

View Point



Upgrading Package Applications: What's your strategy?

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A business strategy in today's fast paced economic environment is a constantly shifting process. To remain competitive, an organization's package enterprise application infrastructure must provide a level of adaptability that supports this dynamic course of action. When new business challenges warrant enhancing existing information systems, mission-critical package enterprise applications (commonly referred to as enterprise applications in this paper) must be upgraded to ensure that these business processes will remain consistently linked to customer requirements.

Before going ahead on the upgrade path, organizations should analyze:

- The business need that leads to considering an upgrade
- The need to fully leverage the functionalities of existing enterprise applications
- The impact of upgrading the existing enterprise applications on the business processes
- Whether the upgrade approach is leading to improved business processes while lowering the operational cost?

Without analyzing the above, organizations run the risks of not only losing the effectiveness of the upgrades, but also on the opportunity to make the organization more competitive.

Infosys experience suggests that organizations that plan to upgrade typically fall under one or more of the following business scenarios:

1. **Early Movers:** These enterprises view their technology strategy directly linked to their business performance and competitive advantage. First Movers focus on the importance of leveraging the latest available technology and are often the first to upgrade their applications.
2. **Organizations with Complex Implementations:** These enterprises have highly customized versions of “off-the-shelf” enterprise applications which may have come into place as a result of business scenarios such as acquisitions, mergers or specialized business needs.
3. **Late Adopters:** These enterprises continue to operate with obsolete or outdated versions of enterprise applications because of issues related to the upgrade process such as cost justifications, support, concerns over business disruption, completion timelines, resource limitations, or just a plain fear of its complexity. Unfortunately, Late Adopters finally get around to applying upgrades when their existing applications become unstable, unusable or are de-supported by the product vendor.

The upgrade can impact various facets of your organization. Hence, it is imperative to *assess the impact* that the upgrade would have on your *Business, Operations, Finance* and *IT strategies*. The success of any upgrade would depend upon how *well defined* and *complete* the upgrade Strategy is.

Let us analyze how various facets of your business can be impacted by the enterprise application upgrade strategy that you deploy in your organization.

Impact on Business Strategy

When basic business processes are altered as the result of ever changing market/industry dynamics, the underlying applications that support these processes must change as well. Enterprise Application upgrade is one such enabler for aligning your application landscape to the changing business needs.

For example, if a manufacturing organization shifts its business focus from core manufacturing to brand building and thus outsource its manufacturing to a third party, new processes such as drop shipments from the vendor to the customer location and integration with supplier systems need to be enabled. This would require the underlying enterprise applications to support these functions, which would mean upgrading these applications to align them to new business requirements.

These kind of innovative and path breaking changes are typically adopted by *Early Mover* organizations (described above) who constantly keep looking for avenues of improving their business performance and competitive edge against their industry peers. For such organizations, if the upgrade strategy is not aligned to their overall business strategy, they will not be able to implement the path breaking business strategies in a timely and cost-effective manner.

Impact on Financial Strategy

Very often enterprise application upgrade initiatives are thought to be one-time / periodic operational expenditure that need to be incurred due to de-support notices from the product vendors. Although de-support is one of the drivers for an upgrade initiative, there are many ways in which the same can be used as opportunity to align it with the organizations Financial Strategy.

Early Mover organizations typically view the upgrade initiative as an operational capital expenditure (cap-ex) that needs to be infused to improve their business performance and maintain the competitive edge over their competitors. They take considerable amount of financial risk in anticipation of quicker and higher return on investment.

