



## The downturn power-up

Opportunities for technology industry CIOs to address the challenges of the downturn without losing out when business starts to heat up



# Introduction

In some ways, no industry should have been better prepared for the economic downturn than the technology industry. Technology industry veterans are used to seeing their companies' fortunes rise and fall in the blink of an eye. They shift course all the time just to stay a step ahead of the game. Constant upheaval is just a way of life for anyone working in technology — especially CIOs. But that does not mean anyone was prepared for this meltdown.

By now, even the most grizzled veterans recognize that today's economic landscape is a far cry from anything they've seen before. We'll spare the metaphors. Anyone with a pulse knows how bad it is out there. And there's been no shortage of advice recently for technology industry CIOs looking for ways to help their organizations make it through the downturn. Those who could feel the ground shifting beneath their feet were quick to respond, and those who survived continue to assess and recalibrate their technology environment, looking for ways to continue supporting their businesses.

The economic environment continues to be difficult. But assume for a moment that your company is going to make it through this downturn. Because you can't stay in red-alert mode forever. It's high time to consider how the hard choices your team is making today are going to shape your options in the future, when business starts to pick up again. Will you be prepared with the systems and tools your organization needs to thrive, or will you be lamenting the decisions you had to make when times were hard and wondering how to get back on track?

Make no mistake: There are still a lot of hard choices ahead, forced by the downturn. In all likelihood, cost cutting will continue to be at the top of the list. A key challenge is aligning your efforts with your organization's overarching business goals — and keeping your finger on the pulse of the business, even as things change. From there, you can put the right technical structure in place to roll with the punches, supporting the need for efficiency one day, and innovation the next.

In this article, we offer a series of practical recommendations for technology industry CIOs looking to navigate through the downturn to consider — with an emphasis on approaches to help companies “power up” in an upturn. For us, that means continuing to find ways to improve efficiency today while laying the groundwork for innovation and value in the future.



# The data center paradox

Technology industry CIOs know they need rock-solid data centers to support their business, but at the same time they're struggling to contain the growing costs of managing them. A tough economy hasn't helped. But data center costs are just as pernicious when conditions are good — they're just more easily masked by positive financial results.

Looking to cut costs, many companies are rationalizing their portfolio of data centers. Technology companies commonly have had separate corporate and engineering data centers. However, by leveraging advanced network technologies and modified R&D workflows, there is a growing trend for technology industry CIOs to eliminate R&D data centers and consolidate into centralized corporate data centers.

These are good steps to take no matter what the economic environment. But in many cases, a technical approach alone may not go deep enough, especially if you're looking to create a foundation for growth during an upturn. We believe a better approach is to rewire the underlying business processes that feed data center activity. Standardizing IT processes and workflows. Virtualizing servers and storage. Automation. Cloud computing. These are just a handful of process changes that many CIOs are using to their advantage in a downturn, knowing that they'll pay dividends in the future.

## Consider

- **Optimizing existing space.** Leverage server and storage virtualization technology, along with network-attached storage, to reduce data center footprints.
- **Consolidating and centralizing.** Look for ways to combine data centers into one or two fault-tolerant locations. This may even be the time to consolidate sacred cows such as R&D data centers. At the same time, look to tier data center service levels.
- **Improving power and cooling efficiencies.** Bridge the gap between facilities and IT by implementing power saving and alternative energy solutions.
- **Leaning on third-party providers.** Data recovery and business continuity providers can help reduce the cost and risk of maintaining a dedicated business continuity infrastructure.
- **Outsourcing facilities and operations.** Outsourcing can extend beyond staff resources. Cloud computing and Software-as-a-Service providers can host many applications — and reduce your own operational risk and cost.



# Simplify, simplify

Data centers aren't the only area where streamlining can lead to a big payoff. During the good times your organization may have had lots of applications and processes that overlapped, much like data centers, but were overlooked in favor of other pursuits. That's just a natural side effect of working in the type of entrepreneurial, decentralized environment that is nurtured by technology companies, where teams are empowered to make their own decisions about the technologies and processes on which they rely every day.

Today, however, those inefficiencies can drag down the organization. Many technology companies are grappling with multiple instances of ERP solutions where only one is really needed, custom solutions where something off-the-shelf may have worked just as well, or processes that differ from country to country — to name only a few.

This is the time to rethink the fundamental business processes that are contributing to inefficiencies and tighten up the organization's technology architecture. Move toward a template-based approach, so that when the company starts growing again and you acquire new lines of business, they fit into a global standard.



