

# Regulating a Greener Mindset

## Using legislation to overcome environmental inertia

We have reached an era in Financial Services where the very concept of customer centricity requires the IT department to be a differentiator.

Time to market is near real-time. There is commoditisation in back-end processes, standardisation of processes, services and deliverables, and a necessary simplification of all deliverables and channels. And this is all due to complexity of technology, product and distribution channels.

Surrounding all this is the impact of a greater focus on the environment, which has driven a steady recognition from groups such as Gartner that IT now accounts for 2% of global CO2 emissions, matching if not exceeding the detrimental effect of the airline industry on the environment.

At the same time, within banking, insurance and Financial Services, we have reached a critical state where the overriding drivers of technology are 20 plus year old legacy-based systems that require a lot of power. Their very maintenance and lack of replacement by effective alternatives means that data centres too are now equally old and require renewal and replacement.

Even though perhaps the business might still require it, a mindset that demands more speed, more power, and more cooling is now morally (and literally) unsustainable.

### VIRTUALISATION 'NO PANACEA'

The applications resident on these data centre legacy systems are equally complex, old, inefficient, bespoke and proprietary, and a stark contrast to the rest of the IT world of Web 2.0-based applications and service-oriented architectures. Financial Services organisations have three, four or five times the number of applications they really need to manage their business. Virtualisation can help, but is not a panacea and organisations actually need to eventually see their application estate being cut from thousands of applications to closer to a few hundred.

And it's not just the mainframes. Recent audits at Financial Services organisations have demonstrated that they have on average 1.7 computers

per employee, if you include both laptops and desktops.

Do we really need a PC on every desk? How many people really utilise business-focused applications within the City? Or do they really use their PCs simply for email?

### SHARED SERVICES

"What these outdated legacy systems, application spaghetti, redundant PCs and commoditised products are driving us towards is a shared service model between competing

transforming technology into an end-to-end process by truly optimising workflow for commercial business users right through to the data centre.

### CURBING POWER HUNGER

Suppliers are already making an effort to curb data centre power hunger with notably Hewlett Packard and IBM building 'greener' systems. Indeed, Hewlett Packard is building large 'Green' data centres that could service a number of City clients, instead of each Financial Services organisation

enthusiasm, what is troubling is that there is still no true mindset change taking place within organisations.

### A ROLE FOR SOX

"The only true way of creating real disruption is through regulation and legislation, such as Sarbanes-Oxley and Basel II, driving compliance through penalties for those that don't follow the rules. It is only radical action such as this that can mandate a Green agenda that overcomes the 'next quarter' mindset," says Buckley.

Unless governments and regulators take the initiative, adopting a carrot and stick approach in the form of regulatory compliance coupled with tax breaks for change, progress will be slow. Regulators must put pressure on organisations by making an example of those that don't follow a Green agenda to force acceptance. *Pour encourager les autres*, the French might say.

The smart ones will gain a first-mover advantage, perhaps hand-in-hand with a few brave players and more innovative technology companies.

The trouble with retail Financial Services organisations is that they don't think strategically. For them, it is only about getting it done today, and not about the future. "Organisations are only paying lip service to environmental issues because they are not in danger of being publicly shamed, nor has the issue truly crossed investors' radar screens," says Buckley.

That might change, for example, if Green-compliance were to affect M&A behaviour. That company you want to buy may be a great company today, but if it takes half a billion pounds to make it Green-compliant, that could affect the price of the deal, or whether the deal should go ahead at all.

Today companies are driven purely for revenue, not for income, and they need to have a mix of support and compulsion to drive Green action, not inaction. Making audited, environmental compliance part of SOX, or part of the operational pillar of Basel II by early 2009 would be a start, concentrating a few minds on what really needs to be done. ■



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organisations because 80% of what Financial Services organisations do can be described as 'commodity'. Every Financial Services firm really does the same thing. Only 20% of the business is competitive and the competitive criteria in future will be customer service-driven. That's when real efficiencies will start to appear," says Neil Buckley, an experienced CIO in the Financial Services industry.

Business units have traditionally demanded more money be thrown at problems, irrespective of the demands on power and air conditioning. Now, that cycle has to be broken, and we must replace the legacy platforms,

having its own data centre.

Yet cutting down the application platforms required by individual companies and closing their data centres will have clear social and employment implications over the expected 5-7 years this takes to gestate.

We are making some progress. Chipmakers are driving lower emissions with cheaper, more effective technology that will no doubt be adopted as soon as it is available. But buying greener PCs will make only a limited difference because of those old legacy systems, and though we have virtualisation being adopted with