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Reducing Technical Debt

Reduce the Enterprise "Tax" on Innovation & Value

Lay the Foundation for the Composable Enterprise

Composable Enterprise:
As business needs change, organizations must be able to deliver innovation quickly and adapt applications dynamically – reassembling capabilities from inside and outside the enterprise. Gartner Research

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AFFECTS of TECHNICAL DEBT

the "enterprise tax" calculation

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Complexity & Technical Debt Reduction

Where is complexity found that creates a technical debt "tax burden" on business & IT operations?

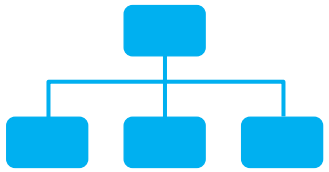
Scattered data

Little data driven decision-making

Scattered information and data duplication create different versions of the truth. This complicates decisions and makes it difficult to bring good ideas to market quickly and profitably

(McKinsey, 2014)

Processing Silos



Complex business processes

Business processes have been built around batch processing silos. Between 40% and 80% of employee time is on non-value-added activities taking away from solving real business problems.

(BCG, Complexity Report)

Technology constraints

Complex technology

73% percent of executives said the complexity of systems is the largest IT challenge

(Forrester, 2013 report)

For more information see: https://www.iitrun.com/how-to-free-up-capital-and-capacity-for-digital/

What does the research show?

How significant are the costs to your enterprise in profit, innovation, & customer satisfaction?

Research shows that businesses lose more than 10% of profit each year due to the hidden complexity tax.

10.2% or $237B

EBITDA Profits lost by top 200 global companies due to hidden costs of complexity

Global Simplicity Index, 2013

+830%

Since 2009, a stock portfolio comprised of the publicly traded simplest brands in our global Top 10 has outperformed the major indexes by 679%

11%

Over 60% concluded "complexity increases costs by **at least** 11%" and 86% determined complexity is hindering their growth.

IT systems can not respond quickly enough to changing business models or processes and complexity creates a "tax on innovation".

The Business Case for Managing Complexity (2015), Harvard Business Review. 749 business leaders respond to complexity impacts on their enterprise.

55%

The percentage of consumers willing to pay more for simpler experiences.

Note: *These results were based on broad consumer surveys with 15,750 consumers from 9 countries across 800 brands. While not 100% applicable to B2B organizations, this is still valid "sentiment" information. After all, do you like dealing with difficult or complex companies?*

Global Simplicity Index, 2018

For more information see: https://www.iitrun.com/digital-success-starts-with-simplifying-and-modernizing/

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Affects of Technical Debt on IT & Business Capability

Technical debt taxes continue to grow worse with more customization & time

Business Agility & Speed

Changes take a lot of time, effort, and cost slowing market and operational responses.

System Reliability

Each new change adds system breakdown and instability risks to existing functionality.

Requirements Analysis

Evaluating new solutions, changes, or even customizations is a difficult and lengthy process because of the dependencies.

Time to Benefit

Because changes and testing take so long, time to benefit is lengthy and directly impacts innovation.

Staffing, Skills, Talent

Heavily customized solutions require deep institutional knowledge and reduce the ability to "rent" skills and talent as needed from the marketplace.

Security Risks

Custom development introduces security risks that are not supported by the vendor.

New Package Options

Additional system capabilities are difficult to incorporate with significant customizations. In some cases it prevents their use.

Cost

Each subsequent change adds additional cost: time, resources, testing, needed skills, etc.

Build vs. Buy

Enough customization reaches the point that buying new solutions is not an option and an increasing spiral of more and more customization occurs.

New Business Models

The time and cost are prohibitive for developing and implementing new business models, around the customizations.

Migration & Upgrade

Upgrading or moving to new solutions can become nearly as difficult, complex, and expensive as new deployments.

