



Consolidating IT - Managing the Risk

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Introduction

The current global economic situation is driving business change. No longer are organizations resting on their laurels but are instead being proactive in achieving success which is currently remaining operational and profitable. There are daily announcements of companies failing to maintain their stability and as a result, there are regular news stories of mergers and acquisitions.

Few companies have totally resisted the effects of the current slowdown and those that are being savvy have begun to look at ways to reduce operational costs without compromising quality. Indeed, many are putting change programs in place to ward off further problems and maintain competitive advantage by streamlining expenditure.

Both the merger and acquisition activity and the need to reduce costs have necessitated the same course of action – consolidation of IT. There are various ways to consolidate, all of which pose risk to the organization. This document will look at two of the options available and will give advice on how to ensure quality is maintained or even improved when IT is consolidated.

Expanding an Existing System

Expanding an existing system to increase functionality often seems the most attractive solution. This is due to many factors, including the fact that there may already be employees with extensive knowledge of it in terms of both technical support and usability.

The system will require modification by perhaps adding new modules and business processes to meet the needs of the integrated businesses. This increases risk significantly and every additional element or change will need rigorous testing, both in terms of functionality and usability. The integration of any new modules with the existing system must also be executed effectively to minimize problems and ensure the quality of the system is maintained. The modifications must be made in accordance with the quality expected of their output and must be implemented with the same ethos.

Migrating data across to a system has major risks associated too. The format of data can differ greatly within a single organization so this can be even more complex as companies come together. There may also be cases of exceptional or corrupt data and testing of its migration will ensure its quality. The increase in amount of data within the system and the increase in users accessing it mean 2 things; firstly that the system must be scalable in order

to accept the data and secondly the performance of the system must not suffer with the increased load. Load and performance testing will highlight potential areas which may suffer reduced performance, showing where improvements can be made.

Existing compliance to financial and legislative requirements may be compromised and will need thorough regression testing. This is particularly likely in the case of an M&A with diverse financial institutions simply because of the laws put in place by the financial regulatory bodies.

A final point to consider when expanding an existing system is the life span of it. The system must be appraised to see when it will become technologically obsolete. If the organization has predictions of growth, it must also be scalable in order to meet the growing demand that will be placed on it, in terms of both performance (as mentioned above) and flexibility to adapt to new market opportunities. These considerations should be made from the outset.

Developing a New System

Developing an entirely new system that is completely bespoke to the organization is most likely to provide an exact solution to the business' needs. To execute this in a timely manner, most organizations take the option of using a third party to support the development. It would therefore be absolutely crucial that when the business requirements are being defined, they are objective and measurable. There is no doubt that if this was not to happen, the end system would not meet the requirements of the business effectively; governance over the requirements defined will help in managing the quality of the system.

As the system will have entirely newly developed functionality, there is a risk that it may not work as expected. In order to mitigate risk of this happening, the system will have to be thoroughly tested to ensure its functionality is what is required. Involving testing at the start of the development lifecycle, rather than tagging it on at the end of the project, will result in huge cost savings and a higher quality deliverable. It will assist in ensuring that the system functions according to how the business needs it to.

Another way to consolidate IT would be to implement a packaged solution. Their pre-built nature gives the illusion of less risk. Each stage of the implementation of this product carries risk as it is based on legacy data and quality must be verified at every stage. Furthermore, business requirements often continue to be defined and evolve even after the implementation is underway. There comes the realization that the standard packages may not fulfill all the

needs. This is particularly likely in a merger situation as the new found organization continues to evolve. To overcome this, new modules will need to be developed and integrated with the system. This poses a threat in terms of defects – the new modules must be fully tested to ensure their implementation does not disrupt the business or indeed damage anything it will be operating with.

Summary

The risks and factors to consider as mentioned here are transferable across all the different methods of consolidating IT.

One of the most crucial elements and one that is overlooked in many IT projects (whether it be consolidation or implementation) is requirements definition. Knowing exactly what is needed from systems prior to deciding what the solution is may seem obvious but can often be

low down on the priority list. This is particularly likely in a period of economic unrest – mergers and acquisitions are being agreed upon within a very short space of time, implying that the due diligence process may not have been conducted thoroughly.

Remedial work on any system is costly not only in terms of the outlay required to fix any issues or problems but also in terms of potential interruption to business, damaged brand and customer satisfaction.

The best advice would be to choose the method of consolidation wisely – factor in all the costs relating to the business needs. Furthermore, it is of paramount importance to verify that every element functions as it should, and that integration is executed with only minimal disruption to business proceedings.

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