

trendlines

EDITED BY STEFF GELSTON

NEW * HOT * UNEXPECTED

A Call to Tie Pay to Risk

SALARIES As the worldwide financial fiasco unfolded over the past year, risk became the buzzword in boardrooms around the globe. And as analysts began circulating white papers on the need for risk-adjusted compensation, the question for many C-level leaders has become: How will this affect my personal bottom line?

The rationale for a no-pay-for-nonperformance system stems from the idea that there is a tendency for leaders and individual employees to focus on their short-term compensation and not think about the long-term risks that their choices create for the company. Under a risk-adjusted compensation system, salaries are adjusted downward in the short term, in accordance with the level of risk being generated for the firm. If that risk doesn't materialize, the executive or employee receives the deferred compensation.

"There's definitely a trend toward more risk-adjusted compensation in financial services in particular," says Gerard McNamara, managing partner of the CIO practice for executive recruiter Heidrick and Struggles. Risk-adjusted pay plans will increase in any industry where regulatory control and scrutiny are on the rise, says

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House Tech Panel Outlines Priorities for '09

CONGRESS The U.S. House of Representatives Science and Technology Committee will focus this year on improving health IT and math and science education, restructuring a research and development tax credit for the tech industry and making electronics easier to recycle, according to the committee's chairman.

Much of the focus will be on U.S. competitiveness, says Rep. Bart Gordon, a Tennessee Democrat and committee chairman. The committee will push for additional funding for the America Competes Act, a bill passed in 2007 that authorized increased government funding for basic science research, gave grants to states for math and science teaching, and money for specialized math and science schools.

Part of the committee's focus will be on recruiting female and minority students. Those groups are "woefully under-represented" in U.S. math and science

fields, says Gordon. The committee will also evaluate government math and science education programs.

Many tech companies have asked legislators to improve math and science education. U.S. students are falling behind those in other countries, putting competitiveness at risk, Gordon says.

Tech groups have also called for several other changes on the committee's agenda, including restructuring of a research and development tax credit.

The committee's work on health IT will target ways to encourage interoperable systems. Improving health IT "will save us money and will save us lives," Gordon says.

The committee will also look at ways to help electronics manufacturers make products easier to recycle, without subjecting recycling workers to health hazards.

-Grant Gross

Credit **Crunch** Squeezes Data Center Budgets

INFRASTRUCTURE More businesses plan to lower data center budgets this year, with spending on training and new hardware likely to take the brunt, according to a recent survey from Afcom, an association for data center workers.

More than one-third of respondents (38 percent) say they were asked to cut their budgets since May, when Afcom conducted a similar survey. In that survey, 19 percent expected their budgets to be cut for 2009.

The change reflects new cutbacks planned since the financial crisis exploded last fall. The average cutback will be a 15.2 percent reduction in data center spending in 2009, Afcom says.

Of those data centers asked to cut their budgets, 30 percent will reduce spending on travel; 21 percent on equipment such as servers and storage; 23 percent on training; 16.5 percent on cooling, power backup and power distribution systems; and 14 percent on staffing costs.

While travel and training feature prominently, those budgets are small relative to new equipment purchases. "Many more actual dollars will be cut on the equipment side than in areas like travel and training," says Afcom President Jill Eckhaus. That is supported by another figure in the new survey: 86 percent of respondents expect increased use of virtualization in 2009 to reduce the need to buy new physical servers.

Only 12.6 percent of data centers surveyed plan to increase their use of hosted applications next year, while 22.7 percent will increase their use of cloud computing services, according to Afcom.

Asked what impact the spending cutbacks will have, 13 percent say they'll affect salary increases, and 20 percent think they will decrease worker satisfaction. Three percent predict more service interruptions.

—James Niccolai

Pay for Risk

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Howard Rubin, president and CEO of Rubin Worldwide and a Gartner senior advisor.

Whether or not CIOs will see risk-adjusted pay bundled into their compensation packages is an open question. "It's all very hazy, but with the whole financial industry going crazy right now, everything is being looked at," says McNamara. Rubin predicts that risk-adjusted pay is more likely to increase for executives who have an influence on enterprisewide risk, not those leaders, like the CIO, who only have an influence on operational risk.

"Where you will see it for CIOs is in companies that have the belief that all compensation across the enterprise needs to be risk-adjusted and everyone's pay should be adjusted downward if bets don't go right," says McNamara. In those cases, "it's a group motivator," says Rubin, and "the CIO can play a creative role in using IT to manage firm risk more effectively."

Of course, deferred compensation based on performance is nothing new for many IT leaders. A CIO typically has a compensation package including base pay, short-term bonuses and long term bonuses in a mix of cash and equity, commensurate with other executives at their level, says McNamara. Over the past several years, CIOs have increasingly seen a portion of their pay tied to the delivery of major IT milestones.

"If you're overseeing an expensive and risky SAP implementation or downsizing 300 data centers into 10, large and midcap companies have tied CIO compensation to the successful delivery of that solution," says McNamara. In that regard, he says, "CIOs have had their feet held to the fire for a number of years. You didn't see that for the CEO or CFO or even the COO."

—Stephanie Overby

Tools IT Pros Love

CIO RESEARCH

TECHNOLOGY Which tools will get the nod from IT professionals in the coming year? Virtualization, business process management and voice-over-IP (VoIP) implementations top the list.

