Global 2000 organizations could save $6.8 billion through improved ASM

HCL survey of 300 CIOs from UK and US reveals Application Support & Maintenance (ASM) costs continue to rise in the face of shrinking IT budgets

London, CA and Noida, India, Thursday 20th March 2014, Research released today by HCL Technologies Ltd (HCL), a leading global IT services provider, has highlighted how global 2000 organizations could realize savings of $6.8 billion through improved Application Support & Maintenance. The survey of 300 CIOs from the UK and US revealed that ASM now accounts for 38% of large organizations' overall IT budget each year. Based on the IT expenditure of Fortune 2000 companies this equates to $11.3 million per organization annually. Furthermore, 83% of respondents stated that the cost of maintaining and supporting these applications was increasing year on year, while over the last 12 months organizations have on average seen a 29% increase in support tickets for ASM.

Against this backdrop it is unsurprising that IT departments are also finding it increasingly difficult to prioritize application problems and/or service requests. Indeed 88% of the large enterprises surveyed admitted they found prioritization a challenge. At the same time, with IT underpinning a number of business functions, 90% of respondents said that resource and skills restraints were making it difficult to align business and IT objectives. Only a small percentage (14%) of organizations stated they have mapped business benefit from IT.

"ASM represents a disproportionately large proportion of IT spend. Many organizations are struggling to meet users' heightened expectations of application performance, which in turn is leading to a growing number of support tickets," said **Vijay B. Iyer, Senior Vice President, Global Head of Applications Outsourcing, HCL Technologies**. "With the need to drive greater efficiencies and business value from IT, organizations can no longer allow their current ASM functions to stagnate. By taking a more proactive and efficient approach they can free up capital that could be allocated towards more innovative transformational projects."

Running the business v changing the business

The survey highlights how organizations are currently dividing their IT spend between 'keeping the lights on' and delivering business transformation:

- On average, more than two-thirds (68%) of annual IT budgets are spent on running the business (RTB)
- 87% believed that budgetary pressures were hindering their ability to undertake business transformation projects
- 83% stated it was priority for them to reduce the proportion of their organization's IT budget on RTB, so they can invest more in transforming the business through innovative technology projects
- 86% indicated they didn't expect their existing ASM function (in-house, outsourced or combined) to deliver any cost savings in the next three years.

Lack of incentive to change existing ASM processes

45% of organisations stated ASM was managed in-house, whilst 17% outsourced this function. The remaining 38% stated that ASM was carried out by both an in-house team and an outsourcer. Irrespective of how ASM was undertaken, the survey highlighted that one of the biggest barrier towards reducing ASM costs is a reluctance to disrupt the current status quo:

- Of those organizations who outsourced part or all of their ASM function, 78% believed that their outsourcer could be more innovative in delivering ASM, but were reluctant to do so because it may right result in reduced work and revenue
- 72% believed that their outsourcer tries to keep the level of support tickets high to ensure the fees paid to them cannot be reduced
- Of those organizations that undertake ASM in house, 92% believed their team could be more innovative in transforming the model of ASM.

ASM remains too reactive and siloed, leading to inefficiencies

The survey illustrated that in the vast majority of organizations ASM is reactive and focused on firefighting, as opposed to delivering real business value. Furthermore, for most organizations ASM continues to be aligned to particular applications as opposed to the business, which is symptomatic of IT working to IT-led rather than business-led KPIs:

- The majority of CIOs (83%) believed that traditional ASM processes are inefficient as they deal with and resolve application incidents on a case-by-case basis, rather than using an industrialized and consistent solution
- 67% stated that their ASM function was inflexible in supporting business expansion and is not providing continuous improvement
- 81% of companies organized their ASM function around application silos
- 81% stated that a small number of applications created a disproportionally high number of ASM tickets
- 91% said root-cause analysis was taking longer due to the increasingly complex nature of the IT landscape.

"The traditional IT-KPI focused approach towards ASM is fast becoming outdated. CIOs need to be able to drive costs out of their operations, while at the same time drive business performance. This can be enabled by using business-focused KPIs, yet our survey reveals that less than half of organizations use such metrics. It is clear an alternative approach is required for an IT function that hasn't evolved for the last decade, added **Vijay B. Iyer.**

By leveraging HCL's alternate unified application service management framework, called ALT ASM™, CIOs can focus on strategic business goals for application portfolio modernization, business process innovation and transition to the cloud. With a primary focus on Proactive Obsolescence™, HCL's methodology helps to manage operational costs, gain Visibility into the IT & Business process KPI's, improve Velocity for eliminating incidents & problems and increase business Value and end user experience.

The survey of 300 UK and US CIOs at large enterprises with 1,000+ employees was commissioned by HCL Technologies and conducted by independent research company Vanson Bourne.

About HCL Technologies

HCL Technologies is a leading global IT services company working with clients in the areas that impact and redefine the core of their businesses. Since its emergence on global landscape after its IPO in 1999, HCL has focused on 'transformational outsourcing', underlined by innovation and value creation, offering an integrated portfolio of services including software-led IT solutions, remote infrastructure management, engineering and R&D services and Business services. HCL leverages its extensive global offshore infrastructure and network of offices in 31countries to provide holistic, multi-service delivery in key industry verticals including Financial Services, Manufacturing, Consumer Services, Public Services and Healthcare & Life sciences. HCL takes pride in its philosophy of 'Employees First, Customers Second' which empowers its 88,332 transformers to create real value for the customers. HCL Technologies, along with its subsidiaries, had consolidated revenues of US$ 5.0 billion, as on 31st December 2013 (on LTM basis). For more information, please visit www.hcltech.com

Forward-looking Statements

Certain statements in this release are forward-looking statements, which involve a number of risks, uncertainties, assumptions and other factors that could cause actual results to differ materially from those in such forward-looking statements. All statements, other than statements of historical fact are statements that could be deemed forward looking statements, including but not limited to the statements containing the words 'planned', 'expects', 'believes',' strategy', 'opportunity', 'anticipates', 'hopes' or other similar words. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding impact of pending regulatory proceedings, fluctuations in earnings, our ability to manage growth, intense competition in IT services, Business Process Outsourcing and consulting services including those factors which may affect our cost advantage, wage increases in India, customer acceptances of our services, products and fee structures, our ability to attract and retain highly skilled professionals, our ability to integrate acquired assets in a cost effective and timely manner, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, the success of our brand development efforts, liability for damages on our service contracts, the success of the companies /entities in which we have made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property, other risks, uncertainties and general economic conditions affecting our industry. There can be no assurance that the forward looking statements made herein will prove to be accurate, and issuance of such forward looking statements should not be regarded as a representation by the Company, or any other person, that the objective and plans of the Company will be achieved. All forward looking statements made herein are based on information presently available to the management of the Company and the Company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the Company.

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