

## IDC PERSPECTIVE

# The Transformation Story of Western Digital to a Live Enterprise

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## EXECUTIVE SNAPSHOT

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### FIGURE 1

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#### Executive Snapshot: The Transformation Story of Western Digital to a Live Enterprise

IDC research found that modernizing enterprise applications, especially those that support core business processes, is a top priority for enterprises in Asia/Pacific. IDC has leveraged the modernization story of Western Digital (WD), a global data storage solutions provider, to discuss the key elements behind a successful enterprise resource planning (ERP) modernization.

#### Key Takeaways

- WD is one of the largest hard disk drive manufacturers and data storage companies in the world. It partnered with Infosys to modernize core ERP applications to tackle its growing business and IT challenges for which Infosys Oracle Cloud Services, part of Infosys Cobalt, was leveraged.
- WD's transformation journey was aimed not only to consolidate systems supporting back-office operations but also to focus on achieving business key performance indicators (KPIs) critical to maintain a competitive position in the storage market.
- The primary success of WD's modernization journey can be attributed to its efforts to not just consider ERP modernization as a technical upgrade exercise but also as an opportunity to work with the implementation partner to bring core business transformation.

#### Recommended Actions

- Set the expectations and outcomes from the modernization journey with key stakeholders. Ensure leadership involvement at all levels of the modernization project.
- Invest in training, change management, and business process reengineering (BPR), and foster a culture that welcomes change.
- Ensure minimal customizations. Focus on reducing the risk of business disruption with multiple go-lives.
- Selecting the right implementation partner is critical to ensure the success of the modernization journey. Evaluate the implementation partner on specific nuances relating to application modernization.

Source: IDC, 2020

## SITUATION OVERVIEW

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IDC research has found that modernizing enterprise applications, especially those that support core business processes, is a top priority for enterprises globally. The ongoing COVID-19 disruptions exposed the complexity, risk, and constraints of legacy enterprise resource planning (ERP) applications, especially when businesses had to change their approach to service customers or perform critical day-to-day operations remotely. Enterprise decision makers that were once lethargic to drive ERP modernization initiatives and had an "if it isn't broke, don't fix it" attitude are already building their business cases and evaluating their strategies to modernize ERP applications. In fact, according to IDC's 2020 *Asia/Pacific (Excluding Japan) (APEJ) Enterprise Services Sourcing Survey*, 70% of enterprises in Asia/Pacific mentioned no impact or plans to increase spending on application modernization initiatives.

It's no surprise that even prior the pandemic, enterprises planning to scale business operations were faced with a multitude of challenges from different vectors. The common denominator in most of the digital deadlock cases are the challenges from fragmented back-office applications, legacy IT architecture, siloed business operations, and the lack of synergy and trust between lines of businesses (LOBs) and IT to achieve common digital goals.

### Business Imperatives Drive Modernization Agenda

IDC has found from conversations with end customers that the drivers for ERP application modernization initiatives vary deeply on the business imperatives of the customer. According to IDC's 2020 *APEJ Enterprise Services Sourcing Survey*, modernization imperatives revolve mainly around:

- **Enterprise digital transformation agenda.** Majority of application modernization efforts today are underpinned by the need to support enterprisewide digital transformation plans, especially when those transformation plans demand applications to be simplified, nimble, agile, and capable of delivering innovative experiences.
- **Reduced cost/improve productivity.** There is a growing demand to bring direct financial saving by improving mean time to repair (MTTR) during application failure, increased productivity by enhancing application performance, and, most of all, reduced cost in legacy application maintenance and delivery.
- **Better security.** Increased cyberattacks and security vulnerabilities are clearly driving the need to improve the security posture of legacy enterprise applications, especially where skills and application updates are harder to come by.
- **Simplified and standardized IT estate.** Consolidating disparate legacy applications and streamlining application portfolio are essential to drive a superior user experience and the agility require to compete in the market today.
- **Leveraging the best capabilities of cloud.** Moving beyond lift and shift, modernizing legacy applications provides enterprises the opportunity to tap into the immense innovation, scale, and cost advantages available on the cloud.

