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longview

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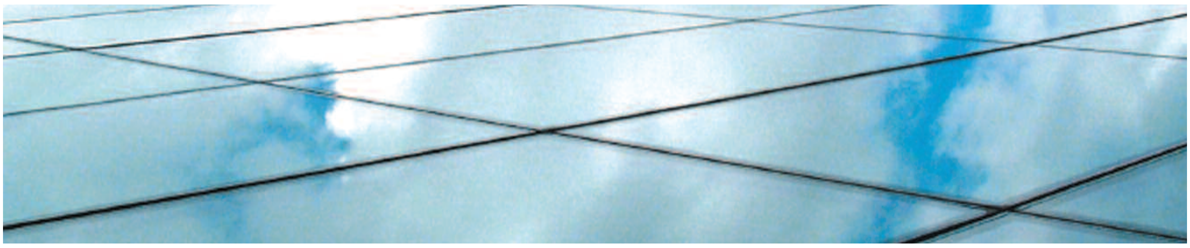
EDITORIAL
OPINION
REVIEWS



WELCOME

Welcome to the 30th edition of *Longview*. I'm sure you would agree that it is impossible to go to any kind of event or meeting today without some discussion of the economy. At a dinner the other week I was asked by Microsoft Australia's head of corporate affairs what I thought was the single biggest lesson that could be taken out of the last 12-months of uncertainty.

While access to capital has certainly been a pain point for everyone from entrepreneurs to project managers and CEOs I think it goes deeper than that. So my response was simply that you can't by-pass a good business case.

Since July 1 we have seen an incredible amount of activity and customer requests for support in this area and we hope that it keeps going. Not only for ourselves but because solid business cases built on defensible data and research is the right approach to management.

Despite the busy-ness there are still enough challenges around to know that as an industry we are not out of the woods yet. And regardless of the green-shoot indicators that many in the industry can point to and say that the business environment is improving, there is still a deeply human side to the GFC. And that side is unemployment.

While we have not seen (and actually never expected to see) job losses within our public sector client base, in the wider industry there are certainly good people being laid off. Just last week a good friend of mine in a senior, regionally focused role was let go.

It was a shock to our network of friends and just reinforced the reality of changes that have occurred over the last year. It begs the question of what business-as-usual will look like when an equilibrium returns to the market and good people with valueable knowledge have moved on.

We'll see you in the market or next month in *Longview*.

Editorial

Why elected representatives should demand performance management from the Public Sector

In an ABC News Radio interview earlier this month (20th August) the Federal Opposition spokesperson for Industry Eric Abetz was discussing the need for greater transparency in relation to the Rudd Government's $3.4 billion in "transformation funding" for the Australian car industry. The call by the Opposition for the fund to be subject to the provision of a parliamentary report, which the Rudd Government claimed was unnecessary given the budget estimates hearing process, brought to mind a particular US political phenomenon with clear implications for the ICT industry.

When Longhaus take briefings from senior executives within large US-based multinationals who deal in the Government sector they often describe case studies in which individual "legislators", as they are often referred to by those in US commercial enterprise, take pains to focus their attention not only on their political opponents, but also on the activity of public sector officials and the machine of government itself. In some cases these public service officials are themselves voted into key positions, but by and large the performance of the public sector is a matter of intense scrutiny.

While the Australian political system is not identical to the US, the shared concepts of "separation of powers" and "frank and fearless advice" are ideals that both democracies aim to fulfil. Unfortunately in Australia the drive for transparency of the public sector itself, and using ICT to achieve these outcomes, remains far less than that of the US.

Qualitatively the story is certainly not good with the 2009 ICT Spending and Priorities Study finding that only 1 in 3 (30%) public sector organisations in Australia actively use business intelligence to measure the performance of their organisations. Only 10% have implemented some form of formal portfolio management to aid in balancing the ever changing priorities of the Government's they serve. Clearly what isn't measured cannot be managed and with the increasing volume of data being made available about both social and infrastructure programs, it appears the amount of measurement is low.

Instead the true oversight role is left to "independents" or passionate party members sometimes labelled "rogues" to push the boundary and truly review the organisational and technical architecture of the public sector itself. It is not unreasonable to expect that our elected representatives should demand more not only from their political rivals, but from the people paid by the tax payer to serve the nation or state.

> Driving change within government requires direct measurement of the machinery itself to identify the true source of issues ...

In our view driving change within government requires direct measurement of the machinery itself to identify the true source of issues, rather than attempting to effect change by proxy through the current incumbent political party via good news press releases from one side and sensationalised media claims by the other. That this should include better use of ICT to aid in providing performance management transparency in the public sector is self-evident.

