Application Advantage
EVRY’s framework for Integrated Application Management

How to enable digital transformation?
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1. INTRODUCTION

Digital transformation has become a priority for many organizations as customers are getting more control over their interactions with businesses and organizations and have growing expectations. The value for businesses results from the customer delight, a more agile and effective organization, innovation in new products and services and better decision making.

However, there are several roadblocks which hinder the digital journey. One of the biggest challenges is the lack of capacity to run and modernize the existing legacy systems simultaneously and have resources and competence for innovation in new areas. This organizational strategy is called Bimodal IT by Gartner and plays an essential role in digital transformation.

This research discusses how organizations can accelerate and succeed with the digital transformation through an integrated and holistic approach to their application and systems management.

“By 2017, 60% of digital transformation initiatives will not be able to scale due to a lack of a strategic architecture 1)”

IDC

1) Application Management Maturity, An IDC Custom Analysis for Evry AS
Digital technology is enabling broad transformation for companies in every industry. Organizations need to build foundational digital capabilities in order to meet the growing customer demands.

The objective of this paper is to shed light on how small, medium and large enterprises can enable their digital transformation by an integrated approach to application and systems management. This is done by analyzing the best practices in different industries and identifying the optimal strategies that lead to successful digital journeys. By exploring these topics, we gain insights into what do organizations need in order to leverage their digital potential.
Methodology

The research methodology used for this whitepaper is exploratory and the insights are obtained through secondary research method.

Secondary Research:
Various trustworthy resources are used with a Nordic as well as global scope to explore the topic. It is assumed that the challenges and business needs in digitalization are similar across the board hence the findings from the international reports are applicable in Nordic context as well.

Primary Research:
Primary research includes 300 interviews (Norway & Sweden, 50+ employees) conducted by IDC. The online interview process took 4-5 minutes and targeted various roles including Corporate Management CEO, CTO, IT Managers, Line of business manager, IT Department (not top management) and other.

Limitations

The research design consists of both primary and secondary data collection but the secondary research is pre-dominantly used, hence the findings from this study are generalized.

The primary research is conducted by an external agency and the writer did not have control over the research process. The focus area of the primary research is limited to Norway and Sweden.
2. NEEDS AND CHALLENGES

2.1 Digital Advantage: What does it demand?
2.1 Customer Insights
2.2 Global Industry Trends
2. NEEDS AND CHALLENGES

Organizations are facing multi-faceted pressure to digitalize from the customers as well as the competitors. Customers demand convenient and personalized digital experiences; organizations that have invested in building internal agile processes to deliver on these demands are going to succeed in the race. However, there are several roadblocks which make it hard for businesses to reach their digital potential. This chapter will explore what are the most critical challenges that impede the digital transformations. However, before diving into the challenges, it is important to understand what does it mean to be digital?

**Digital transformation**

A digital transformation occurs when a business uses digital technology to change the way they operate, particularly around customer interactions and the way the customer value is created.
2. NEEDS AND CHALLENGES

2.1 DIGITAL ADVANTAGE; WHAT DOES IT DEMAND

Customer Delight

Digital transformation requires that businesses ensure customer delight through proactively meeting their expectations with meaningful and relevant solutions and excellent user experience. This is not possible without gathering customer insights and using it in organizational decision making.

Agile Organization

In order to reach the digital potential, organizations must have both business and IT agility, ensuring that the business can respond to dynamic customer and market requirements competitively and on time.

Renew core

Organizations need to design and deliver the best possible experience with minimum cost and risk in the core business besides exploring new fronts. This requires flexibility in business processes and IT landscapes to respond and anticipate customer demands with minimum cost and risk.

Innovating New Solutions

Being truly digital means staying ahead of customers by truly understanding how their needs and demands are evolving inside and outside the boundaries of your business. This requires working across organizational silos and designing solutions that are desired by the customers.

By year end 2017

75% of Global 2000 CEOs will have Digital Transformation at the centre of their corporate strategy.
2.2 CUSTOMER INSIGHTS

Many organizations are struggling to innovate along new fronts, inside and outside the business because of limited budgets. The reason is that biggest share of the budget goes into running the existing operations, which is further strained by the complexity in the IT landscape leaving little room for innovation.

This section will explore some of the challenges faced by organizations in efficient running of existing business and innovating new solutions.

People
Meeting the digital potential requires that CEOs and CTOs have an aligned vision about the what is organization’s digital strategy and how technology can enable it. However, most of the organizations neither have a clear agenda or roadmap to realize the digital strategy nor relevant experience to know how to effectively drive transformation through technology.