### ERP Modernization Tactics Moving to Agile Methodologies, Providing Better Time to Value

Enterprises across industries have invested a significant amount of time and money in building their core ERP applications instrumental in day-to-day operations. Over the years, these applications have emerged as the epicenter of digital deadlocks because of their monolithic architecture and ability to scale. According to IDC's 2020 *APEJ Enterprise Services Sourcing Survey*, upgrading core business

applications (packaged applications) was identified as a key modernization imperative for enterprises in Asia/Pacific. Today, majority of enterprises approach ERP upgrades as an opportunity to drive enterprisewide business transformation and to simplify core business processes built over decades. IDC noted that enterprises, in general, are evolving from their risk-averse mentality to a fail-fast and early approach in the ERP implementation cycle. At the core of this approach is the focus on faster deployments, following an iterative methodology and opting for a minimum viable product (vanilla implementations) with very few customizations. Although the associated business process reengineering (BPR) and change management with this approach are relatively higher if the scope involves enterprisewide transformation, enterprise customers are taking leaps of faith with their implementation partners, targeting agility in a highly volatile market. Communication with LOB stakeholders is important in this endeavor as multiple CIOs have told IDC that senior leadership buy-in, involvement, and participation in the change process will make or break the consolidation effort.

## The Modernization Story of a Global Data Storage Solutions Provider

IDC analysts got the opportunity to examine how Western Digital (WD), one of the largest hard disk drive (HDD) manufacturers and data storage companies, embarked on an application modernization journey and how Infosys, a global IT and outsourcing service provider, helped transform WD to a "live enterprise" capable of faster time to market and increased IT agility by leveraging Infosys Cobalt.

As one of the largest HDD manufacturers and data storage companies in the world, WD is at the forefront of enabling innovation for its customers. With more than 1 billion devices in the world leveraging its products for storage, WD was witnessing high growth across its HDDs and flash product portfolios. Although the organization had a strong footing in the storage market, it was struggling to keep up with the pace of the market, especially because of the changing external market forces (see Figure 2).

FIGURE 2

### Changing Dynamics of the Storage Industry Impacting WD



Source: Infosys, 2020

With the merger of three companies (Western Digital, Hitachi, and SanDisk) WD added five different ERP systems and over 3,000 applications to its portfolio, which posed significant internal IT challenges, consequently slowing WD's response to the changing market conditions. A few of the internal IT challenges are:

- **Redundant business processes** — a high degree of redundant business processes inherited after the merger (these were curated for five different ERPs, employee cultures, and data)

- **Business silos** — siloed master data due to lack of comprehensive data governance structure, preventing WD from gaining a single source of truth
- **Time to market** — long time to market of new products arising from disparate systems and processes
- **IT agility** — highly customized legacy ERPs implemented in pursuit of greater agility lacking responsiveness and incurring high support and maintenance cost

### *The Modernization Journey*

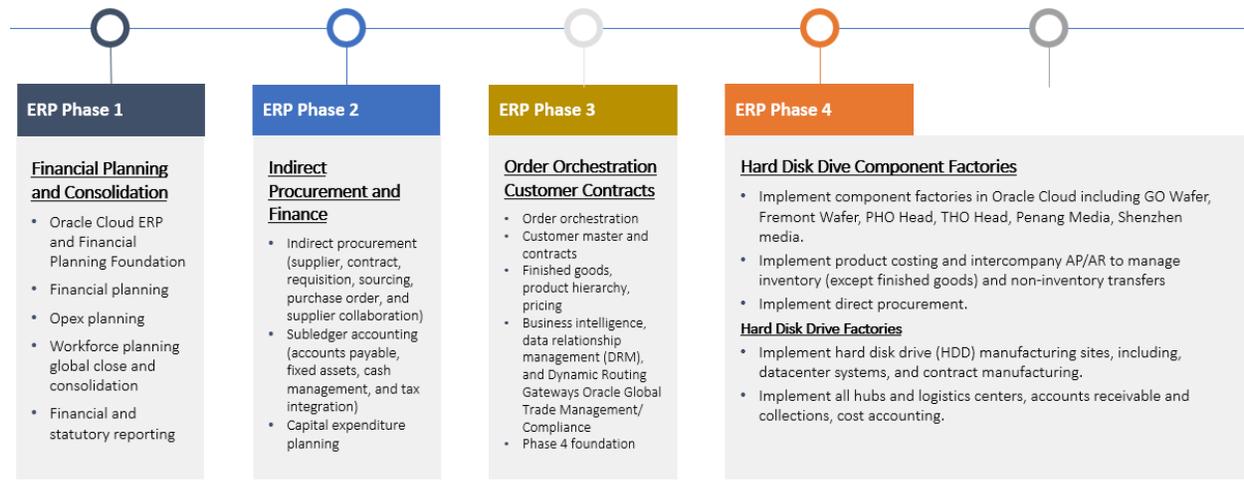
With the goal of transforming core business operations, WD embarked on a digital transformation journey that would not only consolidate systems supporting back-office operations but also help achieve business key performance indicators (KPIs) critical to maintain a competitive position in the storage market.

