IT Delivery in the Downturn

Responding appropriately to economic pressures

Dale Vile and Tony Lock, December 2008

KEY POINTS

Most IT professionals see challenges on the radar

Feedback gathered during a recent online survey of 1,125 IT and business professionals suggests that while only a minority of IT departments have felt the squeeze so far, four out of five are either expecting an impact or are well aware of the possibility of IT investment being hit as a result of economic pressure looking forward.

All parts of the economy will be affected; it's just a question of when

Expectations of being impacted by the downturn are remarkably consistent across both geography and company size. Significant variation in terms of timing is seen by industry, however, with the highly challenged Financial Services sector, not surprisingly, being top of the list of those already hit by the crunch. The Travel and Transportation sector is second on the list, closely followed by industries reliant on consumer confidence such as Retail and Media.

Yet IT departments are keeping their heads

Despite the outlook, there is little evidence of panic or despair within IT departments. The majority of those who are expecting challenges are anticipating being able to contain the impact through selected cut backs and/or general belt-tightening. This is in stark contrast to the crash of 2001, which hit with very little warning in the middle of the dot com spending frenzy. This time around, we have been able see to what's coming well in advance, and the hit will be against the backdrop of the more conservative investment behaviour that has characterised the last few years.

To maintain control, take a proactive approach to enhancing efficiency

While it is sensible and prudent to plan for budget reductions, the ideal situation is for adjustments to be considered and agreed with the business on an informed and objective basis with a view to creating sustainable efficiency gains, not just one-off savings. This will sometimes require a degree of tactical investment. If you wait until cost cuts are strictly imposed, however, the chances are that you'll have to work reactively with what's in place already, which provides less room for manoeuvre.

The biggest difference can be made by thinking beyond IT infrastructure and operations

There is a lot more IT can do than simply looking at how costs can be reduced through optimising infrastructure and operations. The real differences come about from looking beyond this to helping the business optimise the way it uses IT, introducing new capabilities to drive *business level* efficiency, and thinking about how IT can assist the business in driving the top line – an important consideration at the best of times, but more so in an uncertain economy.

Now is the time to consider alternative funding and delivery options

There has long been the potential for far greater use of financing solutions in IT. If it is a while since you have looked at this area, now is a good time to revisit it. Over recent years, funding packages from large IT vendors have evolved, and new approaches have emerged from innovative specialists. Together with subscription alternatives to traditional software licensing and hosted delivery offerings such as Software as a Service (SaaS), there are now many ways to work around capital budget constraints. Use of such options could mean the difference between important projects being put on hold or going ahead to add business value and/or improve ongoing efficiency.

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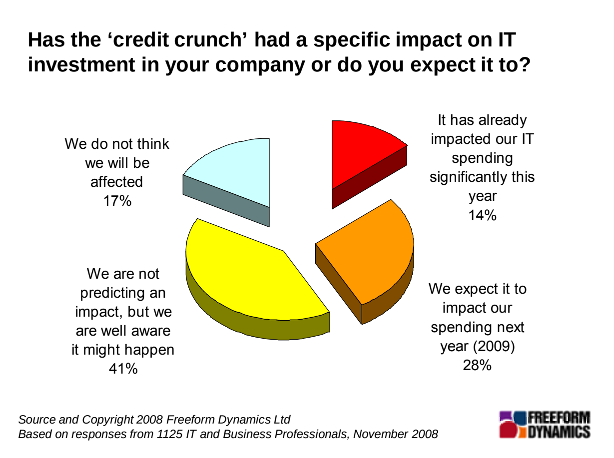
Introduction

Few would now dispute the reality of the global 'credit crunch' and the economic downturn this has triggered, which has already hit in most major economies, and according to many pundits is set to continue through 2009 and beyond.

Against this background, this report considers the impact of increased economic pressure on IT departments, and looks at some of the ways in which they might respond depending on their environment and objectives. Along the way, we highlight some of the more useful options for optimising the way in which IT services are delivered with a view to creating operational cost savings. As importantly, however, we move beyond this to the broader question of how IT departments can enable the business as a whole to better deal with the increased challenges being placed upon it as a result of economic uncertainty.

Context for Discussion

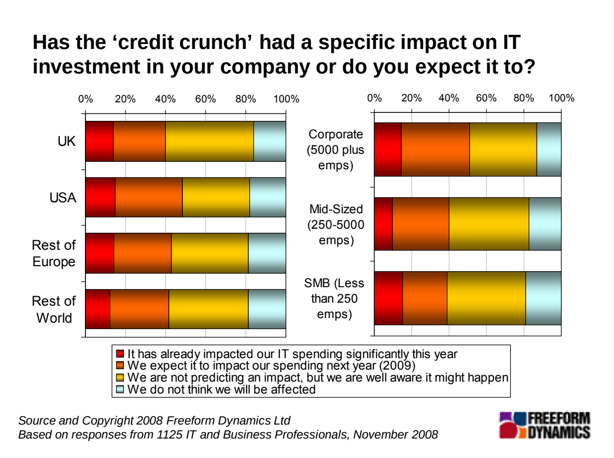
In order to provide context for the discussion, it is useful to understand the degree to which organisations are expecting the credit crunch and fallout from it to affect them from an IT investment perspective. This is a question we investigated during our recent annual 'barometer' survey conducted in collaboration with *The Register* news and information site (Appendix A). The feedback we received from 1,125 respondents via the online survey suggested that while only a minority of IT departments have felt the squeeze so far, most are either expecting an impact or are well aware of the possibility of IT investment being hit (Figure 1).



