



How advanced are your legacy applications?

Rapid Survey Results – May 2006



CONSULTING > SOLUTIONS > OUTSOURCING

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2. Foreword

Businesses are re-establishing growth agendas and are becoming ever more dependent on IT solutions to differentiate and remain competitive. This survey highlights that in all companies, large and small, legacy IT systems are increasingly becoming a business issue and failure to address the situation will ultimately impact growth as well as company performance. Indeed, over a third of senior IT decision makers are already re-architecting their IT processes and systems.

It is clear that legacy systems are inhibiting business improvement and potentially damaging the perception of IT in the boardroom given that:

- Over 25% of the companies interviewed noted that 50% or more of their business critical systems are legacy
- 79% claim that that lack of system agility makes alignment with business objectives difficult, potentially suppressing business ambitions
- 62% believe that there is a negative cost impact for maintenance and support, this linked to years of unstructured updates which have led to inefficient support and spiralling production costs
- 64% noted that complexity and integration is a problem; a vicious circle that is hard to get out of.

The risks of maintainability and non-compliance are also increasingly leaving senior IT decision makers less time to focus on enabling their organisations' more agile, given that:

- Over two-thirds of those surveyed are not confident their organisation has a single view of their legacy data, whilst they recognise that data quality is imperative to business
- 72% considered lack of knowledge and core skills to be an issue
- 29% of respondents thought risk of non-compliance to regulatory and legal requirements has the greatest business impact.

As the survey indicates, there is a strong and growing appreciation amongst senior IT decision makers that legacy related issues need to be addressed sooner rather than later. Starting with a rapid assessment of the entire IT estate relative to industry benchmarks, organisations need to develop a holistic strategy/roadmap. This will be based upon core business drivers that will help identify the 'low hanging fruit/big rocks' relative to business priorities and a pragmatic approach.

With a strong and well-executed roadmap, IT departments will realise significant benefits; including reduced maintenance costs and operational risk, more capital available to develop new innovative services and increased business agility. This will strengthen the case for future IT investment and improve the competitiveness of the organisation in an increasingly tough environment.

As such I strongly believe it is time for businesses to benchmark themselves relative to good practice and then **act before it is too late**.

Tony Virdi

Director, Business Development, Systems Integration

Atos Origin

3. Background

In March 2006 Atos Origin commissioned the National Computing Centre (NCC) to deliver a survey looking at “How advanced are you with your legacy applications?”. The aim of the survey was to investigate organisational strategies and perceptions in relation to their Legacy Applications.

Legacy means different things to different people. For the purposes of this questionnaire we defined legacy to include *those applications that are potentially unsupported, that have a relatively high total cost of ownership, where there is a critical skills shortage, and are possibly inflexible relative to changing business and regulatory requirements.*

The Appendix-Tables at the back of this report display the figures on which the charts and written commentary are based.

Survey Methodology

The survey took the form of an NCC Rapid Survey which is a short web-based questionnaire available to NCC contacts for a limited timeframe. The survey questionnaire was developed in consultation with Atos Origin and consisted of 18 questions all in optional answer format.

Participation was primarily by invitation, however, the survey was advertised on the NCC website so anyone interested in participating could do so. NCC members and contacts were e-mailed an invitation to participate in the research. A further reminder e-mailing was dispatched to members 2 weeks later. However, the survey was advertised on the NCC website so anyone interested in participating could do so.

The survey was open for responses for just 3 weeks from 3rd to 24th March 2006.

Respondents

One hundred and sixty eight responses were received by the closing date and this report is based on 152 useable responses.

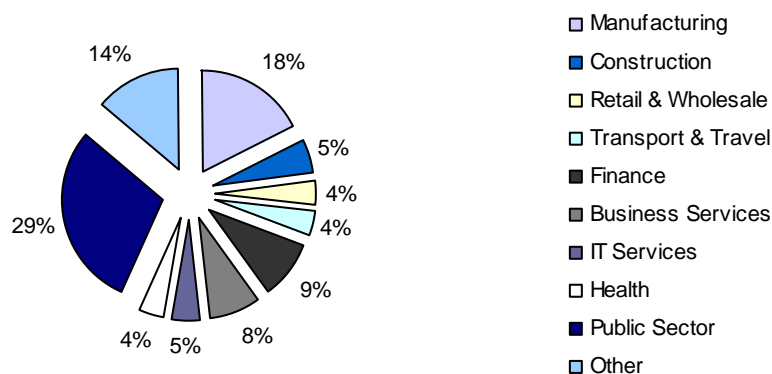
4 About the Organisation

Q1.1 Which of the following best describes the main business activity of your organisation?

