

Enterprise CIO Decisions

Guiding technology decision makers in the enterprise



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WELCOME TO *Enterprise CIO Decisions*. TechTarget's award-winning ezine has a new look for 2010, with a new set of features, plus the essential insights that senior IT executives have come to expect from TechTarget.

The ezine is available as a convenient, accessible PDF ready for reading online or downloading and sharing with your team. Each edition will focus on an important topic that readers have told us is pivotal for their IT strategic planning, business leadership and functional management for 2010, from architecture to sourcing to running IT operations for cost efficiency and performance.

Each topic is explored through several articles that look to address challenges and pain points, decision criteria, latest trends and analysis in that month's given subject area.

In this issue, learn how to manage budgets in a tough economic environment; how to respond to business needs with agile IT; how to cut costs by renegotiating with vendors; and how to reduce risk and boost efficiency through technology.

You'll also find two new sections:

■ **One on One:** Each issue, we'll get personal with a leading IT execu-

tive, discussing lessons learned, viewpoints and critical success factors for IT strategy and leadership. If you'd like to be featured, e-mail us at editor@ciodecisions.com.

■ **Up Front:** The new front section of the ezine features short articles and content such as the latest IT research, emerging technologies, career news, book reviews and project highlights.

With *Enterprise CIO Decisions*, we want to help you tackle new issues and look for answers to aid in your decision making, whether you're in the midmarket or working for the largest enterprise.

We hope you find the *Enterprise CIO Decisions* ezine informative and useful. If you have any comments or feedback, please write to me at spetersen@techtarget.com.



SCOT PETERSEN

Editorial Director
CIO/IT Strategy Media

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UpFront

News, views and reviews
for senior technology managers

ON THE JOB

NO LONGER ONE-TRICK PONIES

THE AVERAGE TENURE for senior IT executive jobs has ballooned to 6.3 years, according to SearchCIO.com's annual salary and careers survey.

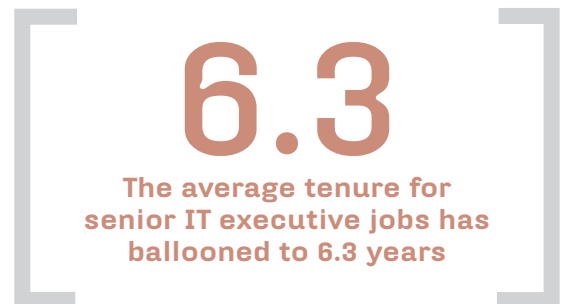
The longevity of people in the top echelon during the worst recession in more than 50 years is a stark change from rough economic patches in past decades, when the typical lifespan of a CIO was 18 months.

The relative stability of IT executive jobs also differs from the tech bust of 2001-2002, when they often were prime targets for cuts. And that suggests that businesses are looking to IT leadership for help and that CIOs have honed their financial management skills, according to employment experts.

"A lot of CIOs in 2001 were one-trick ponies. They could do the

growth, but they couldn't do the contraction. If you realize that the average IT budget growth between 2002 and 2010 was less than 2%, you see that CIOs had to be good financial managers all along," says Gartner analyst Mark McDonald.

Years on the job for those top IT executives surveyed—a group that



comprises C-level IT executives and IT vice presidents—exceeded the average tenure for midlevel IT executives (5.68 years) and for IT managers (5.36 years). Twenty percent of all IT leaders surveyed have held their current jobs for more than 10 years. —LINDA TUCCI

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by the numbers:



Which industry had the most pessimistic IT executives going into 2010? That would be **computer-related retailers, wholesalers and distributors**, with 64% of respondents feeling blue.



Who were the most optimistic? IT executives in **automotive and transportation**, where 50% of respondents foresee rosier futures.

SOURCE: SEARCHCIO.COM 2009
IT SALARY AND CAREERS SURVEY

EMERGING TECHNOLOGIES

10 TOP STRATEGIC TECHNOLOGIES FOR 2010

According to Gartner Inc., the top 10 technologies for 2010 have the potential to make a significant impact on the enterprise during the next three years:

- Cloud computing
- Advanced analytics
- Client computing
- Green IT
- Data center reshaping
- Social computing
- Security (activity monitoring)
- Flash memory
- Virtualization for availability
- Mobile applications

SOURCE: GARTNER INC., STAMFORD, CONN.