Processes
Companies have to develop a continuous process for digital innovation in order to deliver a seamless user experience. However, organizations lack collaborative infrastructure and internal processes to benefit from digital efforts and most of the time, innovation becomes a project based initiative which cannot be scaled internally.

Tools
The use of older tools and technology pose a significant challenge for digital transformation since they are complex to update specially when connecting to new kinds of technology. Organizations face challenges in terms of integrating the existing systems and using the new technology effectively to harness transformative effects.
2.3 CUSTOMER INSIGHTS

60% People
60% of Digital Businesses will suffer major service failures due to the inability of IT security teams to manage digital risk.
- Gartner, 2016

47% Processes
47% of Norwegian businesses claim development suffers from operations
- IT-praksis 2015

63% Tools
63% of executives revealed that the pace of technology change in their organization was too slow.
- MIT/Sloan Research
2.3 CUSTOMER INSIGHTS

A survey conducted by IDC sheds light on major challenges faced by organizations in Norway and Sweden in the area of application management. Inflexible applications, lack of internal skills and cost are most prominent.

The survey also reveals that companies with a more advanced portfolio point to significantly fewer problems. Moreover, for the mature companies, the challenges are more likely to be cost related, while for the less mature, inflexible applications is the main challenge.
In order to get a better understanding of how can organizations embark on digital transformation, it is important to know the technological and market forces behind their need to innovate and re-think their business models. This section will explain some of the emerging technological trends across different industries that are catalyzing the digital transformations.

### 2.4 GLOBAL INDUSTRY TRENDS

**Data and Analytics**

“44% of the companies identified Analytics and Data Science as area where organizations’ needs for digital talent will be most pressing”

*Mckinsey Global Survey*

Customers expect organizations to understand their behavior in the context of their everyday lives and be proactive in offering solutions. This requires gathering useful and relevant data and turning it into actionable insights. Businesses are investing to increase their capability in leveraging data and analytics to establish relation-based engagement with the customers and to enhance loyalty and customer retention.

**Digital Customer Engagement**

“Of the six digital trends we asked about, executives expect the largest share of their digital growth in the coming years will be from digital customer engagement”

*Mckinsey Global Survey*

The growing use of channels by customers increases the opportunities for organizations to engage with them at different touch-points. Customers have power of choice which together with availability of user-friendly experiences at different online touch points, leads to high expectations from their digital interactions. This is one of the primary reasons organizations see digital customer engagement as strategic priority.
2.4 GLOBAL INDUSTRY TRENDS

Cloud Technology

“The best thing about having a hybrid environment is it frees up our staff to do other things besides monitoring our environment all the time”

CIO-Financial Markets

According to a study by IBM*, “organizations are increasingly integrating cloud resources with traditional IT to accommodate dynamic needs and specific business priorities”. Cloud is being used as a strategic move to power the digital transformation, moving beyond cost reduction and productivity gains.

Industrialization

“A European bank shortened its account-opening process from 2-3 days to less than ten minutes by successful end-to-end process automation”

Mckinsey*

The complexity in IT landscapes has forced many organizations to simplify, optimize and automate their IT systems, which is also called industrializing. Traditionally industrializing has been viewed as a way to make processes more efficient and scalable to reduce cost and to have more control. However, some firms are going beyond to gain benefits by re-focusing their people on more strategic tasks like customer centric initiatives and innovation.
3. INTEGRATED APPLICATION MANAGEMENT

3.1 A lifecycle Perspective

3.2 Innovation and Digital Transformation

3.3 Profitability and Business Growth
As discussed in the previous chapter, there are many market forces making it critical for organizations across different industries to innovate and transform the business models. These market forces include high customer expectations, pressure from the competitors and availability of cutting edge technology enabling business transformation. However, many organizations face internal challenges in realizing their digital potential because of tight budgets, inefficient organizational structures and processes and lack of needed skills. In order to succeed with digital business, organizations need to manage applications in an agile and holistic way.

This chapter discusses how these challenges can be solved by industrializing the core business and creating value through innovating new solutions inside and outside the business area. In order to understand how industrializing core business enables digital transformation, it is important first to understand what is Integrated Application Management.
Application management is defined as “Activities and services to make sure applications meet their requirements and support business needs over time”. An integrated approach to application management encompasses viewing the application portfolio holistically, ensuring that the applications are running smoothly, modernizing the existing systems and applications and innovating new ones as per business and customer needs. This approach helps manage and optimize the whole value-chain in the application management process including application development, maintenance and operations in order to have control, gain cost and productivity efficiency and maximize value for money.