We asked respondents to select the most appropriate business activity to describe their organisation.

Of the overall responses, two-thirds were from private sector organisations, but the largest single sector representation was from the public sector with 29% (and the remaining 4% from the Health sector). This is not surprising as traditionally the public sector has considerable interest in legacy.

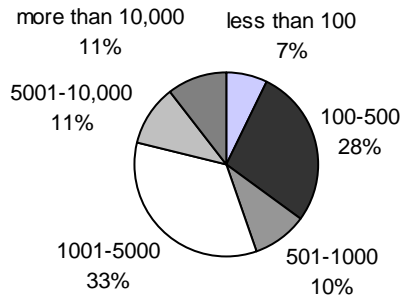
Q1.1 Main business activity of respondent organisations



Q1.2 How many employees do you have in your organisation?

The largest grouping represented in the survey results is organisations with between 1,001 and 5,000 employees (33%), followed by organisations with between 100 and 500 employees. The least represented are the smaller enterprises (less than 100 employees) which make up only 7% of responses.

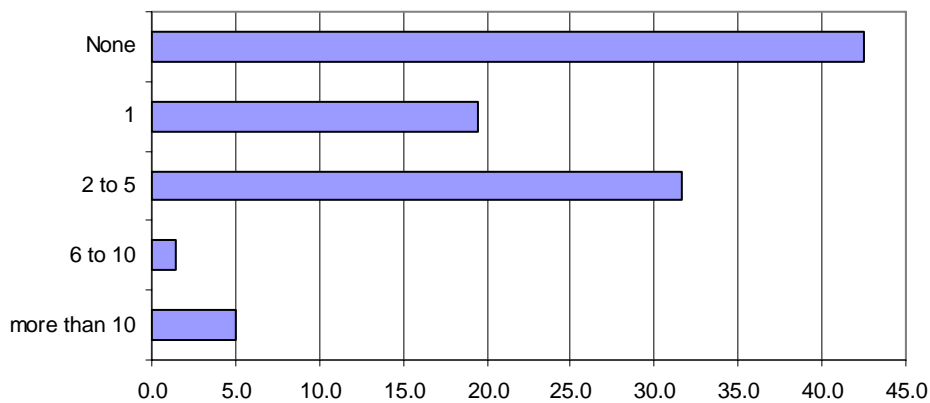
Q1.2 Number of employees



Q1.3 How many mergers, acquisitions and/or divestments have occurred in the last 5 years for your organisation?

Over half of respondents indicated that their organisation has had at least one merger or acquisition over the last five years. The majority (32%) indicated their organisation had been through two to five mergers and/or acquisitions.

Q1.3 Number of mergers over last 5 years %

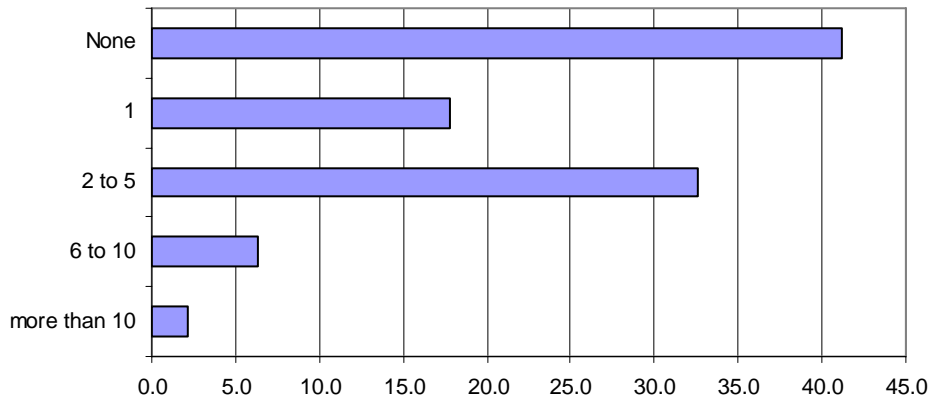


The Manufacturing, Retail & Wholesale and Finance sectors were the most likely to indicate that they had 10 or more mergers, acquisitions or divestments over the last five years.

Q1.4 How many mergers, acquisitions and/or divestments do you expect for the upcoming 5 years for your organisation

Respondents expect no change in terms of mergers or acquisition over the next five years, with over 50% expecting some activity in this area and the majority of these (33%) considering there will be between two to five mergers, acquisitions or divestments over the next five years.

