

KUSUM MAKHIJA

Kusum Makhija began her career as an IT journalist with the CyberMedia group, after graduating from Lady Shriram College, New Delhi. During her stint with the CyberMedia group, she focused on the channel community. Thereafter she worked with Express Computer. After a successful stint of over three years in Journalism, Kusum switched gears and moved to the corporate world. She joined Capgemini to handle offshore communication for the North American region of the company. Currently, Kusum is working with HCL Comnet where she manages the company's global customer communications. She is currently pursuing her MBA from IMT, Ghaziabad, in Marketing, and holds a diploma (distance learning) in Journalism and Mass Communication from Symbiosis Institute of Mass Communication, Pune.

Kusum won The PoleStar Award for 'Best Feature in IT Journalism' for 2005 for her story titled, "Inside the IT budget", published in Express Computer.

INSIDE THE IT BUDGET

No longer seen as a cost centre, IT spending is increasing as India Inc begins to reap the benefits of the technology.

IT budgets are seeing an upsurge across verticals. Enterprises are spending a significant portion of their revenue on deploying and maintaining technology. Traditionally, pitching for IT budgets has been a big challenge for CIOs. Planning for IT is now treated like any other business activity. Appealing for funds is no longer perceived to be a difficult task, provided that there's a strong business case for it.

Planning for IT is now treated like any other business activity.
Appealing for funds is no longer perceived to be a difficult task,
provided there's a strong business case for it

According to Gartner's Global CIO survey released in February 2005, Indian CIOs expect IT budgets to increase by 7 percent in 2005, significantly higher than the global average of 2.5 percent. As per the survey, three strong themes had emerged: security and data protection, business continuity and business growth. The general practice among enterprises is to set aside 4 to 5 percent of their top line for IT. However, very often there is no clear demarcation between what constitutes pure technology and what comprises any other development budget (which may add to IT).

A well-defined budget

The importance of a well-defined IT budget is still seen as an evolutionary process. Enterprises may be spending generously on IT, but whether the money is spent keeping in mind the long-term needs of the business is debatable. "The period of tightly-controlled budgets is over, and restricted budgets are no longer a problem faced by CIOs. The management has become quite tech savvy in the last couple of years. They know the benefits that technology brings to business. Now CIOs don't have to fight to get funds for IT, this is a joint decision that is taken like any other business decision," states Mani Mulki, GM, Information Systems, Godrej Industries.

A CIO's efforts should be concentrated on protecting quality of earnings (that is, long-term reliability) rather than just automating business. For Indian CIOs, if processes are to be automated, it's important that, once they are automated, they are as reliable as possible. "They are not only investing in IT to gain competitive advantage for their enterprises, they are also investing in business process improvement initiatives which will drive up enterprise efficiency. IT is seen as delivering both short- and long-term gains," says Viral Raval, VP, IT, Kale Consultants.

"Having a structured IT budget is mission-critical in a non-IT organisation which depends on IT to leverage business. The IT budget is tracked as part of annual business operations, and plays a significant role in chartering business goals," says D K Mathur, CIO of GE Finance.

Factors driving the evolution

The reasons for fatter IT budgets include business expansion, greater customer care, and an increasing spending on hardware with an increasing number of users. ERP package implementation has seen an upswing with more enterprises expanding services. Verticals like retail and banking have widened their access to technology and are not shying away from purchasing new products and services to improve quality. The focus is not only on updating technology but also on putting a robust infrastructure in place.

"The factors that we keep in mind while planning our IT budgets is the target or growth path the organisation is set to tread on, and how IT can be aligned to the emerging needs of the business. Also, how existing resources can be optimally utilised by upgrading technology," explains Raval. Now that IT and its benefits are acknowledged, the CIO can focus on learning about various technologies and how his business can leverage them. With this knowledge in hand, it then becomes a matter of clearly articulating it all to the top management when proposing a budget.

Getting their priorities right

One of the top business priorities in India is competitive advantage. CIOs today are clearly focussed on building a solid foundation to offer a long-term performance boost to their enterprise. As IT becomes more of a

foundation for business performance, organisations are working towards strategic management to improve business continuity.

New projects are kept on hold unless there is a compelling reason to invest. Sometimes an ongoing project is shelved if the delay is not critical, and the budget is utilised for immediate requirements

V K Ramani
President, IT - UTI Bank

For example, VK Ramani, President of IT at UTI Bank, says that his priorities are determined by their business and operational needs. "New projects are kept on hold unless there is a compelling reason to invest. Sometimes an ongoing project is shelved if the delay is not critical and the budget is utilised for immediate requirements." Once business priorities are clear, it is easier to allocate funds for different areas of IT. When the top management is convinced that IT initiatives have paid off-once the return on investment (ROI) is realised-getting funds for similar initiatives in the following year is no longer an issue for the CIO.