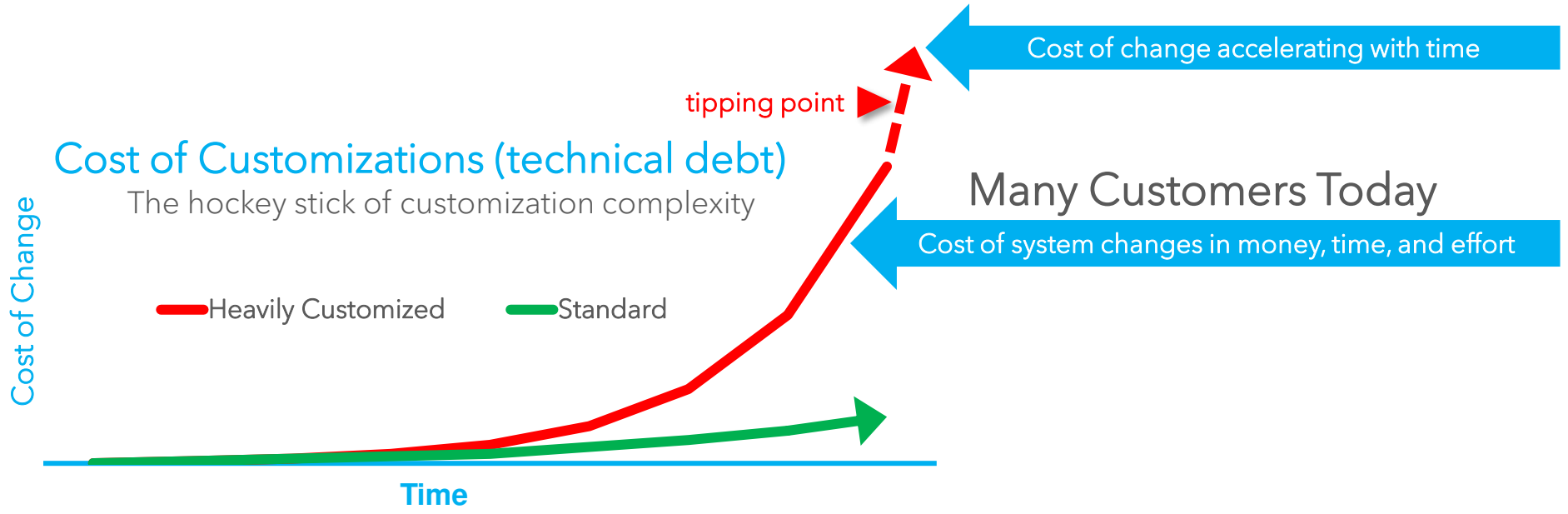
Regulatory & Legal

Vendor supported regulatory and legal changes may be impacted and require additional development to remediate.

Technical debt creates obstacles to building a composable enterprise

The Technical Debt Tipping Point

Technical debt is a progressive tax that accelerates with time



Technical debt carries financial costs and restricts the responsiveness needed in today's marketplace. This debt is a major obstacle or "speed bump" in assembling a composable enterprise. *Even if it doesn't stop you, it will slow you down!*

Do Some of These Technical Debt Questions Sound Familiar?

Some indications you may be reaching the tipping point

- Is IT too slow to respond to business needs?
- Do enhancements take too long?
- Is support costly and incrementally increasing?
- Is there a backlog of changes or functionality requests?
- Is it hard to find resources to understand the existing customized environment?
- Is it difficult to work around customized functionality to try to deploy standard solutions?
- Is the SAP support staff no longer familiar with standard SAP Best Practice solutions and options?