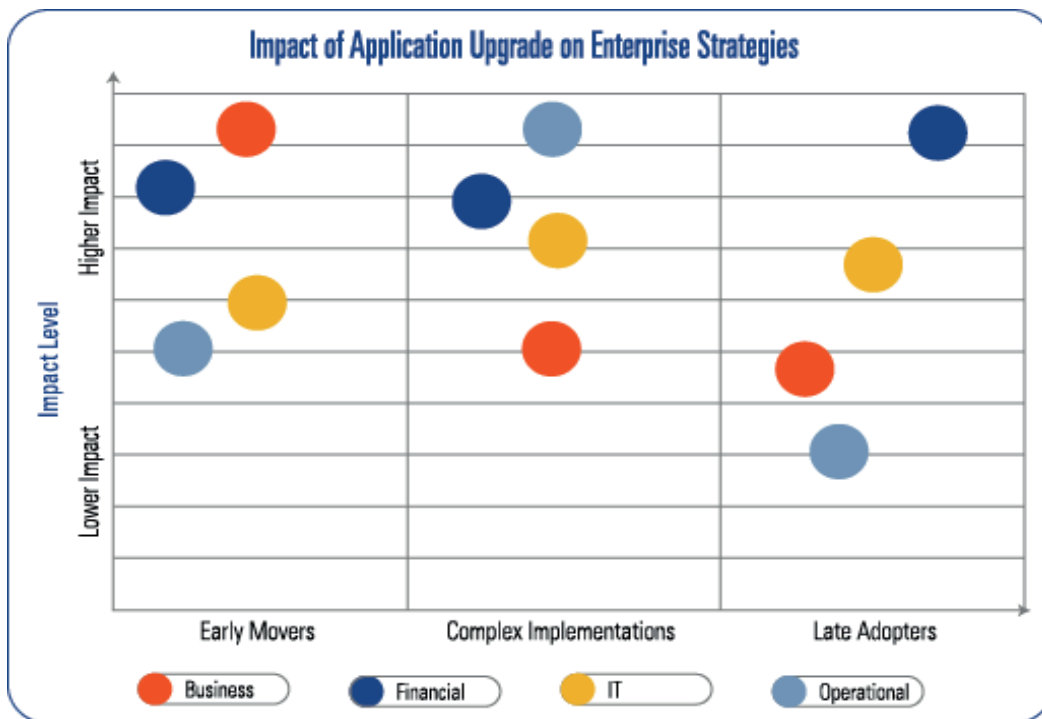
Organizations with Complex Implementations typically analyze the Total Cost of Ownership (TCO) involved in an upgrade initiative. The focus of these organizations is to reduce the cost of maintenance of current enterprise applications and link to the overall financial goal of increasing profitability and share holder value. For example, a service organization may decide to replace its home grown Order Entry system with the new Order Management module offered by the existing enterprise application in anticipation of improving the productivity and service levels of its call centre operations.

Impact on Operations Strategy

In today's dynamic business environment, organizations need to frequently change their business structures to align it with the overall business initiatives. For example, a Sales & Distribution company may have to merge its operations in smaller countries under a single corporate entity and at the same time maintain separate legal entities.

Organizations with Complex Implementations which typically have high levels of customizations face a greater challenge in aligning their enterprise applications to such changes. The upgrade Strategy of such companies typically anticipates such operational changes and scale up their enterprise application, which can address these complex business requirements.

In the same scenario *Late Adopters*, who are running on a de-supported version of the enterprise applications or running on a version which is on the verge of being de-supported, may need to make higher investments for carrying out large scale modifications to their enterprise applications needed to align the underlying enterprise applications. It may also result in missed business opportunities or loss of business continuity due to higher timelines required to implement such complex operational changes.



Impact on IT Strategy

Traditionally upgrade initiatives have been looked as periodic transactional events and are not included as part of the overall IT strategy of the organization. However with the diminishing budgets and the emphasis on quantifiable ROI, the CIOs and the IT Managers of the organization need to align their upgrade strategy with their overall IT strategy.

Early Movers and *Organizations with Complex Implementations* typically view an upgrade initiative as an opportunity to Rationalize application portfolio, Minimize customizations, Evaluate composite application network, Optimize application integration needs and Deploy compatible technology environments. They conduct a detailed upgrade Assessment to evaluate various options and choose the most optimal one. *Late Adopters* typically try to leverage on past upgrade initiatives and try to implement the learning's from the same. They may face challenges in coming up with a business case to justify the upgrade initiative and also to explain the business benefits of such an initiative.

Another important aspect of the IT strategy which is common to all types of organizations is to find a *Consulting Partner*, who has the capability to provide a predictable upgrade Roadmap with accurate time and cost estimates. To derive the maximum value out of your upgrade initiative investments, the partner should offer advice on areas of application that have not yet been leveraged and new technology areas that can be leveraged.

