INTERVIEW WITH ED THUMB

Lindsay Green: Hello and welcome to the Biztech Report's *Internet Radio*. Hi, I'm Lindsay Green and today we present the next installment in our IT Solutions Series, Doing More With Less, sponsored by IBM. In today's report, we once again discuss the challenges IT managers are facing and explore the latest trends and approaches being used by leading edge organizations around the world to accomplish organizational objectives. Here to bring us another discussion on how organizations in today's economy are doing more with less is Biztech Report's editorial director, Laine Cooper.

Laine Cooper: We're very fortunate today to discuss the issue of IT cost management with Ed Thumb, who is the Program Director for Rational Product Marketing at IBM. Ed, thanks for joining us today.

Ed Thumb: Thanks for having me.

Laine Cooper: Ed, the whole issue of IT cost management I don't think is more relevant than it is today, given the current economic pressures that most organizations find themselves under. I wonder, have you noticed any changes in the last few months, certainly, but in the last year for sure, in the way organizations cost justify investments in IT projects?

Ed Thumb: Yes we have. You know, companies large and small are facing business challenges on a scale that we hadn't imagined 6 to 12 months ago. And who would have thought that the fourth quarter GDP would have shrunk 6.2% in annual pay. So today, firms are really focusing on reducing their costs and risk and managing their investments more than ever before. IT organizations are really looking carefully at their return on their investment, their ROI, and actually they're coming back to us and looking for that ROI in a shorter timeframe. They're looking to cut their costs and becoming more efficient in a much greater way than we've seen in the past.

Second, they're actually looking to reduce their risk as well. Now, only 34% of the software projects are game successful, yet that costs companies more than 300 billion dollars annually. 50% out of the outsource projects are expected to underperform. So companies today need to focus on the right markets at the right products, doing the right things at the right time, and that means collaborating with your stakeholders. IT organizations really can't

afford to have false starts or a redo. The IT professionals today need to do things right the first time.

Laine Cooper: That's very interesting. The other thing that we've noticed in some of the reporting that we've been doing alongside IBM is this whole idea of cash preservation and cost avoidance. How does that factor in to the way decisions are made about new projects, for instance, to initiate, or old projects to continue funding?

Ed Thumb: Well, that's a really good question. So let's use an example. In a six-month delay of launching a product or service, it costs the company up to 33% of its business return on investment. So as a result, IT executives are now being pulled into decision-making sooner and earlier than ever before to ensure that when they do make a decision to go, that they've got the right IT infrastructures in place, and to ensure that the collaboration, that what they're building is spot on.

And so managers have to really be aligned with their business objectives, they have to be included in that core business decision-making, and they have to measure it along the way. And IBM can help you do that, to ensure that that measurement, that governance is in place, so that you have enough time to catch errors, catch mistakes, make changes, to ensure that you are on budget, on time with the right product.

Laine Cooper: Ed, one of the things that I think is interesting, and is a strong implication of the points that you made with regards to how people are cost justifying revolves on maybe new skill sets that are going to be expected from IT managers, such as for instance understanding a new risk-based project management processes and things like that. Have you seen a shift in what non-technical executives are expecting from IT managers in terms of managing their projects in a more aligned manner?

Ed Thumb: Yes we have. What you're seeing today is IT managers are no longer just IT managers. As I mentioned earlier, they're being pulled into the decision-making and the business decision making much earlier. They need to have a better understanding of the business objectives. And so they need to understand what the overall business objectives are, what the product strategy is, and then aligning what they do to achieve those ends. And throughout the process, they need to be involved in that, so they need to understand the financial implications, they need to understand the product implications. They also are finding themselves, and many

are finding themselves in local companies, managing across geographic boundaries.

Laine Cooper: Mm hm.

Ed Thumb: So ensuring that the right collaboration is also in place to have a successful product is also key. So these are all new and challenging requirements, requiring a different skill set.

Laine Cooper: Interesting. Now are there new tools, or is it the way the vendor, the IT technology community – are there things that folks like you are doing to better support these new demands that are being placed on IT managers, especially in the context of making, of reducing and rationalizing cost of IT operations.

Ed Thumb: We do. We have a whole host of delivery solutions that help the IT manager to be more of a success. We have our Rational Requirements Composer that allows the IT folks to more than ever before interface with their business counterparts, to ensure that the requirements that are coming in are matched up with what the IT folks are building.

We have our Rational Team Concert that allows collaboration across the geography and allows for version control. It also allows for much more governance from an IT management standpoint. We have products that improve the quality, products that also improve the testability of what you're developing. So all those products help to improve the quality, the speed, the accuracy, as well as the communications and collaboration with not only your peers in the IT organization but also your peers in the business, in the lines of business as well.

Laine Cooper: Interesting. So Ed, could you illustrate what you're talking about in terms of an actual example of how the business and IT community can better interact and better add value to the enterprise?

Ed Thumb: Sure. So one way is many companies are looking for ways for cut costs while improving their performance. They're looking for faster and easier ways to accomplish this through platform consolidation. And what we've seen customers do is, using our products, for example Rational Build Forge, one customer was quoted as saying it helped him from saving – from needing to hire additional personnel to improve staff efficiency and as a result, he improved their ROI in three months. But what we're seeing is,

	many customers also are saying slower sales, tighter credit restrictions, declining IT budgets. They see the need to manage their costs tighter, they have a need to identify their investments that drive greater ROI. And what we can do, what we're helping them do is implement a cost reduction process and keep the complexities low. We're helping to lower the IT cost by accelerating their time to market. We're automating a lot of the manual error-prone deployment tasks and providing automated regulatory adherence.
Laine Cooper:	Yeah.
Ed Thumb:	All with helping to improve the quality of the product itself.
Laine Cooper:	Excellent. Ed, thank you so much for taking the time to help us put this very complicated issue into a business context that we can all understand. I appreciate your taking the time to chat with me.
Ed Thumb:	Well you're welcome. Again, thanks for having me on your program.
Laine Cooper:	Lindsay, back to you.
Lindsay Green:	Thanks Laine. Today's Biztech Report podcast is sponsored by IBM, where the big blue team is working with clients to develop new business designs and technical architectures that enable the flexibility required to compete in today's economy and global landscape. For Biztech Reports, this is Lindsay Green.