



The Sunny Side of Managing IT in a Downturn

Getting real value out of your IT budget.

At a glance

Your IT budgets are squeezed and the demands on your IT delivery team area continuously increasing. But this should not leave you in a tight spot.

Rather than simply hunkering down and weathering the storm, stand up and exploit the existing opportunities to your advantage.

Benefit from your strong negotiation power with IT suppliers to get a good price and the best people for your project. Benefit from the latest service-oriented architecture to precisely target your IT investment. Also benefit from the increased delivery focus of the team to deliver fast, value-driven projects that enable your company to outperform your competitors.

A refreshingly simple delivery approach for IT projects may be the answer you are looking for. An approach that is attractive - whether there is a recession or not – that is born out of the drive to invest and deliver effectively and precisely.

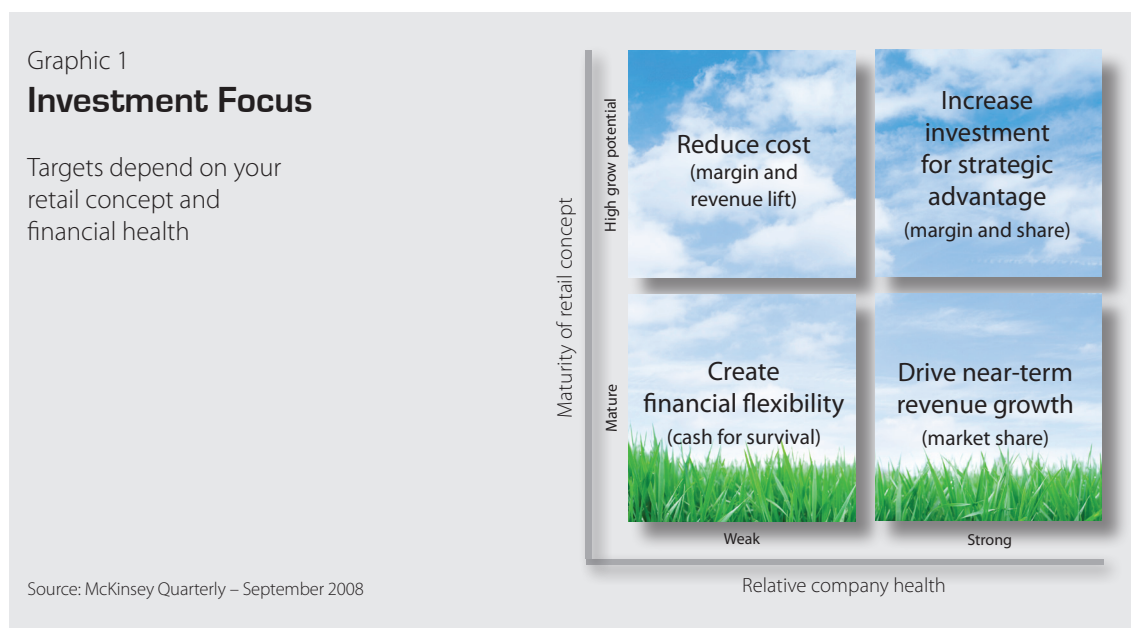
Now is the best time to manage and deliver IT projects. The stakes are high. The expectations are massive. A fantastic opportunity to deliver the perfect IT project on-time, on-budget and on-value.

Retailers are facing the toughest climate in ten, if not twenty years.

Luckily, there are quite a few lessons learned from the recessions in 1990/1 and 2000/1 about who is likely to suffer and what it takes to come out of a recession stronger. This is why retailers who want to succeed need to act now.

However, simply saying “now is the time to invest” and quoting the common wisdom about “anti-cyclical investment” is missing the point. Often it is just irresponsible wishful thinking by those groups who are directly at the receiving end of the investment. More than ever before, investments have to be targeted at delivering near-term value.

Your investment focus will depend significantly on your retailing concept and your relative financial health. In addition, the IT investment needs to be aligned to the investment route that is followed by your business.



There is a general consensus that, if you have the capability to invest, these investments should be targeted at ‘increasing relative market share’ and ‘reducing costs’. The latest releases of IT packages offer many opportunities to enable your business to achieve both of these objectives.

