

## **Fit to Fight**

Companies brace for tough times in part by spending on IT to help them compete

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**Harrington Memorial Hospital** is in spending mode.

It nearly doubled its IT capital budget for fiscal 2009, which started Oct. 1, to more than \$2 million, according to Ed Moore, president and CEO of the **Southbridge hospital**.

Investments in several new systems, including a physician practice management application, are fueling the spending increase, Moore said. The hospital also hired several new IT workers, bumping up the IT operations budget for FY09, too.

While economic uncertainty has forced many organizations to cut costs, Moore stands behind the tech spending.

“We think it’s a necessary investment,” he said, explaining that the new systems help meet regulatory requirements, increase efficiencies and deliver better customer care.

Harrington’s approach to IT isn’t an aberration.

Companies continue to spend on IT even as they see dwindling revenues and shrinking profit margins. To be sure, there isn’t a spending frenzy among IT leaders. Many are seeing level-funded budgets or only slight increases for FY09, with others seeing cuts. But so far there’s none of the slash-and-burn that happened during the economic bust earlier this decade. This time around, companies see IT as too valuable to place on the budget chopping block just yet.

“We’re seeing some companies cut back on IT but for the most part they’re still investing in IT because they don’t see much choice. Technology today is much more integrated and is much more strategic than it was in the past,” said Christopher Stephenson, chief technology officer with iCorps Technology, a Boston-based firm that serves as the IT department for small to midsize companies and consultants to augment IT staff at larger companies.

Research from the **Society for Information Management** (SIM) backs that up; it found in a survey of more than 300 IT professionals conducted in June that 44 percent expect a bigger budget for 2009.

“The money is being spent,” said Dennis Villano, vice president of IT for **Eastern Connection Operating Inc.**, a Woburn-based shipping company.

Villano said his IT budget for 2009 is about twice that of 2008, although he didn't disclose actual figures. The company is currently replacing a legacy system with a new one to handle billing, invoicing, scheduling and accounting, and it's purchasing 300 MC70 Handheld Mobile Computers from Motorola for its delivery people.

Those implementations, along with other projects, cost big money, Villano said, but they also deliver important returns, both in real dollars (i.e. optimized route schedules) as well as softer benefits (i.e. increased customer satisfaction and loyalty).

“I think we need this to be competitive,” Villano added.

**Forrester Research Inc. of Cambridge** confirms that spending is still going on. Its Oct. 15 report, “What the Financial Crisis Means to the Tech Market,” states that IT spending in the United States would slow — but not stop — during late 2008 and early 2009. The report said IT purchases would grow by 5.4 percent in 2008 as a whole and 6.1 percent next year, with growth rates hovering in the 2 percent to 4 percent range during the last quarter of this year and the first half of 2009.

William T. Schiano, an associate professor in the **Computer Information Systems Department** and director of the MS in IT program at **Bentley University**, said companies learned their lesson during the last downturn.

“They cut so far to the bone last time that they can't afford to do that again,” he said. “When the tech bubble burst (earlier this decade), everything got frozen immediately and you had to argue for everything. Now everything is subject to review, and there's no nonessential spending, but what's considered nonessential is broader.”

Experts attributed that to a more mature view of IT, as corporate leaders and IT executives together now understand how the right technology deployments drive business goals.

“The idea is if I can focus on the value added, put my technology dollars into things that sell more, reduce costs, or reach my customers better, or kick the crap out of my competitor, then that's what I'm doing,” Stephenson said.

As a result, IT leaders said several technologies — notably virtualization, software as a service (SaaS), on-demand business models and the use of open-source software — are getting increased traction because of their ability to deliver cost savings — or cost avoidance — as well as increased functionality.

On the other hand, they said companies are pushing off nonessential purchases that don't deliver specific returns on investment such as refreshing hardware or buying the latest software.

But IT leaders pointed out that if the economic volatility continues or worsens, companies will undoubtedly revise what IT can spend.

"IT budgets are getting increased scrutiny," said Dan Gingras, the Boston-area technology leadership partner with Tatum LLC, an executive services and consulting firm. Gingras said he has received a significant increase in requests from clients to look at how well their IT department is aligned with business functions and goals and to help prioritize projects.

"It's almost like triage," he said. "These firms are really looking to find how they can maximize their value from their technology spend."