BEST PRACTICES

HACK YOU VERY MUCH: A study by Imperva Application Defense Center on password worst practices at recently hacked social network app maker RockYou indicated that **123456** was the most popular password in use today, followed by **password** and **iloveyou**. Imperva urges users to pick passwords of at least eight characters using a mix of upper- and lowercase letters, numbers and symbols. So, be smart and flex your password creativity—even though you're the only one who will know it. (Right?)

SOURCE: IMPERVA APPLICATION DEFENSE CENTER CONSUMER PASSWORD WORST PRACTICES REPORT, 2009

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ONE ON ONE

PROOF IS IN THE PMO

NAME: Sharon Gietl
TITLE: CIO
TIME IN THIS ROLE: Five years
COMPANY: The Doe Run Co.
HEADQUARTERS: St. Louis
ANNUAL REVENUE: \$800 million

SHARON GIETL is in her element as CIO at The Doe Run Co., the largest lead producer in the western world. To call her business *volatile* might be an understatement. From 2008 to 2009, the price of lead plummeted by more than 75%. “We had to lay people off and cut budgets—and that meant cutting projects,” Gietl reports.

Deciding which projects to cut was made more rational, if not less painful, by Gietl’s efforts during the past three years to establish an enterprise-wide project management office. The new, two-person PMO, underpinned by a project delivery system based on 1,600 pages of methodology, signaled a major culture change at the 146-year-old mining company—quite a coup for a CIO. The PMO also helps her IT team of 25 stay focused and deliver “actual business value,” instead of “trying to do everything.” For the full interview with Gietl, visit “[Project management office helps CIO navigate rough financial waters](#),” at SearchCIO.com.



Sharon Gietl

Your IT organization is lean. How do you spread the word on taking a process-oriented approach to projects?

We have project managers throughout the organization, and they tend to be engineers. We work with them on what the process is, how they go about doing it; we hold classes on things like how to complete an authorization for expenditure, on basic project management, on Microsoft Project. Besides that we have workshops. Those might be on topics like, how to do a SWAT analysis on the project, or on risk identification and risk mitigation.

You were given a year to convince fellow executives of the PMO’s value. Where are you now on that?

We have gotten the entire buy-in from the executive team, and that is

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where this needed to get sold first. Each year, we have different objectives. Now we have the whole project portfolio for the corporation prioritized. We started that by having people present their projects and their justification for their projects to the executive team and senior leaders as part of our annual planning.

What generates the most debate?

Projects that are considered strategic. We can't do everything, so which ones get top priority and where we draw the line in terms of the capital we have available gets a lot of discussion.

What do you tell other CIOs about the benefits of a PMO?

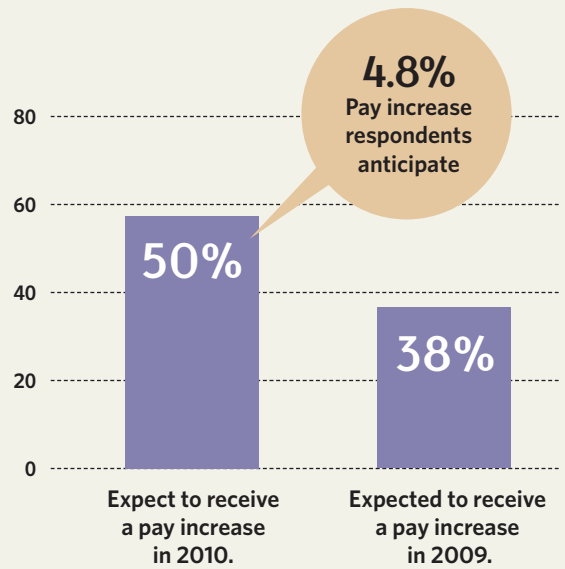
It allows you to be embedded in the business. You're not just seen as over there and to the side.