THE POWER OF SIMPLIFICATION

value vs tax

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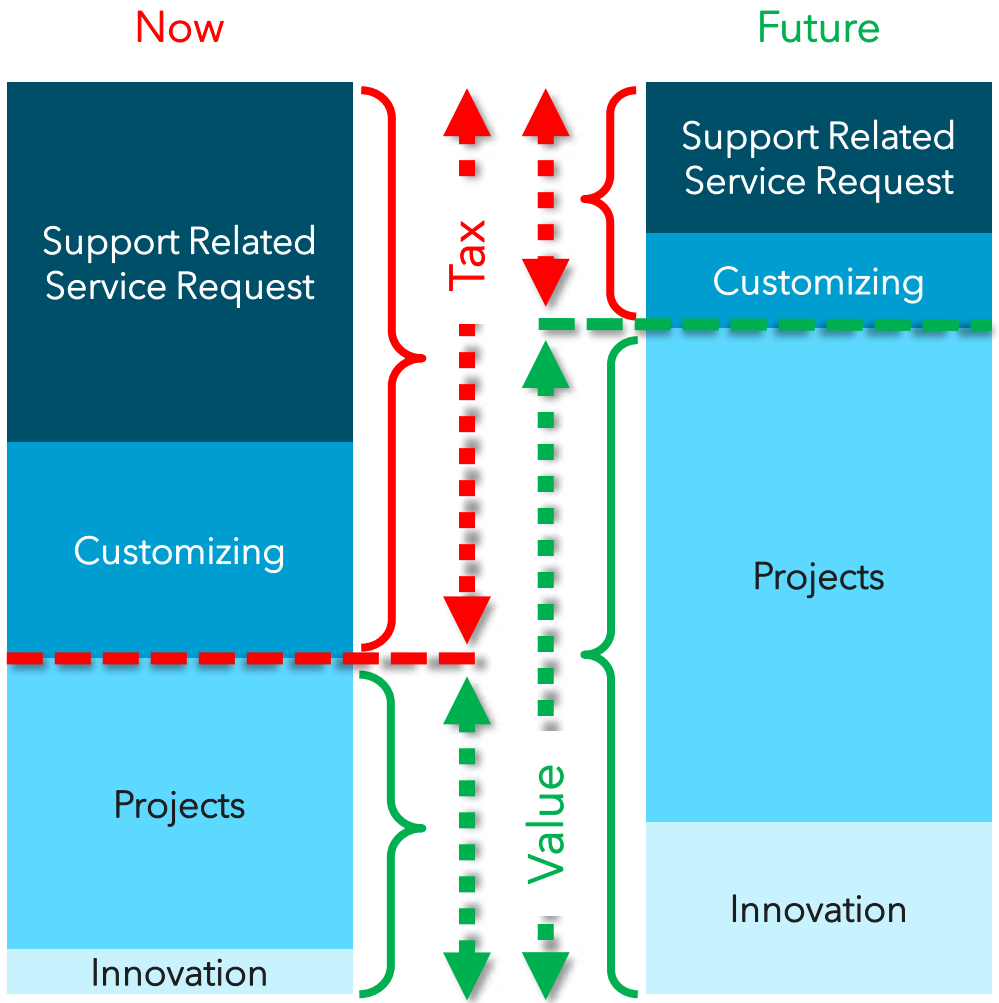
De-customizing, Simplifying, & Modernizing Increases Value

Reduce the "tax" burden on flexibility, agility, and the development of responsive, composable capabilities



Benefits

Reducing Technical Debt

- Lower spending on service requests
- Reduce cost of new application capabilities
- Retain and retool existing workforce
- More easily rent skills in the marketplace
- Improve time to value

Increasing Value-Add Capacity

- Add Enterprise Value
- Faster Enterprise response
- Increase volume and turnaround
- Drive portfolio innovation
- Re-deploy investment to new capabilities
- Improve service levels
- Gain cost predictability

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Business & IT Value of Reduced Technical Debt "Taxes"

Simpler, better and faster

Improve IT response, lower risk, & increase agility to build the Composable Enterprise

- Business Agility – Responsive IT organization
- Innovation – Focus on the possible
- Simpler – Cut down on the unavoidable
- Standard – More easily assimilate mergers and acquisitions or parse out divestitures
- Stability – De-customized systems reduce system-related process breakdowns
- Risk Management – Standard systems reduce compliance & security risk
- LFR – Legal, Finance, Regulatory to support mandatory changes with low impact

Technical Debt Reduction & the Composable Enterprise

The big picture in using SAP S/4HANA as a starting point *(S/4HANA is not required for just roadmapping!)*

Fit-Gap with SAP Best Practices for S/4HANA

- Rapid prototyping on SAP's inexpensive Model Company
- Early knowledge transfer on standard capabilities

