IT department too, and does nothing to enhance the IT function's reputation.
- **In difficult economic times the return on investment timescales shorten**
While young and maturing companies will still accept that it takes longer to get a financial return, those companies with a growth mentality take a tight grip on the reins, with almost two in three of them expecting a return on IT investment in only six months.
- **Few companies formally measure the impact of IT projects, and some do not measure it at all**
While there appears an internal belief that IT is having a positive impact in many areas of the business, fewer than half of all companies have any process at all for measuring the success of IT projects. Despite this, many are keen on looking at the linkage between IT capability and business performance, so they will need to start planning how and what they must measure.

Conclusion

Even during a recession, companies can not only survive, but thrive. To do this, the IT function must stick close to the business, be involved in the broader strategy and plans, and measurably demonstrate the success of IT investments in terms and language that the wider organisation understands and appreciates. Even before doing this, the IT function has to control its budgets and resources, and recognise that where expertise is available from 3rd parties, it should be exploited as part of mutually beneficial partnerships. This should not only ensure that costs are manageable, but that suitable returns in terms of overall business performance and individual employee productivity are realised.

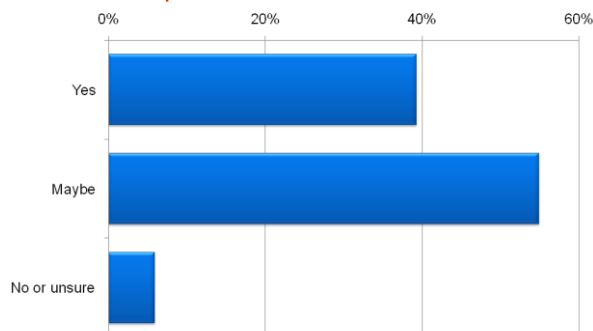
1. Introduction

Many sectors are facing challenging or uncertain times. Those predicting a falling market are known as “bears” and are often said to be pessimistic. The term is thought to come from the inverse of the concept of “don't sell the bearskin before you've killed the bear”, known as selling short. One investment strategy in bear markets is to do nothing, but that does not help keep a company in business in a bear-ish economy.

A hunting story indicates a better approach in a falling market. Two hunters out tracking bears suddenly encounter one and realise they have no ammunition in their guns. While the first hurriedly drops rucksack and surplus weight, the second stops to put on running shoes. “You won't outrun the bear in those” says the first. “No, but I'll outrun you” is the reply.

In almost all activities, except stock trading and gambling, the object is to stay ahead of the other participants, not just keep pace with the market. When times are hard, it's better to be more efficient and competitive than to simply cut back. This is particularly true in IT where the majority of companies believe there is a direct link between the capabilities of the IT function and overall business performance (Figure 1).

Figure 1
Is there a perceived direct link between the IT function and overall business performance?



The IT function is rarely a standalone service provider but an integral part of the business. IT capabilities are therefore put in place for valid reasons, such as making the company more flexible, customer-centric or competitive, but how often is this tested and measured?

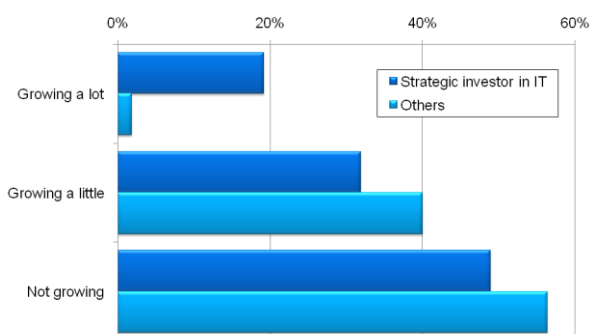
If IT is not recognised for the business value it contributes, in harsher economic times it becomes a tougher investment, and that might initially undermine IT departments and, in the longer term, the effectiveness of the rest of the business.

This report looks at strategies for companies to outrun their competitors or peers in challenging market conditions. It is based on interviews with 100 managers and users from organisations in the UK with an annual turnover up to £500m. Many of the companies interviewed for this research had the belief that they were doing better than their rivals, and this positive attitude has much merit, even when not always precisely matched by the facts.