The result of the individual scrutineer model exhibited in the US is an increasing emphasis by their public sector organisations on performance management and business intelligence to underpin online reporting. A recent example of this increased transparency was the June launch by Vivek Kundra, the US Federal Government CIO, of an IT performance dashboard (see http://it.usaspending.gov/).

However it is by no means the first area to come under scrutiny. In fact under both the previous Bush Administration and the new Obama Administration the US Office of Management and Budget (OMB) has been annually assessing publicly funded programs run by agencies and publishing the result of these assessments online in an easy to navigate directory (see www.whitehouse.gov/omb/expectmore/about.html).

This allows the OMB to provide an independent dashboard of business level program performance used in combination with traditional political process such as committee hearings rather than as a mutually exclusive approach.

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As Kate Lundy, through support of the ongoing Public Sphere Campaign (see www.katelundy.com.au/category/campaigns/publicsphere/), and other individual "legislators" raise the bar in showing the value that ICT can bring, hopefully we will see a day when public sector adoption of business intelligence tools to support public dashboards of performance will be mandatory.

While the call by Mr Abetz for an annual parliamentary report is better than the absence of scrutiny or merely high-level testimony at budget estimates that are published in transcripts but often not read, the ICT industry is capable of providing much more effective, timely, and transparent solutions like those used in the US.

Bringing global economic balance to the ICT portfolio through Indian and Chinese solution partnerships

by Peter Carr

While it would be inaccurate to say that the ICT industry in Australia talked itself into a recession, the slow down didn't need to be as abrupt as it was. But it wasn't entirely the doing of the local market.

According to a presentation by the Commonwealth Bank's Craig James in late July at an economic development luncheon in Brisbane, the three countries that provided the heftiest super stimulus packages for their economies were the US at 5.5%, Korea and 5%, followed by Australia at 4.5% (as a percentage of GDP). Yet each still slipped into the red.

When it comes to conversations regarding world economics, future super powers, and global saviours of the economic crisis, most pundits revert to the common belief that India and China will drag the world up by its boot straps into a long and prosperous recovery. And it is a fair assumption given that while both countries have been experiencing economic slow downs, they have still managed to maintain GDP growth in excess of 5%. This is certainly significant for Australia, where it is well documented that the hunger for primary resources to feed these economies is a major driving force for the local economy.

> The continuing rise of the eastern vendors is simply a function of time seeking a catalyst for an economic tipping point.

Yet for the ICT industry directly, it is quite difficult to get too excited about booms in the mining and manufacturing industries as they struggle to feed these hungry nations. In a comparative measure of other industries, both mining and manufacturing actually feature well down the list of high-spend targets. Afterall, at the end of the day a new mine site simply represents a new line item or more physical assets to manage within an existing ERP system, or maybe deployment of a remote wireless network requiring a manageable amount of new Cisco kit ordered from a pick list and deployed with regional professional service implementations.

For evidence of this one needs to look no further than Australia's own Mincom which has operated for 27 years providing ICT solutions to the global mining and engineering industries. Mincom now operates in 13 countries, partners with all the largest international vendors, and still barely exceeds AUD$200 million in annual revenue; a figure little more than twice Oracle's consulting fees in Australia alone. But despite mining and manufacturing being traditionally low ICT spend industries, the confidence factor that these industries bring to the wider economy do have wider industry implications for ICT.

Unfortunately, the resource driven confidence that is returning to the economy based on the economic success and stability of India and China does not translate into Australian ICT economy confidence because as an industry we are tied too closely to US ICT companies. Australian companies can improve the impact of future economic downturns with regards to ICT by considering how they can do more business with Indian and Chinese technology and solution vendors as a percentage of their international ICT portfolio spend.

In our role as analysts focused on the Australian and near-shore economies we consistently see an over-reliance on US-based brands that sit prominently in the top quadrant of various foreign market analysis methodologies. Ironically, those same quadrants often become the starting point for conversations with clients struggling to find market relevance and vendor support in this part of the world.

While this is not an argument to necessarily further the cause of geographically local technology companies, Australia certainly needs to do more to decouple itself from an over-reliance on the boom or bust impacts that the US ICT Industry brings to Australia's own ICT industry. In the case of the latest recession, under-confidence in the US is still bleeding into Australia despite a much healthier outlook here, as well as in China and India. The fact is that US-based ICT firms have a much greater reliance on the US economy than they do in their countries of operation and as such many of them are now re-focusing on balancing their own internal portfolios to address this shift. For example an IBM restructure in the past 12-months saw the establishment of a Growth Markets Unit which covers multiple, geographically dispersed regions. Make no mistake that in terms of North American budgets, these geographies represent the fringe of investment priority.