—LINDA TUCCI

SALARY SNAPSHOT

IT EXECUTIVE PAY IN 2010

Will most IT executives get pay increases for 2010, and if so, how much? Our annual IT salary and careers survey of 949 respondents shows a big rebound from last year.



SOURCE: SEARCHCIO.COM 2009 IT SALARY AND CAREERS SURVEY

QUICK QUOTABLE

“IT executives are spending much more of their time on operational and tactical things, and that makes sense, because in this climate IT is trying to demonstrate immediate value in their initiatives.”

—JERRY LUFTMAN, distinguished professor and director of information systems program, Howe School of Technology Management, Stevens Institute of Technology



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2010 Budgets *in Flux*

CIOs are looking to rein in spending as 2010 budgets remain fluid.

BY LINDA TUCCI

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2010 IS ALREADY proving more challenging than 2009 for Tom Gainer, CIO of First Bank Southwest, a regional bank based in Amarillo, Texas. Gainer's 2010 IT budget is about \$150,000 less than last year's.

Capital spending is down. A long-planned document imaging project has been shelved until 2011, and so has a server virtualization project.

"These two projects are huge and costly, and right now we can operate just fine without them," Gainer says.

As many companies like First Bank are still hunkered down, IT remains in a difficult position in 2010. If the economy begins to wake up, technology spending will increase—but if the recovery falters there will be flat or reduced IT budgets.

In fact, Gartner Inc. and Forrester Research Inc. see IT budget growth quite differently based on their

views of the economic recovery. While the consultancies see opportunities for adding capabilities in 2010 via Web 2.0, virtualization and cloud computing, many of the IT professionals we talked to are focusing mostly on changes that serve to increase productivity and provide for efficiencies via traditional software or hardware upgrades.

For example, Gainer is investing. He's improving network security and upgrading several core systems, including the bank's Voice over Internet Protocol (VoIP) and virtual private network. Later this year, the bank will migrate to Windows 7.

"We held off until this year for many reasons, but now it's time to install upgrades. I do not like being more than one release behind on these types of platforms," Gainer says.

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Stamford, Conn.-based Gartner, which began 2009 by predicting modest IT budget increases but quarter by quarter revised its projections downward, recently pronounced 2009 the worst year for IT budgets since it began tracking the numbers in 1999. According to Gartner, IT budgets dropped by 8.1% in 2009, essentially erasing four years of growth in a 12-month swoop.

The outlook for technology spending in 2010 does not appear any rosier. According to most gauges, including TechTarget's recent IT Priorities Survey of 958 IT managers, the majority of CIOs expect IT budgets to be flat or smaller this year. Gartner is predicting a nominal 1.3% uptick.

"CIOs see 2010 as another tough year," says Mark McDonald, group vice president of executive programs at Gartner. Only 6% of Gartner's 1,600 survey respondents expect business to grow in 2010, while four in 10 expect business to contract and 53% describe their businesses as stable.

POISED FOR AN ECONOMIC UPTURN

However, CIOs from across many industries suggest that amid flat to declining budgets, IT is cautiously positioning organizations for an upturn.

Joseph Marcella is CIO of the city of Las Vegas, where the property

and sales tax revenues that support city services, including IT, have declined about 25% during the recession. Three years ago, with the writing of the real estate bust on the wall, Marcella's team Web-enabled many city services and initiated a raft of workflow improvements. In land management, where the staff was cut by 50%, Marcella is putting in a system that ties together the various departments, from building and safety to public works, and automates much of the workflow. The automation helps make up for the workforce that was laid off.

"But it also gives us efficiencies," Marcella says. "So when this picks back up, we'll be better poised to do it, with less staff but more effectively."

Troy Lethem, CIO of Capitol Insurance Cos., a property and casualty insurance underwriter based in Middleton, Wis., says revenue is down during this recession, but the company remains profitable. "We've been implementing efficiencies such as a multiyear IT campaign to re-place policy administration systems and focused on reducing our expenses, so although business is down, the company has improved profitability during this time," he says.

There are exceptions to the budget crunch. Ted Maulucci, CIO at Tridel Group of Companies, a privately held condominium builder based in Toronto, says he has seen his 2010 budget go up a whopping

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30%. “I don’t see it continuing that way. It happens there were a lot of projects and investments that had to be made this year and got approved,” Maulucci says. It helps that Canada is in the midst of a real estate boom.