Composable Enterprise Landscape Architecture

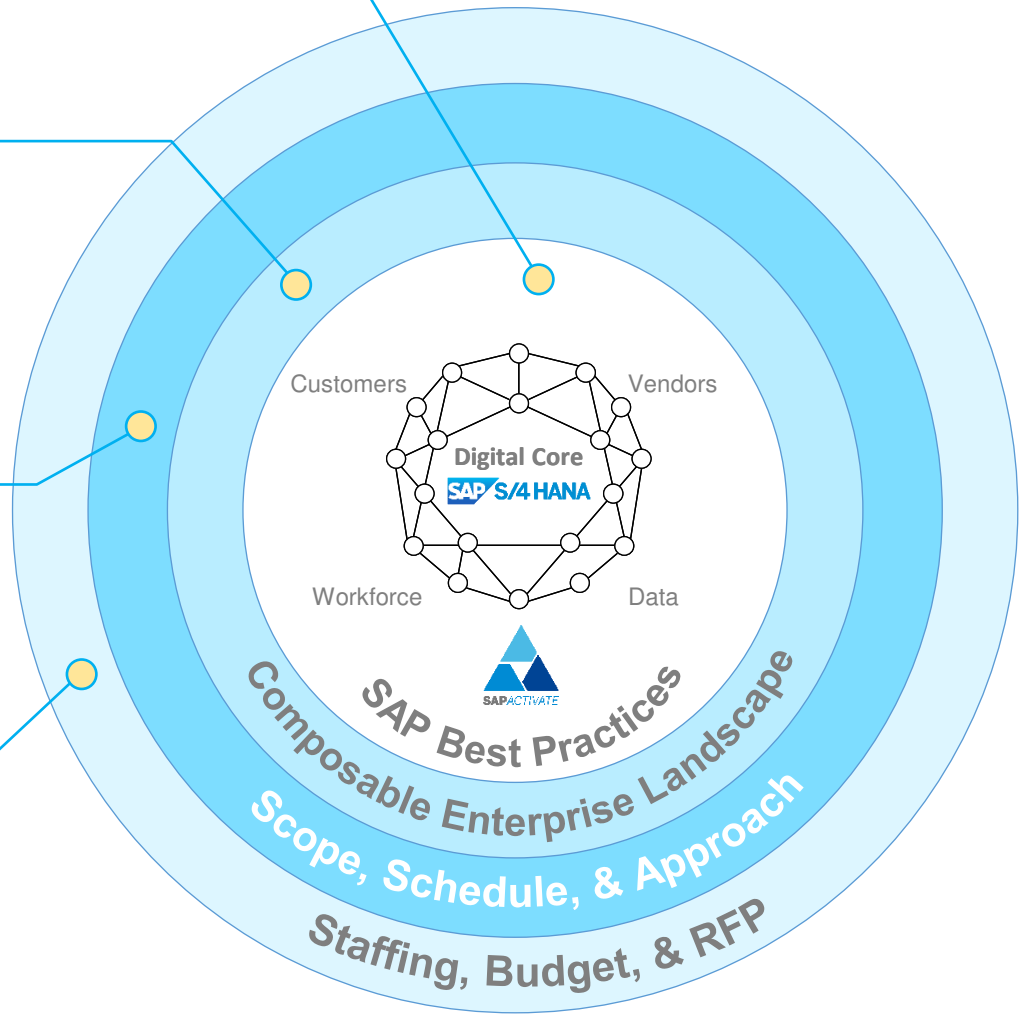
- Architecture map for invest, maintain, & retire
- License BOM and Software Asset Management updates
- Indirect access exposure & shadow IT discovery
- Cloud migration Hyperscaler cost by system

Transformation Scope, Schedule, & Approach

- S/4HANA Best Practices detailed scope
- Deployment approach & rollout options
- System consolidation & deployment schedule

Estimated Staffing, Budget, & RFP *(if needed)*

- Internal & external staffing plan
- Software & services budget estimate
- RFI & RFP support if needed



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THE COMPOSABLE ENTERPRISE FOUNDATION

starts with simplifying, modernizing, & standardizing

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Change Management & Technology Modernization

The new focus becomes people, process, technology, AND DATA!

The biggest challenge transformation efforts face is *change management* and not the technology with "vanilla" systems

- The right *Business Transformation focus* challenges outdated thinking with constraints that
  - don't exist,
  - have unnecessary silos,
  - with product or service categories as opposed to outcomes,
  - and the avoidance of information sharing.
- Even when business processing constraints do exist, there are new methods, new approaches, and new tools to address them.