The first step was to zero in on a solution that can provide the flexibility, scale, and innovation capabilities to support the transformational requirements of WD. It was evident earlier on in the planning phase that WD couldn't take any of the existing ERPs and scale them because of the level of customizations. This was not a lift-and-shift scenario as the three companies had very different business processes. It was going to be cleaner if a standardized cloud solution was adopted with as little customization as possible to avoid creating new technical debt. WD needed a solution that was future-ready, provided seamless upgrades, and provided superior out-of-the-box functionalities for the business. After selecting Oracle ERP Cloud as the platform of choice, WD charted a road map for implementation in four key phases.

Phase one involved the consolidation of WD's general ledger operation, phase two involved the indirect procurement and finance operations, phase three focused on order orchestration and customer contracts, and phase four included the implementation of eight component factories and HDD/flash factories in Oracle Cloud (Figure 3). The final phase, which was also broken up in three subphases, was the most pivotal part of the modernization activity as it streamlined manufacturing, procurement, supply chain, and finance processes and affected over 120 stakeholders in 5 countries.

FIGURE 3

## ERP Implementation Road Map



Source: Infosys, 2020

After launching a competitive request for proposal (RFP) process for selecting a systems integration (SI) partner to support its transformation journey, WD, for the phase 4 implementation, was impressed with Infosys' proposed solution road map and approach because of the business value proposition and functional and industry expertise. For this reason, the fourth and final phase of implementing Oracle Cloud for the component factories was handed to Infosys.

The key capabilities that stood out for Infosys were:

- **Business/domain experience in the high-tech industry.** Infosys was able to bring a host of industry best practices, Infosys Oracle Cloud solutions (part of Infosys Cobalt), and domain expertise from its experience of providing services to clients globally. Best practices and industry knowledge were cited as heavy considerations in choosing a service provider. Culture also stood out as an important consideration in which WD preferred a service provider that would demonstrate keeping clients' best interests at heart and problem solving without copiously referring to the scope of work.
- **Transformation partner with end-to-end expertise.** Infosys proposed a solution that focused on handling end-to-end modernization efforts from understanding legacy systems to data extraction and BPR. Additionally, the problem-solving mentality that Infosys showcased in its engagement with WD was instrumental in elevating Infosys' role as a transformation partner.
- **Skin in the game "pricing" model.** Infosys focused attaching a mix of business and IT outcomes to the project delivery. The final payment was approved only when 100% of the transaction goals were achieved. Cost outcomes were key factors in WD's consideration.
- **Partnership with Oracle.** Oracle was selected based on the fit and maturity of its cloud solutions in the industry and certain specific functional areas. A "sound ERP" strategy would allow WD to bolt on other apps, such as treasury, tax, and local payroll. It is interesting to note that WD did not perform a legacy versus cloud functionality mapping as this would not have worked in WD's favor. Instead, looking at over 5,000 business requirements and spending 4 months mapping them to popular cloud ERP solutions allowed WD a clean sheet to begin

again. Infosys had resources that filled in gaps with WD's internal capability and based in Bangalore.