One of Maulucci’s big projects is replacing an aging private branch exchange (PBX) with VoIP. Maulucci has leveraged the PBX replacement to address an Achilles’ heel—poor communications among the company’s many remote sites. “The remote offices have their own phone lines and Internet connections, but it was hard to make it work well because they can’t afford to put in the best stuff,” he says. By putting in a Multi-protocol Label Switching network and running VoIP through the main office, Maulucci was able to take the money saved on telephony and plow that into better connections.

PENDING TECH BOOM?

“Smart CIOs are balancing the need to cut with the need to upgrade. Sometimes two needs overlap, as with virtualization, for example, which saves money and provides a technical upgrade,” says Andrew Bartels, an analyst at Cambridge, Mass.-based Forrester Research.

Bartels said he is not surprised that CIOs, when asked, will say their budgets are flat or down for 2010. “They are coming out of a recession and they want to be cautious,” he

says. “If you are a CIO you want to see the whites of the eyes of the recovery, so to speak, before you start talking budget increases.”

But, he adds, he also expects CIOs will be given leave to spend over their official budgets. In fact, unless

“Smart CIOs are balancing the need to cut with the need to upgrade. Sometimes two needs overlap.”

—ANDREW BARTELS
analyst, Forrester Research Inc.

the economy slips back into a recession, which can’t be ruled out, Forrester is predicting a “tech boom” this year. “We have defined a tech boom as a situation where the tech market grows twice as fast as the economy. If, as we expect, the economy grows 3% to 4%, then 6.6% is about double that,” Bartels says.

The growth will be fueled more by large enterprises, as opposed to small and medium-sized businesses, according to Bartels, partly because large companies can tap credit markets and capital markets through bonds or commercial paper. For small and midsized businesses that depend on the banks, access to

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capital has been much more problematic, and they are more likely to keep their wallets shut.

In addition, sectors of the economy that have enjoyed the federal stimulus program, such as health care utilities and the federal government, are more likely to spend on technology than retail, which has been weak, and state and local governments, which are hurting, Bartels says. Services companies and manufacturing are showing signs of coming back, and telecom should do all right in 2010. Financial services are “still a wild card,” he says.

Mature IT organizations are more likely to invest for the future in 2010 than shops where basic delivery of IT services and responding to business needs are still concerns.

UPGRADES PLANNED

Upgrading and replacing “classic generation technology,” such as PCs, servers and licensed software, will be part of the recovery, according to Bartels.

CIOs who are thinking strategically about the future will invest in “smart computing,” Bartels says. So, in platforms, that means service-oriented architecture (SOA), virtualization and cloud computing.

“We’ve seen a lot of CIOs in the project portfolio, trying to protect things like virtualization, like service-oriented architecture, because they understand if they don’t make these

infrastructure updates, then they will be caught exposed,” he says.

Interest in unified communications platforms to pull email, voice and instant messaging continues to draw investment dollars, as well as

Sectors that have enjoyed the federal stimulus program are more likely to spend on technology.

video conferencing and collaboration, Bartels says. And CIOs are also looking at software designed to get better results from existing activities, such as contract lifecycle management, financial performance management or IT asset optimization.

Like Forrester, Gartner also sees accelerating interest in “lighter-weight technologies,” like virtualization, cloud computing and Web 2.0 platforms. The SOA projects McDonald hears about from CIO clients are of the “quick-and-dirty variety,” leveraging Web-based services. According to McDonald, the trend toward smaller projects with quick returns will continue in 2010, but it will shift from cost cutting to improving productivity. ■

Linda Tucci is a senior news writer for Search-CIO.com. Write to her at ltucci@techtargget.com.

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Respond to the Business—Fast

Learn how to use ITSM methodologies to prove IT value to the business. **BY CHRISTINA TORODE**

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IT BUDGETS MAY be at an all-time low, leading to smaller staffs and delayed business projects, but this lull is a prime time for CIOs to introduce agile IT best practices designed to reduce waste and realize faster IT response times.