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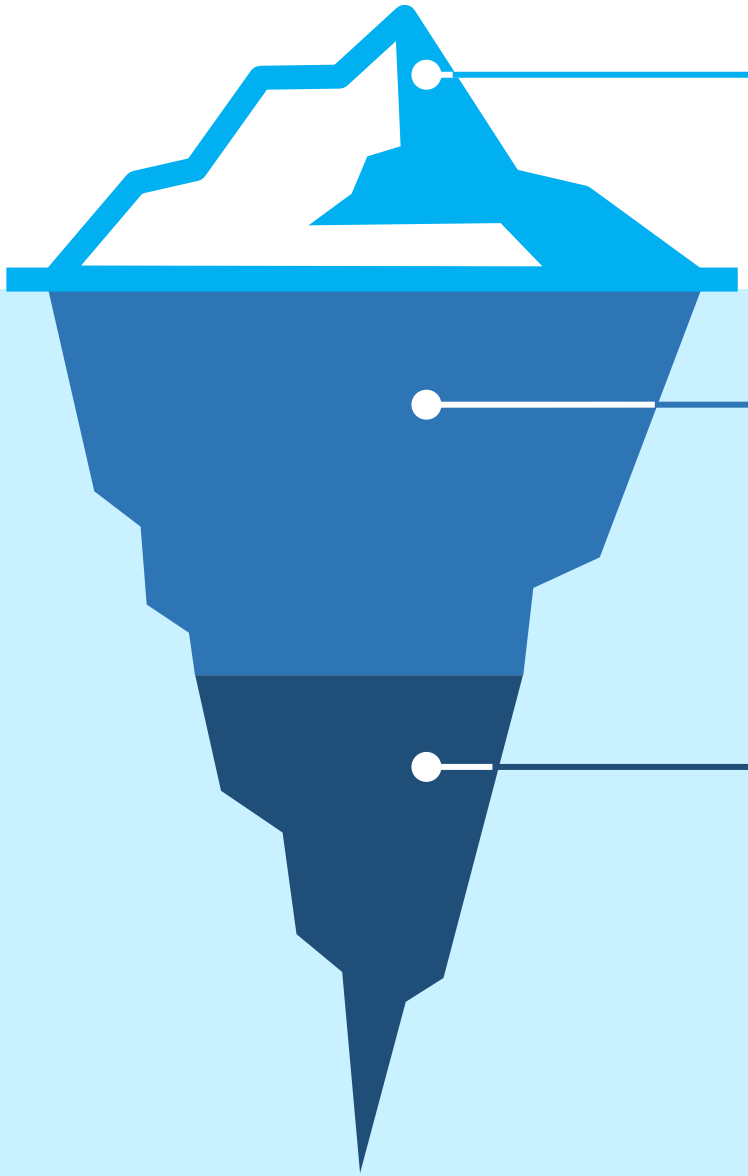
Map the Journey to Technical Debt Reduction

Simplify, standardize, and optimize the landscape for lower cost and composable flexibility



1 Scan and Plan

- Catalog existing landscape and data requirements
- Evaluate simplification/BU harmonization options
- Prioritize technical debt items

2 Focus on the Future

- Build End of Life applications and system roadmap
- Define standards and future state consolidation architecture aligned to roadmap
- Simplify the landscape and modernize legacy apps

3 Transform

- Align skills and capabilities to the target architecture and standards
- Provide governance of technology and business processes
- Integrate technical debt management into governance

Governance, Standards, & Development Approaches

A new way of thinking and operating

Building and Operating the Composable Enterprise

REACH OUT TODAY FOR MORE INFORMATION!

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New Development Tools & Standards

A new way of thinking and operating

Customizing in the Future

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Let's Talk

Many companies recognize S/4HANA as an opportunity to simplify, streamline, and optimize old customized processes. Some choose a technical upgrade while addressing technical debt, many others choose a re-implementation with a focus on getting close to standard. Whatever path you choose we are experienced guides on this journey.

Reach out today to see how we can help you reach your destination!

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Appendix

A 60 year-old privately held materials science company focused on discovery, product innovation and rewarding careers for Associates with a commitment to innovation that shapes everything they do.

The client is making the migration away from their fragmented architecture to a nearly 100% cloud based SAP and S/4HANA infrastructure. There were challenges with the existing System Integrator in simplifying scope, schedule, approach, and direction. We were brought in to help with SAP landscape solutions, additional program details, scope review, and aligning the deployment approach to support a detailed RFP.

Business and IT organizational alignment, and then participation, were a key component of the effort. Using a hybrid RFI approach we helped narrow the vendor selection. Then with the RFP we added additional vendors and made final selections from the RFP list that started out with nearly 10 candidates. Internal business challenges including gaining business acceptance and buy-in, and then creating the rough staffing plans to deliver a global program in a regulated environment.

The project was delivered on time, vendor selections made, the complete software BOM developed, and all agreements signed. *Tangible software cash savings (not based off list, but actual cost savings)* was into 8 figures. The System Integrator related savings were well into 9 figures based on the original SI estimates.