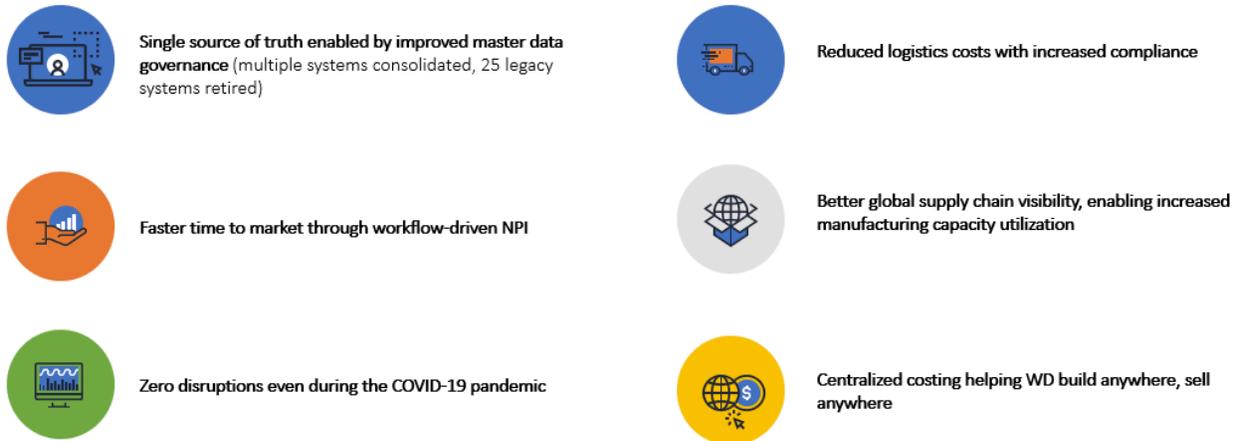
- **Quality of Oracle resources.** The consultants and technical resources Infosys put in the implementation team were also appreciated by the client, especially the cultural fit with the organization. Innovations on the Oracle platform for real-time reporting, data ingestion, master data harmonization, optimization, intelligent automation, and analytics are future innovations Infosys as a partner plans to bring to the table.

### Key Business Outcomes

The phase 4A rollout of the project involves the implementation of 10 cloud modules, over 80 business process workflows, and more importantly only one extension/customization. The implementation saw tangible business outcomes and laid the foundation for migrating core manufacturing processes related to HD and flash drives to cloud in phases 4B and 4C of the implementation cycle. Few of the net results are:

FIGURE 4

### Business Benefits Accrued from Phase 4A



Source: Infosys, 2020

### Elements of Success: What Worked for WD?

IDC observed several elements in this modernization story that contributed to WD's success:

- **Technology-enabled business transformation.** The primary success of WD's modernization journey can be attributed to its efforts to not just consider ERP modernization as a technical upgrade exercise but also as an opportunity to bring core business transformation. WD identified quite early in the modernization journey that for the transformation to be successful, business involvement in the technology implementation project had to be significant. WD also ensured that subject matter experts from the LOB were fully dedicated from phase one to the implementation process to ensure the technology transformation efforts had roots in the business lines. The business teams were excited that they could bring lasting changes for the next few decades.

- **Keeping the core clean.** WD took a conscious decision to keep very minimal customizations in the new ERP system. There was a strong governance structure put in place for any customization to be approved. So far, there have been only four customizations that WD has made, which will ultimately go away once the legacy ERPs are retired. WD decided to leverage tight integration with its internal business applications and the ERP system to avoid heavy customizations. This approach also gave WD the opportunity to realize some of the value from investments early in the implementation cycle.
- **Reducing risks of business disruption with multiple go-lives.** WD embraced an agile implementation methodology, which was underpinned on multiple releases and go-lives rather than a single big bang go-live. Using this approach, WD was able to mitigate the risk in ERP go-lives by identifying issues early in the implementation cycle and ensuring the issues identified do not disrupt the business.
- **Strong leadership involvement at all levels.** WD had strong leadership engagement in its modernization efforts. This was instrumental in fostering a culture of innovation and ensuring the partner and the project team worked toward a common goal. Additionally, the leadership took a hands-on approach in collecting the requirements from various business stakeholders and ensure the change management and BPR required are met at each phase of the implementation cycle.
- **Change management focus.** A key ingredient in WD's successful modernization story was its attention to the change management aspects of business lines. Prior to the kickoff, WD leveraged its dedicated change management team to conduct a comprehensive due diligence on the training required for end users and stakeholders in terms of the change arising from process, system, and reporting changes. WD also ensured that the internal change management team maintained a high level of synergy with the implementation team and the partner throughout the implementation life cycle.
- **Investment in talent.** WD made strategic investments in bolstering internal talent, especially in making sure the business had adequate resources experienced in cloud ERP before the implementation kickoff and testing stages. Capsules of training modules were strategically placed before each implementation and testing activity to increase the efficacy of the activity. WD also emphasized on strengthening its internal training initiatives to empower internal talent with the necessary skills to handle the new set of implemented solutions.
- **Continuous focus on extending innovation.** WD emphasized on its efforts to extend innovations and maximize the value around its Oracle ERP landscape with the continuous integration of automation, analytics, and transformation in business processes to enable agility.