Project portfolio management and IT Service Management are two approaches that CIOs are employing either in conjunction or separately to achieve agile IT.

With IT Service Management, one of the first steps toward better response times is the creation of a service catalog. Users or groups can pick and choose preapproved services through a Web-based interface with minimal interaction with IT.

Before creating a business-facing IT services catalog, the CIO should take stock of utilization rates of the software and hardware in place and transform IT's chargeback model.

Instead of charging business units

based on the number of servers or how much support is tied to a particular application, charges need to be translated into business terms such as email service, says Craig Symons, an analyst at Forrester Research Inc. in Cambridge, Mass.

"Ultimately, IT can then sit down with the business and say, 'Here are the services we provide, this is what they cost, and this is what you consume,'" Symons says.

As a service catalog is created, the CIO can also start to see where the organization has redundancies, or if there are high-cost services with low demand that can be outsourced at a lower cost, Symons says.

An overall IT assessment will also boost response time by identifying where IT is spending the majority of its money—typically on ongoing maintenance and support, says George Spalding, executive vice president of IT management con-

sulting firm Pink Elephant in Rolling Meadow, Ill. “We get asked the same question a lot—‘I have a \$1 million budget for this project and \$700,000 of that is just to keep the lights on; the other \$300,000 is for business innovation,’” he says.

A key way to flip this breakdown is through IT capacity management. “Sure, [tackling capacity management] will involve re-engineering some processes, but you don’t have to run out and buy more equipment that in turn has to be managed,” Spalding says. “At the same time, you can look for redundancies in management tools.”

Spalding said he has seen large companies with 10 or more monitoring tools. A glut of management tools can cause communication breakdowns and in turn slow down projects and reinforce IT’s tendency to work in silos.

CIO Chris Brady has cut through silos at Dealer Services Corp., a Carmel, Ind.-based financier for car dealerships, by gathering all IT-related projects in a single report developed in its Information Builders Inc.’s business intelligence tool. Business and IT teams receive a weekly report listing all projects in the queue.

“There was no management around project timelines from a business point of view,” Brady says. “[A business unit] would put in an IT request and wait, thinking that [IT] wasn’t responding at all.”

Now all business department

heads can see just how many requests IT gets and why their five particular requests may not be a top priority among the 2,300 other ones IT is working on at the moment, she says.

Since the dashboard reporting system was introduced, business users are less likely to put in requests for reasons of convenience, such as a request to cut down on the number of steps it takes them to complete a task, she says. They’re more likely to make requests from which the business would derive real value.

Another agile IT practice Brady introduced was the use of visualization prototypes. Instead of developing a product prototype for loan officers, for example, the IT team would create a visual representation of how a product would look and how the features would work. The loan officers would sign off on the visual prototype or make changes before a prototype was made. “This has saved us a lot of time developing new products for the business,” Brady says.

PPM BOOSTS IT PRODUCTIVITY

Before Mentor Graphics Corp. brought in Hewlett-Packard Co.’s project and portfolio management tool a few years back, the product divisions at the electronic design automation software maker didn’t have much visibility into what other projects were being worked on in

their own divisions, never mind companywide. Project leads were tracking work in Excel spreadsheets, sometime in Microsoft Project, and communicating through email.

Along with HP, Mentor Graphics hired Austin, Texas-based systems integrator Results Positive Inc. to build a prototype system.

“We were up on the new system in about four weeks and could see each of the project’s requirements, associated resources and the progress being made on each aspect of a project real-time using dashboards,” says Mark Kresge, acting director, IT program management office at Portland, Ore.-based Mentor Graphics.

Once the tool was in the hands of project managers and IT, risks such as going over budget, not meeting a deadline or under- or overstaffing a project could be identified in real time. On the flip side, a few people became overzealous with the workflow features of the tool, potentially slowing projects down. “We had to have a friendly intervention with one group because they started to overmodel,” Kresge says. “They began to realize that they were spamming all the senior managers and overbuilding with the tool, and that it would become cumbersome to maintain.

“Our responsiveness has improved simply because of the level of confidence [business departments] now have in us,” he says. “They no longer try to cram every

aspect of a project into a single request, fearing that we’ll never get to another one of their projects.”

