

Realignment of Expectations

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Recent research reveals that despite significant investments in enterprise architecture, organizations are struggling to achieve agility and reduce complexity.

Research conducted by

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Executive Summary

In recent years, CIOs and IT leaders have attempted to optimize their enterprise architectures (EAs) by investing in promising solutions such as enterprise resource planning (ERP) and service-oriented architecture (SOA). While they have seen some benefits, many IT executives are still searching for the agility, reduced complexity and ROI they expected.

To a certain extent, the frustration that some IT leaders are experiencing in achieving documentable benefits is understandable. After all, both ERP and SOA are complex undertakings, frequently riddled with long implementation periods, and often new challenges arise during the process that must be resolved.

Unfortunately, this frustration is more common than one might expect. A recent survey of senior IT executives and CIOs, conducted by IDG Research Services, reveals that despite significant investments in ERP, IT is still having difficulty aligning with business strategy—whether or not the business has also implemented SOA. Costs are still a pressing concern (32 percent), as is the agility to respond to business requirements (27 percent) and the ability to monitor success through solid metrics or key performance indicators (20 percent). In addition, just over half of respondents say their EA is only “somewhat” effective in responding to organizational changes.

SOA and ERP are expensive investments. For CIOs and IT leaders to have these concerns—without significant benefits or return on investment—is troubling.

Pressing Priorities

The IDG survey set out to identify the primary challenges to realizing benefits from EA-based projects, including ERP and SOA. The most significant issues facing IT leaders in these areas include handling inherent issues of complexity, especially around data quality (35 percent) and covering associated costs (32 percent).

Companies have made significant investments in emerging technologies and solutions toward the goals of optimizing their IT architecture and, in the long run, reducing costs. Unfortunately, they are still trying to get costs under control.

The survey revealed the following priorities:

- Achieving alignment with corporate goals (46 percent). IT leaders are looking to align EA to business strategy and objectives, an outcome they often struggle to achieve. As a result, some IT executives find themselves in the daunting position of trying to figure out where things went wrong.
- Determining where or how to start (25 percent). CIOs know they must achieve business and IT alignment, but they are too overwhelmed with increasing responsibilities and stretched budgets to initiate the process. When IT leaders themselves don't know where to begin, it's difficult to sell the concept of continued investment to the executive leadership team.

“SOA is mistakenly considered by some as the ‘Holy Grail’ end-state rather than an enabling tool.”

—John Schaffer, vice president of Governance and Planning, McGraw-Hill Education

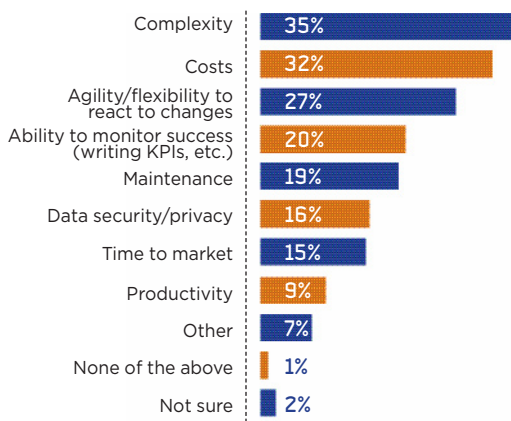
These challenges ring true for Tim Turner, master of resource technology for TIM, a Charleston, S.C.-based biomedical research and trials organization. Turner explains that, in launching and ultimately supporting his international firm's EA platform, ensuring effectiveness has remained difficult. In his situation, the biggest area of concern surrounds communicating and convincing personnel in dispersed locations that the IT department's approach makes the most sense for the organization as a whole. "There are often country-specific cultural aspects that enter into the equation, which have the ability to overshadow the goal," he says.

As a result, Turner has to decide how much input is reasonable to collect from disseminated locations—while formulating and embracing organization-wide standards. At some point, alignment and congruency must become priorities. And while alignment remains a goal, it is also important to remain cognizant of the individual intricacies that could derail it.

