How to manage IT in a downturn

By Chris Wilkins, CEO of DTH

In tight economic times, companies seek ways to cut costs, and IT budgets are a prime target. Rather than implement across-the-board cuts, managers should take a more integrated view of how IT is used throughout the business.

Targeted IT investments, such as the use of vendors, can make operations more efficient and increase revenues, delivering returns larger than simple cost-cutting measures typically do.

Budget spend in IT needs to be tightly aligned with the long-term strategy of the business and where it intends to go. In this alignment there are two scenarios to consider: the "as is" and the "to be".

The as is scenario entails where the business is now – the costs involved in maintaining the status quo without plans for growth, new projects or expansion. Even without new projects in the pipeline, there remain costs for keeping a business as is, such as hardware maintenance and replacement, software upgrades and database updates.

The as is scenario is the bare minimum, the baseline of the business costs, and is not affected much by economic cycles. Finding ways to cut back on these basic costs is not easy – even reducing headcount, often recognised as the quickest way to reduce costs, comes with a sting in its tail, as reducing staff means less work throughput and, ultimately, will impact on profits.

The to be scenario hinges on the business strategy going forward. As with the as is approach, alignment with strategy is crucial. How that is achieved must, more than ever, be a matter of prioritisation: for example, if a budget has fallen from R2 million to R1.5 million as a result of the economic climate, management needs to decide its top seven or so priorities, and accept that the remaining needs will have to be put on the backburner until economic prospects look more promising.

A downturn calls for tighter management, a review of processes, the establishment of better controls. All of the components of IT, such as hardware, licensing, infrastructure and applications need to be scrutinised for any excess, and all of them an as is and a to be component attached in terms of costs.

However, tighter control of IT costs does not have to mean less scope for securing new projects. Working with vendors is an effective way of reducing expenditure. Typically, IT projects require certain people for specific tasks and for limited periods, and the remainder of the time these people are redundant.

The right vendor can provide fractional ownership of highly qualified specialists for the specific period needed, reducing the need to increase fixed costs through employing extra people in order to cope with new projects.

A vendor can make more people available at short notice, providing extra capacity when required. Using vendors to assist with peaks and troughs during projects is not only prudent during downturns, but also in periods of transition, providing flexibility during fluctuations in project demand, and agility to be able to ramp up rapidly at the first signs of economic upswing.

Downturns are a time for introspection – a time to analyse costs of current status quo and anticipated costs during transition periods, to whittle out any dead wood and reduce unnecessary expenditure. Such management practice enables the company to be lean and mean, ready to take advantage of the upturn as soon as it is in sight.