

# ICT IN THE REAL WORLD

THE PARADOX IS THAT ICT BUDGETS REMAIN UNDER PRESSURE WHILE BUSINESS RELIANCE ON TECHNOLOGY GROWS. WHAT ARE THE ISSUES AND HOW IS THE CIO COPING?

BY JAMES VAN DEN HEEVER PHOTO: KAROLINA KOMENDERA



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**A**fter years of austerity provoked by the 2008 financial crisis, global IT budgets seem to be on the path to recovery. A *Computerworld* survey showed that 43 percent of IT executives expect their budgets to increase by up to 13.1 percent, with the expected average increase to be 4.3 percent. Gartner predicts a global increase in IT spend of 2.4 percent this year.

BMI-T senior IT analyst Clinton Jacobs says his sense is that South African IT budgets are going to remain flat, with actual cuts the exception.

Better than nothing, of course, but given business' increasing reliance on technology not only to enable processes but to interact with customers and drive new business, it's clear CIOs continue to walk a tightrope. Indeed, most do

report they're under continuous pressure to do more with less — and they're adopting a range of strategies to help them. But, says George Ambler, executive partner at Gartner South Africa, this budget pressure is largely self-inflicted. He says CIOs who have successfully turned the conversation from 'cost' to 'value' experience no lack of budget. "You can only cut so much before you get to muscle," he argues. "In any event, IT budgets are generally small in relation to overall budgets, so cutting them is largely insignificant in the bigger scheme of things."

## CIO IN THE HOT SEAT

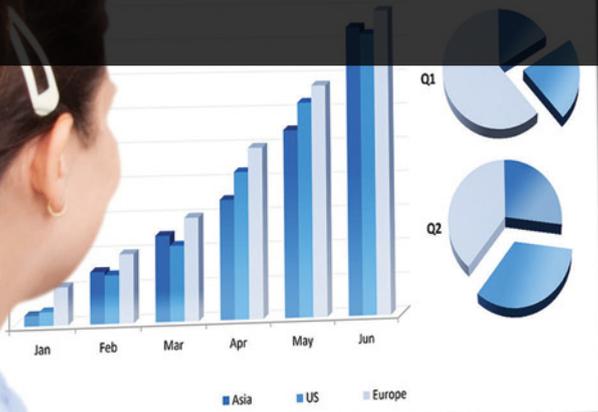
To change the nature of the conversation, notes Peter du Plooy, CIO at Engen, it's critical the CIO





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those stories of old AS/400s chugging away in broom closets somewhere, undisturbed because they just get the job done, seem to be true!

Accenture's Olivier probably speaks for most of his peers when he argues that a sophisticated approach to IT lifecycle management and strong backup plans are needed to strike the right balance between buying too frequently and keeping for too long.

Vijay Naidoo, head of IT at Appletiser, pinpoints one important strategy: building support into upfront capex costs, something that Engen's Du Plooy also advocates. Naidoo believes new technology shouldn't be purchased for its own sake, saying the mean time to repair, probability of failure and business impact have to be factored into decisions about which assets to sweat. He turns out to be a CIO with a faithful AS/400 still doing its job: "It's all about what serves the business' needs," he says.

Other tactics include virtualisation – something that just about everybody has done, in Olivier's opinion – and automation. CIOs and analysts all agreed that automation of both business processes and the IT organisation itself have potential but Du Plooy cautions that automation requires a deep understanding of the relevant business processes, and presupposes a clean-up of the legacy environment.

Cloud, and outsourcing generally, are also avenues that hard-pressed CIOs are following but the issues need to be clearly understood. For example, says Donninger, the outsourcing of systems development is not really a big cost-saver but it does provide agility and shifts costs from the IT budget to the business unit wanting the work done. To be successful, though, the outsourcing of development means the organisation needs excellent business analysts to ensure the work is adequately specified – a real challenge.

When it comes to cloud, however, South African CIOs generally have been slow adopters. Targets include network management and PABX in the case of Appletiser, and testing and development in Ambler's experience. Engen moved around ten of its non-core applications offsite in order to test the water and build an understanding of the governance requirements particularly relating to data.

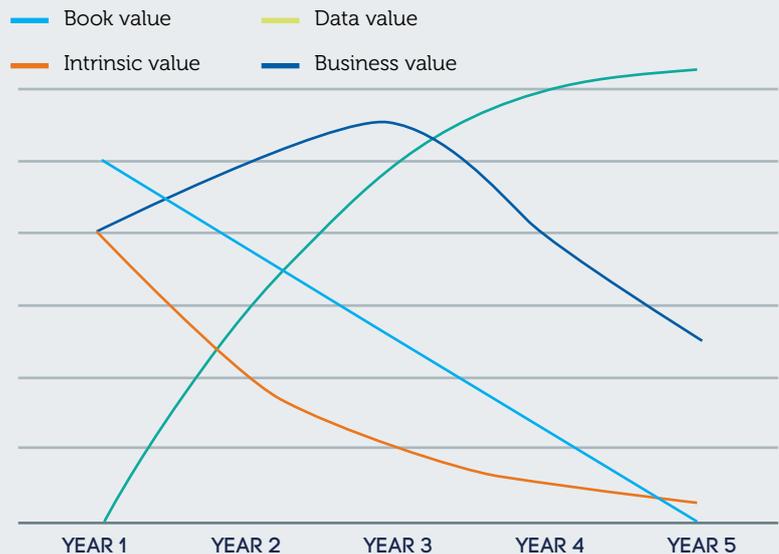
And, says Donninger: "We won't buy server hardware again."

Ashwin Goolab, who heads up EY's IT Advisory in Africa, says African CIOs are benefitting from the experience of developed-world CIOs and enabling world-class competitiveness by not

## UNDERSTANDING VALUE

*CIOs have to understand that value is not absolute, and they need to see the difference between tangible and intangible value, between intrinsic or market value and the value recorded on the company's books, and the business value of IT systems and the data they contain.*

## ASSET VALUE VARIABLES



Source: Clive Longbottom, "Sweating your datacentre's IT assets—is it a good idea?", available at <http://www.computerweekly.com/feature/Sweating-your-datacentres-IT-assets-is-it-a-good-idea>

investing in expensive self-owned systems, especially as far as non-core areas are concerned.

## THE PEOPLE CONUNDRUM

As always, staffing is a complex issue but CIOs are up- and cross-skilling staff in order to improve organisational effectiveness. There's an emphasis on a combination of business and technology skills to better deliver value to the business – specialists are best accessed as needed from third parties, says Donninger. This approach opens up new opportunities for IT professionals but it makes them more valuable. "HR and pay policies often don't keep pace with reality for IT organisations," says Du Plooy.

In conclusion, one thing is clear: IT budgets have to be seen in terms of business value rather than simply cost. And, says EY's Goolab, drawing on his experience as a CIO, the value calculation has to take into account the running costs of any project.

"Too often, 'run' costs account for 80 percent of IT budgets – the trick is to reverse that so that 80 percent goes to growing and transforming the business as a whole." ■