

## IT Analysis – Crisis management or clever thinking?

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As the credit crunch spreads from a banking problem to one affecting consumers and businesses, recession is becoming a reality in many countries. So what is the best way to wriggle through the squeeze – turn to the accountants and worry only about the numbers?

Well, it might not be a great idea to ignore either, but a narrow focus on money might make matters only look good for a very short period of time. Longer term, it is not enough.

Most organisations have well considered strategies for investment, expansion and product or channel development, so why when times turn tough do they fall back to impersonating either a deer in headlights or a mad axeman? During periods of shrinkage as well as growth there should be a strategy to define, understand and promote the organisation's offering and *raison d'être* – its total value proposition.

At Quocirca we have long advocated the total value proposition approach to help IT vendors understand the full breadth of benefits of the technologies they can offer their customers, in business terms that those customers understand, rather than looking to technical comparisons. The total value proposition takes into account not only the cost element favoured by accountants – in particular savings and return on investment – but also value and risk. In general, this means quantifying the value created, directly or indirectly, and any improved ability to be resilient and resistant to risk, whether internal or external.

This can be a difficult task for those vendors who have based past success simply on being the cheapest or offering the best 'bang for the buck'. In tighter financial times this can lead to a cost cutting race to the bottom where only those with the deepest pockets survive. However their business customers are hard pressed too and although looking to fit within tighter budgets will have other objectives to meet. Vendors need to critically examine their product and service offerings and look to differentiate them on their value add and risk mitigation advantages.

Many vendors talk about how their products or services add value. They are more flexible, more scalable, easier to manage and so on. In good times many more of these benefits or advantages are taken at face value, but when the economic backdrop is more challenging, and people are fearful for their jobs, identifying ways to reduce or control risk might be a more productive priority.

The best way to minimise risk is to identify a worthwhile objective, plan a route and take small steps. How can vendors help their prospects do this? They can start by demonstrating why a particular objective or outcome of adopting their product has worthwhile value. This means that rather than pitching great innovative but untested ideas, they should work more with current customers to really understand where, how and why they are already obtaining value.

The stages on the market adoption curve proposed by Geoffrey Moore do not disappear, but risk moves everyone further to the right; early adopters are in decline and many more fall into the cautious conservative late majority. They need more convincing, more proof points and especially more positive comment from peers who have already trod the same path with success. Unearthing the deeper feelings of existing customers can be done in-house through current sales and marketing relationships, or perhaps with more candour through a neutral external agency or service.

Assistance in planning a direction to meet those worthwhile objectives requires more candour from vendors to open up to their plans. IT projects struggle when too many assumptions are made about who can deliver on what, and when. As a project runs into the inevitable difficulties more effort is then spent on placing blame instead of fixing the problem.

A better approach is to be open and transparent from the outset, and seek out vendors and suppliers that can support, coach, train and provide knowledge transfer to ensure ongoing success.

Finally, smaller steps to minimise risk can be accomplished in several ways. Deployment and integration risks can be minimised by identifying technologies that are complementary and incremental to existing investments. But crucially in challenging financial conditions, more flexible contractual and billing models can be found to minimise financial risks.

The innovative vendors in this territory have been those offering their products on subscription, rather than upfront licenses, for example the Software as a service (SaaS) model. However, providing suppliers can identify a form of amortisation of revenues that works for their accounting procedures, other products could be offered in this way - XaaS - where 'X' is anything offered as a 'service'.

Of course for physical goods this is renting or leasing by another name, but if the deals are well structured it reduces several risks for the customer. The financial risks are spread as usage is paid for on an on demand basis.

Cost growth falls in line with organic growth in use, requiring no step change investments or surprises, and if times harden further, costs can be reduced without removing what might be a still valuable service. Companies can also be insulated from technical risks, especially in fast changing technology areas, or where standards are 'emerging' and 'evolving' rather than certain.

No one likes to be the only one in the street to have bought into what turns out to be technological dead end, but equally no one likes to be missing out on a new idea that all their competitors are taking advantage of. Identifying ways that value can be added or risks mitigated allows vendors to keep offering, and customers to keep spending on, useful services, rather than simply cutting back, or looking for the lowest cost, and perhaps less desirable, alternatives. Working up a realistic total value proposition aligned to the challenges of a downturn is one way of injecting some liquidity into what might otherwise turn a credit crunch into a painful squeeze on technology investment.

## 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, Dell, T-Mobile, Vodafone, EMC, Symantec and Cisco, along with other large and medium sized vendors, service providers and more specialist firms.

Details of Quocirca's work and the services it offers can be found at  
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