Q1.4 Expected number of mergers over next 5 years %



Again the Manufacturing and Finance sectors were more likely to expect more than 10 of these types of activity over the next five years.

Interestingly respondents from a Public Sector organisation indicated they had been subject to some mergers and acquisitions over the last five years (32%) and expected similar activity over the next five years (37%), but in both cases no more than up to five. This is likely to be a reflection of the wholesale change anticipated within many public sector bodies.

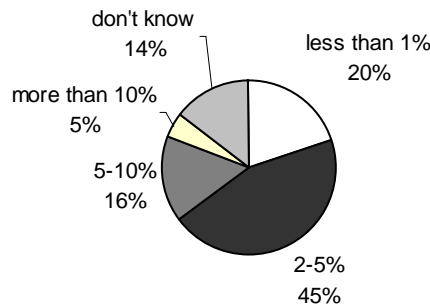
5. The IT Function

Q2.1 What percentage of your revenue is spent on IT?

The majority of respondents indicated that their IT spend is between 2% to 5% of their turnover. This is very similar to the NCC Benchmark of IT Spending 2005 which indicates the median IT spend as a proportion of turnover is 2.5% (this figure was the same for 2004).

It is not surprising that respondents from IT Services sector indicated that a high percentage of their revenue was spent on IT after all IT is their business. However, respondents from Retail, Business Services, and Public Sector also indicated that over 10% of their revenue was spent on IT, but this applied to just one or two respondents in each case.

Q2.1 Percentage of revenue on IT %

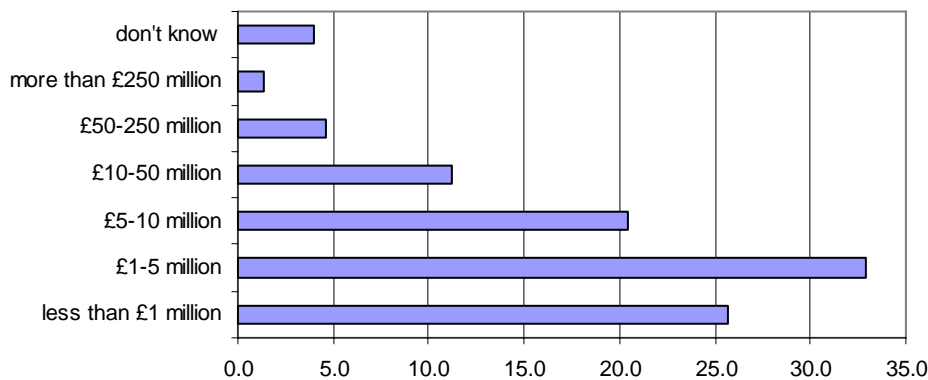


Q2.2 What is your current annual IT budget?

The majority of respondents have an IT budget of between £1-5 million. Two respondents indicated they had an IT budget over £250 million (one of these was from the Public Sector and the other was from a Business Services organisation).

With one exception, all the respondents who indicated they had less than 50 IT staff also had an IT budget of less than £1 million.

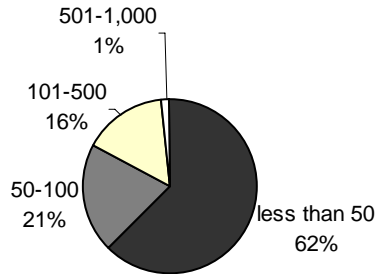
Q2.2 Current annual IT budget %



Q2.3 How many IT staff do you have in your IT department?

62% of respondents had less than 50 IT staff within their organisation. None of the respondents had more than 1,000 IT staff.

Q2.3 Number of IT staff %

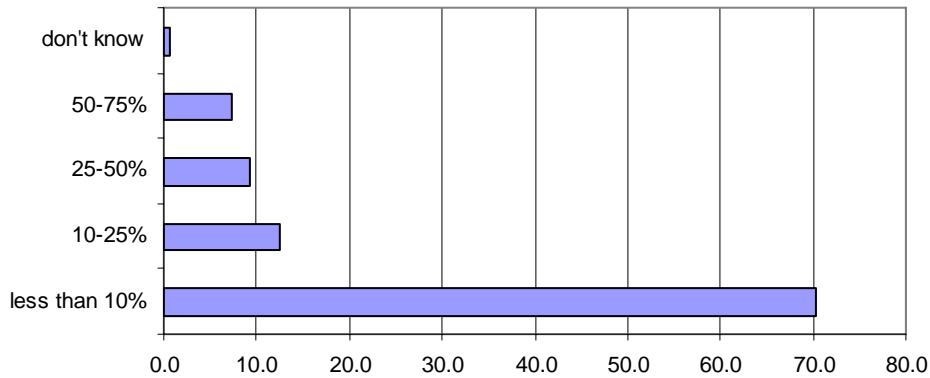


Q2.4 What proportion of your IT department is made up of IT contractors or supplied by a third party?

