Managing Application Portfolios in Merger Situations

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Disclaimer
One for the Lawyers ...

Everything presented in this talk is a personal statement by the author and not a statement by his employer ...

Examples are from various Insurers and Financial Institutions which have been made anonymous
HOW
Overview

- Who could be interested in this talk and why?
- A few terms
  - Application Portfolio Management
  - “Merger” for this talk
- Main Options for Merging Application Portfolios
  - New Town – Rebuild the Portfolio
  - Cherry Picking
  - Steamroller
- Forces
- Ladder of Integration
Who could be interested in this talk and why?

- this track is called „industry“ – you might be interested if you work in industry and not so much academia
  - no algorithms, no micro-design, but big pictures and heuristics
- you might be interested if you are responsible for a larger application portfolio
- but also if you are an observer or a player in a merger situation – e.g. as a system responsible, when your company is involved in a merger situation
How will you profit from this?

You will be able to discuss merger situations using at least the following terms …
This talk is a bit like a pattern language

You have a recurring problem: **Merger**
and a bunch of recurring solutions

- Steamroller
- New Town
- Cherry Picking

plus a context of supporting patterns

- Ladder of Integration
- Keep the Data
- Toss the Code
- Governance Styles
- Beauty Contest
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View from the top: Planning processes for an Enterprise IT unit

Source: Meta Group
View from the top: Enterprise Architecture processes

- Enterprise strategy
  - derive
  - IT strategy

Portfolio management
- Analyze potential changes and scenarios
- manage portfolio
- derive requirements
- Analyze, evaluate
- New portfolio
  - Execute projects
  - Existing portfolio
- Target portfolio
  - Analyze deltas
  - Plan projects

Projects
- Kick off projects
- derive adjustments
- projects
Enterprise Architects often use Software Maps for Portfolio Management

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**Vt. Systeme**
- Konzern-K
- Konzern-SUH
- Konzern-Schaden
- Konzern-Rück

**Dritt-Systeme**
- ZAS
- ZVS

**Basis-Systeme**
- Konzern-Basissysteme
  - Akte-TWS und CTV/ Hülle für Schaden
- Schriftgutmanagement SGM (Scannen vor Bearbeitung)

**Leben**
- EVWS Aachen
- EVWS HH
- UMB
- PUMA

The Term „Merger“ for this Talk
Mergers are only interesting in the context of this talk, if ..

- the two or more merger candidates are in the same business
- having EDP systems for similar tasks and processes
  - and a significant number of them
  - of a significant size
Governance styles
Your market influences your IT governance style

- **Autonomous Enterprises:**
  - unit decisions are dominant
  - The holding company does not interfere much with the business units’ decisions concerning IT
  - If synergies are pursued, these synergies are called selective

- **Agile Enterprise:**
  - IT is considered to have a key role in the group’s flexibility.
  - Hence people will exchange best practices and cooperate on principles, processes and education.
  - But they might not see a value in having the same IT system in each member of a conglomerate.

- **Synergistic Enterprises:**
  - As the name says, these groups look for synergies and manage them consequently.
  - Synergistic enterprises can be found very often in mature industries and markets where competition is based a lot on price. Many insurance groups fall in this category, as insurance is a mature industry.
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One for the Start. In any Scenario
KEEP THE DATA – TOSS THE CODE

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The Options You Have
New Town - Rebuild the Portfolio

- migrate from company A
- migrate from company B

Data

Data

migrate to brand new portfolio for company A and B
The Options You Have
Cherry Picking

migrate from company A

migrate from company B

migrate to mixed portfolio of best apps from company A and B
The Options You Have
Steamroller

migrate from company A

migrate from company B

migrate data of B to portfolio of company A. Drop B’s apps

done

Data
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Force: Functionality
Beauty Contest

• People will often perform a „beauty contest“ between legacies
• only to find, that each covers 70%-80% of desired maximum functionality
• but each one another 70%-80%

| Legacy A | | Legacy B |
|---------|---------|
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Force: Power and Politics

- Certain options only work in certain power constellations
  - try a steamroller in a merger of two parties with almost equal powers
Force: Speed and Time to Market

• The new company should be „back on the market“ with full strength in a short period of time after a merger.
Force: Costs and Risk

• Building a complete new application portfolio from scratch is often close to impossible for financial reasons
  • plus there is a substantial project risk
  • plus new systems often need years to match a legacy in terms of performance and functionality
• Cherry picking requires rebuilding interfaces and also migrations
  • plus you need to adopt systems functionally to a set of common base functions
• Steam Roller is cheapest in most cases
Force: Capability to Perform Future Mergers

• The new company should be able to perform the next merger within a short period of time
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- Ladder of Integration
The ladder of integration should be considered in most scenarios.

- Concentrating data centers and infrastructure pays very fast!
- Consolidating application portfolios remains a tedious task!

**The ladder of integration:**
- Steps get higher
- Gains get smaller (relatively)

- Harmonizing core business applications
- Consolidating ERP Implementation Concepts
- Concentrating ERP - Infrastructure
- Concentrating IT Infrastructure Tasks
- Concentrating Data Centers

Relative ROI vs. investment and effort
Wrap up and discussion

- Keep the Data
- Toss the Code

- Cherry Picking

- Beauty Contest

- Governance Styles

- Ladder of Integration

- New Town