Three main principles in integrated application management are fundamental in reaching the digital potential: Run, Modernize and Innovate.

3.1 A LIFECYCLE PERSPECTIVE

Run
Digital transformation requires that businesses ensure customer delight through proactively meeting their expectations with meaningful and relevant solutions and excellent user experience. This is not possible without gathering customer insights and using it in organizational decision making.

Modernize
In order to reach the digital potential, organizations must have both business and IT agility, ensuring that the business can respond to dynamic customer and market requirements competitively and on time.

Innovate
Organizations need to design and deliver the best possible experience with minimum cost and risk in the core business besides exploring new fronts. This requires flexibility in business processes and IT landscapes to respond and anticipate customer demands with minimum cost and risk.
Integrated Application Management

Run
- Application Operation
- Infrastructure Operation
- Data Centre

Modernise
- Application Maintenance

Innovate
- Application Development

ServiceIntegration
Technology orientation
Business orientation
3.2 INNOVATION AND DIGITAL TRANSFORMATION

The biggest roadblocks in the way of digital journey are lack of alignment between IT and management and lack of organizational infrastructure around digital. IT is mostly used for cost reduction and scalability and as discussed in chapter 2, it’s a challenge to align people, processes and technology in order to benefit from transformational efforts.

Gartner has proposed a framework to solve this challenge which they term as “Bimodal IT”. It’s a practice of managing two separate styles of work simultaneously, “type 1, traditional IT, focused on stability and efficiency, while Type 2 is an experimental, agile organization focused on time-to-market, rapid application evolution, and, in particular, tight alignment with business units”*. This framework is at the core of integrated application management.
3. INTEGRATED APPLICATION MANAGEMENT

3.2 INNOVATION AND DIGITAL TRANSFORMATION

Bi-Modal IT enables businesses to have the right people, process, and technology to support new digital initiatives without impacting long-term maintenance projects. This is done by combining the existing IT approach aimed at running the applications smoothly and industrializing core business with the new capability to achieve the agility critical for exploiting new opportunities and digital transformation.

In Accenture research, “61 percent of digital transformers see shortages of digital skills as a top challenge in digital transformation and are concerned about how they can attract and retain top digital talent”. By having an agile organization, businesses can attract and retain the right people required for digital transformation.

Bi-Modal IT helps businesses maintain their existing operations as well exploit new opportunities by enabling DevOps through agile processes. Moreover, through having a service design philosophy in the way of working and creating the processes to build, test and learn more rapidly and frequently, organizations can catalyze success in the digital journey.

Having both type 1 and type 2 capabilities simultaneously, organizations can industrialize the existing IT systems and tools that are critical to the ongoing business as well as experiment with the new digital technologies rapidly.
This graph shows that companies in Sweden and Norway that have a more mature approach to application management have seen significantly better improvements over the last two years**. The organizations with higher maturity have seen significant reductions over the last two years in the areas of IT cost, IT service deployment time and business time to market and significant improvement in business innovation resources, IT and business productivity. Moreover, the more mature companies have significantly less negative business impact from application related challenges, not just in the areas of productivity, cost, and user satisfaction, but also for business agility, innovation and transformation.

* Mckinsey.com

** Application Management Maturity, An IDC Custom Analysis for Evry AS
4. APPLICATION ADVANTAGE

4.1 EVRY’s Framework

4.2 Key Success Factors
4. APPLICATION ADVANTAGE

4.1 EVRY’S FRAMEWORK

Application Advantage is EVRY’s framework to industrialise core business and enable digital transformation by optimising application portfolio.

EVRY has capability to integrate the whole application stack from infrastructure and operations to ongoing maintenance and new development, giving our customers bigger potential for improvements and modernisation. By taking the role as a service and cloud integrator, we can integrate and consolidate customers’ applications into efficient solutions for your needs.

EVRY helps organisations reach their digital potential faster with Application Advantage. Together with EVRY Strategic design lab and EVRY Cloud services, our customer will have a unique setup for Digital Advantage, regardless of technological platform.
4.1 EVRY’S FRAMEWORK

Application Advantage is EVRY’s framework for integrated application management. It contains services, methodology and best practice to handle all phases of an application life-cycle.

Portfolio and Life-cycle perspective
In order to maximise the value potential from applications, they need to handle as much of the portfolio as possible. Focusing on a single application will give limited effect. The applications need different care and focus different phases of its life cycle and need to be handled accordingly.