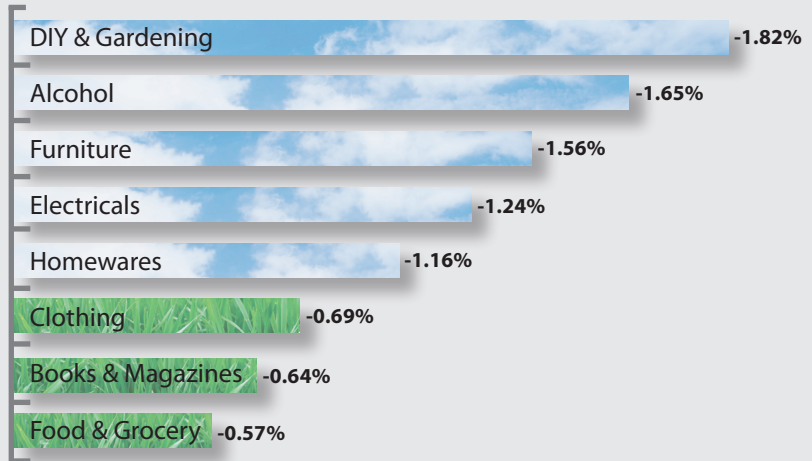
The urgency to act is also influenced by the category your business operates in and the impact the downturn will have on your particular segment.

Graphic 2

Will you suffer?

Large discretionary categories suffer most

Estimated impact of a 1% reduction of overall consumer expenditure on specific categories



Source:
OC&C 2008 – Retail in a Downturn

On the other hand, operating in one of the 'hardest hit' sectors does not mean you inevitably come out of the recession weaker – or vice versa. The downturn presents an immense opportunity to take market share off your weaker competitor, and hence puts you in stronger position during and at the end of the recession.

Graphic 3

Winners and Losers

The characteristics of the winner and losers in retail

Winners	Retailers with the ability to consolidate their position
	Retailers that are well-funded, often smaller players, with the ability to roll-out during the downturn
	Retailers with a strong, well-defined proposition.
	This is not just about the level of the price position, but the overall proposition of offering good relative value for money.
Losers	Retailers with a poorly defined, often mid-market proposition
	Retailers that are vulnerable to strong competition, often moving from the outside into their categories

Source:
OC&C 2008 – Retail in a Downturn

Whatever position you are in, you will have to act – and to varying degrees, will have to invest, except in the most dire of circumstances. What differs is the urgency, the focus and the volume of the investment. The focus of the IT investment needs to be directly aimed at enabling the business objective.

Graphic 4

Driving near term-revenue growth (market share) requires the business to:

How to drive growth?

Communicate Value	e.g. adjust pricing and promotions to increase customers' perception of value
Drive Traffic	e.g. shift promotions/marketing to traffic generating vehicles such as (personalised) internet campaigns
Never miss a sale	e.g. improve availability of fast-moving SKUs
Improve Web Conversions	e.g. improve cross-selling using customer insights

Source:
OC&C 2008 –
Retail in a Downturn

Your IT investment needs to enable these activities urgently, effectively, and sustainably – and at the same time remain flexible enough to adjust to new requirements. Of course, this is not an easy task.

A few elements come together that make it not just a necessary time, but indeed the perfect time for investing in IT solutions.

So, why should you as CIO act now? The answer lies in the timely combination of the “need to act” and the “ability to act”.

Acting now allows retailers to:

Get a good price. To state the obvious, it is a buyer's market. This makes it possible to strike the balance of using your buying power without exploiting it. Many IT suppliers are offering very creative solutions that limit your capex and cash expenditure.

Form the best team. Every member of your team knows what is at stake, and most people are keener than ever to contribute their very best to getting through these times. This is true not just for your own colleagues, but also for the external parties that you require to deliver projects. This motivation to deliver and produce visible results is a tremendous driver when building a successful project team.

Enforce a strong delivery focus. Looking at typical IT projects, especially ERP, CRM and SCM projects, this point becomes a major contributor to saving costs and reducing the delivery timeline. Strangely enough, it is completely overlooked by most articles that advise on managing IT during a recession. It is a point derived from a hard-nosed look at real life projects, rather than project management ideals, and therefore may be more difficult to admit for both IT executives as well as IT suppliers.

This point is about capitalising on the simple fact that everyone, in any business department, takes a very strict look at the bottom-line impact of any activity, independent on the volume of investment it requires.

Contrast this requirement with the typical approach towards implementing ERP, CRM and SCM solutions: the common path is to ‘blueprint’ first, then move through realisation, integration, and testing to finally cut-over and go-live.