Requirements
- Deep SAP Solution Architecture experience
- Understanding the SAP Cloud capability and licenses
- Big X deployment options
- Develop an SAP BOM for a 5 +/- year program
- Understand business and organizational culture impacts
- RFI & RFP vendor selection

Industry
- Manufacturing
- Life Science
- Automotive
- Services
- Technology

Products and Services
- Bio-Pharma
- Filtration
- Fibers / Fabrics
- Electronics
- Cables
- Consumer Products

Organization Size
- 70+ Locations
- 11.000+ employees
- $3.8B (2019)

Geography
- Global
- US Based

References
- Contact us for references

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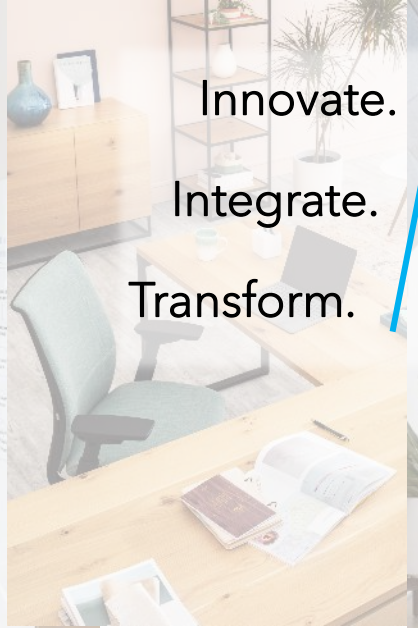

One of the world's leading workspace solutions companies--, a leader in creating great experiences with architecture, furniture and technology products.

The customer was considering a move to S/4HANA from their highly customized ECC environment that had grown up over 20+ years. The IT support costs were high, it was increasingly difficult to find resources to support the system, additional solutions were taking too long, and there were over 20 SAP production systems. Even adding standard SAP capabilities was time consuming and expensive to work around existing customizations and testing requirements.

In a few months we helped align their evaluation team with new skills and capabilities on what is possible with standard SAP. We provided a path forward to de-customize the existing SAP system and move close to standard for their upcoming S4 deployment while consolidating instances. Our tools, templates, and skills helped move them to new governance, new CoE capabilities, and the path forward for S/4HANA without disrupting their business.

Requirements
- S/4HANA fit-gap & prep
- Software license negotiations with SAP
- Reduced IT Costs
- Business Agility

- Reduce Technical debt
- Accelerate deployments and IT delivery speed
- M&A or Divestiture flexibility
- Get back to standard

Industry
- Manufacturing
- Distribution
- Engineering
- Services
- Technology

Products and Services
- Architectural walls
- Office desks, chairs, lighting, etc.
- Digital displays and meeting room technology
- Design and Engineering services

Organization Size
- 80+ Locations
- 14,000+ employees
- $3.65B (2018)

Geography
- Global
- US Based

References
- Contact us for references

Over 100 years-young and on a transformation journey to building a better tomorrow through science and innovation. They have a global impact, while holding high standards of integrity, and societal responsibility.

The client is consolidating a major US acquisition into a Global SAP Instance. We were brought in to provide leadership on simplifying and modernizing the S/4 Transformation roadmap, instance strategy, best practices for uplifting the global template definition, and, to help reduce technical debt via de-customization. There were challenges with multiple existing System Integrators and we assisted in defining the project charter and establishing the project governance model.

We helped define the S/4 HANA roadmap with an interim solution through Suite on HANA for core SAP functionality, S/4 HANA sidecars for Central Finance with Treasury and Master Data Governance. This approach is providing a smoother acquisition integration while building a platform for easier integration of future mergers and acquisitions.

We are being tasked with program technical leadership, architectural guidance, and integration best practices in areas such as the introduction of ODATA services and SAP API manager. We are providing guidance for improved operational capabilities in areas such as test automation, performance, and volume testing, to meet the company ethos of faster, better, simpler.

Requirements
- Acquisition integration of a large, multi-national US operation
- Migration to S/4HANA
- Technical evaluation for de-customization
- SAP instance consolidation
- Integration of multiple companies

Industry
- Consumer Products
- Biotech

Products and Services
- End use consumer products
- Pharmaceuticals

Organization Size
- 49 Countries
- 56.000+ employees
- > $25B (2019)

Geography
- UK based
- Sales in every country

References
- Contact us for references