The tool has brought order to both IT and business projects, but Kresge

“You will run into users who say, ‘Just give me access to the tool and I’ll build a schedule.’ They misunderstand what the tool is meant for.”

—MARK KRESGE, acting director, IT program management office, Mentor Graphics

is quick to note that a PPM tool does not represent project management as a process. That is something users will still have to be taught, including planning, how to get the right project assumptions, recognizing risks or having a communication plan.

“You will run into users who say, ‘Just give me access to the tool and I’ll build a schedule,’” he says. “They misunderstand what the tool is meant for and, in the end, this will slow projects down.” ■

Christina Torode is news director for SearchCIO.com. Write to her at ctorode@techtarg.com.

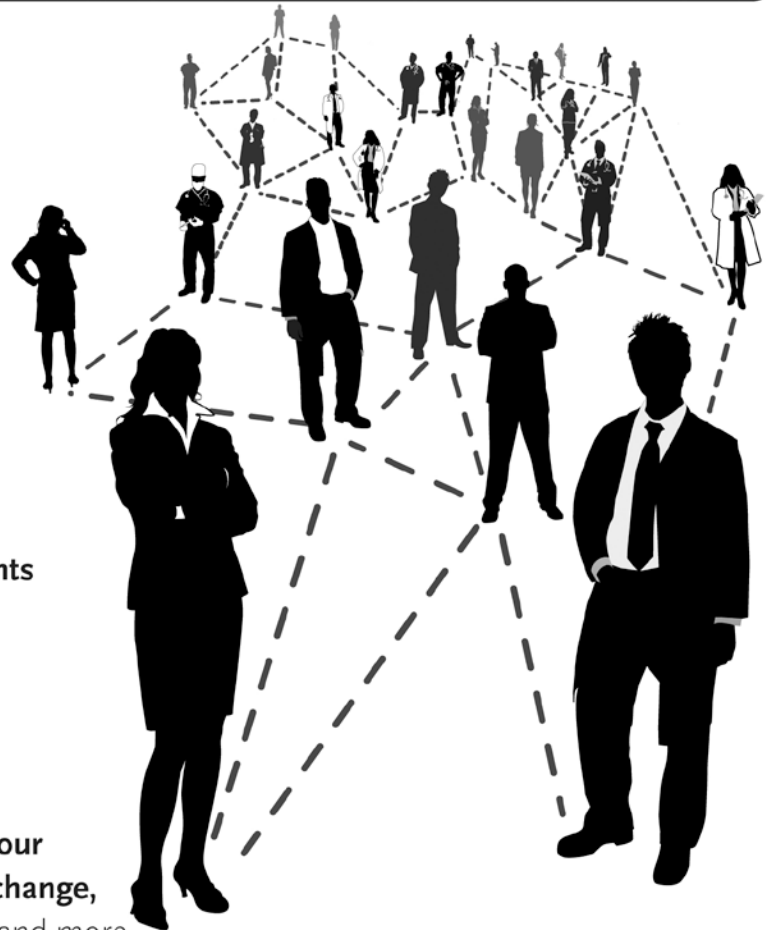
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Cutting Costs

Save money with these tips for renegotiating your service contracts. **BY CHRISTINA TORODE**

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THE ECONOMIC DOWNTURN is providing strong incentive for CIOs to practice vendor contract management—and there isn't a contract term or condition that isn't immune to some nitpicking: Does the cost-of-living or inflation-rate clause in that outsourcing contract still represent what I should be paying for labor? Does that currency conversion clause need adjusting?

Staffing augmentation labor rates continue to be targets of cost savings for CIOs—as seen by such questions above.

"CIOs are saying we've looked at our labor contracts, now let's have a closer look at what else we can do with our other vendor contracts or software maintenance contracts, and are willing to look at it clause by clause, and term by term," says Christine Ferrusi Ross, an analyst at

Cambridge, Mass.-based Forrester Research Inc.

Also under way are efforts to consolidate vendor contracts and soft-

Enterprises are opting to eliminate aspects of their contracts completely.

ware licenses across business units to get better pricing and eliminate contract redundancies. In other cases, enterprises are opting to eliminate aspects of their contracts completely.

