

Mainframe Transformation – The Elephant in the Room

An independent survey was undertaken by Vanson Bourne in April 2012. It covered 590 IT decision makers in nine countries including UK (100), France (100), Germany (100), USA (100), Brazil (100), Australia (35), New Zealand (15), Hong Kong (15) and Singapore (25). The respondents were from mainframe organizations with 501+ employees, covering multiple industry sectors.

KEY TALKING POINTS

- 87% of CIOs and IT leaders have plans to modernize at least one mainframe application within a year but nearly half of them have no clear process for identifying priorities
- Nearly half of CIOs do not know the size of their IT debt
- 43% of CIOs incorrectly believe switching to a commercial off-the-shelf package is the safest and most economical way of modernizing mainframe applications

UNDERSTANDING “IT DEBT”

The management of applications on a mainframe can be a complex and challenging role. This, coupled with demands for greater business agility puts IT leaders under mounting pressure to squeeze more performance and value from their mainframe infrastructure and application portfolio.

The demand for improvements to business critical applications on the mainframe leaves IT leaders with a growing list of development requirements relating to business change and efficiency. This list of enhancements has an associated cost that Gartner has labeled “IT Debt” - the cost of clearing the backlog of maintenance and enhancements to bring the corporate applications portfolio up to date.

As part of a survey commissioned by Micro Focus and managed by Vanson Bourne, 590 CIOs and IT leaders were asked how they assessed their mainframe applications and whether they understood what their IT debt looked like.

Although 87% of the CIOs and IT leaders polled said they had a process for analyzing and assessing their application portfolio, 46% of them admitted that they do not know the value of their IT debt. This lack of knowledge creates a hidden balance sheet liability for those organizations as well as a growing business risk.

Amongst those that claimed to understand their IT debt, on average they estimated it at \$10.9 million, with \$8.5 million attributed to mainframe applications, and predicted that debt would grow on average by 9% over the next five years.

In 2010, Gartner estimated global IT debt to total \$500 billion rising to \$1 trillion by 2015. Their report recommended that CIOs and IT leaders produce an annual assessment of the application portfolio to quantify and plan the reduction of their IT debt. Two years on, 44% of IT decision makers confirm that they still don't have a structured process for measuring and managing their IT debt, or don't know if they have one, and 45% of those without a process are not planning to implement one. There is an acknowledgement that application modernization needs to happen but the real cost is poorly understood.

MANAGING APPLICATION MODERNIZATION

When the survey explored IT leaders' understanding of their application portfolio, more than half admitted to having an unclear picture with one in 20 confessing that their application portfolio was “a confusing mess”. Nearly one fifth said that the mainframe contained legacy applications that no one knew how to update and that they were afraid to touch. 18% of respondents confirmed that they had redundant applications eating up unnecessary MIPS and had no means of identifying and retiring them. Many blamed merger and acquisition activity for creating an unclear picture of the applications, the relationship between them and what should be retired.

It is clear that, right now, CIOs have little to no visibility of the integrity and future cost demands of their application portfolios – a point reinforced by Stuart McGill, Chief Technology Officer at Micro Focus. “Our research highlights that IT is increasingly becoming an asset management problem,” said McGill, “This makes Application Portfolio Management (APM) a strategic imperative. The challenge is that it's difficult to attribute an immediate return on investment to APM given its mid to long term value, which sits at odds with the way most IT leaders are measured – on how well and how quickly they are reacting to and delivering against short term changing business demands.”

Continuing, McGill said: “This study shows that IT organisations are tinkering under the bonnet with their application review and updates today rather than ‘installing a new engine’. This is unlikely to create a fit-for-purpose application portfolio capable of delivering flawless execution of operational services to support the changing needs of the business today. Over this decade, IT organizations will have to transform from project obsessed organizations to

asset obsessed ones, particularly if they are to get maximum value from the average 27% of annual IT budgets that respondents confirmed were allocated to operating, sustaining and improving the integrity of mainframe applications and their assets.”

MODERNIZATION CHOICES

Understanding the application portfolio is only one element of the challenge facing CIOs today. The study also explored the CIO and IT Directors’ understanding of the modernization choices available to them. For nearly half (46%) of the respondents, developing the current mainframe application was the preferred approach for delivering new functionality. A further 41% preferred to replace the application with a commercial off-the-shelf (COTS) package.

Of those choosing COTS, 56% believed it would be easier to implement over the alternatives because it was less risky, would result in cost reduction and avoided issues with the availability of mainframe and COBOL skills.

Contradicting these beliefs, The Standish Group’s independent report [Modernization: Clearing a Pathway to Success](#), delivers an objective comparison of the cost, risk and return on investment associated with rewriting, buying a COTS package, and modernizing a particular application. The study found that application modernization had the highest likelihood (53%) of being completed on time, on budget and with critical features included. This compares to a 30% success rate for replacing the application with a COTS package and just 4% success when re-writing the application from scratch using the latest tools and techniques.

CONCLUSION

Other findings from the global study highlighted a strong desire to extend access to modernized mainframe applications from mobile devices, and to move mainframe applications to the cloud. This emphasizes that CIOs understand the need to modernize but, looking at the big picture, they are not confident in the correct approach to take and how to in terms of prioritization and the choices between development, re-hosting or repackaging.

By working in partnership with Micro Focus, CIOs have an opportunity to gain a deep level of understanding of their applications on the mainframe and develop a modernization plan that will transform it into an agile platform meeting fast-changing business needs both now and in the future.

About Micro Focus

Micro Focus, a member of the FTSE 250, provides innovative software that allows companies to dramatically improve the business value of their enterprise applications. Micro Focus Enterprise Application Modernization, Testing and Management software enables customers’ business applications to respond rapidly to market changes and embrace modern architectures with reduced cost and risk.

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