FORWARD VIEW
Insight and Industry Solutions for Small and Medium Business

A new paradigm in IT: Integration

Part 1 of 2: Creating value at the business process level

The traditional approach to managing IT solutions—purchasing a different piece of software to solve each particular business problem—is no longer viable. By taking IT out of the cost center and using it to help achieve your business goals, you can streamline processes—and be better prepared for the future.

It's a given in today's business world that information technology (IT) helps companies drive operational efficiencies, achieve differentiation and maintain top-line growth. Yet most businesses today are feeling constrained by an uncertain economy. There's a lot of pressure to rein in spending, including IT. In fact, 44 percent of respondents to a Gartner survey said they were cutting IT spending sharply in 2003. That same group said their expectations for IT to increase performance levels remained undiminished. In essence, they want more for less from IT, while still being able to remain competitive.

For these reasons, companies are turning to business integration as a means to expand and extend existing IT solutions. According to IDC, the percentage of companies that believe integration is either mandatory for addressing mission-critical activities rose from just 25 percent in 2002 to 80 percent for 2004.

Out with the old
The traditional approach to managing IT solutions—purchasing a different piece of software to solve each particular business problem—is no longer viable. This ad-hoc approach operates under the guise of helping a company achieve its business goals, but is actually a source of hidden expenses. It costs money to continually test, integrate and maintain old and new solutions. Outwardly, it may appear that IT is helping increase productivity or raise service levels, but in reality, it's a slow drain on productivity and financial resources.

The cost implications of ad-hoc IT management are significant. Gartner estimates that 35 percent of a business's software maintenance budget is spent on maintaining the multitude of point-to-point links between applications already in place. Ad-hoc solutions offer little scope for economies of scale, and generate slow and inflexible business processes with lengthy deployment times for new or upgraded applications.

A new paradigm
In a competitive business world, being ready for change is what separates industry leaders from the competition. But without instant and consistent access to all of your valuable data, it's hard to keep up.

The new standard for today's agile business is integration. Full integration creates value at the business process level, not just the IT level.

The technical goal of integration is to unify applications, data or interfaces, connecting elements that were not originally meant to operate with one another. The strategic business goals are to make a company more agile by speeding up product and service initiatives, significantly enhancing communication and collaboration and increasing operational efficiencies.

More than 25% of respondents to IDC's 2002 Integration Drivers Study said that the reason they chose an integration solution was to respond more quickly to changing business needs, improve operational productivity of employees and provide better service to customers. And for companies in highly regulated or competitive industries, such as financial services or healthcare, integration is seen as a solution for supporting industry-specific technology standards.

The benefits of integration
A 2003 Aberdeen Group study reported that an average of 80% of application-related IT costs are spent maintaining legacy applications—those that continue to be used because of the high costs to replace or modify them. While investing in an integration solution does require funding, it will decrease these types of IT costs.

And those decreased costs can extend to the entire company. A 2002 survey of North American IT executives by NerveWire found that highly integrated companies generated, on average, a 30 percent reduction in overall costs and a 40 percent increase in revenue.

An integration solution also boosts business intelligence. Making data available across the company and its systems helps companies uncover trends and opportunities that may otherwise go unnoticed. Forrester reported in 2003 that non-transparent operations result in opportunity costs of more than US$60 million per year. For example, a manufacturer who is unable to precisely monitor their production and supply chain will incur the cost of excess inventory missing the opportunity to adjust production levels to meet real time market demands.

Business integration can also offer greater peace of mind. Security is one of today's most pressing business issues. An InfoWorld survey reported that IT professionals are as concerned about internal threats to security as they are about external threats, with 77 percent reporting unintentional employee error among the top five threats to company security.

Without an integration solution, it can be difficult and time-consuming to configure each set of application data with permissions. Integration makes it much simpler to regulate who can and can't access certain data because only one application is involved rather than several.

Where to start
Most small- and mid-sized companies turn to enterprise resource planning (ERP) as the first step to full integration. ERP is a business management system that supports and automates business processes, including manufacturing, inventory, distribution, human resources, project management, customer service, sales, and finance.

For example, a customer places an order with a sales representative over the phone. The rep enters the order into the sales order component of an ERP solution. The inventory management component automatically receives the information to ensure the product is in stock. Meanwhile, the shipping component receives the order information and provides a delivery date, while the accounting component creates an invoice. And it all happens within a matter of moments.

Selecting an integration solution provider
When you're ready to select an integration solution, choose a vendor that offers a strong value proposition. Given the synergies between IT and business, the provider you choose must offer an equal blend of time-tested business, industry and technology expertise, supported by a disciplined approach and proven methodologies.

Look for leaders in the field, who have documented successes helping other companies sort through business, IT and industry concerns. And be sure they have the resources to keep them—and their customers—current on evolving solutions.

A vendor should also be able to deliver a solution that exceeds your company's current abilities. If not, you could be left with a solution that is barely able to meet the demands you place on it.

The future of integration
Over time, business integration will evolve to comply with new paradigms, including Web services, utility computing and business process outsourcing.

Web services utilize standardized Internet technologies to develop, manage and integrate enterprise applications and processes with reusable components. Web services will become the norm as more and more companies run their businesses over networks.

Utility computing offers remote delivery of standardized business processes, applications and infrastructure supplied over the network as a flexible, scalable service, with both business and IT functionality. It encompasses both the hosting and management of applications from remote delivery centers. Companies pay only for the IT they consume—much like heat and water—enabling them to directly map IT use with business requirements and benefits.

Unlike traditional IT outsourcing, business process outsourcing (BPO) involves turning over the ownership, administration and management of selected processes to an external provider. (Learn more about BPO in next month's issue of ForwardView.)

Integration is more than a technology issue—it's the key to using technology to achieve overall business goals. Connecting your company's past and its future, business integration can help your business remain competitive, with the flexibility to keep pace with an ever-changing business environment.

Learn more

- Streamline operations, reduce costs and increase information sharing by implementing/extending an enterprise application solution. Find out how.
- Learn more about the variety of integration solutions and how they can benefit your company.