## Consider

- **Focusing on business levers that drive shareholder value.** There is no better time to work with business stakeholders to determine which actions will drive the most value in light of recent changes in the business. Everything from aligning business units with enterprise strategy to improving customer service and business performance reporting should be on the table.
- **Agreeing on differences.** Today, your organization's processes likely differ by region, country, and even business unit. Now is the time to determine which processes actually should be different — and what can be adopted across the enterprise to achieve greater efficiency.
- **Reengineering operations.** For the most part, today's leading software packages already embrace current best practices. Most core business processes can be tweaked to match standard out-of-the-box functionality from ERP packages. Look to reengineer operations to match 80% of package functionality, and focus your team on addressing the remaining 20% that is unique to your organization. From there, look for ways to consolidate instances.
- **Getting good at governance.** As you reduce the number of ERP instances, clearly define the roles of the business and IT to guide short- and long-term resource investment decisions. Make sure you have the structure in place to keep business and IT aligned going forward.

# Agile outsourcing

In hard times, outsourcing is one of the first stops for companies looking to quickly cut costs. But outsourcing is already part of the DNA for most technology companies, which were early pioneers in this area. The question facing most technology CIOs isn't whether outsourcing is a good strategy, it's whether the current outsourcing strategy has matured to the point where it's time to take it to the next level.

Consider the case of a company that's been outsourcing chunks of its business for years. By now, the company has been dealing with the challenges of outsourcing for so long that it's achieved a new level of outsourcing mastery, and may be able to move to a lower-cost tier of vendors without experiencing a drop in results. Also, as outsourcing vendors expand their capabilities, this could be the time to move to a lower-cost arrangement with existing vendors who are achieving savings in previously untapped geographic regions.

For technology industry CIOs, outsourcing isn't just about people — it's about technology as well. At the application level, there are many emerging outsourcing models that don't require companies to own the applications on which they depend. This is an approach that can create big savings for technology companies that are used to employing a stubbornly do-it-yourself approach to business applications.

## Consider

- **Evaluating the next tier of vendors.** Begin by engaging with emerging vendors and solution providers, many of whom have lower-cost models than first-tier vendors.
- **Taking another look at internal roles.** Through the years, many IT organizations have created redundant roles for managing outsourced vendors. Eliminate these and consider renegotiating contracts based on service levels or results.
- **Having a backup plan.** Many companies have learned the hard way that when it comes to outsourcing, it's not a good idea to put all your eggs in one basket. Some were left scrambling when vendors began to struggle, or even failed. Have at least two vendors on hand for critical areas so that you can easily switch if the business environment changes quickly.



# Enterprise 2.0

Right now, even in the midst of a downturn, internal teams throughout your business are likely continuing to build their Web 2.0 capabilities. They are using social networking principles and technologies to inform product development and solicit customer feedback. They are automating processes. Relying more heavily on wikis for sharing information between teams, and much more.

Now take a step back and reflect on when the Web was just beginning to be adopted — before anyone knew the rules. Every business unit was building its own Web site. They were all using different technologies, pursuing different strategies and sharing overlapping information. Eventually, the CIO had to grab the reins and set the ground rules. The lesson? Don't repeat the mistakes learned in the early days of the Web — get in front of Web 2.0 to create more business value for your organization at the outset.

Many CIOs refer to this as an Enterprise 2.0 mindset — embracing the principles of Web 2.0 and using them to guide structure and process at an enterprise level. In a downturn, your organization is more likely to be open to this type of innovative thinking than ever before. There may be no better time to lay the groundwork for Enterprise 2.0.

## Consider

- **Learning how your team is already using social networking conventions.** Chances are your people are already using social networking in the workplace in ways you didn't even know about. Do not assume you have to start from scratch.
- **Identifying which business functions stand to benefit.** Social networking. Collaboration. Broadcasting. Rich user experience. Each of these capabilities holds powerful potential for different parts of the business. The key is knowing how to match them up, and enabling these capabilities through current enterprise applications.
- **Planning for service-oriented architecture in the long term.** The most innovative CIOs recognize that collaborative problem-solving can lead to higher productivity — and as a result they're thinking about how social networking applications can function as services. The potential benefits are clear: Increased reuse of business functionality, and greater numbers of distributed applications for use by the enterprise.



# Mastering Data Management

Master data management (MDM) is a hot topic regardless of the economic climate. That's because reliable information is the lifeblood of an organization, and one of the most important factors in creating and sustaining competitive advantage. In fact, it's even more important during a downturn, when CIOs are challenged with "doing more with less" — providing faster, better quality data to compete more effectively, while concurrently cutting out data processing and management costs.

