IT: A Cost Riddler or Business Enabler?

With the recovering global economy nudging value-creating imperatives back into the business limelight, how can Small- and Medium-Businesses (SMBs) manage their IT effectively in order to translate investments into business value?

RETURN OF THE GOOD TIMES

With the global economy strengthening from recession to recovery, the traditional “lean and leaner” strategic IT policies are set to witness a paradigm shift, with the turn of the decade expected to lead a transitional period of exciting change in the SMB arena as businesses move towards new strategic innovation and value-creation productivity IT initiatives.

According to a recently-released Gartner Executive Survey 2010, despite operational IT budgets being forecasted to remain relatively flat reminiscent of 2005 levels, 2009 would be the final year of cost-driven moves dominated by multiple budget cuts, delayed spending and increased demand for IT services with reduced resources, as technologies are set to witness a transitional turn from “heavy” owner-operated solutions to “lighter weight” services. Most businesses have long aspired a dream shift away from the perennial IT budget restraints, but economic, strategic and technological stars have not moved in feasible tandem until recently this year.

As businesses progress to accelerate IT functions from mere “support” to perform a new leading role as a “strategic contributor”, the wave of top business and IT priorities are also set to move along with the changing tide as the IT spotlight is back on improving innovation and competitive business advantage. It is now the “age of leverage” as we move into a new smart era where an intelligent economy takes centrestage, with collaborative and emerging innovative technologies such as Virtualization, Cloud Computing and Web 2.0 social computing topping new technological priorities. Business strategies will continue the trend towards business process improvements, cost reductions, as well as increasing the use of information and web analytics.

1 Gartner EXP Worldwide Survey of nearly 1,600 CIOs shows IT budgets in 2010 at 2005 levels, Gartner, 19 Jan 2010
   http://www.gartner.com/it/page.jsp?id=1283413
For the SMB owner, which critical factors should they consider right now in order for them to manage IT effectively during this transitional period, and translate projected IT investments into business assets?

THE LONG ROUTE BACK TO RECOVERY

Cushioning The “Ripple Effects”

According to a recent IT capability brief, businesses should now undertake a new systematic inventory which goes beyond the surface to uncover hidden business vulnerabilities or assets compromised during the downturn. This is due to deep IT budget cuts suffered that not only froze IT developments, but in addition, this set off a ripple effect that could be telling in the long run. For example, a prior decision to delay hardware replacement cycles or new software applications could witness mission-critical systems no longer in support by vendors when the business finally emerges from the recession, placing the whole organization under dire risks.

Align New IT Investments to Your Core Business Requirements

When your business first emerges from the recession, you could be facing huge pent-up outlays from your IT department and you might not be able to respond to the new changes rapidly. Your new IT investments should be aligned to your core business requirements which can help keep your business competitive. Sort out your business and technological priorities based on productivity efficiencies and capabilities that would truly be value-creating, instead of just being value-sustaining.

Iron Out The Complexity Chinks In Your IT Infrastructure

Begin your move towards increasing your business agility and reduce complexities in your IT infrastructure by putting the brakes on adding more complex systems that could double the trouble, and embark on the consolidation process. This can help eliminate redundant and fragmented processes and significantly simplify vendor relations, thereby resulting in less costs incurred.

Shift From Heavy Owner-based to Lightweight IT Solutions

Research has shown that businesses can save up to 80 per cent in IT overheads by utilizing cheaper, off-the-shelf solutions and configuring them instead of building or customizing them. For example, moving towards emergent, new innovative technologies such as leasing Soft-as-a-Service (SaaS) or cloud solutions can represent considerable savings as opposed to buying and maintaining the software application in question.

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2 Managing IT to win in the recovery, Bains Briefs, 16 Feb 2010
Outsourcing As Your New Strategic Weapon
Outsourcing provides flexible options without burdening your balance sheets. By this solution, your business can emerge more rapidly from the downturn and helps you free up limited resources which can be utilized in other areas of greater need, keeping you a step ahead of your competitors.

From Lean to Leaner: Rethinking The Perennial IT Cost Riddle
Rethinking your budgeting strategy will hold your business in good stead over the recovery process. A suggested fresh perspective which involves the designation of new IT initiatives as capital expenditures will help you isolate and highlight funding for prominent new project areas, instead of positioning your planned investments in line with your existing operational expenditures.

FROM STRIVE TO THRIVE: YOUR NEW IT RESOLUTION
In a separate SMB research report, the study shown nearly 40 per cent of SMBs reported that although their IT budgets have not changed, their priorities have shifted.4 Embarking on the long route to recovery requires a new set of business imperatives, a complete change in organizational mindset, as well as taking full advantage of new opportunities afforded. As we move towards a new technological era, “businesses that make the boldest plays, pursue the most global, collaborative and disruptive business model innovation will manage to outperform their competitors.” For SMBs, this accentuates the urgency for a forward-thinking organization to embrace innovation, in order to facilitate business agility, flexibility and competitiveness. By careful planning and precision in execution in your new IT strategy, you can alleviate heavy cost burdens and utilize your business technologies as business enablers as your business revolutionizes to thrive, rather than survive in exciting times ahead.

key towards greater organizational visibility. However, as IT progresses with new emerging technologies by the second, traditional classic ROI measurement models can no longer cope, and SMBs should innovate by researching and studying vigilantly into new methods of proving ROI. Rather than toss the next IT investment project out the windows, instead, we should seek ways to justify “why it should not be implemented”. It is now more imperative than ever to give these cost-saving and productivity-enhancing proposals a chance and more critical than ever to keeping innovation alive.

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2 Inside the mid-market: a 2009 perspective, IBM Worldwide Study, July 2009

4 Global CEO Study: Enterprise for the Future, IBM, 2008
KEY SUMMARY

More SMBs are leaning towards new strategic innovation and value-creation productivity IT initiatives to position themselves favourably in anticipation of economic recovery in 2010.

This will represent a transitional period in IT with more businesses moving away from “heavy” owner-operated solutions to more lightweight services.

A new systematic inventory is critical in insulating businesses from effects inherited during the downturn.

SMB owners will be looking towards new IT investments that are aligned to core business requirements to create business value.

Consolidation of IT infrastructure can help reduce complexities, increase business agility and simplify processes, thereby lower costs significantly.

A new budget perspective which includes the designation of new IT initiatives as capital expenditures instead of positioning your planned investments in line with your existing operational expenditures will help optimize business resources.