In the majority of cases, less than 10% of the IT department is attributed to contractors or staff supplied by a third party.

The Public Sector stood out, however, with 18% of respondents indicating that contractors or staff supplied by a third party made up between 50-75% of their IT department.

Q2.4 Proportion of IT contractors or supplied by third party %

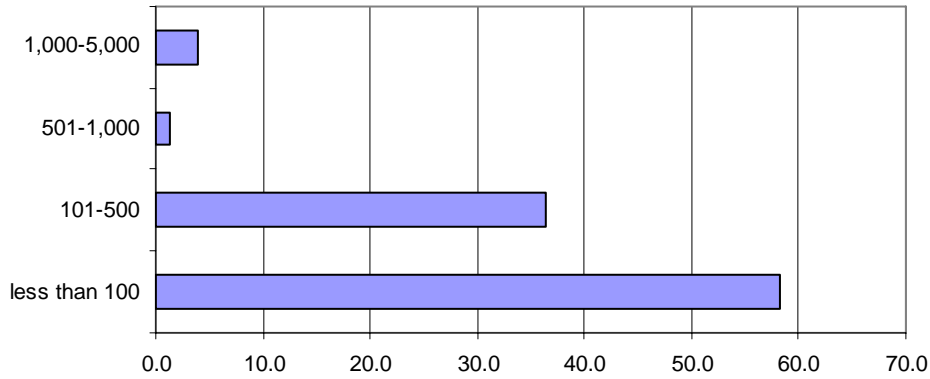


Q2.5 How many applications are in use within your organisation?

94% of respondents have 500 or fewer applications in use within their organisation.

The larger the organisation the more applications they will have in use.

Q2.5 Number of applications in use within the organisation %

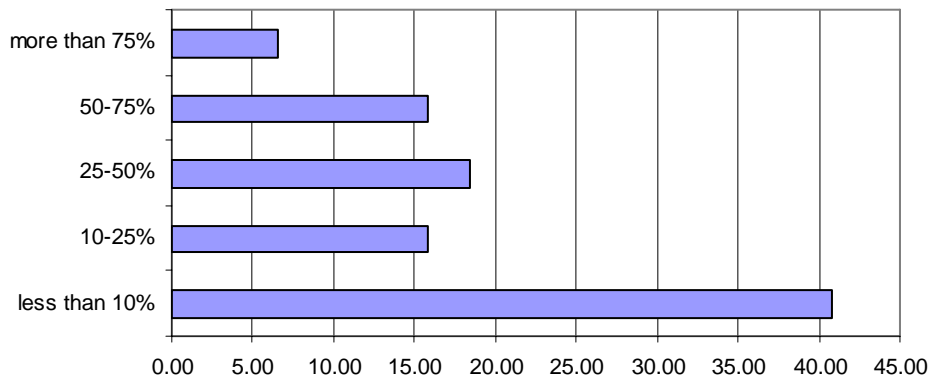


Q2.6 What proportion of your application portfolio would you consider to be legacy?

For the majority of respondents legacy makes up less than 10% of their application portfolio, but this does not make it any less an issue for them.

In organisations with 50 or more IT staff 25-50% of their application portfolio is legacy.

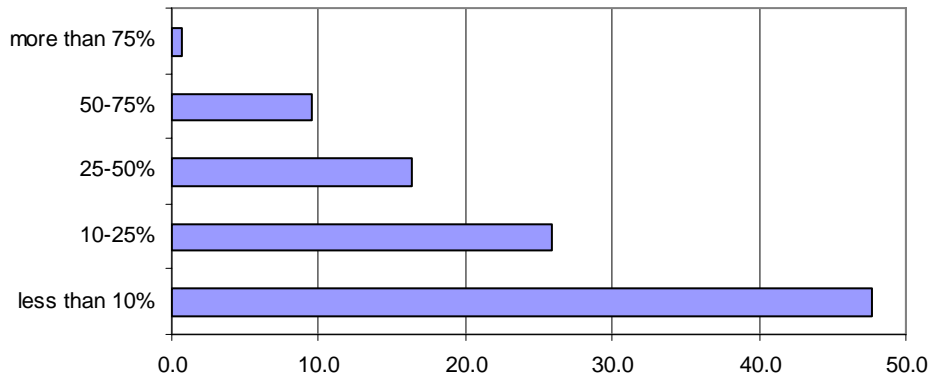
Q2.6 Proportion of application portfolio that is legacy %



Q2.7 What proportion of your current IT budget will be spent on legacy applications?

