

Straight Talking – Election: When cost-cutting hype dies down

By Clive Longbottom, Service Director, Quocirca Ltd

With the UK's general election taking place in just a few weeks, the battle lines are being drawn up on where effective "savings" can be made.

All parties are looking at public sector IT - either cancelling projects that are no longer seen as being core or because they are seen as too costly and with little chance of a successful outcome.

It is becoming pretty obvious that many of the large projects - such as ID cards, and the ongoing NHS projects - that have been in the headlines face being cut partly or completely. But what impact is this likely to have on IT in the public sector overall?

Quocirca believes the main impact will not be on public sector employees but on the systems integrators who have been running the projects. But those suppliers that face being removed from projects will then be looking at what clauses in the contracts enable them to claim some level of immediate clawback on projected project revenues. So, although longer term savings may be made, the short term impact may be an increase in direct payments as contracts are unpicked.

The issue is the public sector is then left with what it has. And this has to be run - which still requires staff. But as it has been identified that much of the public sector IT is sub-optimal (which is why so many large projects were started in the first place), it may well be that more direct staff will be required to run this creaking infrastructure.

Alternatively, the new government will have to look at how to cut back on the numbers of IT staff required.

This can be done in three ways. The first is to drive out inefficiency - easy to say, but raises a bit of a problem. To do this requires that either

inefficiency within the staff structures be identified (leading to relatively small savings) or that a more efficient IT platform be put in place. Except - sorry - this requires new projects, along with the likelihood of new contracts with systems integrators.

The second is to outsource the platform to systems integrators. Except - sorry - this requires new contracts to be signed with the systems integrators. The last one is to outsource the total platform, either through co-location of hardware with a facilities provider and the outsourcing of staff to a systems integrator (except - sorry - see above again), or to go for a cloud-based approach.

This last one, which seems to make the most sense, is the least likely to happen in the short to medium term.

Why? Although the Operational Efficiency Programme identified the creation of a G-Cloud as a core element of securing £3.2bn of savings, this is just the sort of early-stage project that will be seen as an easy target by a new government. Cloud is relatively unproven and will be seen as being too risky for a new government trying to prove itself as a safe pair of hands

A move to the cloud is also not a binary choice; existing systems will not just be shut down overnight and everything moved to the cloud: it needs to be done slowly and in a controlled manner. New functions can be sourced from the cloud, and integrated in to the services that can be more effectively sourced from inside existing public sector systems.

But see the problem again? This integration is likely to need new projects, along with new contracts with the systems integrators...

So, overall, what do we have? After the election on 6 May, there will be a raft of headline-

grabbing announcements around the death of some large public sector IT projects. Then, there will be a period of quiet, as departments come to terms with what this means. Then, a few months after the election, there will be the first stirrings of problems caused by existing platforms not being up to dealing with the political strategies put forward by the new government for managing inefficiency in the overall running of the public sector. This will lead to these strategies either having to be quietly put to one side, or for new investments being made into public sector IT.

Quocirca expects the end result of this will be precious little in actual ongoing operational savings. Technology will continue to change, and stagnating will only store up future expense in trying to catch up again. Sub-optimal IT platforms cannot be allowed to remain sub-optimal - some form of expenditure will be necessary.

Employees working directly for the public sector in IT can consider their jobs as being a little more secure in the short term as moves towards outsourcing are put on the back burner.

But longer term these same people can expect that outsourcing and off-shoring will be back on the agenda. Those in the systems integrators working on the large projects should be worried in the short term - but should find that their skills will be required again as the pendulum swings and the government realises that public sector IT just cannot be allowed to stagnate and that some level of investment is required.

The longer term winners in this situation should be the cloud service providers. With the "old" recommendations from the 2004 Gershon Report being around "shared services", and with the likelihood that his latest recommendations will have to be acted on no matter which party constitutes the new government, the need for services to be provided in a massively scalable shared manner means that a move to cloud is the only sensible way forwards.

That this is likely to take the best part of the first term of office of the new government is sad. If someone could bite the bullet and say that it is not the actual amount of spend that matters, but the way that it is spent, then cloud could be brought in more rapidly, making the whole of the public sector more responsive, more flexible and so less expensive, provided that process issues are addressed at the same time.

About Quocirca

Quocirca is a primary research and analysis company specialising in the business impact of information technology and communications (ITC). With world-wide, native language reach, Quocirca provides in-depth insights into the views of buyers and influencers in large, mid-sized and small organisations. Its analyst team is made up of real-world practitioners with first hand experience of ITC delivery who continuously research and track the industry and its real usage in the markets.

Through researching perceptions, Quocirca uncovers the real hurdles to technology adoption – the personal and political aspects of an organisation’s environment and the pressures of the need for demonstrable business value in any implementation. This capability to uncover and report back on the end-user perceptions in the market enables Quocirca to advise on the realities of technology adoption, not the promises.

Quocirca research is always pragmatic, business orientated and conducted in the context of the bigger picture. ITC has the ability to transform businesses and the processes that drive them, but often fails to do so. Quocirca’s mission is to help organisations improve their success rate in process enablement through better levels of understanding and the adoption of the correct technologies at the correct time.

Quocirca has a pro-active primary research programme, regularly surveying users, purchasers and resellers of ITC products and services on emerging, evolving and maturing technologies. Over time, Quocirca has built a picture of long term investment trends, providing invaluable information for the whole of the ITC community.

Quocirca works with global and local providers of ITC products and services to help them deliver on the promise that ITC holds for business. Quocirca’s clients include Oracle, Microsoft, IBM, O2, T-Mobile, HP, Xerox, EMC, Symantec and Cisco, along with other large and medium sized vendors, service providers and more specialist firms.

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