



Honing the Edge

In the face of unprecedented economic pressures, organizations in the coming years must do all they can to increase efficiency, while remaining competitive. Cost-cutting is the order of the day, but the competition is not going to disappear. So to meet the competitive challenge, organizations must also continue to innovate.

Gary Barnett and Claudio Matias

Innovation in business needs to address both processes and management, which

are both supported by an applications infrastructure. It is therefore clear that the portfolio of applications that organizations use to deliver the products and services

they sell has a crucial role to play in determining their ability to survive and succeed.

In order to deliver effective cost management combined with on-going innova-

tion, organizations have to respond to a number of challenges such as:

- delivering more effective change management
- using application modernization to lower the cost and time associated with innovation
- building more effective links between business and IT
- better managing the full lifecycle of application maintenance, modernization and enhancement.

Effective application management takes a portfolio approach to legacy applications and processes, providing a framework to enable those assets to be managed strategically. A comprehensive application management strategy can reduce the cost and risks associated with legacy applications and business process modernization.

The Bathwick Group recently completed a Global Application Management Study for IBM, in which over 600 organizations from six industries across seven countries participated. The research looked at issues within application management and explored the challenges associated with integrating business and technology. The study results underscore how application services are a key enabler to change, and complement the findings recently announced in IBM's 2008 CEO Study.

Dealing with change

It is clear from the research that a high proportion of organizations recognize the value of innovation. Over 85 percent of businesses believe that the effective management of their application portfolio is a critical factor in competitiveness and in improving business performance. However, more than half of businesses admit that they are falling behind in addressing new business requirements in applications, and that the complexity of their current applications landscape is causing problems, particularly in terms of the

costs associated with application maintenance.

In fact, the way in which an organization manages, enhances and modifies its application portfolio can enable or inhibit change, and clearly many study respondents recognize that – the research identified a strong move away from home-grown core applications towards packaged applications. A total of 57 percent report a shift away from custom applications to packaged applications, with 17 percent seeing significant change over the next two years.

There are a number of factors influencing this move, but cost and adaptability are seen as significant drivers. Indeed, the study found that more than 50 percent believe their current applications set is not flexible enough to cope with changing business demands. A natural consequence of this is that 55 percent of organizations state that they are falling behind in addressing business requirements and that this is negatively affecting business performance. Organizations that take a holistic approach to change management, tying it with the

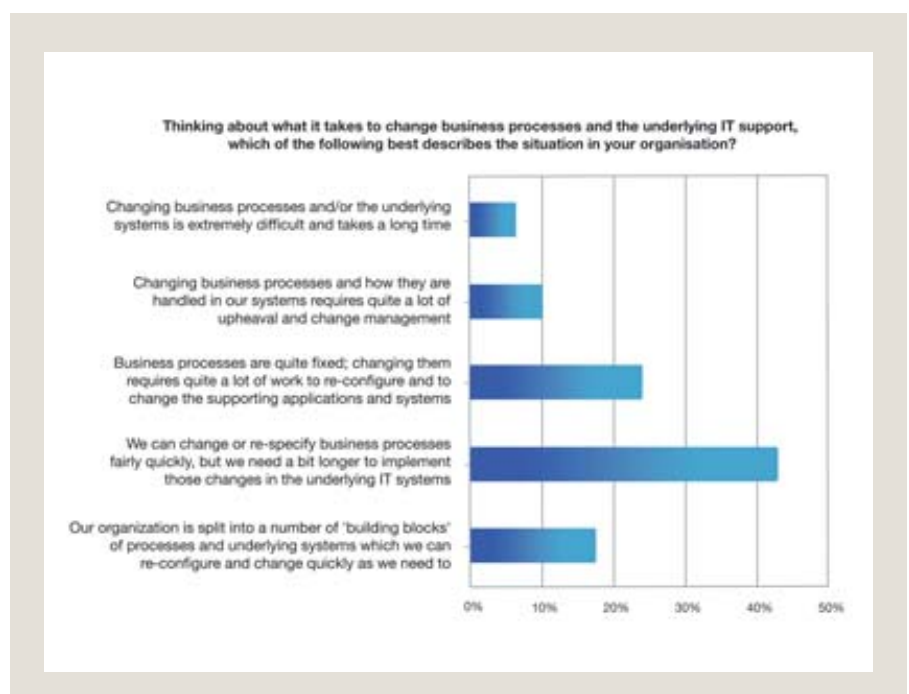
processes that support business innovation, will find innovation easier to achieve and justify in business terms.