For nearly half of respondents less than 10% of their current IT budget is expected to be spent on legacy. However, almost 10% of respondents expect anything between 50 and 75% of their budget to be spent on legacy this year.

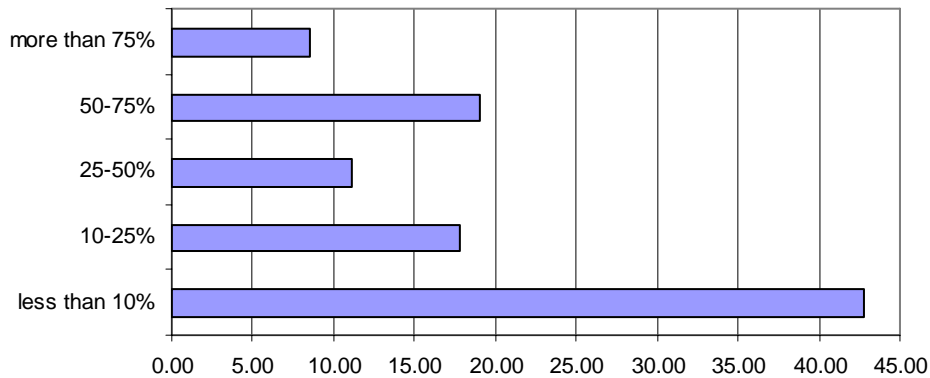
Q2.7 Proportion of current IT budget to be spent on legacy %



Q2.8 What proportion of your critical business systems are legacy?

Over a quarter of respondents indicated that over 50% of their business critical systems are legacy.

Q2.8 Proportion of critical business systems that are legacy %

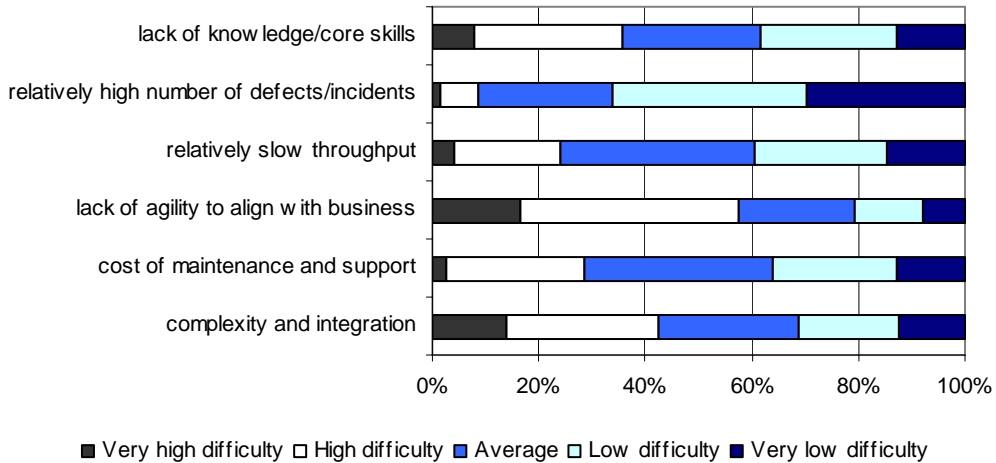


Q2.9 Level of difficulty in terms of legacy applications

Over half of respondents (58%) consider the lack of agility to align with business to be a high or very high level of difficulty. While 42% indicated complexity and integration (43% combined) to be high or very high level of difficulty.

The lack of knowledge/core skills was third with 36% considering this to have above average level of difficult with 28% considering it high difficulty and just 8% considering it very high difficulty.