Some enterprises are dropping application maintenance from their IT vendor contracts, for example.

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This is generally happening in cases in which an application is lightly used or has minimal performance problems throughout the year.

“There are companies canceling support altogether with major ERP vendors or switching those support contracts away from the OEMs to third parties to reduce costs,” says Bill Snyder, an analyst at Stamford, Conn.-based Gartner Inc. “Both situations can carry with it a lot of risk, but customers are making dramatic cuts in that area.”

A less risky option is to re-evaluate software maintenance contracts. Enterprises often sign off on pre-existing maintenance and support contracts because they have been in place for so long, but CIOs can look at support clauses to find ways to lessen these costs, says Ferrusi Ross.

A software maintenance contract could be renegotiated down from a premium support level to a standard one, or the contract could be renegotiated to cover only bugs and fixes but not help desk support. “You can even renegotiate to pay for help desk support on an ad hoc basis—which is not worth it if you have a lot of support calls, but makes sense if the application is fairly stable,” Ferrusi Ross says.

SWITCHING VENDORS WHEN CONTRACT NEGOTIATIONS FAIL

Kroll Factual Data, a subsidiary of risk consultancy Kroll in Loveland,

Colo., is trying to renegotiate contracts with big-iron vendors, but it isn’t making much headway. “The reality is we’re locked into multiyear contracts, and the big vendors aren’t willing to budge, despite the way the economy is,” says Christopher Stef-

Enterprises often sign off on preexisting contracts because they have been in place for so long.

fen, a principal technical architect at Kroll Factual Data.

Smaller, hungrier vendors, however, are willing to give price breaks that may sway enterprises away from incumbent vendors. One networking vendor cut the price for a piece of hardware by nearly 50%—a savings of more than \$50,000 for Kroll Factual Data, Steffen says.

“You can save money with the smaller vendors because they’re more interested in relationship building,” he says. “They’re willing to give you a deal if it means that you’ll come back to them for more business.”

The on-demand model in which cloud computing or Software as a Service providers essentially rent out infrastructure or an application

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can also be used as a renegotiation tool for lower prices with on-premise vendors. But be sure you are willing to go through the pain of changing technology vendors. Some incumbent vendors just might call your bluff if contract renegotiations break down, Ferrusi Ross says.

FINDING CONCESSIONS THROUGH VENDOR CONTRACT MANAGEMENT

"There are a lot of concessions being made by vendors that aren't appearing on the contract," Snyder says. "They'll agree to drop prices for a period of time with the agreement that prices will go back up once things are better. It isn't sustainable for vendors to keep their prices low."

In other cases, vendors are conceding on some price reductions if the customer does more business with the vendor, Snyder said.

It is not uncommon these days to see companies consolidating contracts down to one vendor in specific areas or across the board to gain volume pricing discounts and cut out the costs of dealing with dozens of suppliers. Virgin Atlantic Airways Ltd., for example, recently consolidated contracts with 40 suppliers of voice and data services down to one provider, SITA, based in Atlanta. In another case, the governor of the state of New York recently laid out a cost-cutting proposal to merge and

consolidate several state agencies' related technologies, including email and call centers.

If the choice is made to go with a less expensive provider of any IT product, and in particular out-sourced IT staffing for application development, keep in mind that service-level agreement (SLA) terms should remain the same, despite cost reductions for labor. If the SLA terms are not upheld in the renegotiated contract, the staffing agency or outsourcer may put employees with less experience on your project or deem your requests less of a priority in terms of response times, Ferrusi Ross says.

RATIONALIZE CONTRACTS ACROSS BUSINESS UNITS

Business units often buy their own IT, which can lead to the enterprise losing out on volume license discounts or buying too many licenses.

In the case of layoffs, for example, the CIO can step in and ask the vendor if unused licenses can be taken off the contract, or if licenses for one business unit can be reused by another department. The CIO can also switch a licensing contract from the business-unit level to a parent-company level to realize stronger buying power and steeper discounts. ■

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Reduce Risk, Boost Efficiency

Storage virtualization, business intelligence
top enterprise technology wish lists. **BY LINDA TUCCI**

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THE WALL STREET crowd might be ready to spend again, buoyed by bailouts and record bonuses, but CIOs don't seem inclined to go on any technology spending sprees in 2010, our annual IT Priorities Survey of senior IT executives and managers shows.