2. Strategic focus on IT

From this and earlier research¹, it seems that just under half of companies regard their spending on IT as a long term or strategic investment, rather than a necessary (or perhaps even unnecessary) tactical cost. This difference in outlook may be part of a pre-determined plan for a strategic approach, or may be as a result of earlier success, but either way those with a more strategic approach seem to be growing faster than other similar companies (Figure 2).

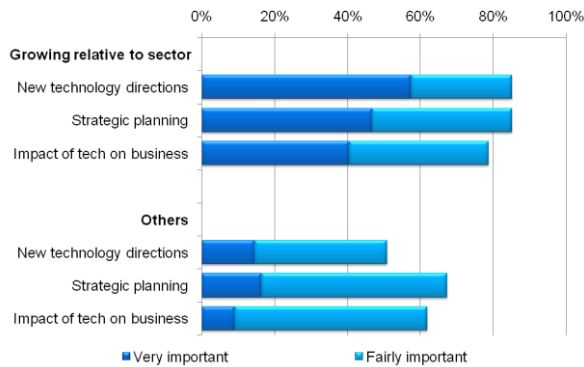
Figure 2
Who is growing relative to similar companies in their sector?



The cause and effect is difficult to discern, but the outcome is clear; think carefully and apply a strategic business focus on the plans for IT investment, and it is more likely that the outcome will be positive.

Strategic IT thinking can encompass many aspects of a business's activities, but since technology is still evolving rapidly, with many dead ends and over-hyped panaceas, it is important to understand how things are changing, and what impact this might have. While any new technology generates interest from early adopters and followers, assessing the business benefit is more valuable than simply pursuing technology for its own sake (Figure 3).

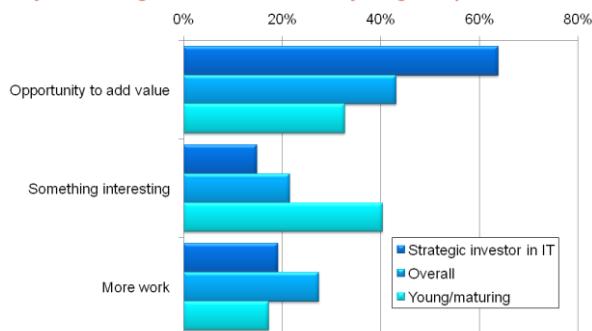
Figure 3
The important aspects of IT planning/ management



Growing faster means casting as wide a net as possible to gain intelligence and awareness, but then using the business plan and direction to understand if, and how, specific technology investments will add value.

The attitude of the organisation is reflected by the individuals employed, and often changes as companies grow and mature. During start-up and early phases, many individuals are enthused by interest in new technology, which then settles over time into a dull recognition that it will just bring more work. Those making strategic decisions adopt a more positive approach, and think about how new technologies could bring new opportunities (Figure 4).

Figure 4
How does the view of new technology and its potential impact vary for strategic investors in IT and young companies?



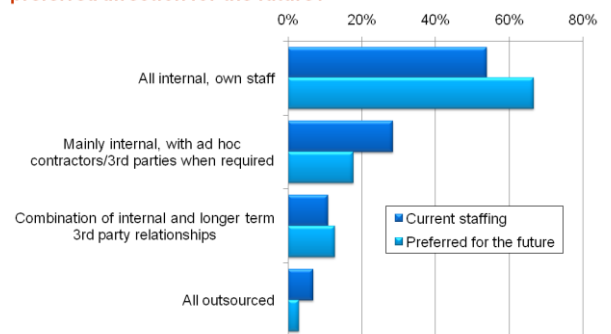
This is how IT can bring positive change to an organisation, especially in harsh economic times, which benefit individuals as well as the bottom line. However, any improvements need to be identified, measured and widely recognised in order to be seen as a success. This is not always easy, especially if the majority of IT staff are focussed on fire fighting or keeping the screens lit, and the external perception is based on uptime, outages and project overruns rather than business contribution.

3. Assistance from 3rd parties

Even the largest IT organisations struggle to find a full complement of skills among their internal workforce, especially when new products and ideas are being offered by a multitude of vendors. Despite this, and the fact that it might not be the most cost-effective way to meet their needs, most companies like to have their own staff in their IT departments (Figure 5).