Q2.9 Level of difficulty in terms of legacy applications



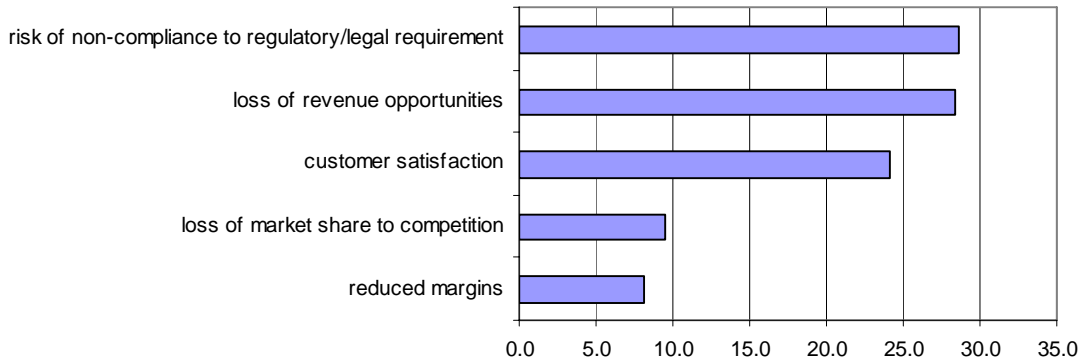
Some respondents provided additional information on difficulties:

- "...but all will be replaced in 6 weeks!"
- "Support from software vendor being withdrawn"
- "Based on unsupported infrastructure"
- "Difficult to recruit the required skills"
- "Compliance – Sarbanes-Oxley"

Q2.10 The level of impact on legacy applications

The risk of non-compliance to regulatory/legal requirements was considered to have the greatest impact with 29% of respondents indicating this has a high or very high impact.

Q2.10 Impact on legacy applications - Very high or high level of impact



Loss of market share to competition was considered to have the least impact on legacy applications with just 9% considering it to be high or very high and 72% thinking it has a low or very low impact.

Some respondents also provided additional types of impact on their legacy applications:

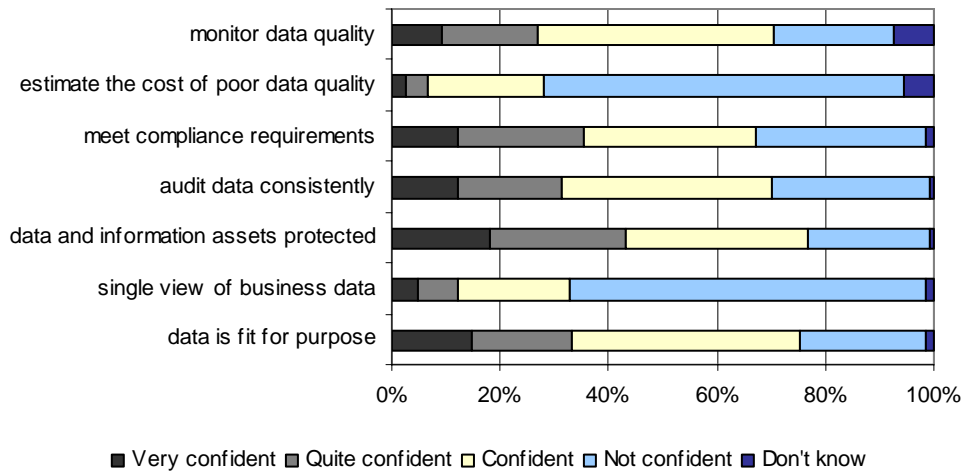
- “Inconsistent architecture, sunset technologies”
- “Cost of operation”
- “Ability to reengineer business processes”
- “Difficulty in integrating information”
- “Security”

Q2.11 How confident are you about legacy data

66% of respondents indicated that *Single view of business data* and *estimating with accuracy the cost of poor data* were the things they are least confident in.

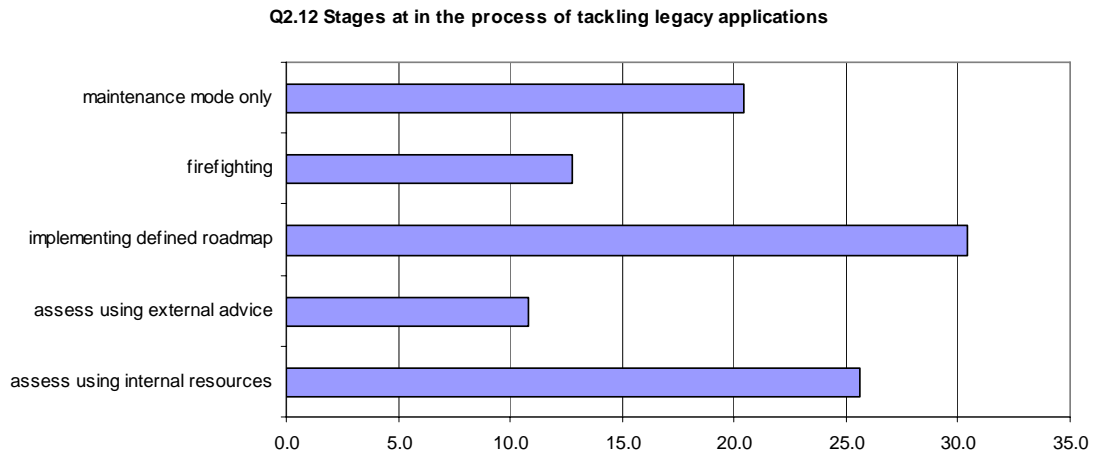
Respondents are the most confident (43%) with the *protection of data and information assets*.