In making sure that EA remains effective for his organization, McGraw-Hill Education Vice President of Governance and Planning John Schaffer cites tagging changes to business value and keeping business architecture current as his two most pressing challenges. "The ERP arch has driven our platform choice and the services needed, as well as priorities of efforts," he says. "Consolidated infrastructure in shared services mode is challenging as well."

Complexity, cost and agility are the biggest pain points in the Enterprise Architecture

Q: What are the biggest pain points in your enterprise architecture?



Conquering ERP Challenges

Independent of the technology route IT leaders take in moving their organizations forward, the overarching problems hampering sustainable success remain. This is evident in the survey results, which show that only 50 percent of respondents have achieved benefits from their ERP implementations. Of those organizations in some stage of ERP deployment, top benefits already achieved include reduced security risk (38 percent), standardization of processes (36 percent) and improved productivity/efficiency (32 percent).

Surprisingly, these same IT executives say that they are not expecting to achieve improved/faster ROI on IT investments (24 percent) or increased profitability (21 percent) with ERP or a related EA undertaking.

Effectiveness remains elusive, with only 27 percent claiming that their ERP efforts have been extremely or very effective. The realization of benefits should be a focal point throughout, especially during the final phases of implementation or in the first stages of going live.

IT executives in a live stage of ERP rate the effectiveness of their EA in responding to organizational changes slightly higher (as do those using SAP or Oracle). They're also more likely to report taking the following measures to improve their EA's flexibility and effectiveness: ERP standardization; virtualization; enterprise application integration; or enterprise decision management.

According to Turner, effectiveness has increased slightly across his firm's global landscape through an ERP subprogram that communicates regularly with employees. "The goal is to have an interactive outlet that describes what the company wants and allows for employees in different countries to leave feedback as to how they routinely conduct business in their individual locations," he says. "However, the challenge in accomplishing this goal and realizing the intended benefits means making sure the employees are realistic in their comments and suggestions."

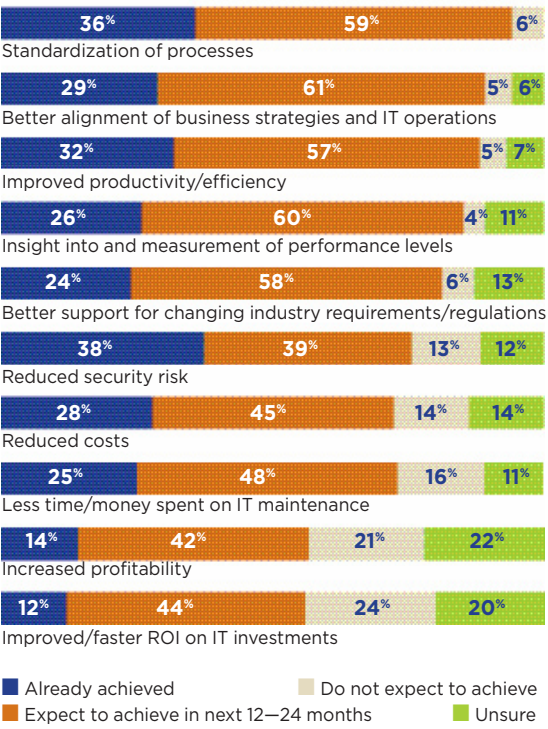
Addressing SOA Challenges

Those IT leaders pressing forward with SOA initiatives have a positive outlook and high expectations. For instance, of those with SOA strategies in place, 79 percent either strongly agree or agree that a service-oriented architecture will fundamentally change the way their organizations support business processes in the future.

That optimism may be because SOA is a relatively young and emerging solution. However, key objectives remain the same, independent of an enterprise's current stage of ERP and SOA. Furthermore, 39 percent of SOA implementers say they are having difficulty aligning their system to business strategy. The overriding issue here is that although a picture exists of the end goal, few know where to start in order to make the vision a reality.

Benefits Achieved/Expected to Achieve as a result of ERP Implementation/Implementation of Other Business Enabling IT System

Q: What are the major benefits your company has achieved or expects to achieve as a result of ERP implementation of another business enabling IT System?



