

Strategic IT Investments Still a Priority in an Economic Downturn

Cut Back on Tech Spending, Not Strategic Technology

By Rick Ludolph, President, Productive Solutions LLC



While it's clear that the US economy is in the middle of a slowdown, its depth and breadth is not yet obvious. Regardless of how things play out, the challenge for business leaders is to look past the general recession rhetoric and focus on how all of this will affect their individual companies.

When the economy slows, many react by placing a bull's-eye on the back of technology spending; cutting back their IT investments and holding off on planned projects. For the IT and business managers that champion these initiatives, this means longer approval and budget timelines and greater scrutiny of the business case. While this can be frustrating, a more stringent process may actually push us to do more with less - thereby achieving greater value.

Of course, not everyone believes that cutting technology investment is the right thing to do. During the 2001 recession, former GE Chairman and CEO Jack Welch said that "this is the moment to widen the gap" between us and our competitors. "We are driving the hell out of IT spending... it's the lifeblood of the company." Indeed, it may well be the efficiencies achieved through technology that enables some businesses to weather a downturn better than others.

Large companies are generally more reluctant to cut back on strategic projects as they are much more aware of the business value that IT investments can deliver. They also know that most new technology outperforms, and costs less to maintain, than the old gear it replaces. Interestingly, the case for investing in a downturn may be even greater for small and midsize companies. It is often during these times that opportunities open up to gain ground against larger competitors. Slow periods may also be the best time for workers to adopt new tools and processes. Using strategic technologies, smaller companies may be able to do all the things their competitors can with lower operating overheads and greater flexibility.

The reality is that, even in a downturn, all companies must continue to think long-term as well as short term. They must do their best to move forward with tech initiatives that are critical to business growth, such as systems that help increase sales, productivity, or the ability to capture consumer demand. For example, if you have identified speed-to-market or supply chain transparency as a strategic need, then work to find a way to deploy the PLM, SCM, or other software required to make your business more competitive – today.

But doesn't conventional wisdom dictate that companies scale back in times like these? The good news is that a number of important technological advances exist today that can help cut tech spending even as they advance strategic business initiatives, including:

- Pre-configured, industry-specific applications can greatly reduce implementation time and costs
- Software-as-a-service options replace in-house computing infrastructure with hosted environments
- Pay-as-you-go pricing options replace large capital expenditures with rental agreements
- New, simple to use collaboration tools (Enterprise 2.0) are cheap and easy to setup
- Server, storage, and desktop virtualization technologies can extend existing hardware capabilities
- Outsourced services are readily available to reduce systems maintenance costs and manpower requirements
- Software is a buyer's market; hardware price/performance ratios are better than ever

The fact remains that technology budgets do get pared when times get tight. Before cutting strategic projects, first look at the ongoing systems maintenance costs that often account for more than half of your IT budget. With new projects, it is only prudent to be careful with initiatives that require large capital expenditures and exhibit longer payback periods. Consider lower-cost, off-the-shelf solutions that can deliver the majority of the business benefits you seek. And, where possible, leverage this downturn to better position your company for the inevitable upturn - whenever it happens.

Productive Solutions, LLC is a boutique consulting services firm specializing in the fashion industry's concept-to-delivery processes and enabling technologies. It brings a uniquely focused and personalized approach to an international client base of retailers, brands, manufacturers and vendors. Contact Rick Ludolph at r.ludolph@productivesol.com or visit www.productivesol.com.