While only a minority of IT departments have felt the squeeze so far, most are either expecting an impact or well aware of the possibility of IT investment being hit.

Figure 1

Furthermore, views are remarkably consistent across major geographies and size tiers (Figure 2).

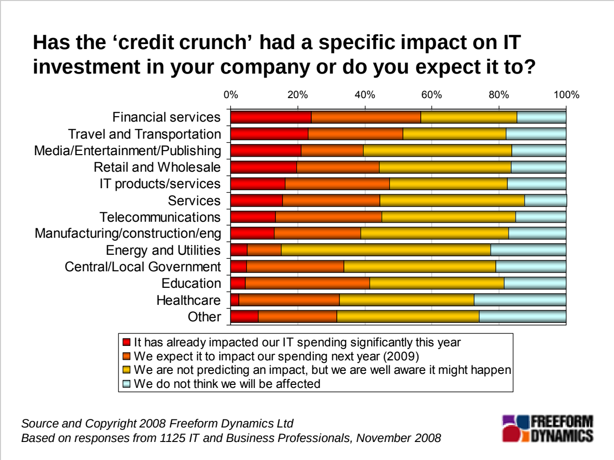


Views are remarkably consistent across major geographies and size tiers.

Figure 2

Figures like this confirm the global nature of the challenge, but also highlight that impact is anticipated at all levels within the business community, from the small to medium businesses (SMBs) to the largest multi-national corporations.

We do, however, see significant variation by industry, with the highly challenged Financial Services sector, not surprisingly, being top of the list of those already hit by the crunch (Figure 3).



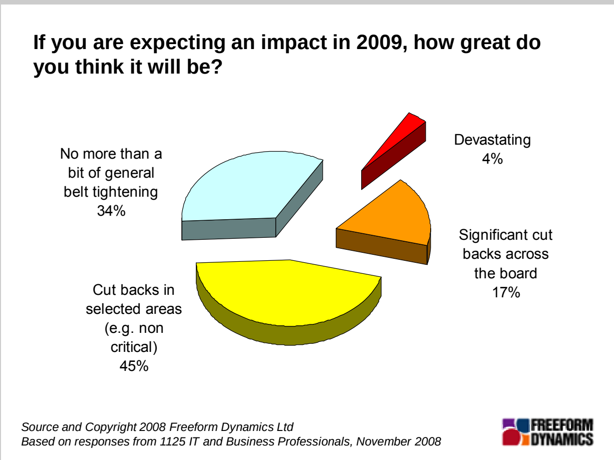
Significant variation is seen by industry, with the highly challenged Financial Services sector, not surprisingly, being top of the list of those already hit.

Figure 3

It is also not surprising to see Travel and Transportation appearing second on the list. Organisations in this sector are clearly already suffering as a result of business customers cutting back on an obvious area of discretionary spend, and many consumers now thinking twice before booking holidays and other leisure travel. The prominent position of other industries reliant on consumer confidence, such as Retail and Media, is similarly understandable. It is then interesting to see IT Products and Services companies in the top half of the table, which corroborates the emerging financial pressure on IT in general.

Perhaps most striking about these figures, however, is the fact that around four out of five organisations in *every* sector acknowledge the possible impact, suggesting that the variations we are seeing right now are mostly a result of where industries are in the row of dominos as the original credit crunch that started in Financial Services has knock on effects that roll across the economy as a whole. To put it another way, it is less of case of whether organisations are going to be hit, and more one of when the hit will come.

But how great will the hit be when it does arrive? What's interesting when we consider this question is that the majority of those who are expecting challenges are anticipating being able to contain the impact on IT through selected cut backs and/or some general belt-tightening (Figure 4).



The majority of those who are expecting a hit are anticipating being able to contain the impact on IT through selected cut backs and/or some general belt-tightening.

Figure 4

Consistent with this is anecdotal feedback from IT leaders and vendors we interact with on an ongoing, in-depth basis. We are hearing from both camps that there is an interesting contrast between the situation today and the last big market crash that took place in 2001. Back then, IT investment had gathered momentum after over a decade of aggressive activity around client/server, ERP, CRM and ultimately Web based technologies and the dot com frenzy, during which many IT departments were given a lot of autonomy from a spending perspective. When the crash came, it was therefore akin to a speeding car being driven into a brick wall, with all the associated damage, disruption and heartache.