## ADVICE FOR THE TECHNOLOGY BUYER

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There is no one-size-fits-all solution for enterprises embarking on an ERP modernization journey. From the successful modernization story showcased by WD, IDC recommends the following to enterprises contemplating to modernize their core ERP solutions:

- **Start with a comprehensive road map.** The road to modernization is challenging. Several factors, such as security concerns, cost, skills, time to market, customizations, and so forth, will be key areas of concern. Hence, it is necessary that enterprises create a strong modernization road map before embarking on an implementation and vendor selection journey.

- **Partner for success.** Selecting the right implementation partner is critical to ensure the success of the modernization journey. IDC recommends that enterprises evaluate the implementation partner on specific nuances, such as the partnership maturity with the ERP vendor, focus on time to value, industry expertise, ability to drive business outcomes, quality of consultants, and alignment with the enterprise's digital goals.
- **Consider changing business models in the new normal.** COVID-19 disruptions exposed the gaps in service delivery and engagement models of many implementation partners in Asia/Pacific. It is important that going forward, buyers consider the remote implementation capabilities, service resiliency plans, and localized support capabilities of implementation partners to tackle any unforeseen challenges that may arise during implementations. Additionally, buyers can demand implementation partners to propose new pricing models with more skin in the game.
- **Change management and BPR are critical to project success.** As enterprises draw out the technical aspects of the modernization project with the implementation partner, it is important that equal weightage is provided to the change management and business process reengineering aspects. This is especially important when enterprises consider cloud solutions and agile implementation methods to avoid force fitting solutions to the enterprises current business models.
- **Manage key stakeholder expectations.** When running an enterprisewide transformation project, it's critical that stakeholder expectations at various levels of seniority are managed. This should cover multiple vectors, such as customizations, design, business outcomes, and budget. It is also imperative that this is done in collaboration with the implementation partner to avoid building unrealistic expectations from the implementation partner.
- **Approach vanilla implementations with caution.** WD had a well-rounded BPR and change management plan in place with support from Infosys before embarking on a vanilla implementation. IDC recommends that enterprises approach vanilla ERP implementations with strong stakeholder engagement and BPR in place.
- **Do not rely on just product demos.** Run simulations in current business environment and not product demos to visualize the end state and key business outcomes from implementing the selected ERP solutions.

## LEARN MORE

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### Related Research

- *What Are the Top Capabilities Enterprises Find as a Differentiator and as Essential in a Customer Relationship Management and Enterprise Resource Planning Implementation Partner?* (IDC #AP46758520, August 2020)
- *Which Is the Most Preferred Cloud Environment for Running CRM and ERP Workloads in APEJ?* (IDC #AP46760220, August 2020)
- *Tackling COVID-19 in Australia – The Infosys Way* (IDC Energy Insights #AP46595519, June 2020)
- *Asia/Pacific (Excluding Japan) Application Management Services Market Shares, 2019: IDC's Top 10 Vendors* (IDC #AP45396320, June 2020)

## Synopsis

IDC research has found that modernizing enterprise applications, especially those that support core business processes, is a top priority for enterprises in Asia/Pacific. This IDC Perspective discusses the motivation behind enterprises to look at enterprise resource planning (ERP) modernizations not just as a technical upgrade but also as an opportunity to drive core business transformation. IDC leverages the modernization journey of global data storage solutions provider Western Digital as an example to discuss the key elements behind a successful ERP modernization. The document also provides pertinent guidance for enterprises planning to embark on an ERP modernization journey.

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