The problem with projects that take too long (and needless to say, go over budget and deliver less than expected value) is the lack of focus right at the beginning of the project. In prosperous times, it may seem possible to approach IT projects like a 10km run. Today, in order to deliver as quickly and cost-effectively as your CEO and CFO expect, you should treat your projects as a 100m sprint instead. All sprints are won (or lost) at the start, and the same rule applies to your IT project. You need to create momentum and pace as soon as your project gets out of the starting blocks, and with that momentum you will stay ahead of the pack (including your C-level colleagues who chase you for delivery!)

What does this mean for your IT projects? First and foremost, scrap requirement workshops in their conventional form. Kick off the project with a ready-to-run solution that is used as the benchmark against your requirements, and make a real-life-prototype of your solution the anchor point of your project. Use this real-life prototype – your prototype – to actively lead the management of business requirements, systems integration, and business education. As CIO, lead – don't be led.

This means actively taking the lead and following a rather dictatorial approach in order to deliver easy-to-use IT solutions that directly solve business problems. You must take the initiative to guide, educate, and act. Without your initiative, it is quite likely that your business colleagues do not know the possibilities and options best practice IT solutions and creative delivery models can open up for the business.

Dare to run your projects differently. Take a proactive role, where you firmly guide your business colleagues through the IT solution. Base it on a comprehensive prototype and you will achieve faster and better results, and at the same time reduce the risk and costs of the project.

Leave the competition behind. Now – not in six months' time – you need to start putting some ground between yourself and the competition. Focus on delivering IT solutions that have a substantial impact on near-term market share, revenue and efficiency gains.

Enable your company to understand the customers better than the competition does. Enable your company to execute pricing strategies more effectively than the competition can. Enable your company to adapt its supply chain quicker than your competition can, in the face of changing demand patterns. The list goes on. Pick the 2-3 initiatives that are the most effective for your company in terms of cost reduction and market share gains.

Why this is important now? It is significantly cheaper to win market share during a downturn than during the upturn that will inevitably follow. But without the enablement by IT, the business will not succeed in either winning market share or reducing cost.

Excel internally. Last, but not least, this is your chance to excel internally. CIOs will have a challenging time ahead of them, with massive pressure to deliver more benefits for less cost and with a smaller team. Succeeding in stepping up to this challenge and aligning the IT agenda to the changing business agenda will lead to more recognition from the CEO. Wasted investments or poor cost control will be more recognisable during a recession, so the focus should be on risk reduction (not just cost reduction), and budget management.

During the last downturn, you would have faced a serious problem. This time, you have a massive opportunity: Technology is on your side.

You “should” act. But “can” you act as well? Or are your hands as a CIO tied? The answer is that you can act - more effectively than ever before. And crucially, if you base your solutions on the right technology, there is no longer a potential conflict between doing the right thing “tactically” as opposed to “strategically”.

You can act because there are IT solutions available to you that allow you to focus on specific project deliverables while at the same time laying the perfect technology foundation for the future. “Whatever you do, make sure it has strategic impact, i.e. has an eye to the future by preparing for the upturn.” is what your CEO will rightly demand of you. And you can actually over-deliver on this demand.

Graphic 5 How to ensure your actions have a strategic impact when preparing for the upturn

Your action plan	STOP	START
	Dreaming about SOA	Putting SOA into practice
	Making excuses	Ripping out constraining legacy
	Building from scratch	Using ready-to-run solutions

Source: Greenlight 2008

Stop dreaming about SOA. Start putting it into practice. Suddenly, SOA is not just a fancy three-letter acronym. It has become a tangible concept that you can use to your advantage. By choosing a solution that is based on SOA principles, you can confidently pinpoint your delivery efforts on the specific business initiative that is requested of you, and be sure that the previously tedious and constraining integration aspect is not a constraint any longer.

And by choosing a solution such as SAP to deliver a particular IT project, you can introduce SOA “by stealth”. You get the benefits of an SOA architecture without incurring the cost of an SOA ‘technology’ project, as the appetite for pure technology projects is dwindling in the current climate.

Stop making excuses for the restrictions of your legacy systems. Start ripping them out. You can select an ERP or CRM solution such as SAP without the fear that you have unwittingly been cornered into using these applications for all areas across your business. This goes back to the SOA approach followed by these applications, the ease at which these solutions can be integrated, and the speed at which they can be deployed.

The deployment tools that are an inherent part of these applications enable quick and accurate data migration and system integration, as well as the options to deploy either in stages or in one step.

Stop building from scratch. Start using pre-built solutions. Combine the above with the best-practice business processes that are embedded and come pre-built, e.g. in SAP’s Business All-in-One packages, and the time from starting a project to delivering value to the business is surprisingly short.