As they look to the future, this preference for internal staffing appears to increase, with full blown outsourcing dropping out of favour as the recession bites. However getting outside help is a positive strategy during a recession and, while companies may not want to outsource everything, they would be advised to seek out partners that can take some of the load in more complex, risky or fast-changing areas of technology.

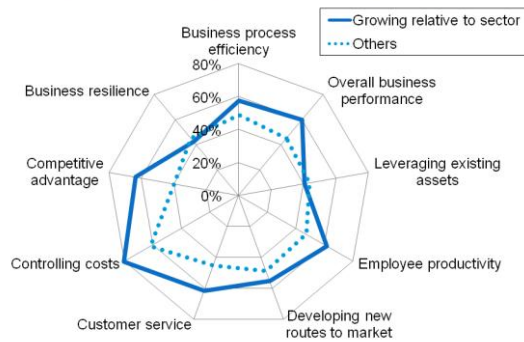
Figure 5
How is the IT function currently staffed and what is the preferred direction for the future?



There is a slight preference among those who use some form of external support or consultants to move to longer term relationships, rather than simply 'body shopping' for ad hoc resources, and this should be encouraged and taken further.

A variety of benefits are anticipated when making use of 3rd parties to support the IT function. While all companies are keen to use this approach to control costs, often using 3rd parties in an ad hoc manner to smooth out peaks and troughs in demand for IT services, those growing faster than the market tend to be keener than the rest (Figure 6).

Figure 6
Where are improvements expected when using 3rd parties?

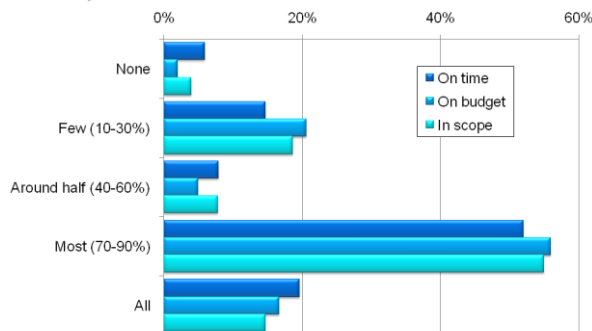


However, they are also looking more attentively at other aspects where 3rd parties can add value, in particular in gaining competitive advantage, customer service and overall business performance. This is not simply finding ad hoc cover for lack of resource, but identifying external agencies that bring specific skills and, in conjunction with the IT function, add business value and not ‘just bodies’.

4. Attention to detail

Making the IT function work effectively, especially while using external organisations that have their own agendas and bottom lines to sustain, is a challenge which requires excellent project management and coordination. This means attention to the details that are all too often left to slip in IT projects—budgets, timescales and scope (Figure 7).

Figure 7
What percentage of IT projects complete on time, on budget or in scope?

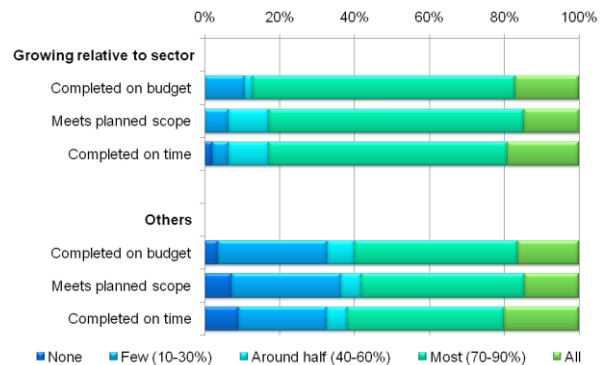


While the majority of companies claim that most of their projects complete on time, on budget and within scope, for about a quarter it is less than a third. This is likely to be an optimistic response in any event, and the reality will be less convincing.

While targets for IT projects are notorious for being missed, the benefits for meeting them are worthwhile. For individuals, there is a feeling of accomplishment, perhaps bonuses to be paid, and

opportunities to work on larger projects having demonstrated an ability to achieve. For the organisation, the direct value is that money and resources are being saved, but beyond that are the indirect values from faster deployment, impact on customers, suppliers etc. and support for the overall business effectiveness. Faster growing companies have the right attitude for getting more projects on track than those that do not (Figure 8).

