Application Management: Benchmark Executive Summary
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In association with IBM Application Services
Application management research study – Executive summary

In November 2007, The Bathwick Group surveyed 600 IT and business decision-makers in seven countries and across six industries. The research was designed to examine the challenges and opportunities faced by IT and business decision-makers in delivering application and business services that are able to keep pace with the evolving requirements and challenges in their respective industries.

It is clear from the research that the way organizations manage their application portfolios and the processes that govern them determines the extent to which key applications enable or inhibit change. That’s why it is essential that organizations examine, benchmark and adopt processes that ensure their application portfolios are managed in ways that maximize flexibility and return on investment.

The survey looked at a number of factors, including:

- Application portfolio management -- the management of applications as a portfolio of business assets
- Change management – the processes that govern how change is initiated and managed
- Legacy application modernization – the management of legacy assets so that they do not hinder change

Key findings

Legacy applications are still a major challenge, followed by inflexible or non-integrated business processes

While some industries have a greater challenge with legacy applications than others (notably banking, insurance and telecom), it is clear that legacy modernization represents a major challenge across all industries surveyed. Nearly half of all respondents report that the inflexibility of legacy systems poses a significant challenge. Over half report inflexible or non-integrated business processes are also causes for concern.

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

All industries face significant challenges around requirements management

Half of all respondents reported that business requirements tend to change before projects are delivered. Perhaps more alarmingly, there was a strong indication that, in many cases, respondents felt business requirements are either not properly specified or not properly understood by those implementing the project.

A comprehensive approach to application management should include processes designed to ensure that business requirements are properly managed, prioritized and, most importantly, understood by all stakeholders.

Innovation is a priority for all industries, but it is often hindered by the existing portfolio.

Overall, 43% of respondents reported that innovation is important or essential in order to remain competitive. On the whole, senior management attitudes toward innovation are very positive. Seventy-two percent of respondents report that senior management encourages new ways of thinking and working. That said, the pace of innovation can create challenges. Forty-six percent of respondents reported that business requirements change so often it is sometimes hard to keep up. The earlier finding relating to legacy systems is reinforced when discussing innovation, with 43% of respondents reporting their existing application portfolios tend to hinder responsiveness to change.
Organizations that take a holistic approach to change management, tying it in with the processes that support business innovation, will find innovation easier to achieve and easier to justify in business terms.

**Manual application testing delays return on applications investment**

Lowering the costs of application maintenance and enhancement are among the best ways to fund the future transformation upon which long-term survival often depends. One of the most cost-effective ways of lowering expenses is through automated application testing. Nevertheless, a clear majority of respondents in every industry surveyed report much of their testing continues to be done manually. Not surprisingly, large numbers of IT and business respondents also report too many post-launch defects and a delay in achieving a return on their applications investments.

**There is still work to do to close the gap between IT and the business**

There are still clear differences in perception between IT and business decision-makers around how IT projects are executed. This disparity was more pronounced in some industries than others (notably banking and insurance). But it is evident there is a significant lack of clarity and agreement on the respective roles and responsibilities of business and IT decision-makers in managing and implementing change. These different impressions aren’t necessarily the fault of one side or the other, but they do present a significant challenge – one that will require IT and business decision-makers to resolve together.

Effective application management processes should ensure that the roles and responsibilities of the various stakeholders are properly understood and managed.

**Meeting the challenge**

A careful examination of the overall survey findings reveals that while understanding the strategic role applications play, many organizations are not maximizing the value of their portfolios effectively. To overcome application barriers that inhibit achievement of your organization’s business goals, we recommend you:

- Implement the business processes and technologies that enable your organization to better specify and understand requirements and achieve more effective integration of people, processes, and information
- Leverage your existing assets by consolidating and renewing your internal and external applications portfolio in line with present and future business requirements
- Implement changes to your applications environment in an incremental, non-disruptive manner to ensure that business requirements are being delivered in a more timely manner

These findings provide a benchmark which can be used to understand where the market and your company stand today. By benchmarking your organization’s performance, you can identify the next steps required to shore up your application management strategy.
About the survey
IBM commissioned The Bathwick Group to conduct an independent, cross-industry survey of 600 decision-makers across seven geographies and six industries. The study concentrated on five focus areas:

- Business alignment of applications and responsiveness
- Application management innovation and time to value
- Application development and management of portfolio including performance
- Information integration and knowledge management
- Application modernization and risk management

Countries surveyed
- USA
- UK
- China
- France
- Japan
- Germany
- Italy

Industries surveyed
- Banking
- Insurance
- Electronics
- Automotive
- Retail
- Telecom

About The Bathwick Group
The Bathwick Group researches how businesses actually buy and apply IT to their business, how they innovate using technology, and how IT is supporting changes in market and organizational models. Our research framework is split into four key domains, each focusing on a feature that client organizations aspire to be: Dynamic, Smart, Open, and Green.

Combining primary research with trend analysis in enterprise, mid-market and small business sectors, Bathwick provides research models, benchmarking tools, market analysis, and strategic consultancy services to a variety of IT, communications, government and media clients, and helps enterprise organizations plan for technology-driven change.

The Bathwick Group also includes:
- The ThinkAgain Partnership LLP, a global collaborative research network, which brings together academics, writers, business and political leaders to generate new insights into business productivity and performance, geo-political and environmental issues
- Bathwick Press LLP, which publishes books designed to help business leaders gain insight into how IT can help to change and drive value in their organizations.

About IBM
As one of the largest providers of consulting and application services, IBM has unrivalled experience optimizing application portfolios and implementing changes incrementally to scale to business requirements.

IBM Application Services offer an array of end-to-end solutions that address multiple business objectives. IBM solutions can help align IT goals with business strategy, empower growth, increase productivity, accelerate implementation cycles and maximize return on application investments. In short, they help transform businesses.

IBM helps clients make the most of their businesses application environment. By leveraging the intellectual capital of IBM, including its world-renowned research capabilities and global network of partners, companies can take advantage of a range of skills and capabilities in multiple geographies with the support of delivery centers around the world. For more information, go to http://www.ibm.com/services/applications.

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