

# Role of Business & IT Integration in Mid-sized and Large Enterprises

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**Abstract:** Linking Business and IT into one Governance Model is seen as a key enabler for ongoing business process and system landscape optimization. During the past month, environmental changes occurred, whereby focus cost and leveraging best practice is underlined by ideas to simplify.

## 1 Phase of Orientation

SOA (Service Oriented Architecture) was in one way or the other always existent. Everyone went conscious or unconscious in their companies through discussions about process Improvement and best support tools. Famous are the big Organizational Departments in the 80<sup>th</sup> which were known for restructuring and reorganizing of operating sequences. Nevertheless there is one big difference nowadays: Technical environment is rapidly improving and Business / IT get in trouble to set a mid- to long-term strategy.

# Time of Change – Simplified View

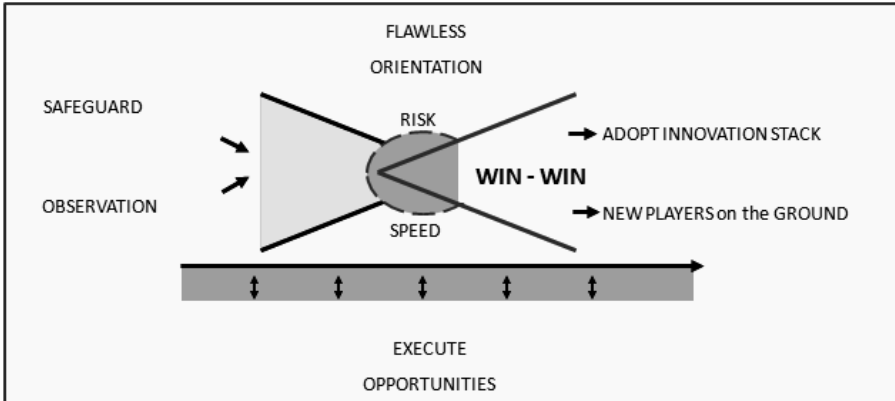


Figure 1: Time of Change – Simplified View; source O. Schell (2010)

Whilst companies are struggling in the turn-around and looking for cost savings at every space also IT budgets get under more detailed reviews. When the discussion came up on Enterprise Service and increase of support cost, raised by a large Software Distributor, customers utilized every channel in bilateral discussions or within User Groups to express resentments. Whilst the Software Distributor argued with value add for the customers, within the companies the CIO had to explain the increase and got parallel questions on his overall cost to maintenance and improvement.

With this the other C-Levels in companies wanted to understand the actions undertaken by IT to safeguard former investments. By investing between 5-10 times in best case the license cost to get one user up and running, Business Process Owners want to understand the utilization of the ERP packages implemented, they want to get their investments safeguarded.

Value assessments as one possibility to measure the success of implementations and results are surprising, knowing that out of a standard package less than 50% are really implemented or known as existing features.

Having this in mind new releases are coming up, going along with new technologies and application. Companies are nowadays more reluctant to investments and looking towards optimization of the as-is. Observation is here the key versus running new projects (see Figure1).

The other way of optimization is the consolidation of system- and process landscapes. By reducing the number of clients and streamlining the landscape cost saving on hardware and related maintenance can be significant. As a positive effect business is requested to harmonize processes. These business efforts can result different. Either in

standardization of known processes in example leveraging upgrade projects or new available functionalities.

This two-way match shows in best way current behavior. It spreads from a flawless, means trustable observation mode towards thinking of continuous improvement.

How difficult business case is to calculate is reflected in Figure 2.

