

# Wall Street & Technology

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## **On-Demand Is in Demand**

**By Leslie Kramer**

The use of on-demand computing is gaining traction on Wall Street as financial services firms look to link their technology to their business services more efficiently. While Wall Street firms may not be falling over themselves to replace their existing systems with on-demand technology and services, they are starting to weigh the cost and potential efficiency loss of not doing so.

On-demand models allow firms to integrate their business processes across their entire organizations - as well as with key strategic partners - to align IT with business goals and thereby optimize the investments the firms have made in technology, says Jaime Gmach, president and CEO of Evolving Solutions, a technology consulting firm specializing in storage and server virtualization solutions that enable on-demand computing. Currently, many providers are sprouting up to support various aspects of on-demand computing, from consultancies that provide guidance during the early planning stages to services and technology solutions providers.

One such vendor is Propero, a U.K.-based user virtualization software company that currently is looking to expand its client base into the U.S. market. Propero has created a virtualization platform called workSpace that gives users on-demand access to various applications. "You see a lot of talk about virtualization and data center technologies that are coming onto the market," says Steve Peskin, the firm's co-CEO. "What they are trying to do is create a way in which data centers can be much more responsive to user demand."

### **Applications at the Ready**

WorkSpace is comprised of three basic components that manage the hybrid environments common among financial service institutions, which often use a combination of big mainframe and midtier applications, according to Peskin. "The system is dynamically configured so that whenever a user goes to a machine, the machine becomes configured for that user and that user's experience," he notes. The server product allows for centralization of applications while insulating end users from changes made by the workplace manager, Peskin describes. "That is when you move toward what we call the on-demand, or utility-computing, model, which means the users only have access to applications that they are allowed to have access to, and you can actually monitor and charge - or pay - on a usage basis," he explains.

One of Propero's most recent customers, European investment bank Dresdner Kleinwort Wasserstein (DrKW), wanted to rationalize its portfolio of applications and better understand who was using what applications and when in order to determine which applications to centralize and which to leave on desktops, Peskin relates. DrKW's CIO didn't want to have to go to the same machine every day to use an application just because it was on that machine, he adds. "He wanted the user to be able to go to any machine, and if the application wasn't there, [the CIO wanted] the system either to automatically install it for that user and configure it dynamically, or provision that application centrally, if more appropriate - all of which is part of the move to on-demand," Peskin says.

Another area in which on-demand can provide a cost-effective solution is in the realm of untapped capacity. "Wall Street firms are a shining example of companies that can benefit from virtualization because there is an incredible amount of capacity out there that is available for usage and is not being used," says Evolving Solutions' Gmach. For example, a firm may have human resources systems, accounting systems and sales systems, and often the technology is run and maintained in silos. This results in poor utilization of computing resources, Gmach says. By using on-demand technology, such as grid computing, system capacity can be built and utilized more efficiently. "Rather than paying to upgrade existing systems or investing in a new server, the firm is sharing and optimizing technology resources that add incremental value to business processes," Gmach contends.

A similar on-demand philosophy can be applied when a firm outsources to obtain services or increase storage capacity. Vendors such as Evolving Solutions and SunGard offer servers and data storage on an as-needed, pay-as-you-go basis. "If a firm has batch processing needs at the end of each month, they can use that additional capacity at the end of the month and pay only for those periods when they use it," Gmach says.

IBM is among the firms that have been introducing the on-demand culture to Wall Street. The information technologies developer, manufacturer and service provider has set up numerous strategic partnerships with vendors to help firms implement its on-demand products and services. But IBM takes a somewhat more organic approach when defining on-demand. "There is a very high level of integration between Wall Street firms and their business partners, and between their IT and business process agendas," says John Lutz, general manager of financial services at IBM. "So, for us, it starts well before you would get to a place such as utility computing."

## **Getting Real**

While IBM offers a vast array of on-demand services and technologies, one area in which on-demand has been taking root is in the capital markets, according to Tom Swett, industry general manager for financial markets at IBM. Charles Schwab recently turned to IBM because it wanted to provide its clients with real-time portfolio analysis. "Using grid technology that we developed and implemented, we were able to implement a solution that actually reduced their processing time from four minutes down to 15 seconds," he says. Charles Schwab customers no longer have to wait several hours or even overnight for portfolio analysis processing, which gives both the analyst and the client a better risk perspective, Swett notes.

Frankfurt-based financial services giant Deutsche Bank also is among the Wall Street firms that are tapping the on-demand model. In 2002, the bank signed a 10-year, \$2.5 billion on-demand services agreement with IBM for software and services in continental Europe. As a result of the agreement, the bank says it expects to save 1 billion euros over the next decade by converting existing fixed costs to usage-based costs. Other benefits, according to Deutsche Bank, include greater flexibility to respond to changing market conditions and faster responsiveness to customer demands.

So what, then, are the downsides of moving to on-demand? "It makes it harder to hide mistakes," says Gene Kim, senior analyst in the capital markets group at Financial Insights, a research and advisory firm. "Real-time and on-demand processes, by their nature, process information and make results available quickly, often in streaming fashion for things such as dashboards and monitoring reports," he says. "So anomalies in the information are more noticeable." That makes it all the more important that a firm's business process is bulletproof, Kim stresses.

It also may create additional compliance burdens, according to Evolving Solutions' Gmach. Though there are no additional regulatory requirements for the use of on-demand technologies, "You will recognize additional areas that need more regulatory and compliance focus, because you are looking at your business processes at a more granular level," he says.

Another potential problem with on-demand technology is a resulting high exposure to system glitches. "As business processes adapt or are redesigned around on-demand capabilities, their unavailability often hits closer to the critical path of a process, and the window of opportunity to correct or mitigate the impact is proportionately quite smaller," Financial Insights' Kim warns.

Switching to on-demand also may take some level of transformation of processes and technologies. These may include changes in hardware, software and services, which will require some up-front investments. But, ultimately, if used correctly, on-demand computing should help a firm better align its processes with the value that its technology can provide, resulting in more cost-effective technology utilization. "It has to do with enabling firms to connect their processes and IT agenda together in a way that lets them respond to any kind of market change, competitive threat or market opportunity in a flexible and nimble way," says IBM's Lutz.