Honey, They Shrunk My Budget

BY LOUISE FICKEL

DRIVING OUT COMPLEXITY, DRIVING DOWN COST

AT DTE ENERGY, a US$9 billion-per-year diversified energy company serving Detroit, Michigan, the pressure to pare expenses began five years ago following its acquisition of Michigan Consolidated Gas Company (MichCon), one of the nation’s largest natural gas utilities. DTE Energy’s largest operating subsidiaries are Detroit Edison, an investor-owned electric utility serving 2.2 million customers, and MichCon, which serves 1.3 million customers.

At the heart of the effort was the elimination of complexity wherever it lurked throughout the IT infrastructure. “Our approach focused on two areas: managing assets to reduce the cost of delivery and delivering services that make the most difference to corporate performance and customer service,” says Lynne Ellyn, senior vice president and chief information officer (CIO) at DTE Energy. “We worked diligently on process, technology standards, and how we manage people. We also focused on developing clear corporate standards for IT governance, security, email, archiving, and data storage.” First up: a consolidation effort meshing a culture that favored outsourcing (MichCon) with one that preferred a higher ratio of internally managed systems (Detroit Edison).

The strategy paid off: DTE Energy pruned more than US$20 million a year from its IT tab. Since then, DTE’s IT organization has taken more steps to deliver better services and introduce efficiencies across the infrastructure, resulting in a 50 percent reduction in the IT budget over the past five years.

Ellyn’s team moved forward on multiple fronts. Adopting more tactical strategies such as server consolidation and capacity planning decreased total cost of ownership. Investing in thin clients, meanwhile, generated savings in terms of purchase price, longer life cycle, scalability, and administration costs. It also

ILLUSTRATION BY RICHARD BORGE
yielded an enhanced security profile and improved management of the delivery of systems. “On the storage side, we divided the application portfolio into applications that require the highest availability and are the most expensive and those that need less,” Ellyn says.

Symantec solutions have played an important role. “One of the most unproductive things to do is fix security problems, so we’ve made significant investments in security technologies,” Ellyn says. “Transferring a complex task from people to technology drives down the labor cost and allows fewer people to do more work. Symantec is a great partner for us in that regard.”

Utility computing, redefined
Training was crucial in creating a more efficient IT organization. “There was a skill difference between MichCon staff—because they were a heavily outsourced shop—and ours, which was very technical,” Ellyn says. “We wanted to put everyone in the same framework and upgrade skills across the board.”

The company hired Learning Tree to develop Knowledge Builder, a 10-month course covering IT basics, including telecommunications management, disaster recovery planning, applications development, and operations. Everyone on Ellyn’s staff (550 fulltime employees) was required to take the course. Divided into cross-functional teams, the employees met monthly for several days of intensive training. They needed to pass each module of study and give a final presentation based on a business case. “They had to conduct the analysis, design the solution, prepare a business case, and show they could apply all the basics,” Ellyn says. “This meant that help-desk people worked with applications developers, who worked with telecom people, so they became grounded in virtually all activities in IT.”

Investing in the course proved valuable. “I’ve been in IT nearly 30 years, and this was probably the most significant organizational change I’ve ever witnessed,” says Ellyn. “Far beyond what we accomplished related to our performance and our ability to tackle infrastructure issues, this program created a cohesive organization of people who knew how to work together, who knew and appreciated what other parts of the organization did, and had the connections to resolve problems.”

At the same time, the ratio of employees to contractors changed. “When we started, we were more than 50 percent contract help,” Ellyn says. “We recruited and hired the best contractors we knew and changed the ratio from more than half the labor coming from outside labor pools to about two-thirds being employees in whom we could make this kind of investment. This program paid for itself in improvements in the way people streamline and better manage their work.”

DTE Energy’s multi-pronged attack on cutting costs has produced significant benefits. “We met, and then exceeded, our budget reductions,” Ellyn says. “Our earned value numbers went from the mid-90s, which is pretty typical, to being consistently above 1.0 and sometimes as high as 1.2. We pooled resources so we were able to create centers of excellence. Overall, our intention was to build capacity into the organization. We achieved that by improving the people methods, the process and standards, as well as consolidating technology and working on effectiveness.”

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**Security Information Manager 9550**
**Storage Foundation Support**
**Symantec AntiVirus Enterprise Edition**
**Comerica**
- Backup Exec
- Bind View Policy Manager
- Confidence Online
- Ghost Solution Suite
- NetBackup
- pcAnywhere
- Support
A penny saved
Carving out complexity has also kept IT execs at Comerica, a financial services company with US$58.5 billion in assets, busy. “The bank has always done an outstanding job driving down costs while delivering value in required functionality across all lines of the business, whether it was in the commercial loan side of the house or the retail banking side,” says George Surdu, senior vice president and chief technology officer (CTO) at Comerica. “But the pain points now relate to being able to deliver solutions faster. By driving up those capabilities, we believe we can also take out cost.”

Historically, the bank used more of a ‘buy versus build’ model, but that began changing two years ago. “The bank is growing, and we crossed the threshold in terms of size and complexity of the business,” Surdu explains. “We’re finding it costs us more money—and takes longer to deliver solutions—when we buy and then have to do heavy customization.”

Consequently, one of the key areas of focus for Surdu’s team has been simplifying the environment. “There are numerous benefits,” says Surdu. “You reduce the time to deliver solutions. You improve your support levels because there’s less variability and complexity, which equates to higher levels of service. Because of the reduced complexity, you take money off the table. You begin by driving architectural standards. When you get a common set of server platforms, you have a higher probability of success of putting software in that environment that now exists as it existed for years in the mainframe environment.”

Surdu recommends rationalizing the server environment incrementally. First, ensure you have robust inventory management so you can identify hardware and software resources. After analyzing resources and developing categories (e.g., Intel boxes, UNIX boxes, etc.), build a strategic road map of how you’re going to move to the new model. “Reducing the number of boxes lets you save money in headcount, maintenance, software licensing, lower power consumption, and lower space requirements,” Surdu explains. “I’m just using servers as an example. If you’re going to create a true, on-demand capacity model from IT to the business, it’s all about infrastructure and applications and developing new deployment models so your teams can be more reactive to both external and internal customers.”

Reducing complexity—and cost—also involves working with the right people. “You’ve got to reduce your supplier partners,” Surdu says. “Otherwise, you spend a lot of money on integration, which has no value to the business, no new space requirements, and no competitive advantage. When you reduce integration costs, you speed delivery and reduce your time to market.”

Surdu emphasizes that the process requires patience. “You’re not going to push a button and have it all there next year. These are usually three- to five-year journeys. At the same time, it’s important to recognize there are low-hanging fruit you can take advantage of now. We are early on in the journey, and there are certain founda-

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–George Surdu, Senior Vice President and CTO, Comerica Bank

Louise Fickel’s work has been published in CIO, InfoWorld, and Network World.