## Business Case – Structure

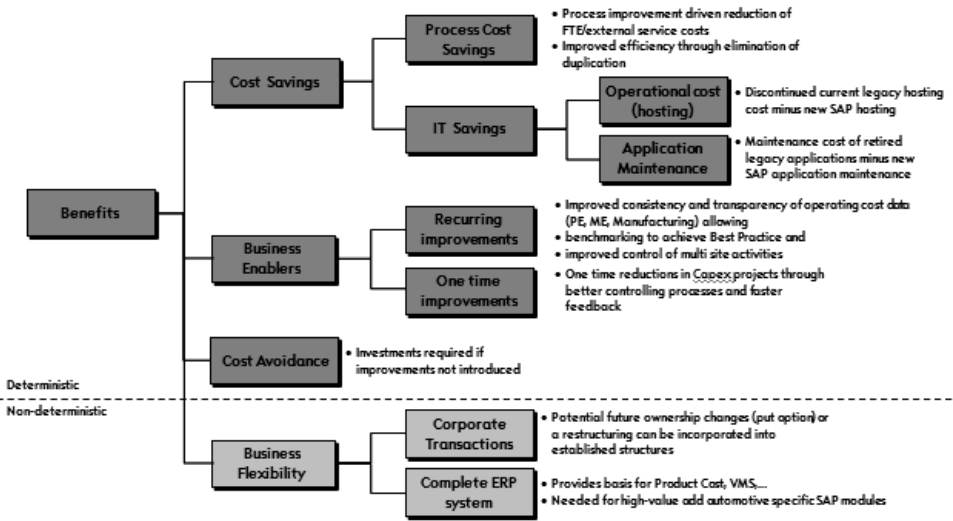


Figure 2: Business Case – Structure; source O. Schell (2003)

With less investments done in the past years companies got also in the position, that they kept legacies and ERP core and did not major invest in optimization, upgrades at this point in time are still due. . Still master data harmonization is a valid business enabler, nevertheless not the main driver as in the past.

Low hanging fruits were picked up with initial implementations, the motivation for upgrade projects or consolidation projects are requested restructurings due to organizational realignments

Main question now are the verification for new trends as cloud computing and in-memory analytics and if these are seen as 'to go' strategies for reducing TCO and decision accelerators to advance.

Looking to the future now we have to simplify back their system and process landscapes to move on the market flexible with adjusted head count and speed for making the difference to competition (see Figure 1).

## 2 Role of Business and IT

Next to this environmental view we have to assess the Bill of IT and the tools around. ERP and its capabilities on integration are well accepted, with the SOA discussion the landscape is opened and “orchestration” is a leading word putting the suite together. Whilst the Software Distributor is measured on less complexity and quality, the internal organization has the task to implement flawless and on short pay back periods.

Having in mind both challenges on being prepared on the future and looking for the right tools to support business at best, characterizes are required to support the decision process from an application architectural pint of view.

The expectation from business towards IT is shown in Figure 3. It is still expected that the implementation of new technology is combined with low cost, whilst above mentioned numbers on implementation cost reflect a different picture.

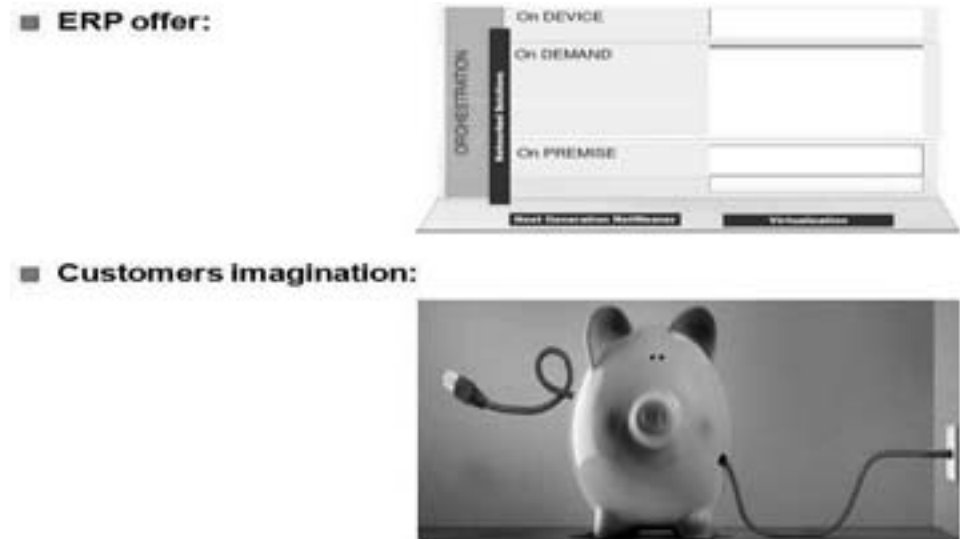


Figure 3: Low Cost Expectation; source O. Schell (2010)

Business got in the past experience with ERP implementations and independent if we are talking large or mid-sized companies, main trigger is now to get upgrades, new technologies or business functions in fast and without major investments.

With this the partner role of Business and IT changes. Change Management based on lessons learned from previous implementations is a core requirement upfront start of new projects and it is strongly considered as business task. With this IT cannot go forward with landscape plans, IT has to get buy in from business to perform changes to down.