Governance
Establishing governance and communication with various stakeholders follows next. Governance sets the expectations right with aspects such as engagement model, multi-vendor governance, resources management, contract management, reporting and service portal.
4. APPLICATION ADVANTAGE

4.1 EVRY’S FRAMEWORK

Analysis
The digital world is creating new types and levels of risks for all kinds of businesses, and thus, it is imperative that an enterprise application be ready to face the digital transformations. EVRY performs a deep technical dive into each application aspect in the applications portfolio. Technical needs, additional functional and non-functional requirements are covered in this phase.

Transition
EVRY’s transition phase creates balance and emphasizes on upholding business continuity. It involves detailed application study, domain knowledge transfer, process documentation, configuration management, establishing SLAs and taking up critical/minor enhancements, source code analysis and testing. Our project management strategy is tailored to assist smooth and seamless application transition, while following industry’s best standards and the finest operating procedures.

Value Creation
Development and operation are like two sides of the same coin. At EVRY, we exploit every new opportunity to add value to client applications and operations. Complimentary resource teams, tools repository, test lab, measurement & analysis, baselining, unique accelerators and frameworks add-up to the quality of deliverables and reduce cost to the client. Our service management and global delivery models help us perceive positive loyalty, sustain relationships and exceed client expectations.

Termination
A majority of the application cost is incurred only after the implementation of the project is complete, which is why, we ensure a standardized and streamlined maintenance strategy. Our service management has well-defined processes to deal with change management, exit strategy, preventive maintenance, application decommissioning, and resource capacity planning, among other processes.
4.2 KEY SUCCESS FACTORS

Top Leader Involvement

Top executives must be involved in the organizational digital journey since IT has implications for the development of whole enterprise. Organizations should ask themselves if they have visibility in ownership and business case of IT applications and systems; if this is not clear, this topic should be given priority in the management meetings. Clear KPIs in this area are important to illuminate the possibilities for having visibility and control.

Case Study
Provided a modern and effective ERP solution with modules ledger / accounting, construction, vendor / receivable and reporting to an insurance customer. The solution is flexible in terms of adapting to new and changing reporting needs.

Strong competence and frameworks

Managing ongoing operations while meeting the new digital requirements are demanding, especially when one has limitation to do it with the same budget and manpower. This is a classic problem that must be addressed by ensuring access to sufficient expertise and a good framework. It is the foundation for being an adaptable business and is necessary for effective management of applications.

Case Study
Application Development, management and maintenance of a central prescription provider. A socially critical solution with very high standards of security and confidentiality.
4.2 KEY SUCCESS FACTORS

Organized Portfolios

Optimizing, reducing and streamlining existing applications portfolio is required to spare funds for innovation and digital transformation. Better contact between the solutions, renewal of expensive and old agreements, and more efficient operating solutions, are examples of concrete measures that will significantly reduce management costs. A common Norwegian business typically spends 90% of the application costs on operation and management, and 10% on development. Cost relationship between operations and development should ideally be 60/40.

Case Study

Developed a holistic framework for organizing application portfolio from a proposed amendment until timely completion. Customer was able to receive the complete investment back within 4 months of project implementation.

Defined Digital Strategy

Through modern application management, businesses can create necessary leeway they need to embark in digital journey. It provides better quality, better control and facilitates digital transformation by having a holistic view and providing flexibility to adapt. However, in order to realize benefits, It is important to set a strategy and goals in place defining what the organization needs to prioritize to achieve in gaining digital advantage.

Case Study

Created an API platform for a Swedish transportation service provider, with structured data layers and multiple databases, supporting heavy data traffic and reduced licensing and server costs.
5. TAKE AWAY

The high digital expectations from the customers and increased market pressure from competitors have forced the organizations to embark on digital journeys. They are enhancing efforts to use the customer insights for decision making, to become agile in order to respond to customer demands faster and to innovate inside and outside business.

However, most organizations face challenges in getting results from their investments in digital because of weak alignment between IT and management, lack of digital talent and agile processes and limited budgets to run and modernize old technologies as well as innovate along new fronts.

Application Advantage is EVRY’s framework which facilitates industrializing core business and enables digital transformation by optimizing the IT portfolio. Through having control over IT portfolio, organizations can adapt their business and be responsive to customer demands in a cost effective way as well as grow the business along new fronts.

Get your applications modernized and ran smoothly, to free resources and budget for the journey towards digital advantage

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