

EXCERPT

Application Modernization: Do Service Providers Play Variations on the Same Tune? (Excerpt from IDC #210518)

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IN THIS EXCERPT

The content for this excerpt was taken directly from the IDC Insight Report, Application Modernization: Do Service Providers Play Variations on the Same Tune? By Rona Shuchat and Marianne Hedin (Doc # 210518). All or part of the following sections are included in this excerpt: IDC Opinion, In This Insight, Situation Overview, Future Outlook, Essential Guidance, and Learn More.

IDC OPINION

As 2008 gets underway, outsourcers continue to evolve the value-added services they are offering as part of broader application or IS outsourcing engagements. These services involve integrating a more consultative-led approach to outsourcing, promoting a range of application modernization strategies as part of either a "transform to transition" or "transition to transform" approach. The challenge for providers will be to show a short payback period tied to the value of such services. The challenge for enterprises will be to navigate through the layers of marketing communication and consultation advice to determine how to set a viable business-IT strategy that supports evolving business models while keeping costs contained.

- ☒ A trend is emerging among providers (outsourcers and system integrators alike) which strongly emphasizes the reuse of legacy applications, through methods such as re-hosting, re-factoring, or code wrapping rather than via complete code rewrites, to achieve quicker ROI terms in transformation initiatives.
- ☒ While standalone legacy modernization options are promoted, many providers are linking the modernization message with SOA, showing how legacy business logic and data can be exposed through a services layer, thus minimizing disruption to the business and reducing risk.
- ☒ The challenge for all service providers will be to simplify the modernization messages to create value propositions that promote convergence of business with IT solutions, while demonstrating risk minimization with built-in cost effectiveness. Overwhelming clients with too many options at one time can lead to decision paralysis, just as too few can limit the transformation potential over time.
- ☒ While most companies are not significantly different in terms of their overall modernization strategies, their articulation, message emphasis and approach

vary considerably. Some messages are clear and straightforward, thus easier to recall, understand and relate to. Others require careful consideration before the impact is clearly absorbed.

IN THIS INSIGHT

This document highlights the different marketing communication strategies in use by different outsourcers, system integrators, and consultancies in promoting legacy modernization initiatives. Standalone or bundled modernization options such as re-platforming, re-factoring, decommissioning, replacing or rewriting are highlighted with SOA enablement woven in. Companies presented in this review include Accenture, EDS, CSC, Fujitsu, HCL, HP, IBM, Satyam, Tata Consultancy Services (TCS), Unisys and Wipro.

SITUATION OVERVIEW

Outsourcers are driving home a message around the incremental model of transformation, coupling a consultative-led approach to an outsourcing strategy. While traditional approaches to transformation have included more of the "big bang" approach, this form of "massive" transformation does not appeal to most clients. At the same time, full service outsourcers are being pushed to add higher value services to their engagements to offset commoditization of IT outsourcing and strengthen their long term business value to clients. Latest marketing communication material indicates that outsourcers are leveraging professional services and new technologies as part of outsourcing engagements (e.g. SOA enablement, web services) along with use of new delivery models (e.g. SaaS, utility computing, BPO platforms).

The self-funding transformation model is expected to continue to support this messaging as onshore and offshore outsourcers shave costs through automated utility-type delivery platforms, standardized business process methodologies, and optimized distributed labor pools. Moreover, this self-funding approach will continue to resonate well with CxOs as cost efficiencies remain a critical, but expected (built-in) result in developing more competitive business models.

Independent system integrators have traditionally been promoters of legacy modernization over the years, and they, too, are making a more pronounced effort to offer a range of transformation alternatives. Portfolio or specific application assessments are leading to growth in standalone custom application projects as well as bundled modernization engagements tied into outsourcing.

The following profiles provide insight into how different outsourcers and system integrators are positioning their marketing communication in relation to application modernization strategies.

IBM :

IBM has created a business application modernization (BAM) offering that allows clients to choose from a range of legacy transformation options, which may or may not include SOA enablement, depending on the client's business priorities. While one of IBM's primary goals is to show clients how to "extend the value and investment in existing platforms," there is an increasing focus on helping customers "leverage the specific strengths and features for SOA." Moreover, IBM tightly integrates its application modernization and SOA strategies within its AO engagements to maximize business value. This approach drives the business application modernization agenda for either a select set of applications or a complete portfolio.