The difference this time around is two-fold. Firstly, as IT departments began to recover from the previous crash, generally around the 2005/6 timeframe, investment was ramped up gradually and was kept very much in line with business priorities in most organisations. Indeed, the phrase 'IT governance' has become very prominent and pertinent over the last three years as the foundation for approaching IT investment in a much more considered and objective manner. To continue with our analogy, while the car is back on the road, it is now being driven safely within the speed limit.

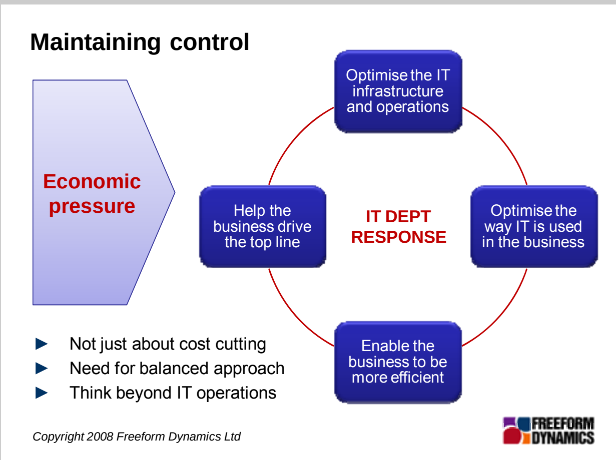
The other difference is that, with the possible exception of those in the Financial Services sector, IT departments have had a lot more warning this time, so are able to think through how to handle the impact of the economic downturn proactively rather than reactively. The sentiment we are picking up is therefore akin to the car currently being driven on a straight road, in the knowledge that there are rough surfaces and inconvenient obstacles ahead that are likely to slow progress but can be navigated successfully with care.

Of course whether IT leaders are being over optimistic and the road ahead turns out to be rockier than anticipated remains to be seen. Either way, with the luxury of at least a little time to think and plan, it is wise to consider options and prepare and act accordingly in order to maintain control.

Maintaining Control *and* Making a Difference

The last thing any IT department needs is the blind imposition of budget cuts by business stakeholders in a manner that creates uncontrolled risks and undermines the ability to meet delivery expectations. While it is sensible and prudent to plan for budget reductions, the ideal situation is for adjustments to be considered and agreed with the business on an informed and objective basis.

One way in which IT departments can increase their chances of maintaining control, is to think beyond the immediate activities taking place in their own domain, and consider the broader impact IT can have in helping the business as a whole deal with economy related challenges (Figure 5).



It is important to consider the bigger picture and the broader impact IT can have in helping the business as a whole deal with economy related challenges.

Figure 5

As we can see from this chart, in response to economic pressure, there is a lot more IT can do than simply looking at how costs can be reduced through optimising infrastructure and operations. While exploring ways of reducing internal IT costs is important, and we shall consider some of these in a moment, a lot can also be achieved by helping the business optimise the way it uses IT, introducing new IT capability that enables the business to become more efficient, and thinking about how IT can assist the business in driving the top line – an important imperative in a downturn as we shall see.

Let's look at these areas a bit more closely, the aim not being to provide an exhaustive list of actions in each, but simply to give some examples to illustrate the nature of the four dimensions to help scope and shape our thinking and planning beyond knee jerk IT cost cutting initiatives.

Optimising IT infrastructure and operations

This is generally the first port of call in terms of response to some kind of financial squeeze, whether caused by the macro-economic forces we have been discussing or more local pressures such as the need to cut costs because of poor sales or some other performance related challenge.

The most important characteristic of this type of response is that the action taken is fully under the control of the IT department. This, though, is a double-edged sword. While it translates to a degree of freedom for IT professionals to decide where to focus when looking for efficiencies, the temptation is for senior business management to declare high level financial objectives in an ill-informed and often quite risky manner. All too often, the view that business people are not qualified to tell the IT department how to save money in their world of flashing lights and whirring fans is taken as a licence to impose budget cuts in an arbitrary and unaccountable manner, with little regard for the consequences or trade-offs that are forced.

If IT is already under pressure to cut costs, there may be little that can be done about this, but if, like the majority of those who gave feedback in our survey, you still have time to plan, taking a proactive approach to introducing further efficiencies is the wisest thing you can do. Ironic though it seems, this may even involve some short term investment in order to unlock medium to longer term gains. Let's take a look at some examples:

- The adoption or further deployment of virtualisation technologies[1] in order to reduce the number of servers and/or storage devices in the organisation. This can reduce ongoing capital costs, power consumption and operational overhead, all of which can have a significant impact on the overall efficiency of the IT function. The good news is that with recent advancements and the entry of Microsoft into the domain, the cost of acquiring and implementing virtualisation solutions, especially to consolidate x86 server sprawl is coming down considerably.