In 2005, one of Longhaus' first research studies started with the hypothesis that Australian companies wanted to know more about and do more business with Australian and near-shore ICT companies and service providers. It was a hypothesis neither confirmed nor denied in practice. Yet over four years of qualitative interactions we can say that little to no consideration is given to local procurement nepotism or bias

We now suspect that such parochialism is purely rhetoric and therefore in most subsequent interactions with companies have challenged this notion as a true driver for procurement. In fact many bilateral free trade agreements (FTAs) actually prevent such practice both in theory and execution. In that sense, the barriers to the increased adoption of Indian or Chinese ICT vendor products and solutions are emotive and intangible. They are subject to the standard buyer behavioural modelling of early through late adoption and at this stage there has not been enough early adoption momentum to start the wave.

That being the case, then the continuing rise of the eastern vendors is simply a function of time seeking a catalyst for an economic tipping point. Longhaus believe that the current economic crisis could be one such tipping point. A quick comparison between major US, Indian, and Chinese ICT brands (see Table 1) which are capable of providing solutions in this market highlights that access is not an impediment for strategic procurement relationships with these companies.

Until today, global recessions have always highlighted the sales and marketing focus of multinational operations in Australia. Spending reduces considerably, event and other public momentum retract, and fiscal decision making reverts without exception to overseas spreadsheet managers. Despite protestations, the end result is that all context is lost about actualities in the local market.

Table 1 Respective "Top 100" Chinese and Indian ICT alternatives for Australian and near shore companies

COMMUNICATION	QUALCOM	ZTE HUAWEI	
	CISCO SYSTEMS	QUANTA COMPUTER	
	HARRIS		
COMPUTER HARDWARE	IBM	WISTRON	
	APPLE	ACER	
	HEWLETT-PACKARD	HTC	
	DELL	ASUSTEK COMPUTER	
	EMC	LENOVO	
	WESTERN DIGITAL		
SOFTWARE	ORACLE	AISINO	
	MICROSOFT		
	MCAFEE		
	BMC SOFTWARE		
	SYBASE		
IT SERVICES	ACCENTURE	VINCEINFO	INFOSYS
	SAIC	NEUSOFT	TCS
	COMPUTER SERVICES	BEYOND SOFT	TECHMAHINDRA
	COGNIZANT	COMPUPACIPIC	GENPACT
	AUTOMATIC DATA PROCESSING		HCL
	SYNNEX		WNS
	ACS		MPHASIS
			I-FLEX

The opportunity for the end-user organisation is to consider the economic benefit of stability that a global risk management approach to ICT procurement within the ICT vendor portfolio can offer. The Australian government's role should be to cautiously carry the canary in the cage down the mine through encouraging trade missions to Australia's alternative ICT hot spots in north Asia, in order to build confidence in the acceptance of eastern technology providers.

Australia has already lost the main battle to Singapore to secure the construction of regional cloud computing centres for all the major US multi-nationals. The focus should now shift to attracting the next wave of global heavy-weights before those battles are also forgone.

Without due consideration, and as Australia continues to mature as an ICT consumer, continuing reliance on an under-confident primary supplier such as the US will present itself more dramatically during future down-turns regardless of the current fortunes of the local ICT industry.

At present the market share of the Indian and Chinese ICT vendors in Australia is barely noticeable and therefore a discernible level of activity that is different from their US competitors cannot be gauged. But suffice to say that a more balanced source of technology solutions would go some way to increasing confidence when more of the nations ICT sentiment is shared with Australia's near shore neighbours rather than shackled to the discretion of a North American marketer identifying cost-reduction centres across a global portfolio within a Growth Markets Unit.

Quite simply the only way to attract such companies is to engage with them through a local presence which also provides local economic value such as the campus-style investments of the Indian service companies. Given a comparative lack of interest to date it seems that local presence by these firms is a prerequisite to Australian interest which in itself will support a more stable ICT economy into the future.

INTRODUCING LONGHAUS' NEW DIGITAL MASTER BRAND

From January 2010, LTV® will be the master brand that hosts Longhaus' new digital strategy. Under the LTV® master brand will sit different channels each streaming a subset of Longhaus developed programming focusing on implications, recommend-ations, strategy and the what-if-analysis of research-backed ICT content that Longhaus has become synonymous with in the local market.

Following the completion of a registration process upgrade in Q3 2009 Longhaus has commenced the roll-out of a formal production schedule integrated with our existing research activities and publishing agenda. Investment in the development of studio infrastructure including a recording and editing suite at our new head office will include capabilities to produce content covering a spectrum of treatments ranging from scripted sets to adlib Vox Pop.

Programming will initially include up to 7 programs across 2 channels with media kits and program schedules available from October this year. Content teasers, booking and material deadlines will follow in November with the official portal launch of www.longhaus.tv in January 2010. To register pre-interest in media kits please contact our operations director at kristine.carr@longhaus.com.

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