¹ OC&C 2008 (Boardroom matters Series) Recession Heroes

Whatever fancy 'rapid' development tools are on the market right now, the truth is that the only option you have if you need to deliver at speed is to use a pre-built, ready-to-run solution. With the right delivery approach, a project that would take 12-18 months with conventional project methodology can be cut down to 3-4 months – achieving a massive saving on project costs without compromising on the underlying quality of the solution.

You need a fresh approach for the delivery of IT projects. Conventional methods will be too slow and disruptive for these times.

First, [understand in detail](#) how the solution will have the desired impact on cost savings and capability enhancements.

Despite what you may believe, this can easily be achieved with great speed. Again, take SAP as an example: it is well documented, both from a business process and system functionality perspective.

[Keep it in-house?](#) Also, make a distinct effort to understand how much of the work you want to keep in-house and how much you want 3rd parties to do. Form your own opinion, and don't let yourself be guided too much by your supplier. Take SAP as an example: it is not rocket-science to deliver an SAP solution. Now more than ever, your own team will be motivated to deliver it by themselves, with targeted expert guidance by a SAP partner (rather than IT consultants taking over every empty desk and conference room in your building). This can potentially be a huge cost saving during the project and reduce the overall TCO, as well as being very motivating your team.

But also look at the metrics of an outsourced delivery model, if your company's strategy and culture is aligned to that. Combined with financial packages from the IT suppliers, it might have a significant impact on reducing the capex or cash expenditure.

Ready-to-run will
reduced risk,
time and cost.

[Use a ready-to-run solution](#), and build a rapid prototype for your company. Define the business processes that need to be covered in order to achieve the desired business impact, and build 'your' prototype. With a pre-built ready-to-run solution as a starting point, this should take no longer than 4 weeks. The prototype serves more than one purpose: it provides the business with an easy-to-understand picture of what they will get, thereby increasing their confidence in the solution; and it provides the anchor point for the integration with other systems, thereby reducing the technical risk and timeline of the project.

[Only involve a handful of people](#) in the design of the solution. Keep the core team small – very small. It's a double win. Firstly, projects simply work better with small teams. And secondly, there is no need to free up an excessive number of business users from their day jobs, as certainly all-hands-on-deck are required in the business departments at the moment.

Small team
and active
communication
are key

[Communicate](#). But don't just communicate progress. Instead, promote the solution as if it is one of the products your company sells! You must regard it as part of your job to sell it to your colleagues.

A fresh, unconventional delivery approach increases the need for accurate, timely and positive communication to the rest of the business and IT team. This must not just be in the form of technology-centric status updates that are done out of necessity rather than conviction. A project that is run this way needs to be continuously 'advertised' to the people outside of the core project team. Make people want the new solution, not dread the arrival of another new system.

Don't
compromise
on analytics

Take [integration and reporting seriously from the start](#). Now more than ever, you need visibility of sales, margin and stock to be able to act. To achieve this, you need smooth and robust integration between systems so that no one can point the finger or claim there are lost orders, inaccurate stock figures, etc.

Integration is often the most constraining and time consuming activity in a project. This is why you should deal with integration right from the start of the project, confidently basing it on the prototype. Using a solution like SAP, the changes to the interface format after the prototype should be minimal.

Reporting and business analytics are often the most visible delivery of the project for the management team. Both the content (accurate, timely and comprehensible) and the delivery mechanisms (online and offline, pushed and pulled) are of highest importance to them. Apart from the solid technical and functional performance of the solution, the success of the project will depend on the acceptance of the reporting packs produced by the new solution. It is the first thing the management team will use and see.

[Don't aim for an all encompassing master-stroke](#). Quickly lay the technological foundation. Then focus on one deliverable after another. That way, you can keep it simple and deliver benefits in quick succession.

Where to go from here?

This whitepaper merely touches the surface of why and how you should deliver IT solutions fast and effectively during a downturn, as well as on-time, on-budget and on-value.

If you need help shaping and delivering your IT initiatives to keep ahead of your competition, consider GREENLIGHT Business Solutions. We specialise exclusively in the rapid delivery of SAP solutions for retailers.

In uncertain times, more and more retailers select solutions from the best software companies, ie those with a stable and predictable roadmap, those who deliver innovation without disruption and those who enable you to get a closed-loop insight into your financials, supply chain and customers. SAP delivers all of the above.

GREENLIGHT. Making SAP simple.

We welcome your comments on this whitepaper:
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This is the first in a series of GREENLIGHT Whitepapers.

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