Specifically, IT has been brought to the table to help answer questions that enable the business to make better business decisions. Master data has become the critical element for providing accurate, timely, and reliable information to questions such as "Who are our best customers and what is the most effective way of interacting with them?" and "How can we improve the visibility and traceability of products across the value chain?" It's a huge challenge, and has given some CIOs reason to believe that it's a problem that should be handled when times are better and the company can better focus on foundational change.

For years, the degree of change required to both business processes and systems has caused organizations to look at foundational data management change as "boiling the ocean." Data management initiatives that were able to launch either relied too much on technology as the answer or took too long to deliver any results back to the business. It may seem daunting, but there are ways to begin implementing master data management tactics immediately, without having such an initiative cannibalize much-needed resources during the downturn. Further, by delivering early and visible impact, MDM can earn the credibility and momentum to expand based on the demands and constraints of your business.

## Consider

- **Thinking holistically.** Align MDM capabilities and priorities to support strategic business initiatives. Understand how your data works for the business today, through the lens of quality, availability, and integration. Craft an MDM roadmap around solving pain points and root causes.
- **Addressing the impacts of change.** Gain will involve pain, and it will require significant effort to break down data silos across your organization. Understand the resistance to changing existing business methods and applications. Develop and evangelize the benefits of MDM for the "common good" versus individual functions or processes to help drive the need for change.
- **Getting the right people involved.** Successful master data initiatives require a tight integration between the business and IT — particularly in the areas of data management and governance. MDM cannot be an IT-only initiative. Insist on business ownership of the data and data management processes.
- **Taking it one step at a time.** Accept that MDM is a journey, and that change and data quality will evolve over time. Incremental execution allows you to deliver results quickly and gain momentum to expand across your organization.



# Cloud Computing

Cloud computing has captured the attention of today's CIOs, offering huge potential for more flexible, readily-scalable and cost-effective IT operations. Offerings have evolved into three primary categories: Infrastructure-as-a-service, platform-as-a-service, and software-as-a-service. And the benefits of cloud computing are finally being brought within reach as vendor offerings mature. It couldn't happen at a better time, with IT organizations under increased pressure to reduce capital equipment spending, lower implementation costs while increasing the speed of implementation, and reduce assets on the balance sheet.

But the real power of cloud computing platforms is the potential over time to facilitate the fundamental rethinking and redesigning of enterprise business and IT architectures. We see significant anticipation for emergent innovation and expanded capabilities of a cloud-based business environment, even though it is clear to us that today's cloud offerings are only scratching the surface of this potential. As with all technology innovation, the biggest gain will be realized by those who first establish business practices to leverage and differentiate this vision.

We believe cloud computing offers immediate and pragmatic opportunities to improve efficiencies today while cost effectively and systematically setting the stage for strategic change. The market has grown rapidly, and industry analysts predict continue growth in the future with a 20%-60% compounded annual growth rate . As this space has grown, issues such as operational integrity, vendor lock-in, service level agreements and exit strategies are less of a risk to enterprise adoption. Emerging data security standards in the cloud will likely contribute to expanded adoption among larger enterprises.

Many CIOs are already establishing competitive advantage through cloud computing. If you have waited on the sidelines for cloud computing to mature, now may be the time to act.

## Consider

- **Easing in.** Start by experimenting with noncritical applications and services, such as test, development, or overflow capacity. This can help reduce risk while giving your team valuable experience with cloud computing.
- **Learning from others.** Many of your colleagues have already begun using cloud computing — find out what lessons they've learned along the way. Cloud vendors can help accelerate the learning curve, sharing their efforts to improve utilization and reusability of internal infrastructures.
- **Making vendors work for it.** Bring cloud vendors up to speed on your specific requirements, and ask for customization and services tailored to your business needs.
- **Building hybrid test clouds.** With the right data center resources, you can develop test clouds within your IT organization today to determine the right model for expanded efforts in the future.

# Taking the Next Steps

It can be hard to know where to turn during a downturn — and there are plenty of choices. By now, you've probably already made plenty of tough decisions just to help your company stay afloat. There are almost certainly more ahead. Nobody knows when the economy is going to get back to normal — or even what "normal" will look like. But it's time to start thinking seriously about which actions can help your company's day-to-day situation during a downturn while laying the groundwork for success in an upturn. How you apply technology to your company's challenges today will directly affect how strong you emerge during the upturn.



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