Base: 104 qualified respondents in some stage of ERP implementation

Forty percent of respondents are unsure whether they can achieve their desired benefits, which suggests that the expectations initially driving SOA and ERP investments were not in line with reality. One of the factors leading to inadequate implementations is that most efforts have been driven by the IT organization (66 percent). As a result, energies and funds are focused at least initially on the "plumbing," which most often involves replacing existing systems without embracing a sufficient business and change management focus, explains Jürgen Bauer, partner, Lodestone Management Consultants AG, a global consulting firm focused on business transformation.

"Many times implementations fail to achieve anticipated benefits for two reasons: First, no real business benefits approach was part of the implementation. The benefits end up on the program charter in a drawer and are not followed up or implemented," Bauer says. "Secondly, there is no sufficient focus on running the organization once the implementation period is over. As a result, despite going through sufficient change during the programs, the old habits start to take over again over time, after the implementations are completed."

Considering that many organizations have not been able to address complexity issues, it is understandable they wonder where to begin. Companies must first look to reduce complexity by differentiating between strategic, operational and tactical tasks, Bauer says. It is imperative to focus on "breaking down into individual components—focusing on core applications first, and not trying to do it all at the same time," he says.

McGraw-Hill's Schaffer says starting out with the wrong perspective is the primary reason for failure. "SOA is mistakenly considered by some as the 'Holy Grail' end-state rather than an enabling tool. We're implementing SOA where it makes sense and can be leveraged to known and forecasted business needs. Essentially, we look at SOA as an architectural option, not as a goal in and of itself. The change that SOA imparts on our organization has to be to reduce costs while enabling faster, and therefore more, systems development. If not, why bother?"

The Outsourcing Equation

Evidence suggests that outsourcing EA-related projects to qualified service providers can help organizations achieve agility, reduce complexity and control costs. The IDG survey results reveal a growing acceptance of outsourcing. For example, the majority of respondents rate the quality of outsourced services as excellent or good in categories including:

- application development (64 percent)
- ERP (63 percent)
- data entry (61 percent)
- data security (56 percent)
- content management (53 percent)
- technical support (51 percent)

However, only 13 percent currently outsource any ERP-related activities. Of those who do, 63 percent rate their ERP outsourcing provider as excellent or good. On the other hand, only 28 percent of respondents claim that the in-house handling of these tasks is satisfactory.

Outsourcing does help alleviate concerns around achieving results from EA projects, says Lodestone's Bauer. "This is true when working to alleviate complexity because when companies embrace outsourcing, they start to focus on more strategic tasks. If operated successfully, outsourcing requires a high level of standardization and automation."

Schaffer at McGraw-Hill concurs: "We've picked four technology skill sets—project management, business analysis, quality assurance, architecture—that we consider core competencies to be staffed by employees. All others are subject to outsourcing, where others can do a better job and at a lower cost."

On Your Own

Once ERP or SOA implementations go live and the consultants leave, business and IT executives often have an array of expectations. Here's what they should anticipate from a successful implementation:

- **Process Improvement** - A high-quality, integrated system with improved business processes, data quality and compliance with Sarbanes-Oxley or other regulations and industry standards.
- **Well-Prepared Employees** - Well-trained personnel who understand and appreciate the new system and how it relates to accomplishing organizational goals.
- **Sustainable Support** - An established internal or external support organization, exhibiting proper alignment with the business on an ongoing basis and the capability to consistently run the system.
- **Agility and Change Management** - A system change control approach that allows the organization to remain agile so it can manage new projects, incidents, releases, etc.
- **Achievement Acknowledgement** - A framework to realize business benefits that can manage and measure benefit achievement and sustainability.

"Unfortunately, the likelihood of achievement lessens considerably when progressing down this list. For instance, although not always achieved, the first two aspects should be standard expectations," says Lodestone's Bauer. "Yet the remaining three factors, although presented up front as realistic expectations, most often remain goals."

"If operated successfully, outsourcing requires a high level of standardization and industrialization, which reduces complexity."

*—Jürgen Bauer,
partner, Lodestone
Management
Consultants AG*

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