"For us, budgets have never been an issue if we are able to show ROI in a reasonable period of time. Fortunately, we have been able to show the value and benefits it brings to the business," comments Jason Gonsalves, GM of IT & Costing at Goodlass Nerolac Paints. He however points out that the groundwork has to be thorough, so a CIO has to start deciding which projects he should take or drop. Adds Gonsalves, "We also don't take too many initiatives at one time. Every year we try to adopt one initiative. We can't make unreasonable demands to management for funds."

The period of tightly-controlled budgets is over, and restricted budgets are no longer a problem faced by CIOs. Managements have become quite tech-savvy in the last couple of years

Mani Mulki

GM, Information Systems - Godrej Industries

The important thing here is communication. The CIO should be able to convince top management that bringing in IT will help the business in certain ways. For instance, many organisations give information security a low priority in terms of spending. But if a CIO can communicate the risk of not having good security architecture, top management would surely understand the consequences.

"Most companies are now thinking of IT as a key platform and growth enabler, a change from the earlier mindset when it was thought of as being a cost centre. IT is increasingly becoming a CEO's agenda as much as it is a CIO's agenda. Thus, the decision to spend on IT is now being seen as a strategic business growth tool," comments Pramodh Menon, VP, Channels, Cisco Systems India & SAARC.

Forward thrust

To consolidate these expected gains, CIOs are also focussing on systems security, data protection and privacy-all of which, if done badly, can threaten business results. However, the main focus nowadays is clearly on strategic competitive positioning and longer term growth rather than the tactical short-term revenue and constraints on investment. "Out of our capex of Rs 3.5 crore this year, a major chunk is being spent on consolidation of various platforms and upgradation of hardware to not

only enhance our productivity levels but also to prepare us for future challenges. The idea is to have our resources intact in anticipation of technological change," explains Raval of Kale Consultants. The company is focussing on procuring licences for Oracle Applications and security tools this year.

"There has been all-round adoption of all kinds of technologies, both core like switching and advanced like IP telephony and triple play. Security is on top of today's CIO's agenda across verticals such as retail, BFSI and BPO. With the IT spend growing in percentage terms since the last two years, the adoption of advanced technology is growing at a faster rate due to the small base of existing deployments," says Menon.

The thrust seems to be two-pronged for CIOs as far as allocations within IT budgets are concerned. The first involves consolidation of existing platforms and applications to streamline processes. The second is information security. Enterprises are very bullish about spending on security as a key component of their budgets this year.

"We are consolidating our business operations and processes with the deployment of a new banking OS. This consolidation is further getting translated into streamlining of IT," says Mathur of GE. Security of course is another dimension to the whole thing, with data becoming increasingly

Out of our capex of Rs 3.5 crore this year, a major chunk is being spent on consolidation of various platforms and upgradation of hardware to enhance our productivity levels and prepare for future challenges

Viral Raval
VP, IT - Kale Consultants

valuable, so Mathur continues, "We are spending on firewalls, routers, network monitoring tools and access control devices."

Funds utilisation

The other issue with budgets is that they are either under- or over-utilised. If funds are exhausted long before the year winds out, asking for more could pose a challenge. "Budget allocation has to be flexible. In a given time period, some projects need to be taken up to meet urgent business needs or some other requirements, say a security threat to operations that is detected during the course of the year. This is met by providing a certain percentage of the total budget for contingencies," says Ramani.

Vijay Kumar Magapu, CIO and Executive Director, Larsen & Toubro Infotech, says that funds invariably seem to be inadequate as new projects or extensions are encountered during the course of the year. "Funds are always limited. However, funds are rationed whenever the intended use is perceived as a cost. It is therefore incumbent on any fund-seeker to highlight and credibly promise to deliver value to the company in excess of funds deployed. That is, funds should be sought only as part of wise investments," elaborates Magapu. He adds that in IT a wise investment takes the form of two lines. One hopes that the investment may increase the capacity of the company in new ways. The other pertains to the realisation that many investments are needed if only to keep the systems in an organisation from getting outdated, and therefore leading to erosion of value.

Trends

Things look upbeat for IT budgets, with global spending on IT witnessing a rise. Many retail and services organisations are boosting IT deployment

both quantitatively and qualitatively in order to compete globally. "IT spending has definitely gone up this year in comparison to the last, and it is further poised to grow with businesses growing and standardisation of processes coming into play," states Mathur.

Adds Menon, "We are far away from saturation in any of the technologies in India, therefore IT is only slated to grow. The percolation of IT and thus the budgets thereof are going to be a pervasive phenomenon cutting across all sectors and technologies." Menon says that though we may not see the change overnight, the evolution is nevertheless happening. The adoption is taking place not for the sake of it but because it is the need of the hour.

As Indian organisations are discovering new markets, they are warming up to technology. While IT across the world has moved from automation to delivering business benefits, IT in India Inc still needs to move beyond administrative automation to being a business compass and driver. There is a strong case for IT departments to be far more closely integrated with business. A strong case for greater involvement of top management, marketing and finance personnel in IT can also be made. ■