- Optimisation of the desktop environment, which often accounts for a sizeable chunk of the IT budget. At one end, this could simply be about reviewing the hardware and software installed with a view to rationalising software licences, subscriptions and maintenance. At the other end, it may actually make sense to bring inevitable upgrades forward in order to simplify the desktop estate and reduce ongoing operational and support costs. One of the pre-requisites for effective desktop optimisation is adequate asset management[2], so if you haven't done so already, it is therefore worth investing in the relevant tooling, which again needn't be that expensive.

- Broader review of your systems management and support activities. When we have researched this area previously[3,4], we have found that while most IT departments typically do some things very well, they often struggle with others or don't even pay attention to them. Whether the gaps and inefficiencies are down to process, skills, resources or tooling limitations, or simply the fragmented and uncoordinated nature of the environment, the evidence suggests that most will benefit if a structured review of infrastructure and operations is carried out and acted upon.

This list is clearly not intended to be exhaustive, and in your situation there are undoubtedly lots of other ways of introducing IT infrastructure and operations related efficiencies. The point we are trying to emphasise, however, is that the need for a little investment here and there to achieve significant ongoing results mandates a proactive and pre-emptive approach. If you wait until cost cuts are strictly imposed, then the chances are that you'll have to work reactively with what's in place already, which provides much less room for manoeuvre.

Optimising the way IT is used within the business

Something that is often overlooked by senior management and finance executives is that the cost-effective use of IT is not just the preserve of the IT department. Indeed, the way in which systems and technology are used is often beyond the direct control of IT professionals. It is therefore necessary to turn attention to the business domain at some point when looking to drive efficiencies.

Having said this, it will probably still be down to IT to drive, or at least catalyse improvements, so unlike above, there is a requirement to work collaboratively with business stakeholders. If approached in the right way however, there should be wins for both sides of the house, as optimising the way in which users employ systems and technology not only has benefits for them and the business, but can also make life easier for the IT department. Examples include:

- Review of end user skills and implementation of relevant training where appropriate. Educating people on how to take advantage of the 'other 90%' of the functionality in Microsoft Office that they are not currently using, for example, not only boosts their productivity, but also potentially reduces the need for upgrades and complementary tools acquisition. In addition training in general across all applications, can significantly reduce the cost of IT support delivery[3].

- Propagation of environmental awareness as it relates to IT across your user base. Whether or not there is an over-arching corporate social responsibility framework in place is secondary. Our research into Green IT[5] tells us that the cost motive is often enough to prompt and justify action here, and that the workforce is generally pretty keen to support environmental initiatives. Whether it's desktop power management, implementation of policies to reduce printer waste, or recycling and re-purposing schemes for IT equipment, much can be done here.

- Implementation of basic IT governance if you haven't done so already, which is largely about making sure that IT related activity counts in business terms. One of the obvious things you can do here is ensure that policies and procedures are in place to allow the prioritisation of projects and investments according to objective cost/value criteria. What is often overlooked, however, is that many organisations often have older systems in place that cost a lot to maintain but no longer deliver significant value. Finding ways of decommissioning these, and, in a similar spirit, consolidating redundant applications, can free up significant amounts of resource and budget.

Again, we have not tried to be exhaustive here, just illustrate the value of working with the business to explore areas in which the use of IT across the organisation can be optimised from an efficiency perspective.

Enabling the business to work more efficiently

Much of what we have been talking about so far has been very IT centric, looking at the world from the IT department's perspective. Moving beyond this, there is a lot to be gained from switching the emphasis to deal with the question of how technology can be used to help the business work more efficiently. In order to do this successfully, it is necessary to adopt a more business centric mindset when exploring opportunities. Here are some examples to illustrate this way of thinking:

- Getting people better connected to introduce efficiencies into the way individuals and teams work by cutting down travel costs, reducing the dead time, and generally boosting productivity. At the simplest level, providing hand-held email devices, notebook data cards, etc, for mobile workers can be achieved relatively easily[6] and securely[7] today. The holy grail of optimised workforce connectivity, however, is unified communications, i.e. the bringing together of telephony, conferencing, messaging, etc to enable seamless interaction between individuals. When looking at options, it is important not to boil the ocean. An appropriate implementation of simple web conferencing can significantly reduce the need for travel, for example.

- Making smarter use of Web and portal technology. At one level, significant advantages can be gained by empowering users to maintain website content without the assistance of IT professionals through content management and workflow solutions[8], which in recent years have become cheaper, easier to implement, more functional, and more user-friendly. The same, in fact, can be said of portal and document management frameworks, which today allow both internal collaboration sites and extranets to be created cost effectively and securely. Through the use of such technology, manual processing can be reduced, effective reuse can prevent constant reinvention of the wheel, and operational efficiency can be significantly enhanced.

- Unlocking the value of information assets. The reality is that many businesses capture a great deal of information that may be stored for the record, but is never used beyond this. At the same time, users are often struggling to get a handle on business performance because information is not available to them in the right form at the right time[9]. Adoption of business intelligence solutions can make a big difference here[10], and as with so many other areas, implementation is not as costly or difficult as it used to be, particularly for smaller businesses.