Application needs

In order to deliver better business processes at lower cost, applications must be modernized. While organizations recognize the importance of modernization, 53 percent report that application modernization lags behind business requirements, and one in ten state that it is damaging business performance.

More than half of the organizations we surveyed report that internal resources are tied up maintaining current applications; not enough are therefore available for new projects. As resources become increasingly tight it is clear that organizations need to streamline and improve their approach to application maintenance and enhancement.

Legacy applications pose a particular challenge; nearly half of the respondents report significant concerns with legacy systems, and many aren't maximizing the



About the study

The Global Application Management Benchmark study was designed to uncover company views and strategies regarding business alignment, innovation, information integration and knowledge management, time to value, risk mitigation and application development management portfolio and performance. Line of business and IT decision-makers in the United States, United Kingdom, China, Japan, France, Italy, and Germany representing the automotive, banking, distribution, electronics, insurance and telecommunications industries participated. The executive summary and white papers that provide more detail on the industry-specific conclusions and can be accessed via IBM's website at:

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value of their application portfolios effectively. Three industries in particular (banking, insurance and telecommunications) report significant challenges with respect to their legacy applications.

The complexity of respondents' application landscapes is causing high application maintenance costs and adversely affecting employee productivity. 43 percent of respondents report that their current application landscape is hindering their organization's responsiveness to market change and reducing the organization's competitiveness. Over 60 percent feel that redundant and overlapping applications across business units are increasing complexity and costs and 45 percent believe this makes innovation difficult.

Building better links between business and IT

The challenge of "Business/IT Alignment" has been talked about for a long time, and this survey once again stresses the need for better processes to ensure that business and IT work more effectively together. The research highlights the different perceptions of business and IT managers. Business managers, for example, are much more likely to state that a project failed because IT failed to understand the requirements. IT, on the other hand, is likely to state that project failure was the result of requirements never having been properly speci-

fied. While this scenario is hardly unusual, we are concerned that the situation seems to have remained unchanged for many years, and represents a chasm between groups that can truly damage business performance.

Better lifecycle management

When it comes to application maintenance and enhancement, software quality has a significant impact on future costs. Nearly 50 percent of respondents state that they experience too many post-launch defects in new or enhanced applications. This is linked to the fact that over 50 percent admit that their application testing is done manually, and nearly 60 percent acknowledge they don't allocate enough budget to the testing process. Almost half of the respondents don't have metrics in place to accurately assess their organization's testing processes and the quality of testing results.

Testing is an end-to-end, intrinsic part of the development lifecycle that can help reduce costs and manual labor, plus accelerate application implementation. Testing can also identify defects and performance bottlenecks, both of which can be dealt with early on in the process to prevent further production errors. One of the most cost-effective ways of lowering expenses is through automated application testing.

In summary

In order to meet the challenges presented by today's economic climate and competitive environment, organizations have to make better use of their application assets by:

- improving the way they manage and leverage their existing applications
 - improving the way in which business and IT engage throughout the whole change lifecycle
 - implementing best practice in application maintenance with a focus on automation.
- These findings provide a basis which can be used to understand where your company stands today. You can use the results of this research to benchmark your organization's performance, and identify the next steps required to shore up your application management strategy. ■

About the authors

Gary Barnett is a partner and CTO with IT research company The Bathwick Group in the U.K. For the last ten years he has worked as an analyst and consultant, providing advice to end-user organizations on technology selection and IT strategy. His current research interests include SOA, Data Management, Globalization, Green IT, Innovation, Business-focused IT Strategy, the Role of the CIO, Legacy Modernization and Infrastructure.

Claudio Matias is Application Services Leader with IBM Switzerland which provides companies with an integrated approach to managing their application portfolios. In this role, he is responsible for end to end sales and delivery of IBM's Application Services offerings. For the last 23 years, he has worked as a consultant, designing, building and managing innovative applications for IBM's clients in Switzerland and abroad.