Why Traditional upgrade approaches are not sufficient?

Most existing solutions for Enterprise Applications upgrades do not incorporate a structured assessment process. There is a lack of comprehensive upgrade planning. Upgrades are points in time of the application lifecycle that provide a friendly trigger to enable the organization to consider the available options. These options emanate from the consideration of the future state of the business and the opportunities for realizing the business objectives as well as reducing IT costs — both capital and operational.

If the initial assessments are not adequate or rigorous, organizations are unable to adopt a long-term focus while planning their upgrade strategy. This often results in upgrades being mere technical exercises where the assessment offers little or no focus on the functional aspects of the upgrade. Organizations are therefore unable to plan for long term decoupling of the technology and process layers. Such assessments are theoretical exercises rather than instruments for planning, executing and stabilizing the upgrade exercise.

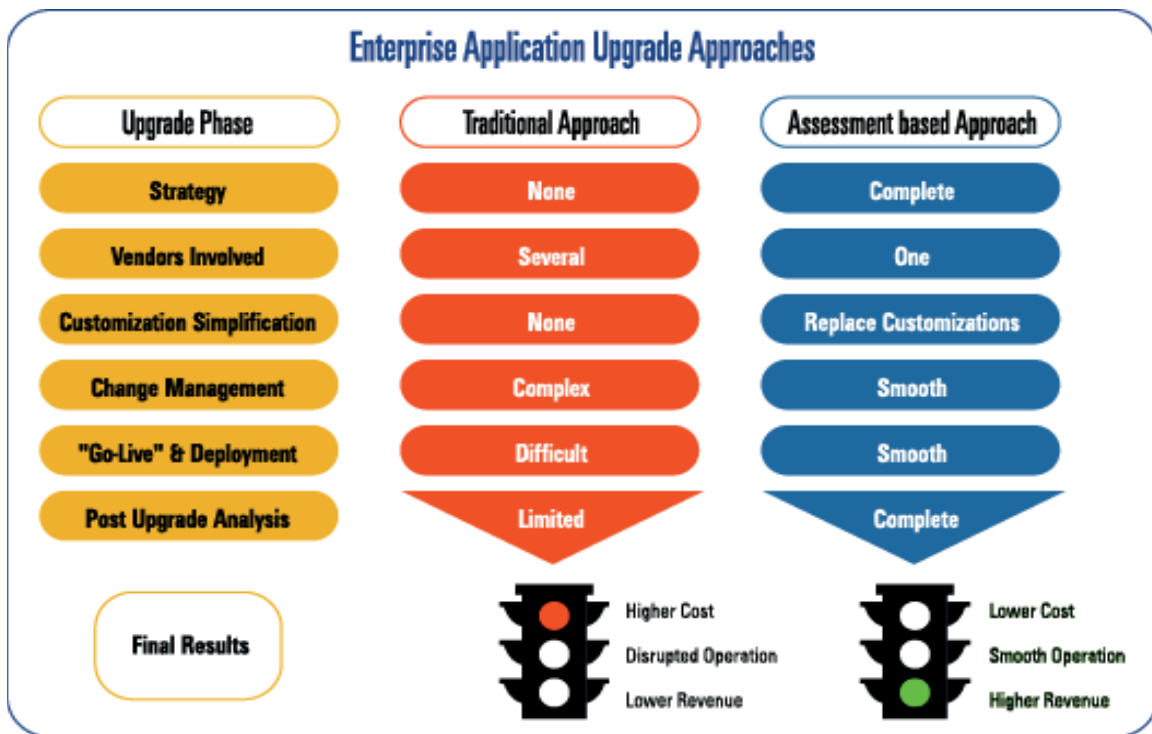
Infosys' experience suggests that a major reason why enterprises fail to optimally extract value from their upgrade initiatives is due to the common misperception that upgrades are not tied to the overall business strategy. Businesses should adopt a holistic approach for enterprise application upgrade and ensure a long-term focus on the goals associated with the functional aspects of the upgrade.

The Infosys Vision of the Enterprise Application upgrade

Based on its strong industry experience, Infosys feels that organizations should have an integrated upgrade strategy to align it with the functional and technological value chains in order to derive maximum value from their incremental investments in Enterprise Applications.