Figure 4 lines out the relationship between Business and IT during a ERP life cycle. A Center of Excellences bridges between both functions and specialized to serve integrated knowledge and continuous improvement

### High-Level Relationship Model Helps to Set Expectations

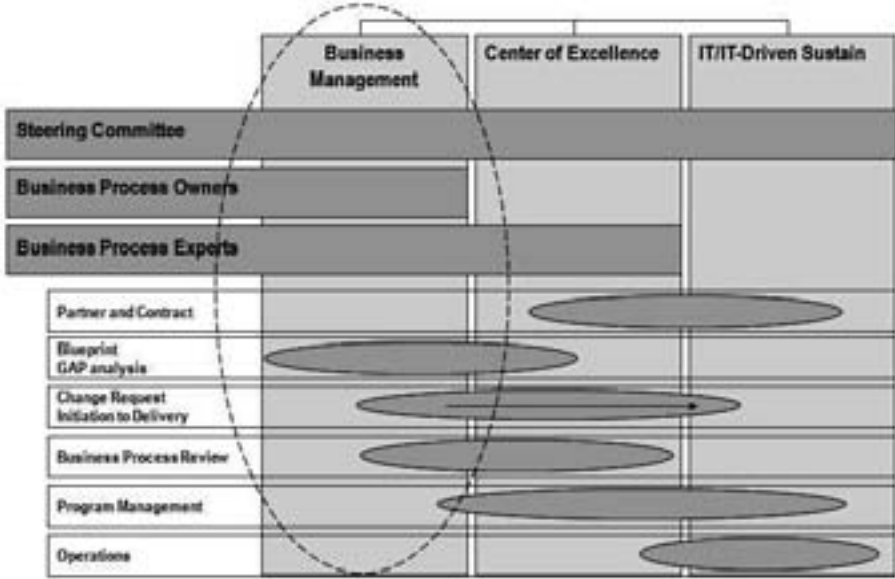


Figure 4: High-Level Relationship; source Otto Schell (2008)

Under this view strategic execution of must integrate the company’s long-term goals and link to ongoing business improvements (strategic initiatives). Working models ensure the cross-functional integration via Business Process Owner (BPO) and Process Information Office (PIO). With focus on Organizational Change Management during the Project Life Cycle, an integrated “End-2-End view” and hand shake between businesses function is guaranteed and ensures the right confidence level (Figure 5).

## Success Factor: Framework of Cooperation

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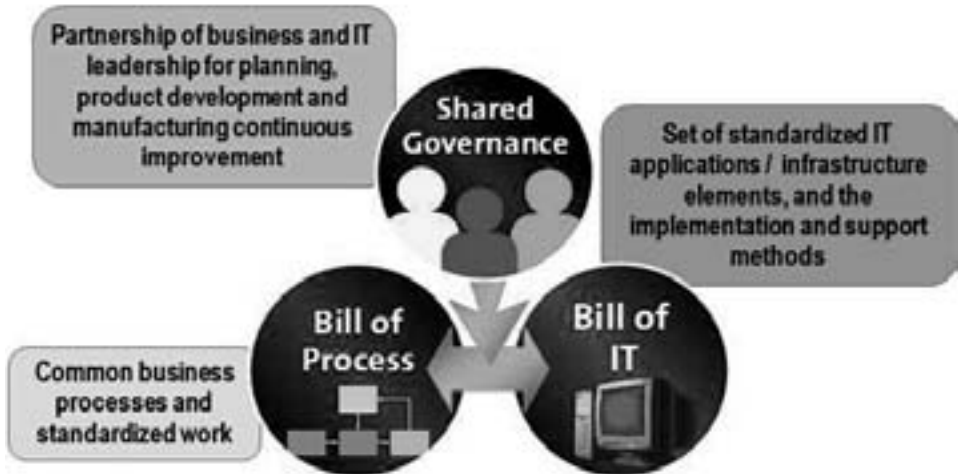


Figure 5: Tactical Governance; source O. Schell (2008)

Running simplification requires also re-thinking of business models coming together with new architectures. The creation of service centers and related support/consult pools will be future drivers of flexible business. Transactional core processes, service processes or enablers (Shared Services, MDM) will be established to focus on core functions as financial analytics or product development.

A Governance model between Business and IT will leverage an integrated and standardized 'best practice' service concept considering continuous advancement of services while guarding and improving a harmonized business template. As positive impact compliance activities are shared and met.

Both together will be able to develop strong business case to off-set fixed operational costs towards flexible and value add architecture and services by horizontal system harmonization and –conversion, vertical process alignment or utilizing new technologies not only to minimize customs development objects under the template approach, but also to provide planning horizons for all parties.

### 3 Conclusion

Working as equal partners in today's business framework k will empower both, Business and IT to simplify and to migrate towards future architectures. There may be small differences in responsibilities between companies; nevertheless there is a clear tendency to build up integrated "End-2-End" knowledge with the groups to identify the differentiators enabling competitive advantage.