With two-thirds of the 171 respondents facing flat or declining IT budgets this year, CIOs and senior IT managers remain focused on technologies and projects that mitigate risk, boost efficiency and reduce IT costs. For example:

- **Compliance is the top management initiative for 2010**, cited by 33% of respondents, followed by business process automation (29%) and data retention and lifecycle management (26%).

- **Disaster recovery/business**

continuity is the most likely infrastructure project to get the go-ahead this year for 53% of our respondents, followed by server virtualization (43%) and Windows server 2008 (26%).

The widespread migration to the cloud we've been reading so much about? That isn't happening for CIOs in 2010, with only 12% of respondents likely to implement an internal cloud this year and a mere 8% planning to work with an external cloud computing provider.

The conservative focus for technology spending in 2010 extends to the realm of security, where data protection (40%) and network-based security and antimalware deployments (40%) trump mobile endpoint security (19%), a so-called hot commodity.

Software spending, which took a

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beating in 2009, shows few signs of making a roaring comeback. The two top priorities of our survey respondents are business intelligence (26%) and custom applications (24%), but both of those categories were outpolled by “none of the above,” cited by 27% of respondents. Meanwhile, service-oriented architecture (SOA) remains a low priority (11%), contrary to reports from Gartner Inc. and Forrester Research Inc. that CIOs are showing deep interest in what the analyst firms consider “lighter-weight” solutions like SOA.

IT BUDGETS FOCUS ON COST-CUTTING AND RISK REDUCTION

In follow-up interviews with survey respondents on their 2010 technology spending plans, CIOs remain risk-averse. Several, like Tom Gainer, CIO at FirstBank Southwest, a regional bank based in Amarillo, Texas, have given the green light to only the most critical projects. Gainer, whose 2010 budget is actually less than in 2009, plans to bolster network security and upgrade the bank’s Voice over Internet Protocol and virtual private network. Later this year, the bank will migrate to Windows 7 as part of a long-postponed computer refresh.

Who can blame CIOs for their caution? While IT budgets were not singled out for cost reduction in 2009, as they were after the dot-

com bust, many IT departments were strained to the breaking point.

Stamford, Conn.-based Gartner, which initially forecast modest IT budget increases for 2009, recently pronounced the last 12 months the

Asked about the impact of the economy on budgets, 52% said it was significant.

worst year for IT budgets since it began tracking the numbers in 1999. According to Gartner, IT budgets dropped by 8.1% in 2009, essentially erasing four years of growth.

Our survey corroborates the significance of the economic downturn. Asked to gauge the impact of the economy on their budgets, 52% of our respondents said it was “significant” and another 30% said it was the “biggest single factor.” When asked to describe their IT approach in 2009, 51% said they weathered the recession by “doing more with less.” Another 23% said they survived by “doing more with the same.” When they did try new technologies or products in 2009, 42% of respondents said it was “to reduce cost.”

That isn’t likely to change quickly in 2010. Cambridge, Mass.-based Forrester, which is forecasting

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between 6% and 7% growth in IT budgets in 2010, said that although the tech outlook has brightened, CIOs do not plan to move forward with new projects and investments unless their business executives report that business is getting better. For the start of 2010, the few IT investments that will get approved will be directly related to reducing business costs, says Forrester analyst Andrew Bartels. If the economy picks up, Bartels says he expects CIOs will get leave to spend over their official budgets, and shift from cost-cutting to supporting business growth.

One technology trend that may end up saving money *and* helping the business grow? Storage virtualization: 35% of the IT executives said they intend to invest in it in 2010, well above the 19% who named storage security as their top priority or the 12% investing in iSCSI.

What's behind the interest? The investment in storage virtualization likely stems from companies' continued adoption of server virtualization to save money and their growing interest in desktop virtualization. Overall investments in storage did not fare as well, with 45% of respondents saying they don't plan to invest in storage security, iSCSI or storage virtualization this year. ■

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