IBM's "Smart SOA" approach represents a set of best practices, methodologies, tooling, composite business services and industry-specific content packs, which are based on more than 5,700 client engagements. Core to its message is that SOA can be a tremendous enabler for increased business agility, as it is used to optimize a client's business, applications suite and infrastructure to streamline the execution of business services. Moreover, IBM is pushing the "verticalization" of SOA, by offering SOA solutions tailored to the needs of specific industries. Within its Global Business Solution Center resources are focused on building composite business services across banking, government, healthcare and insurance.

IBM continues to invest in harvesting best practices on how to architect, design and deliver an SOA infrastructure that leverages clients' existing environments and supports the need to perform as mission critical processes and applications. Additionally, IBM continues to invest in creating prepackaged business and IT services that can be reused to accelerate delivery and time to benefit flexible SOA solutions.

In line with this, IBM has not forgotten the need to directly address legacy transformation itself, and help clients modernize existing mainframe environments. Within its application portfolio assessment, IBM will support clients in developing a thorough understanding of their applications, functional elements, business rules and controls, surfacing issues and identifying improvement opportunities and value case. IBM uses its Analysis and Renovation Catalyst (ARC) tools to auto-discover, analyze and document legacy assets. This knowledge accelerates model-driven assessment of a variety of legacy transformation options, which include application remediation, application conversion, SOA enablement, package upgrading, and code retirement or replacement.

IBM's business application modernization for SOA comprises an end-to-end portfolio of services, from roadmap definition to delivery. This includes the following:

- ☒ **Application conversion and SOA enablement:** This approach involves "legacy to SOA" componentization, exposing legacy business logic and data through a services layer. This approach may also include legacy transformation itself, as it pertains to the modernization of an application to a new language, database or platform. Streamlining and restructuring of legacy code may also occur to assist with improved flexibility and performance of an application.

- ☒ **Application and data rationalization:** This approach involves the consolidation and rationalization of applications and potential migration of data to a different application.
- ☒ **Infrastructure consolidation and migration:** This service will assess, plan and implement server workload consolidation, address the need for application version and platform upgrades, storage virtualization and data center relocation.

As part of its "*Five-Year March to Mainframe Simplification*" IBM has also significantly updated several tools within its mainframe development portfolio to take advantage of the latest Web and SOA functionality, provide for the hosting of Linux, incorporate business process automation, centralized software configuration management, automated code analysis and optimization, and high level GUI development aids.

All these elements present new opportunities for customers to integrate the mainframe platform and its applications with latest development tools, linkages to Linux, SOA and web functionality. Organizations can now create architectures that encompass both maintenance and modernization strategies together, rather than resorting to more radical efforts which might involve the traditional "rip and replace" approach.

FUTURE OUTLOOK

IDC expects that outsourcers will continue to drive home marketing communications that center on the incremental value of transformation, coupling a consultative-led approach to an outsourcing engagement. Engagements that leverage application legacy reuse, either through re-hosting, re-factoring, wrapping or consolidation, are expected to increase among outsourcers. However, clients will expect faster return on their investments which will drive outsourcers to bundle new technologies (e.g. SOA enablement, web services) and new delivery models (e.g. SaaS, BPO platforms) as part of outsourcing strategies.

The self-funding transformation model is expected to continue to support this messaging as onshore and offshore players shave costs through automated utility-type delivery platforms and standardized business process methodologies. Moreover, this self-funding approach will continue to resonate well with CxOs as cost efficiencies remain a critical driving force in developing higher margin competitive business models.

ESSENTIAL GUIDANCE

Actions to Consider

As value added services are bundled with outsourcing engagements, providers need to consider the following:

- ☒ **Deliver a consistent, simplified marketing message :** Too many layers of messaging can contribute to client confusion or paralysis through analysis. Ensure that the consulting and outsourcing teams are aligned internally in terms

of responsibilities and clarity of message. Helping the client articulate their strategic or tactical business-IT requirements is often essential in leading up to recommendations that support one or more phased modernization strategies.