Q2.11 How confident are you about legacy data



Q2.12 In your view, at what stages are you at in the process of tackling legacy applications?

The majority (30%) are *implementing a defined roadmap*, however, 13% admit to being in firefighting mode.

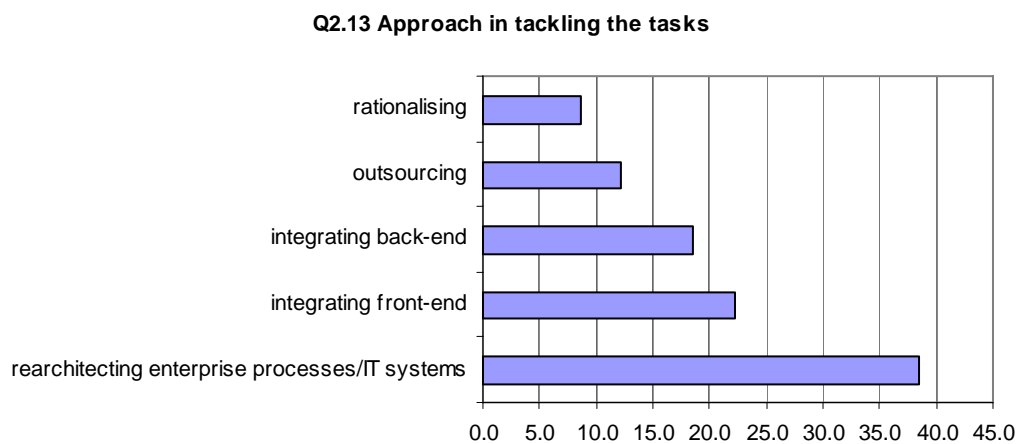


Some respondents provided additional information:

- “Awaiting direction from US parent”
- “Replacing”
- “Some decisions already made and others pending.”
- “Expected total replacement in 6 month”
- “Stalled on the business case”
- “...soon to be replaced”
- “National Programme for IT roadmap”
- “Ensuring compliance with ISO security standards”

Q2.13 What is your approach in tackling the above tasks?

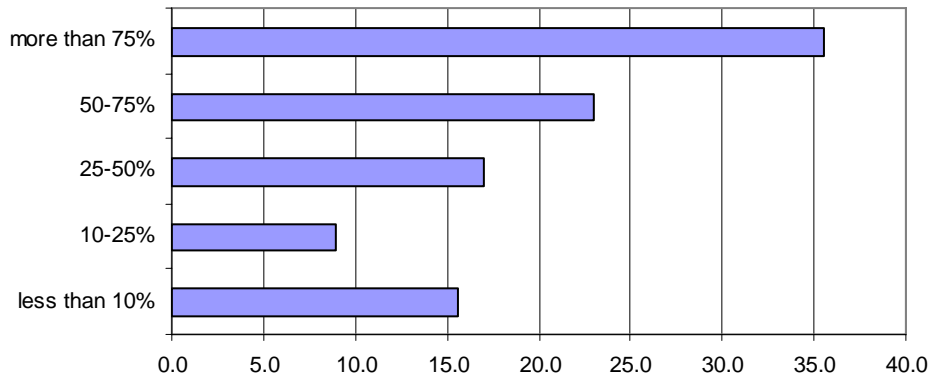
Most expect to complete these tasks by a combination of methods, but for the majority (almost 40%) this will include rearchitecting enterprise processes and IT systems.



Q2.14 What proportion of these activities are provided by your internal IT department?

It could be perceived that a few respondents are looking outside the organisation to help with this problem as they expect less than 10% of these activities to be completed by their IT department. However, it is not clear if they will use contract staff or outsource.

Q2.14 Proportion of activities provided by internal IT %



8 Appendix

The figures provided in the tables in this section are percentages.

