

APPLICATION SUPPORT  
AND MAINTENANCE

THERE IS AN  
Alternative



## EXEC SUMMARY

Where once hardware ruled the world, it is now software that is dominating the corporate IT landscape. And as applications play an increasingly pivotal role in enabling companies to launch new services and derive competitive advantage, the famous quip 'there's an app for that' has never been more relevant or true. A recent Gartner report titled IT Metrics: IT Spending and Staffing Report, 2013 by Jim McGittigan, Kurt Potter, Jamie K. Guevara, Linda Hall, Eric Stegman published on 1 February 2013 found that application spend now accounts for over a third (35%) of IT budgets in 2012. This is a figure, as mobility technologies become more integrated into enterprise IT that is only set to rise.

49% operational  
savings delivered  
to a F100 global  
investment bank

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As a result of this increasing spend, CIOs are looking in more detail at just how much applications truly cost. And the answer is a lot. We've found that often at least 50% of an applications cost across its lifecycle is support and maintenance. As a result, Application Support and Maintenance (ASM) is fast rising up the IT agenda and not for the right reasons. It might not be 'in trend' like Big Data or Mobility, but that fact that ASM is consuming such a large proportion of the IT budget makes it a cause for concern.

At time when IT leaders are faced with the paradox of shrinking budgets but a business imperative to grow, ASM represents a disproportionately large chunk of IT spend, for very little value in return. Throw into the mix that fewer than 20% of organisations have an application services strategy, leading to overspending and underperformance, and ASM suddenly becomes a big budgetary blind spot.

With IT having to evolve at a rapid rate to become more aligned to business needs and deliver tangible results in the form of revenue and growth, it can no longer afford to support approaches that don't deliver these tangibles. Traditional ASM is a hindrance to the goals of the new lean, performance driven IT department, it saps budget that could be better invested elsewhere. Something has to change. An alternative is needed.

## INTRO

Whilst ASM might be draining the IT department of valuable resource that could be redirected, its importance cannot be discredited. A huge ASM budget due to large number of incidents and service requests is a symptom rather than the cause of the problem which is plaguing the IT department.

This is all business critical activity and so the issue isn't with what applications enable organisations to do, but with how much it costs to maintain them in order to assure their performance. Typically, ASM will consist of:

- Incident resolution - when an application fails to perform, the error will be called into the ASM team
- Problem resolution - identifying the error within the application and devising a fix
- Service requests - the ASM team will regularly receive requests from the business regarding trend data that will need to be extracted from applications

## ASM today

Traditionally the ASM function, rather than being aligned to the business, is organised in silos around a particular application. This is symptomatic of IT working to deliver IT led KPIs aimed at helping the business to 'keep the lights on,' rather than looking at how the skills of the ASM team can be leveraged to empower business transformation. In the current setup, rather than having a team focusing on a process for e.g. supply chain management or ecommerce,

**32% operational  
savings delivered  
to a leading  
logistics company**

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**52% reduction in  
incidents in a single  
year for leading F&B  
Company**

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individuals are dedicated to a particular module/application such as SAP or Oracle. As the number of applications within the business grows and the landscape becomes more complex, this approach is starting to make IT rigid and reactive at a time when user expectations of application performance have increased. Unable to meet these demands, the IT team faces more dissatisfied users raising an ever increasing number of support tickets. Often the ASM team gets to know about impending problems only when these tickets are raised, and that in its self speaks volumes.

Importance of the ASM team has been further enhanced with the increasing expectations of the internal and external customers. If in case an application is not able to flex with increasing business demands and falters or goes offline it presents a significant business risk. This might not be an issue if the application is an internal chat tool, but if it is a customer facing application, such as an online mortgage calculator, the ramifications are much higher. Not only could the company lose business, but in today's era of social media, prospective customers might Tweet or Facebook their frustration to hundreds of followers.