- ☒ **Clarity of SOA value proposition:** SOA represents an opportunity to wrap legacy applications behind a new service interface. Mainframe assets, as the engine behind the interface, can be leveraged, either through direct access to the application's business logic or through Web interface tools that provide data in the form of a SOA-based service. In particular, it will be important for outsourcers to reiterate the value tied to cost reductions from application component reuse while promoting the value added through increased business agility.
- ☒ **Need for client involvement and buy-in:** The bundling of transformation services with outsourcing necessitates that clearly defined requirements and milestones are agreed to between parties. Even as existing outsourcer expertise deepens in specific vertical domains, a client's business resource expertise cannot be underestimated and must be engaged to ensure deliverables meet client expectations.
- ☒ **Contract experience:** Outsourcers bring considerable experience to the preparation of contracts. This knowledge should be used as wisely as possible as poorly constructed contracts, faulty cost service analysis or ambiguities and incomplete terms can ultimately lead to the loss of a contract or damage of a customer relationship in the future.
- ☒ **Consultative-led transformational outsourcing:** 2007 strong growth in application outsourcing spending indicates that outsourcers can benefit by broadening the portfolio of bundled consultative and outsourcing services. This may involve establishing tighter linkages between consulting and hosting and SaaS service groups, for example. Clients are looking across the application continuum to understand the range of options that are available to them, depending on their needs for custom or more generic application requirements.
- ☒ **Focus beyond the fire fighting:** With value added services becoming more critical to outsourcing relationships, consultants needs to help executives focus on long term strategic plans rather than remain drawn into discussions that only center on shorter term capabilities. Part of the transformation value of such engagements is charting alignment of business and sourcing strategies for the medium to long term.
- ☒ **Multi-disciplinary integration:** Being able to leverage different experts within a vendor organization is advantageous in many client engagements, but especially in modernization projects where a variety of technology, business process, and industry issues must be considered. Hence, the extent to which service vendors are able to coordinate and use a multi-disciplinary approach affects their ability to effectively address clients' modernization needs.
- ☒ **Trust and relationship building:** These factors remain paramount in any type of outsourcing engagement, whether it is for a discrete AM deal solely focused on maintenance or an application development or modernization initiative that is

coupled with outsourcing. They are equally critical in standalone project engagements.

LEARN MORE

Related Research

- ☒ SOA Adoption, Implementation, and Buying Trends for Services: A Survey of U.S. Companies (IDC#213758, August 2008)
- ☒ A Competitive Analysis of Major Service Vendors and Their SOA Service Capabilities: Part I (IDC #213125, July 2008)
- ☒ IBM Global Services: Vendor Profile Series for SOA Service Offerings, (IDC #212238, May 2008)
- ☒ Worldwide Application Outsourcing 2007 Service Provider Analysis: IDC Leadership Grid (IDC #211640, May 2008)
- ☒ Worldwide SOA Services 2008-2012 Forecast: Addressing Diversity in This Evolving Market (IDC #211775, April 2008)
- ☒ Platform-as-a-Service: As Clouds Form, Outsourcing's Role Not So Nebulous (IDC #1cUS21255608, May 2008)
- ☒ Transformational Outsourcing: Where Are Enterprises on the Adoption Curve? (IDC #211854, April 2008)
- ☒ Worldwide and U.S. Hosted Application Management Services 2008–2012 Forecast (IDC #211217, March 2008)
- ☒ 2007 Offshore Application Outsourcing Providers: A Growing Competitive Force (IDC #210794, March 2008)
- ☒ Worldwide and U.S. Application Management Services 2008–2012 Forecast (IDC #211215, March 2008)
- ☒ SOA's Role in Legacy Modernization: Keys to Success in Application Outsourcing (IDC #209945, December 2007)
- ☒ Capgemini: Vendor Profile Series for SOA Service Offerings, (IDC #212108, May 2008)
- ☒ Deloitte: Vendor Profile Series for SOA Service Offerings (IDC #211590, April 2008)
- ☒ EDS: Vendor Profile Series for SOA Service Offerings (IDC #211771, April 2008)
- ☒ HP Services: Vendor Profile Series for SOA Service Offerings (IDC #211793, April 2008)

- CSC: Vendor Profile Series for SOA Service Offerings, (IDC #211589, April 2008)
- BEA Systems: Vendor Profile Series for SOA Service Offerings (IDC #211535, March 2008)
- Accenture: Vendor Profile Series for SOA Service Offerings (IDC #211537, March 2008)

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