Figure 8
How do project completions differ for those growing relative to sector?

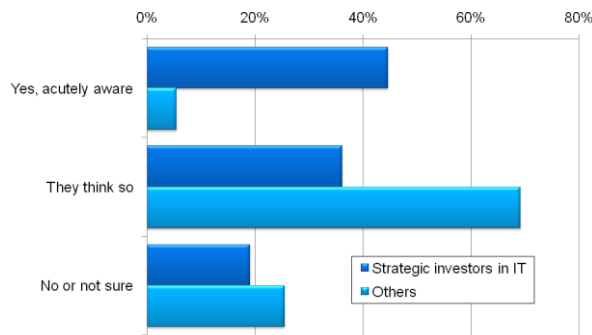


Completing IT projects and deployments within the constraints of time and budget is important within the IT department as it has a direct impact on IT financing and resources, but meeting planned scope will help ensure external expectations of the IT function are being met. Meeting scope is the area that those growing faster excel at.

5. Awareness across the business

When budgets and time pressures are tight, every department is under intense scrutiny, and it is important to understand how each function is being viewed. IT departments have long had a reputation for being too internally focused, and relatively few IT managers are really sure of the perceptions of their department elsewhere in the business (Figure 9). Those organisations that take a strategic approach to IT are far more likely to be aware and good practice would be to have regular frank and open communication with other departments and lines of business management.

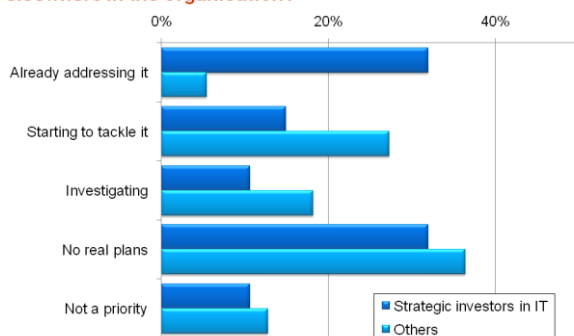
Figure 9
Are IT managers aware of what other directors think of IT?



It might be that there are hard messages and strong opinions being expressed by the business but, although difficult to receive, it is far better that the IT managers hear them. Some may be incorrect or based on long fixed issues; others may be based on hearsay rather than fact. All cases can be addressed if IT managers understand what matters to the business, and use this to guide metrics for feedback so that issues and service levels, when reported, can be based on measuring what is important, rather than making important what has historically been measured.

Despite the risk that the IT function might suffer budget cuts or headcount restraint if its contribution is not fully and properly recognised elsewhere in the organisation, many companies seem reluctant to make improvements. Sometimes those in larger organisations, or those with resistive cultures, are disillusioned or may think that changes will not have any impact. However, those where the fit of IT into the rest of the business strategy is taken seriously are most likely to be already tackling the external perception of IT (Figure 10).

Figure 10
How many are addressing the issue of IT's perception elsewhere in the organisation?



6. The business impact of IT

A key component in getting external recognition for the contribution made by the IT function is to measure the impact of IT projects. This has to be from a much wider perspective than the 'in time, on

budget' criteria often set by IT managers although, as was seen earlier, these targets should be met. The wider view has to take into account impact on the other stakeholders in, and increasingly beyond, the business.

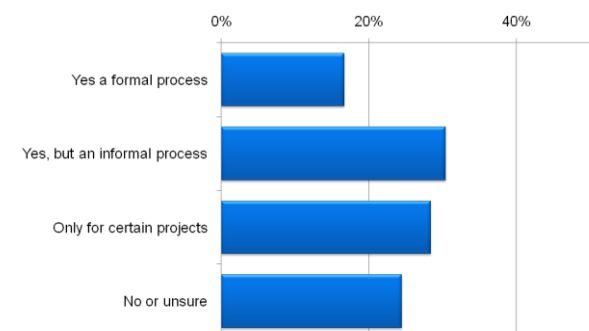
First, who are the stakeholders? Does the service interface directly with customers or suppliers and which users in which departments? Who is most affected, and who is in charge of setting and measuring their objectives?