Of course many reading this will already have such facilities and systems in place, but if the IT department can directly tune into the business' own efficiency agenda, there is a good chance that the smart application of technology will be able to help in ways that business managers and end users may not already be aware of and may not think to ask about.

From a political and control perspective, adopting a more proactive approach in this domain will divert focus from the pure IT operational cost question. This is a far better position to be in as it allows IT professionals to prioritise activities that will really make a difference at a business level, rather than being dragged into the depressing world of damage limitation when forced to reduce costs associated with the maintenance and operation of essential infrastructure.

Helping the business drive the top line

While the focus on efficiency and cost is inevitable during a downturn, another often overlooked area is the importance of looking after the top line of the business. One of the consequences of economic pressure on the market as a whole is that there is simply less business to go around. This means the same number of competitors chasing fewer deals, which will be true whether your organisation is selling to consumers or other businesses.

As a direct consequence, this means that the sales and marketing organisation needs to become more efficient and effective just to stand still in terms of revenue generation – it either has to drive proportionally more of the opportunities arising in the market into its own pipeline and/or improve the ratio of opportunities captured to deals generated – i.e. improve its hit rates. The good news is that IT can potentially make a big difference here, examples being:

- Enabling the sales and marketing function to improve performance through better use of data[9]. Even the smart use of database and rudimentary business intelligence tools can make a big difference[10], by allowing marketing professionals, for example, to segment and target more effectively based on demographic information, purchase history and other attributes of customers and prospects. At the next level up, more sophisticated solutions that generally fall into the 'CRM' category can be deployed to better manage campaigns, through planning, execution and ultimately sales qualification and follow up. The ultimate capability here is to close the loop with the customer service function so information and opportunities are managed throughout the cycle to maximise the returns from your existing customer base – a precious asset at the best of times, but particularly in a downturn.

- Boosting both the efficiency and effectiveness of sales teams through improved communication and collaboration facilities. Mobile technology and unified communications can enable dead time to be reclaimed within the sales force, which translates directly to more time spent selling. Such solutions can also improve the way in which sales teams work together, whether it is allowing a physically distributed or highly mobile group to brainstorm how best to deal with a particular opportunity, or allowing managers to respond quickly to situations that arise in the sales cycle, such as rapid assessment and approval of discounts in a competitive time-critical scenario. Outside of the field operation, advanced communication and collaboration can also help within marketing and product development when different disciplines are working together to design and message well differentiated offerings – another way of improving performance.

- Presenting a better image to the customer through more effective use of authoring tools (such as office suites) and document management. When you consider the sales and marketing activities of most organisations, a lot of documents and other information vehicles are involved, ranging from product information on websites, through brochures, proposals, etc, ultimately to contracts capturing commercial and legal terms and conditions. Yet the talent for producing good looking documents with the appropriate content, and the knowledge of how best to use the tools available, tends to vary considerably among sales and marketing professionals. Part of the answer here has already been mentioned – that of user training – and when coupled with easily accessible template libraries and basic workflow capability, significant improvements in consistency and presentation can be achieved; both of which directly affect performance.

As with general operational efficiency, the key to unlocking benefits in the front end of the business is getting IT and business people working together to explore possibilities. The good news is that sales and marketing professionals are generally very keen to look at how technology can help, so in this area more than any, proactive moves by the IT department are likely to be welcomed positively.

Reviewing Delivery Mechanisms

In addition to the above, which is mostly concerned with *what* can be delivered by the IT department, there is the associated question of *how* services are delivered. One of the main considerations here is the use of hosted solutions, managed services, and other forms of outsourcing.

This is a complex area and it is difficult to generalise on how exactly such options allow IT services to be delivered efficiently and effectively in an uncertain economy. Introducing hosted services into the mix through the so-called 'Software as a Service' (SaaS) model, for example, can overcome the need for up-front investment in hardware and software and thereby allow some projects to proceed that would otherwise be deferred due to lack of capital budget. However, we need to be careful not to position SaaS as a universal magic bullet, and the same can be said about other services that are currently being promoted by the IT industry under the 'Cloud Computing' umbrella. Quite apart from the reality that many of these services are still relatively immature, IT managers, architects and operations specialists are quite rightly wary of considering hosted subscription based services beyond relatively simple, non-critical applications requiring minimal integration[11]. SaaS and similar options may therefore be able to help, but they should be thought of as just part of the mix, with specific offerings being considered and qualified individually and objectively based on context and requirement.

Beyond Cloud and SaaS, the complete spectrum of more traditional hosting, outsourcing and managed services offerings are clearly still an important part of the delivery landscape. For some organisations, such services may start to look more appealing as the economy bites, not just because of any cost case that might be made, but also because of the predictability that is seen to come from outsourcing. In an environment where cash is tight, funding remedial measures to deal with unexpected disasters and disruptions can be a challenge. With the right contract terms in place, these measures can often be made the responsibility of the outsourced service provider, thereby mitigating the risk of being caught out. Of course with the wrong contract terms in place, you could easily end up at the mercy of the provider when exceptional situations occur, and be even worse off than you would be if everything was managed and controlled in house. All of which creates an imperative for those with outsourcing arrangements already in place to review the scope, terms and conditions of agreements to ensure they are appropriate for future needs.