A key issue tends to be that ASM teams wait for incidents to be logged before resolving them. This becomes a vicious circle and thus the team is always one step behind. Also it is usually difficult to identify the link between the business processes to the IT landscape. Thus the ASM team is always looking at the symptom rather than the cause.

This has two implications. Firstly, teams aren't learning from previous incidents and as a result aren't able to spot performance trends that indicate an application's performance could shortly be under threat. Rather than being proactive and keeping the business on the front foot, ASM has become all about firefighting. Secondly, it means that a lot of efficiencies that can be achieved by being proactive towards incident resolution are not realized.

Combined, these factors have resulted in ASM stagnating. The commonly accepted rule that approximately 35 per cent of the total IT budget being spent on applications, no longer stacks up in the era of increased budgetary pressures and demands from IT to impact business.

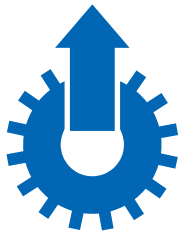
## The changing role of the CIO

Such stagnation might have been annoying but tolerable when IT was merely focused on cost, but its remit has changed. IT has a new focus on delivering business value and operating as a business partner. Also this time IT has tools to significantly impact business available. The board on the other hand is aware now that technology has the potential to become a source of competitive advantage.

For CIOs this is a significant change in gear. Where previously business transformation initiatives were only a small part of their overall agenda, it is now a key part of their role alongside reducing costs. And to meet these new expectations, they have to find money to fund transformative projects, which has



**82% reduction  
in critical  
incidents for a  
leading logistics  
company**



put IT spend under even more scrutiny. And when it comes to ASM, CIOs are starting to ask five very important questions:

1. Why am I paying the same for application support each year? What am I getting for this spend.
2. Why is the number of issues growing each year with increasing complexity of the IT environment?
3. Why are IT vendors not innovating in my biggest spending area?
4. Why can't this spend impact my business as well?
5. In the age of software-as-a-service why do I even need application support?

Traditional ASM simply can't answer these questions. As an industry ASM hasn't needed to innovate because contracts are typically renewed every three to five years and there is always a big change that the incumbent will keep the contract due to the huge transition risk that an application management vendor change poses. This continual revenue stream for outsourcers has meant that it hasn't been in their interests to modernize or innovate on ASM.

However, ASM has arrived at a crossroads. The arrival of the Nexus of Forces has put ASM under significant pressure. The time has come for an Alternative approach to ASM.

### **ALT ASM™ –Proactively killing ASM while impacting business performance**

Recognizing that support, maintenance and business value are not mutually exclusive marks a new start for IT sourcing models. Unlike traditional ASM, ALT ASM™ seeks to drive efficiencies at a fundamental level using LEAN principles, pre-built self-healing solutions, self-funded application portfolio optimization and a business aligned target operation model. The objective of ALT ASM™ is to create a zero ticket application landscape.

With that it is focused on impacting business performance through business process to IT landscape linkage and being targeted on business process KPIs. This is a game changing and bold approach for a function or sector of the IT industry that hasn't evolved for the last decade.

ALT ASM™ aims to create Alternative solutions to five problems CIOs face in applications outsourcing:

34% cost savings  
for a leading  
supplier of ATEs  
with flexible delivery

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TRADITIONAL ASM INDUSTRY PRACTICE		ALTERNATIVE ASM
Ticket Resolution Focused		Proactive Workload Reduction
Focus On “Keeping The Lights On”		Focus On Business Advantage
Non Consultative Approach To Transformation	↔	Proactively Impacting It Agility
Limited Ability To Support A Dynamically Changing Business Demand		Flexibility In Service And Resourcing
Limited Visibility In Service Delivery		Transparent Engagement

**Proactive Workload Reduction:** As previously mentioned, traditionally ASM vendors find ASM to be a great source of recurring revenue thus are reluctant to reduce it significantly. CIOs so far have been only satisfied with the cost savings achieved through offshoring and savings delivered as part of the defined contract.