Next, what is each of their requirements? Rather than making as much available as possible within the resources available, it is far better to get closer to each group of stakeholders in order to fully understand their needs and discuss directly with them what can be accomplished and how.

Finally, the assessment process needs closure, agreement of the appropriate metrics with the relevant managers and signoff. Then, once a project is completed it can be measured and the results fed back. Even if not a success, it is far better to openly communicate, otherwise a culture of secrecy and hidden agendas creeps in, which does not help.

A formal process does not really have to be any more complicated than that but, despite this, very few organisations use a formal process (Figure 11).

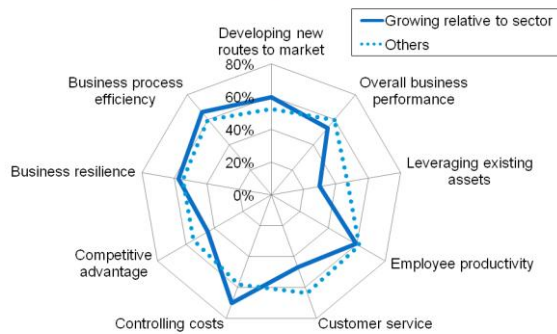
Figure 11
Is there a process for measuring the impact of IT projects?



While many will think they can make do with an informal process or only look at certain projects, this will not lead to an objective understanding of the contribution of the IT function to the business. This leaves it open to unfounded complaints and the risk that when budgets are under pressure, the non-performance of the IT function will be a good excuse for cutting it back.

The overall value of IT to the business is difficult to measure, and so the cost of projects often has to be justified on narrow financial criteria and a short-term return on investment. While there is nothing wrong with a strict approach, it does run the risk of not recognising benefits that are less tangible or beyond the immediate scope of implementation. For example, the impact of an internal project on a partner elsewhere, the impact of efficiencies in one process on customer service, or the impact of personal productivity on staff morale, retention and recruitment costs (Figure 12).

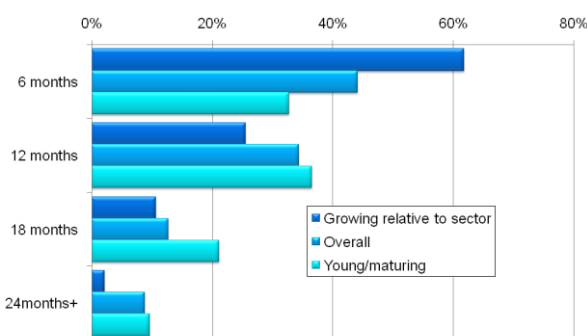
Figure 12
Where is the IT function is having the most positive impact?



Expectations for the return on investment (ROI) on IT projects have shortened in recent years, as those in senior management roles for shorter periods of time want to see results 'on their watch', and so can be reluctant to embark on long term or far-reaching projects.

This has become more pronounced as credit markets harden and cash flow and financing has become tougher. Those with belief they are growing relative to their sector push this particularly hard with most expecting a return within six months (Figure 13).

Figure 13
What is the expected ROI timeframe for a typical IT project?



This can be quite a cynical approach and is not always a good thing as it might stifle strategic projects that have a longer term positive impact to the business,

even if they do little for the short term needs of an individual. Young and maturing companies tend to take a more relaxed and perhaps naïve viewpoint, allowing IT projects a little more time to make their mark.

One client where C&C Technology helped to align IT with the business:

A major global law firm struggling with a large IT budget was finding projects were virtually never delivered on time or to budget. There was a lot happening - too much change, too many projects at once - so the value was not clear.