Again, it is impossible to generalise here – there are good and bad providers as well as good and bad contracts.

Picking up on the theme of predictability, one of the factors often involved in driving organisations to look at outsourcing is the optimisation and management of cash flow, a matter of some importance when the financial pressure is on. The alternative sourcing options we have been discussing represent just one way of looking at this. However a more immediate, accessible and relevant option for many looking to optimise the financial part of the IT delivery equation, is to look at alternative ways of funding in-house projects and investments.

Exploring Alternative Funding Options

For the majority of organisations, IT purchases still tend to be funded directly out of capital budgets, frequently with little thought to, and even less research being conducted to explore any other method of financing. However, the use of existing capital, better known to most people as 'cash', to finance IT projects is something that is going to come under even more scrutiny as we look ahead; indeed some organisations may already have had projects put into suspended animation until business confidence returns.

Against this background, alternative options for financing IT investments are starting to look more interesting. And the good news is that unlike many of the generic financial services players struggling to offer credit against their dubious asset bases, those offering specialist IT financing services, most notably the big IT vendors themselves, are typically much more solidly backed and therefore still able to help despite the current climate. If you thought that the credit crunch meant searching for financing options would end in disappointment, think again, as we understand this may not be the case. The reality is that financing is readily available to creditworthy organisations, and the way in which offerings have evolved is making them even more relevant and accessible.

With this in mind, let's review some of the more prevalent alternative financing and payment options available at the moment, and discuss the practicalities of assessing and using funding options in general.

Leasing

Until comparatively recently, the concept of 'financing' IT solutions, if it has been considered at all, has usually meant some variation on the scenario in which a purchaser 'leases a system'.

Leasing arrangements may be entered into either directly with an IT supplier or via a specialist financing organisation. Over the course of the lease, the customer makes payments at pre-defined dates over an agreed period for the privilege of using a system which is essentially owned by the leasing company. Leasing suits those situations in which large amounts of up-front capital may not be readily available to fund new systems or significant upgrades, but where smaller regular outgoings are easily manageable.

Leasing arrangements have been most commonly used in the context of hardware. Whether it's servers, storage or networking, the operating software is typically included in the arrangement, and possibly platform software such as database management systems, middleware and so on. While it is also possible for business application software to be included in a lease (i.e. software packages), this has been less common as software vendor attitudes, not to mention licensing terms and conditions often stand in the way of this.

The leasing model sounds pretty straightforward, and generally speaking it is, but there are some practicalities to consider. One of the most important considerations when entering into leasing arrangements is what happens at the end of the contract period, especially if there is a chance that you will want to continue running the systems under lease. In these situations the lease period can sometimes be extended on modified terms that take into account the age of the system, upgrade options could kick in, or, should the necessary capital then be available, the system could be purchased outright.

The good thing is that intelligent use of leasing, bearing the factors discussed above in mind, can offer significant operational IT benefits. The use of appropriate leasing arrangements to allow regular replacement of aging equipment can reduce the overall management burden and cost associated with maintaining systems, whilst potentially adding new capabilities to generate additional business value. Equally the ability to return equipment at the end of the lease to the leasing company helps to avoid end-of-life disposal issues. With a reputable supplier, arrangements will include ensuring that sensitive data is eliminated from returned systems as well as handling the growing number of legislative recycling/reuse directives now prevalent in many parts of the world.

Project financing

With the traditional capital funding approach, it is typical for the cost associated with an IT project to be front-end loaded while the benefits come further down the line. The resulting cost/value lag can inhibit the approval of new project propositions or, when things are really tight, even delay or bring to halt in-flight projects that are consuming cash on an ongoing basis but are still a long way away from delivering tangible value. Neither of these situations is desirable, particularly the latter, as there is a good chance that a return on the investment already made to date may never be seen.

This is where project financing can help, the idea being to minimise the cost/value lag, by either spreading the necessary expenditure more smoothly over the course of the project, or in some cases actually back-end loading the costs so they are brought closer to, or even in line with, point of value delivery. In order to achieve this, financing packages have emerged that are able to deal with not just the hardware and systems software element, but all aspects of costs including applications and third party implementation services.

It is certainly now the case that many large vendors, notably IBM, HP, Cisco, Microsoft and Oracle among others, are now comfortable financing projects that cover all aspects of the project. Indeed these organisations are often willing, and able even in these uncertain times, to finance solutions that include significant amounts of technology from players that would be traditionally regarded as their competitors. Having said this, IT vendors clearly expect their own solutions to feature significantly in the deal, but the point is that they do not have to make up the majority of the solution being deployed.