To help CIOs resolve these issues, HCL has created a paradigm shift in applications outsourcing through its ALT ASM™ proposition. It is derived from our strategy of a shift from ticket resolution to ticket removal. Through ALT ASM™ we aim to reduce the number of tickets to zero and ruthlessly cut wastes in an ASM engagement.

**Focus on Business Advantage:** Even while we would be aiming for reducing ASM workload as much as possible, a significant amount may still remain at least in the initial few years. We asked ourselves, why this whole amount can’t start impacting business from the very first day.

To enable this there was a requirement of changing how we deliver and what we target as part of our SLAs. An ASM engagement in technology led silos is inefficient in terms of its resource use. HCL has designed a Business Function Aligned Target Operating Model in which the engagement units headed by client service managers are aligned to the various functions of the client. This creates an organization that is focused on achieving business objectives.

Along with this ALT ASM™ uses HCL’s proprietary tool Prizm™ to map the business process to the IT landscape. This enables the ASM engagement to generate ideas that can impact the business. Another tool used is ProVantage™ which monitors the Business KPIs and their linkage with IT KPIs. The final step is taking Business KPIs as SLAs. This aligns the goals of the business and IT creating Business Advantage.

50% reduction in  
O2D time increasing  
EBIT by USD 2.5mn  
for a leading telecom  
supplier

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### **Proactively Impacting Agility:**

Transformation of IT landscape starts at the time of transition with the mapping of the IT Landscape to the Business processes using HCL's Application Optimization toolPrizm™. This creates a culture of continuous improvement from the word go. With that we reinvest 3% of the total contract value in the form of transformation consulting assignments which result in transformation opportunities being identified.

These opportunities can be realized with the unlocked capital resulting from optimization derived from ALT ASM™ and are in the form of Application Portfolio Optimization, Application Modernization and Cloud Enablement.

### **Flexibility in service delivery and resourcing:**

An ASM engagement, which is not flexible enough to provide for additional trained resources in case of an urgent need, puts the client at risk rising from business fluctuations. Understanding this challenge, HCL offers clients a flexible staffing model which provides run-the-business (RTB)-trained resources whenever there is need, as part of ALT ASM™. Inversely resources required for change-the-business (CTB) activities can be sourced from ASM.

Our Business-Aligned Target Operating Model (TOM) results in a highly cross-skilled workforce and thus we are able to provide resources that are completely aware of the company's business process and are able to impact CTB activities in the right way.

Flexible delivery is achieved through the modularized Business Aligned TOM where in case of a business expansion a new business aligned track is easily created.

### **Transparent Engagement:**

While current Managed Services are articulated around outcome-based commercial models; they are found wanting when it comes to creating visibility for the customer through strong collaboration models, advanced reporting tools with frequent updates and clear role articulation for greater accountability.

ALT ASM™ creates a transparent engagement through a 24X7 visibility dashboard, Multi-Vendor governance framework, Business Process to IT landscape visibility and business process KPI monitoring.

IT creates visibility at all three levels of Business, IT and Governance.

ALT ASM™ mitigates operational risk of transition from other vendors and internal IT through the use of ASST™ HCL's transition framework. It has demonstrated business disruption free transition in over 100 engagements.

Improvement in  
order management  
time by 19 hrs/mth  
for a leading F&B  
company

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## CONCLUSION

The business environment is anything but static. In a new, competitive global economy, organisations of all shapes and sizes are ever more reliant on applications to run their business. But they cannot continue to shoulder such unnecessary and extortionate support costs. As a result some tough questions are being asked of both outsourcers and in-house IT teams. ALT ASM™ is an Application Support and Maintenance solution that has been developed in response to the changing remit of IT and its new responsibilities.

With technology getting democratized CIOs have an additional pressure to be relevant. They need to be able to demonstrate how they are driving cost out of their operations, but driving performance as a result. To do this they need a next generation approach. Say hello to ALT ASM™.

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