

U.S. Congress Rescues Banks but Pressure on IT Budgets Looms

Jorge Lopez, Ken McGee, Mark Raskino

The U.S. Congress approved a bill aimed at improving lending between business and consumers. This saves IT from a “worst case scenario” but precedes downward pressure on IT budgets in 2009.

NEWS ANALYSIS

Event

On 3 October 2008, The U.S. House of Representatives followed the U.S. Senate in passing legislation (House Resolution 1424) meant to increase the flow of lending capital that had been significantly interrupted due to recent turmoil and uncertainty within U.S. capital markets.

Analysis

Whether the legislation will stem the overall economic slowdown in the coming year is uncertain given other challenges that lie ahead. These challenges include the volatility of commodity prices (oil and food) and political instability in certain strategically important regions of the world.

RECOMMENDATIONS

Given this uncertainty, construct multiple contingency scenarios and plans for 2009 that can be invoked as unfolding trends warrant. Using current management guidance for 2009 as a base, prepare for each of the following scenarios:

- 2009 IT spending will not exceed 2008 annualized IT spending levels.
- 2009 IT spending will be 80% of 2008 annualized IT spending levels.
- 2009 IT spending will be 105% of 2008 annualized IT spending levels.

Ask CEOs, CFOs, directors of finance, treasurers and others involved in fiscal responsibilities to determine needs for any news, business or financial sources of information to help make decisions during times when news is breaking many times per day.

Anticipate considerable business replanning to continue to the end of 2008 in response to the "aftershocks" that will continue to hit the economic system. Clear other workloads and prepare your managers for a long haul involving many budget rewrites, possibly extending into 2009.

RECOMMENDED READING

"Cost Cutting in IT" — With a potential business downturn ahead for many clients, the next most important business value action to take will be to cut IT costs. **By Ken McGee, Mark Raskino and Jorge Lopez**

"Cost Cutting to Soften the Impact of Budget Cuts on the IT Workforce" — Rather than trying to assume responsibility for the uncontrollable, IT executives must expect economic booms and busts as part of the norm and position themselves to ride the waves. **By Andrew Walker and Barbara Gomolski**

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