To achieve this goal, Infosys recommends that enterprise businesses incorporate three key elements into their future upgrade strategies:

1. **Change Perceptions:** Instead of treating the upgrade as an isolated event, enterprises should view the upgrade process as an integral and ongoing activity that is closely aligned to the business. As business requirements change, the applications tied to those processes will also need to change and modifications must be made as required to support the functional value chain. Organizations that are able to overcome this hurdle can turn the upgrade process into a positive opportunity and achieve a distinct competitive advantage, improving their business functionality, and engender greater cost savings.
2. **Use an upgrade Assessment-Based Approach to Create a Holistic upgrade Roadmap:** Before conducting a mission-critical application upgrade, enterprises should conduct a comprehensive assessment that includes the financial, operational and technical impact on their existing system landscape.



All technical aspects of the application environment should be considered including Infrastructure Requirements, Customization Simplification Opportunities, Integration Requirements, Data Volume, Cut-Over Strategy, and User Training Requirements, which are necessary to identify and finalize the upgrade roadmap. This holistic upgrade Assessment should also leverage predictable and capable tools, personnel and methodologies to compare and assess various upgrade options, and the completion of an in-depth analysis of each of these options before arriving at the final recommendation.

A typical assessment should include:

- A detailed study of the existing system landscape
 - Technical recommendations: Using relevant tools and methodologies that compare the pros and cons of re-implementation versus upgrade, functional versus technical upgrade
- A customization simplification exercise to analyze the impact of implementing new application features versus the upgrading existing application customizations
 - A comprehensive risk assessment to analyze the impact of a global “big bang” approach versus a phased upgrade

Once the above options are analyzed, enterprises can determine the most appropriate holistic upgrade roadmap for their organization.

3. **Use a Trusted Single-Source Partner:** Organizations should partner with a single trusted, experienced and global consulting organization with proven global delivery model, having collaborations with product vendors. The chosen Partner should, at least, have the delivery capabilities to execute the recommendations from the upgrade assessment exercise. However the best choice would be to partner with an organization which can create the holistic upgrade roadmap discussed in previous sections and can also implement the same.

Conclusion

Organizations have traditionally viewed the enterprise application upgrade initiatives as transactional events with no or very less strategic importance. They often do not have an upgrade strategy or if there is one it is hardly aligned with their Business / Financial / IT / Operational strategies.

Infosys, based on its past experiences in managing end-to-end upgrade initiatives for various enterprise applications, believes that an Assessment Based structured approach can help organizations to change this perspective and establish enterprise application upgrade strategy as a critical component of their Business / Financial / IT / Operational strategies.

About the Authors

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Case Study

An Enterprise upgrade with No Risk to the Existing Business Processes

A large Belgium-based steel manufacturer had decided to implement a customized upgrade for its SAP enterprise software environment that would enhance its existing manufacturing process and provide them with a critical business advantage in the industry. Customer and value chain relationships demanded that the upgrade must be completed within six months.

The manufacturer chose to partner with Infosys for its upgrade process. After careful analysis of the customer's existing application infrastructure and their long term business goals, Infosys applied its multi-phased holistic assessment approach to determine the client's upgrade requirements. Infosys used its proprietary planning tool that included a detailed assessment on how the upgrade would impact the client's overall and day-to-day extended manufacturing and business processes.

The detail assessment uncovered many areas that could help fasten the upgrade process while minimizing their application downtime. Infosys developed a list of responsibilities and schedules that leveraged the skills of various Infosys and customer personnel that would be involved. Infosys introduced an optimized "retrofit" methodology that analyzed the entire system landscape and separated those portions of the application environment that were not critical to the day-to-day business processes. With this tool, the not-so-critical application areas could be upgraded first, while other areas that were central to the business could be upgraded over weekends where the repercussions of downtime had minimal impact.

As a result of the Infosys upgrade assessment process, the steel manufacturer achieved the following benefits:

- Reduced number of customizations
- Go-live with no disruption to the business
- Executed with 20% less cost
- Over 90% accuracy in delivery
- No significant post-upgrade issues



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