



## Cover Focus Articles

### General Information

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# 2008's Financial Woes

## What Does The Economic Crisis Mean To IT Organizations & Manufacturers?

The largest economic crisis in two generations has enterprises of all sizes scrambling to reassess their priorities across all departments. IT managers face a particularly tough challenge, as ever-increasing technology costs must be somehow shoehorned into dwindling budgets.



“IT professionals know they are likely to be asked to make capital spending cuts and prioritize planned projects as organizations plan budgets for 2009,” says Lisa Dreher, vice president of business development for Logicalis ([www.us.logicalis.com](http://www.us.logicalis.com)). “Proactive IT professionals already have plans in place as to how they will address these requirements. Many of them are already consolidating server, storage, and application requirements, centralizing the management of maintenance contracts, and standardizing hardware infrastructure—all aimed at simplifying IT infrastructure and therefore the related costs for power, cooling, maintenance, and more.”

However, she adds, those caught flat-footed without a plan will have far less influence over the direction of the investment of limited capital IT investments. Data center equipment manufacturers are already feeling the crunch and will feel it more dramatically if the economic downturn continues into the first quarter of 2009 and beyond, Dreher says.

### ■ If It Ain't Broke, Don't Upgrade It

For many businesses, the economy has transformed IT buying strategies from a “do-it-now” approach to a “wait-and-see” tactic. *Joshua Aaron, president of Business Technology Partners* ([www.btp.net](http://www.btp.net)), says that large technology infrastructure projects

and new data center builds are slowing down or being put on hold. Dreher agrees, explaining that some Logicalis customers have received budget projections as much as 50% less than what they had in 2008.

*As budgets shrink, IT organizations are looking to stretch the useful lifetimes of the equipment already in use. For example, Aaron says that there is more sharing of systems, storage, scanners, printers, and other network resources, which in turn could have a negative impact on data and networking hardware manufacturers and resellers, as well as telephone system manufacturers.*

*“We have already seen a downturn in enterprise projects to upgrade their phone systems. Some projects have been put on hold, and basically, if the phones are working, there is little motivation to upgrade at this time,” Aaron says.*

CiRBA ([www.cirba.com](http://www.cirba.com)) co-founder and CTO Andrew Hillier draws a parallel between consumers and data center managers, explaining that while leaky faucets are still fixed and car tires are still changed in a rough economy, flat-screen TVs are likely to stay on store shelves. The data center, he says, functions in the same way—if you can get by without it, then you probably will.

## ■ Strategy Shift

As with any economic trouble, opportunities have emerged for IT managers to examine technologies that can help their organizations survive during the crunch. According to Dreher, there are three primary types of investments made during the downturn (listed in order of priority): need-to-have investments, efficiency investments, and innovation investments. While some organizations inevitably focus on the first type, others may be able to invest across all three areas.

In the need-to-have investment category, she sees server consolidation/virtualization with low-level investment, migration toward standardized infrastructure environment in any must-make purchases, centralization of maintenance contract management, as-needed contract staffing, and a move toward predictable monthly outsourced IT services. For efficiency investments, Dreher sees server and storage consolidation/virtualization, application consolidation, leveraging existing investments in applications by using contract staffing, and email archiving and management that lower storage requirements now and for the future.

“Innovation technology initiatives are programs that will position an organization positively for when the economy gets back on track and may even allow them to take advantage of early gains,” she says. These include enterprise portals, unified communications, videoconferencing, SaaS and cloud computing, and business intelligence.

“[IT organizations] will need to learn to operate as a more integrated part of the business rather than a stove-piped and often-misunderstood segment of the organization,” says

Shane Aubel, partner and co-founder of Accent Global System Architects ([www.accentglobal-llc.com](http://www.accentglobal-llc.com)). “They will need to learn to compete for dollars with other infrastructure spending on a cost-benefit basis—i.e., new manufacturing or new IT systems. This means IT will need to clearly define and quantify their business value in order to compete for shrinking budget dollars.”

#### ■ Next Year’s Forecast

Although BTP’s Aaron says that 2009 will be a rough year for everybody, he notes that IT support is critical to the way an office functions and compares it to a basic necessity such as electricity or water. There will always be room for backup solutions and business continuity or disaster recovery plans, there will always be a need for general computer maintenance and upkeep, and employees will always deal with email issues and loss of Internet connectivity.

"There are always organizations that are doing extremely well, since some benefit from downturns and some become stronger as their competitors struggle or cease to exist—look at some of the energy companies, pharmaceutical and health care firms, the strong financial organizations, companies providing diversion/entertainment products and services, and the super discount stores, to name just a few," Logicalis’ Dreher says. “Second, there are always smart organizations that, despite feeling some impact of a downturn, see opportunities for smart investments that will position them considerably ahead of their competitors as things inevitably turn for the positive.” ■

by Christian Perry