Section 4 About the Organisation

Q1.1 Main business activity of the responding organisations

Public sector	29.6
Manufacturing	17.8
Other	13.8
Finance	9.2
Business Services	7.9
Construction	5.3
IT Services	4.6
Retail & Wholesale	3.9
Transport & Travel	3.9
Health	3.9

Q1.2 Number of employees

Less than 100	7.2
100-500	27.6
501-1,000	9.9
1,001 – 5,000	34.2
5,001-10,000	10.5
More than 10,000	10.5

Q1.3 Number of mergers, acquisitions and/or divestments over last 5 years

None	42.4
1	19.4
2 to 5	31.7
6 to 10	1.4
More than 10	5.0

Q1.4 Expected number of mergers, acquisitions and/or divestments over the next 5 years

None	41.1
1	17.7
2 to 5	32.6
6 to 10	6.4
More than 10	2.1

Section 5 The IT Function

Q2.1 Percentage of revenue spent on IT

Less than 1%	20.4
2-5%	44.1
5-10%	16.4
More than 10%	4.6
Don't know	14.5

Q2.2 Current annual IT budget

Less than £1 million	25.7
£1-5 million	32.9
£5-10 million	20.4
£10-50 million	11.2
£50-250 million	4.6
More than £250 million	1.3
Don't know	3.9

Q2.3 Number of IT staff

Less than 50	62.3
50-100	20.5
101-500	15.9
501-1,000	1.3

Q2.4 Proportion of the IT department made up of IT contractors or supplied by a third party

Less than 10%	70.4
10-25%	12.5
25-50%	9.2
50-75%	7.2
Don't know	0.7

Q2.5 Number of applications in use within the organisation

Less than 100	58.3
101-500	36.4
501-1,000	1.3
1,000-5,000	4.0

Q2.6 Proportion of application portfolio that is legacy

Less than 10%	41.9
10-25%	16.2
25-50%	18.9
50-75%	16.2
More than 75%	6.8

Q2.7 Proportion of current IT budget to be spent on legacy applications

Less than 10%	47.6
10-25%	25.9
25-50%	16.3
50-75%	9.5
More than 75%	0.7

Q2.8 Proportion of critical business systems that are legacy

Less than 10%	42.8
10-25%	17.8
25-50%	11.2
50-75%	19.1
More than 75%	8.6

Q2.9 Level of difficulty legacy applications cause respondents

	Very high difficulty	High difficulty	Average	Low difficulty	Very low difficulty
Complexity and integration	13.9	28.5	26.5	18.5	12.6
Cost of maintenance and support	2.7	26.0	35.3	23.3	12.7
Lack of agility to align with business	16.7	40.7	22.0	12.7	8.0
Relatively slow throughput	4.0	20.1	36.2	24.8	14.8
Relatively high number of defects/incidents	1.4	7.4	25.0	36.5	29.7
Lack of knowledge/core skills	8.1	27.5	26.2	25.5	12.8

Q2.10 Level of impact of legacy applications

	Very high impact	High impact	Average	Low impact	Very low impact
Customer satisfaction	4.0	20.1	30.9	22.1	22.8
Loss of revenue opportunities	2.0	26.4	22.3	26.4	23.0
Loss of market share to competition	1.4	8.1	18.9	34.5	37.2
Reduced margins	2.7	5.4	28.4	30.4	33.1
Risk of non-compliance to regulatory/legal requirement	4.1	24.5	27.9	22.4	21.1

Q2.11 Confidence in relation to legacy systems

	Very confident	Quite confident	Confident	Not confident	Don't know
Data is fit for purpose	14.7	18.7	42.0	23.3	1.3
Single view of business data	4.7	7.3	20.7	66.0	1.3
Data and information assets protected	18.0	25.3	33.3	22.7	0.7
Audit data consistently	12.0	19.3	38.7	29.3	0.7
Meet compliance requirements	12.0	23.3	32.0	31.3	1.3
Estimate with accuracy the cost of poor data quality	2.7	4.0	21.5	66.4	5.4
Business imperative to monitor data quality	9.4	17.4	43.6	22.1	7.4

Q2.12 Stage(s) currently at in the process of tackling legacy applications

Assessing needs using internal resources	25.6
Assessing needs using external advice	10.8
Implementing a defined roadmap	30.4
Firefighting	12.8
Maintenance mode only	20.4

Q2.13 Approach in tackling the tasks

Rearchitecting processes/systems	38.5
Integrating front-end	22.2
Integrating back-end	18.6
Outsourcing	12.2
Rationalising	8.6

Q2.14 Proportion of activities provided by internal IT

Less than 10%	15.6
10-25%	8.9
25-50%	17.0
50-75%	23.0
More than 75%	35.6

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