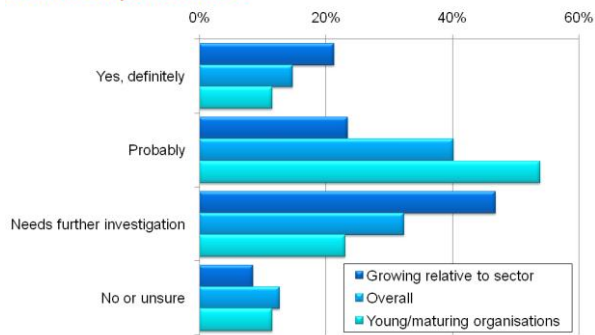
C&C established a new function to manage the portfolio of projects and formal systems to measure progress and provide governance. This created clarity between roles and buy-in from the internal teams. As a result, not only are projects delivered on time and to budget, but the perception of the IT function internally is enhanced. There has been a reduction in costs, partly from rationalising the number of projects, but also from reducing the impact of change on the business. Internal staff expertise has also increased, creating more confidence and enabling new procedures to be kept on track.

No particular timeframe is absolutely correct as all projects should be assessed on merit. However, providing they are well planned with broad input from the business, and with objective criteria set out to measure their impact, the specific timeframe for ROI should be less of a consideration.

Having a wider, but well defined, method for linking IT capability to the performance of the business would therefore seem to be a valid step. While this seems to be of more definite interest to those believing they are growing faster than their sector, many more organisations of this type are more cautious, and would expect further investigation (Figure 14).

Figure 14

Is there interest in exploring a method of linking IT capability to business performance?



This cautiously welcoming approach is somewhat different to the young or maturing companies, over half of whom make an assumption that this linkage might be of interest. However, few are certain, and only a quarter seems willing to dedicate the time or effort to investigating further.

Very few companies dismiss the matter entirely, which is reassuring. After all, why should any organisation invest in IT capability at all, if there is no link to business performance?

7. Conclusions

In tough economic times, companies have to be prudent and realistic about their objectives, but simply sitting still or just blindly cutting costs is not realistic either. The ones that survive and outpace their competitors will be those with the right attitude to improve their overall business effectiveness.

Investments in IT are most effective when they clearly improve business performance and, to do this, a number of steps need to be taken:

- Make IT a strategic focus. This means getting a clear understanding of needs right across the organisation, and planning IT investment to meet those needs, in the longer as well as short term.

8. References

- 1 Soaring not Surfing – small and medium-sized businesses make the connection, Quocirca, May 2008

- Adopt a measured, but open, approach to new technology. While many concepts are overhyped, being too cynical or dismissive will mean that opportunities are missed. These may be life savers in challenging market conditions, so investigate new ideas with the strategic plan as a backdrop.
- Exploit the skills of experts. It is rarely efficient to try to have all necessary skills in-house, so identify 3rd parties you can trust, and use their expertise. Look for those with specialist knowledge, good reputations and a business, rather than technology, oriented attitude.
- Focus on the details. When scope, timescales and budgets are set, it is for good reasons. Constant fire fighting and patching afterwards always costs more and is a sign of failure to adequately manage.
- Cross business understanding. A strategic approach means linking IT to the business, but this is not a one-off exercise and needs constant attention to ensure both sides fully understand each other. Good open flows of communication help ensure that problems can be identified early and fixed.
- Measure against the bigger picture. IT has to be seen to be part of the strategic plan and its success has to be measured against this. Linking business performance to IT capability not only keeps everyone on their toes, but also ensures that well-run IT resources get the respect they really deserve.

Since IT is an integral function to many business operations, it has a direct bearing on the eventual business outcomes. A well structured IT function, backed with robust project management, will deliver not only an effective return on IT investment, but also improved performance for the business.

About C&C Technology Consulting

Bringing IT Know-Why & Know-How

C&C Technology Consulting provides independent consultancy to businesses that want increased benefit from technology. C&C works to bring a more integrated approach to Applications, Infrastructure and Networks, from Desktop to Data Centre. C&C's unique approach encompasses **IT Know-Why & Know-How**, to deliver IT that really works. **IT Know-Why** is concerned with clarity of the purpose behind what you do; **Know-How** is capability and expertise. C&C recognises that there is a great deal of Know-How in the market, but it is the combination of Know-Why that is missing. This powerful combination ensures C&C works with the customer to help make the right decisions and implement solutions more effectively; meeting their business agenda and helping them do IT better. C&C has established a reputation as a trusted advisor to its clients, combining a strong heritage in technical IT disciplines with a flair for developing an understanding of how their business and people operate. Working with clients across the mid-market and public sectors, C&C provides a totally dependable and objective service.