Finding the right deal

Perhaps the biggest single challenge inhibiting the use of alternative IT financing is the widespread lack of awareness of the options available among both potential end customers and many of the dealers, resellers and solution providers that are servicing the buyer community. As we have already mentioned, there is then the perception that in the current economic climate with talk of credit drying up in many quarters, there is often a perception that finance deals will be difficult to find and secure. In many cases, customers simply do not think about financing IT solutions, whilst in others, there is a feeling that with capital "so difficult to get hold of," why bother trying.

While it is beyond the scope of this report to provide a comprehensive guide to the many sources of finance that exist out there in the market, in Appendix B we have provided a high level overview of the types of service available from a few of the larger IT vendors, to give a flavour of what's on offer. We also provide an example of an online portal designed to match-make between those seeking, and those providing finance for IT related investments.

Perhaps the best advice, however, is to simply ask every supplier you are about to buy something from what financing and payment options are available. When we discussed this matter with vendors like HP and Microsoft during the research for this report, they said they would encourage customers to ask their partners to check out what's available in terms of vendor backed financing. The bigger players are also happy to be approached directly for financing deals, even if products and services are being sourced through an intermediary.

Conclusion

With the general consensus among both pundits and IT professionals that IT departments are likely to be affected by the global economic climate in 2009, it is wise to be prepared rather than wait for what many regard as the inevitable. We can but hope that the impact of events will be as controllable as those who responded to our barometer survey seem to suggest, though at this stage it is almost impossible to estimate the ultimate level of disruption that is likely to be encountered.

As we have discussed, however, for the time being at least there is an opportunity for most IT departments to be proactive about both tightening up the IT ship and enabling the business to deal with the broader set of downturn related challenges that's likely to hit it. In doing so, there has never been a more important time for IT and the business to work together effectively to define priorities, and to think outside of the box in terms of how to deliver and fund the tactical investments that will make life in the downturn more manageable, and ensure that when the pressure lifts, the business will emerge in as good a shape as possible.

References

Ref	*Report Title*	*Published*
1	The Great Virtualisation Debate	Jan 2008
2	Delivering Effective IT Support	Aug 2006
3	Relieving the Systems Management Burden	Jan 2008
4	IT Management Checkpoint	Jan 2008
5	Green Computing	Jun 2008
6	Evaluating Mobile Email Solutions	Sep 2007
7	Secure Mobile Working	Sep 2007
8	BPM: Lessons from the Real World	Oct 2008
9	Business Performance Management	Nov 2007
10	BI Inflexion Point	Jun 2007
11	IT on the Front Foot	Jun 2007

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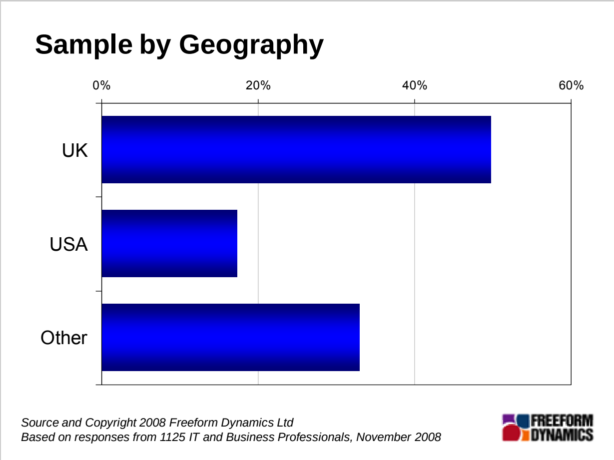
Appendix A

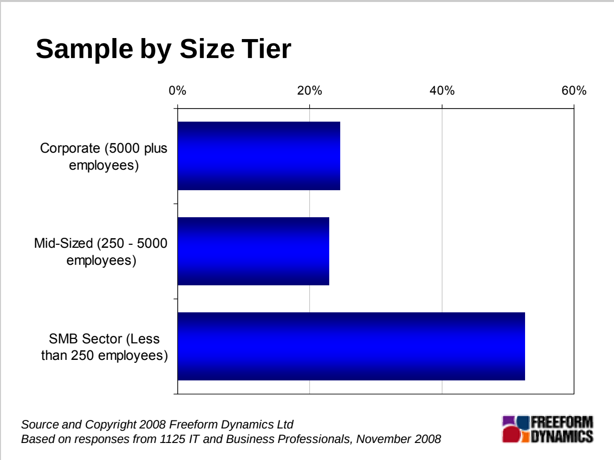
Barometer Survey Sample

The charts presented in this report were derived from an online survey executed by Freeform Dynamics in collaboration with *The Register* news and information website (www.theregister.com). Work on the study was completed in November 2008 and the sample gathered, which totalled 1,125 respondents, was composed of the following:



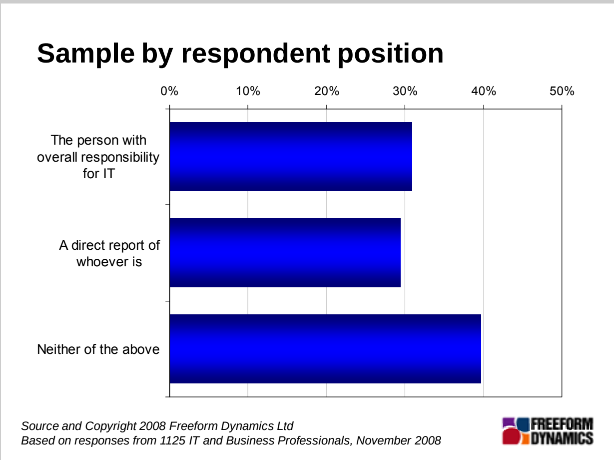
As an English language publication, respondents were largely from the UK and USA, though other geographies were represented significantly.

