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Nearly Half of IT Leaders Do Not Know the Value of Their IT Debt, with Many Unable to Measure or Manage it

New global research confirms IT organizations need a more robust Application Portfolio Management strategy to curb IT debt and inform mainframe investments

Newbury, UK, May 16 2012

46% of IT decision makers have admitted they do not know the value of their IT debt, creating a hidden balance sheet liability for those organizations as well as a growing business risk. IT Debt is defined as the cost of clearing the backlog of maintenance to bring the corporate applications portfolio up to date. These findings form part of "Mainframe Transformation: the Elephant in the Room", an independent global research study undertaken by Vanson Bourne and commissioned by Micro Focus (LSE:MCRO.L), the leading provider of enterprise application modernization, testing and management solutions.

When asked, 590 CIOs and IT directors from around the globe estimated their IT debt at $10.9 million on average, with $8.5 million attributed to mainframe applications, and guessed their IT debt would grow on average by 9% over the next five years.

Gartner estimates that IT debt will break the trillion dollar mark globally in the next five years. In its report 2012 Planning Guide: Application Delivery Strategies, Gartner advises IT leaders to start a technical debt management programme to understand and tackle the liability. However, 44% of survey respondents confirmed they don't have a structured process for measuring and managing their IT debt today or don't know if they have one, and 45% of those without a process are not planning to implement one.

Mainframe Users Do Not Robustly Review Their Applications

Despite their IT debt admissions, 87% of the Micro Focus research respondents confirmed that they have a structured review process and strategy for their application portfolio, which they review on average every four months. However, more than half (57%) admitted to having an unclear picture when questioned on the detail. For example:
- A shocking one in 20 confessed that their application portfolio was "a confusing mess"
- Nearly one fifth (18%) said it contained legacy applications that no one knew how to update and that they were afraid to touch
- 18% confirmed that they have redundant applications eating up unnecessary MIPS without the means to identify and retire them
- 15% claimed merger and acquisition activity had created an unclear picture of the applications they have, the relationship between those applications and what should be retired

"The research results shows that IT organizations are tinkering under the bonnet with their application review and updates today rather than installing a new engine, creating a frightening balance sheet liability," said Stuart McGill, Chief Technology Officer at Micro Focus. "This approach is unlikely to create a fit-for-purpose application portfolio capable of delivering flawless execution of operational services to support business needs every minute of every day. 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."

Continuing, McGill said: "This makes Application Portfolio Management a strategic imperative. The challenge is that it's difficult to attribute an immediate return on investment to APM given it's a mid- to long- term value proposition, 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."

The Application Modernization Conundrum

With an understanding of the application portfolio comes the application modernization conundrum for IT leaders. The Micro Focus global research study polled CIOs and IT directors on the modernization choices available to them to ascertain preferences. On identifying the need for new functionality in a current mainframe application:
*   46% of respondents said they would prefer to further develop code
*   41% would 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, 32% said it was less risky, 30% thought it would result in cost reduction and 33% cited issues with the availability of mainframe and COBOL skills

Contradicting these COTS 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.

Application Modernization Plans

Other findings from the Micro Focus global study saw:
*   14% confirm they had already started to extend access to modernized mainframe applications from mobile devices, with 49% planning to start within the next twelve months.
*   16% stated they had already started moving mainframe applications to the cloud, with 42% making plans for the next year

Overall, 87% of respondents said they planned to modernize at least one key application in the next twelve months. In order of priority, they included Human Resources, Business Process Management, Project and Portfolio Management, Customer Relationship Management, Finance and Accounting and Enterprise Resource Planning applications. The top three factors most likely to influence decisions on mainframe application modernization included reducing hardware and software licensing costs, increasing reliability, productivity and speed of operations and supporting IT systems for future innovation and business growth.

When asked what percentage of IT staff responsible for mainframe and applications would reach retirement age in the next five years, IT leaders put the figure at 11% on average.

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Notes to Editors

The independent research 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.

To download an overview of the research, please click here.

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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