C&C provides *consulting, coaching/education, resources and services* to help clients align IT activities to business vision and goals. It assists clients in developing and implementing a well thought out, structured and appropriate IT strategy – covering both the 'why' and the 'what', which can be divided in to smaller, manageable activities or projects. To C&C, it is the 'why' aspects of IT which are so often undervalued which leads to increased complexity, risk and cost within IT. 'Why' is the link between IT and the business, ultimately the brief and purpose for action.

C&C's work with previous clients, centring on helping them do IT better, has resulted in an enhanced reputation of the IT function across their businesses. C&C firmly believes that IT needs to be represented at board level in order for the maximum benefit to be realised; which C&C helps clients achieve.

C&C provides its services by partnering with clients across its three key areas of IT model: -

1. **Strategy & Management** - formulate IT strategy & plans in alignment with the business objectives
2. **Build & Change** - manage projects & programs, designs solutions/transitions & manages the delivery of IT related change within the business
3. **Operations & Service Management** - manage the IT infrastructure & operation. Optimising & delivering

C&C Technology uses this model when helping clients develop and manage their own IT capability, across a broad spectrum of activities. C&C believes that in order to deliver successful IT projects within any business requires more than a simple choice of technology, it must cover the following aspects: -

- An understanding and interpretation of the business plan and requirements
- A clear IT Strategy
- The ability to objectively source and select technology solutions
- For each activity a clear scope, budget and set of requirements
- Clear definition of roles & responsibilities across all areas
- The right resources & skills to complete the task efficiently
- Structured approach and process to IT project delivery
- Structured approach to managing IT operations
- Right support from partners who understand your agenda

With this approach in place projects are completed faster, on or even at lower than originally budgeted and according to the original scope. C&C believes that IT capability drives great IT performance, which in turn results in outstanding business performance.

REPORT NOTE:

This report has been written independently by Quocirca Ltd to provide an overview of the issues facing organisations seeking to maximise the effectiveness of IT investment.

The research behind this report involved interviews with 100 managers and users from organisations in the UK with an annual turnover up to £500m.

The report also draws on Quocirca's extensive knowledge of the technology and business arenas, and provides advice on the approach that organisations should take to create a more effective and efficient environment for future growth.

Quocirca would like to thank all the participants for their time to take part in the telephone interviews from which the data for this research was derived, and to thank C&C Technology Consulting for its sponsorship of the research.

About Quocirca

Quocirca is a primary research and analysis company specialising in the business impact of information technology and communications (ITC). With world-wide, native language reach, Quocirca provides in-depth insights into the views of buyers and influencers in large, mid-sized and small organisations. Its analyst team is made up of real-world practitioners with firsthand experience of ITC delivery who continuously research and track the industry and its real usage in the markets.

Through researching perceptions, Quocirca uncovers the real hurdles to technology adoption—the personal and political aspects of an organisation's environment and the pressures of the need for demonstrable business value in any implementation. This capability to uncover and report back on the end-user perceptions in the market enables Quocirca to advise on the realities of technology adoption, not the promises.

Quocirca research is always pragmatic, business orientated and conducted in the context of the bigger picture. ITC has the ability to transform businesses and the processes that drive them, but often fails to do so. Quocirca's mission is to help organisations improve their success rate in process enablement through better levels of understanding and the adoption of the correct technologies at the correct time.

Quocirca has a pro-active primary research programme, regularly surveying users, purchasers and resellers of ITC products and services on emerging, evolving and maturing technologies. Over time, Quocirca has built a picture of long term investment trends, providing invaluable information for the whole of the ITC community.

Quocirca works with global and local providers of ITC products and services to help them deliver on the promise that ITC holds for business. Quocirca's clients include Oracle, Microsoft, IBM, O₂, T-Mobile, HP, Xerox, EMC, Symantec and Cisco, along with other large and medium sized vendors, service providers and more specialist firms.

Details of Quocirca's work and the services it offers can be found at <http://www.quocirca.com>