Figure 6



All organisation sizes were represented significantly in the sample.

Figure 7



IT decision makers and influencers make up a significant part of the overall sample..

Figure 8

Appendix B

Example Sources of Finance

While we cannot provide an exhaustive list of finance suppliers, we felt it important to give some examples of what's on offer in the market to help with the funding of IT investments in the economic downturn. In order to do this, we have homed in on the three major IT vendors that are most frequently cited as strategic suppliers in our ongoing primary research – Microsoft, HP and IBM. In addition, we have provided an overview of SmartFundIT.com, as an example of an online service that brings together those parties offering and seeking finance services.

As you read through the following, please be aware that Freeform Dynamics does not recommend or endorse any of the offerings discussed. As we have said, the intention is purely to raise awareness of the kinds of services available. Please also note that we have only mentioned highlights or more notable aspects of the services on offer from the vendors included. Please check their websites or contact them directly for a current and complete view of their service portfolios.

Microsoft

Microsoft Financing is able to offer credit-approved customers access to capital to enable IT solutions to be purchased with predictable payment structures. When requested the Microsoft Financing arm can cover software, services and partner solutions, including hardware platforms. Microsoft offers four main financing solutions:

- Total Solution Financing is a program designed to help small and midsize companies finance the entire cost of a technology solution, including software and partner services. The fixed-rate loans have payment terms stretching from 24 to 60 months.
- Enterprise Financing provides similar offerings for large organisations with payment structure based around monthly, quarterly, or annual payments.
- Software License Financing covers just Microsoft licenses rather than an entire technology solution. Microsoft Financing can help distribute licensing purchase capital outlays across fixed monthly payments rather than the traditional one off up front capital impact.
- Microsoft can offer leasing options in several European markets, notably Switzerland, Germany, France, Italy and the United Kingdom.

Microsoft financing is also available via some of its many channel partners.

HP

HP Financial Services is the arm of the company that supplies a variety of financing options to its customers, both directly and via its channel partners. In addition to standard leasing of solutions, HP Financial Services can also provide a sale leaseback service whereby HP buys the customer's existing equipment for an agreed cash sum and then leases it back to them. Such a deal could release capital to the business, a matter close to the heart of many CEOs today. As with several of the major vendors it should be noted that HP is able to finance total solutions that include non-HP components (hardware, software and services) but that HP offerings will clearly need to be a significant part of the package. At the same time the sale-leaseback option can also accommodate non-HP assets in a deal.

IBM

IBM Global Finance is probably the largest source of IT financing in the industry. IBM Global Financing offers a very wide range of flexible leasing and financing options that can cover a complete IT solution, including hardware, software and services. The financing options can once again handle non-IBM sourced components and services. The company also provides services to handle the disposal of retired assets at their end of operational use by the customer. In the area of commercial financing, IBM has options available for Inventory financing, Payables financing and Receivables financing. IBM can finance solutions in direct sales scenarios as well as via select channel partners.

SmartfundIT.com.

SmartfundIT.com is a company based in the UK with some operations in North America. As an organisation smartfundit.com has created a financial marketplace that brings together companies that want to buy technology or sell technology with over 40 companies with the means to finance such solutions. The company provides an online platform which allows businesses to source competitive IT finance terms from a range of financing suppliers.

To use another motoring analogy, smartfundit.com acts in a similar way to online websites that provide competitive quotes for car insurance; enter your funding requirements online (who, what, capital cost, repayment period sought) and the site will deliver options from those funding agencies willing to finance the deal. The company has noticed that its business has grown considerably over the past year and fully expects this trend to continue, if not accelerate, in the coming months.

SmartfundIT.com has already noticed a growth in interest from both channel suppliers and end customers who are finding it difficult to obtain capital in the form of loans from their long time financial services partners, namely the banks. It has been so successful in providing access to finance to customers, especially via channel suppliers, that it has even created a 'Deal Rescue' programme especially for those suffering from a late withdrawal of financing from traditional banks.

About Freeform Dynamics

Freeform Dynamics is a research and analysis firm. We track and report on the business impact of developments in the IT and communications sectors.

As part of this, we use an innovative research methodology to gather feedback directly from those involved in IT strategy, planning, procurement and implementation. Our output is therefore grounded in real-world practicality for use by mainstream IT professionals.

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