

**TOTAL COST OF  
OWNERSHIP SECRETS  
FOR ENTERPRISE APPLICATIONS**

**WHITE  
PAPER**

# TOTAL COST OF OWNERSHIP SECRETS FOR ENTERPRISE APPLICATIONS

Enterprise software should pay for itself in increased productivity and business efficiency, and some enterprise applications deliver more of these benefits than others. However, any enterprise suite will pay for itself faster if you work diligently to reduce the total cost of ownership (TCO). Those who interact with dozens of companies on implementing and maintaining their systems know that some project owners are very good at keeping the cost of their enterprise applications as low as possible. They have certain TCO Secrets. Here they are.

## 1. Make the most of your implementation.

The quality of your enterprise software implementation process will have a marked effect on your cost of ownership throughout the lifecycle of your software product. And regardless of who your software provider is, a lot of that success depends on the project owner. In some instances, a project manager is not as involved in implementation—particularly in the early phases—as they could be. They rely on the implementation consultant to do a lot of the heavy lifting, and may not participate in training and orientation activities. Then, after the company goes live on the software, these project owners find they do not have much in-depth knowledge of their new enterprise software environment. That lack of knowledge means they will rely on their software provider for more ongoing consulting after they go live than would be the case had they taken a more proactive role early on.

You may notice that a lot of these TCO Secrets have to do with knowledge. The more you know about your enterprise software, the less it will cost. That is because one main enterprise IT cost driver is consulting, and consulting is primarily a function of bringing in outside knowledge resources. It is hard to have too much knowledge about your new enterprise IT environment. Without a baseline level of knowledge, TCO will almost automatically be higher because a customer will be overly reliant on consultants on an ongoing basis. But learning about the software environment over and beyond the requirements of day-to-day operations will pay dividends in the intermediate to long term. During implementation a customer may be interested only in learning about functionality that they intend to use right away, and

choose to forego training or orientation in functionality they think will not be applicable to their situation. But in the 21st Century the demands placed on a system change rapidly. With thorough knowledge of their enterprise software, our customers can adapt their business processes and software to deal with changing conditions as they come up. The 21st Century business world is always presenting you with new situations, opportunities, and challenges. If you prepare for change by thoroughly learning the capabilities of your enterprise software and can adapt to these without additional consulting, that is definitely a cost savings.

## 2. Stay current on versions.

There are three TCO-related reasons for staying on the most current version of your enterprise software possible. The first reason is to derive the additional benefits that come with each new software release. The more current your version, the more opportunities there are to take advantage of new technology, increase efficiency and derive the greatest business benefit from your use of an enterprise suite. Admittedly, upgrading to a current version can add expense through additional implementation and licensing fees. But if a business case can be made that additional efficiencies or capabilities more than offset the cost, upgrading to a current version becomes a very easy decision.

Leading-edge enterprise software vendors are always trying to add value to the product, and are always creating faster and simpler ways of doing things, improving the user interface, and creating Wizard-based functionality and new objects to serve you better. Your enterprise software vendor's goal is not only to continually improve the product, but help you adapt the product to changing market and regulatory conditions. An example would be functionality that various enterprise application companies came out with to help their customers comply with Sarbanes-Oxley. Most application vendors involved in specific vertical industries will also add industry extensions to the product. New customers in each of the industries served can then implement new, richer, industry-specific functionality. Often, customers in these industries can upgrade to the current version, gaining the latest functionality, including standardized versions of customized tools they were already running. Moving to a standardized solution lowers TCO further because it costs more to support and maintain a heavily modified solution than off-the-shelf application.

And that suggests a second reason to stay current on your software version. Even as you upgrade to newer, more optimized functionality, the cost to maintain your system stays the same and may even go down. Some enterprise applications providers actually stop servicing software once it becomes a number of generations old. That is because it costs more to keep a support staff up to speed on six ver-

sions of a product being used in the field than it does to keep them familiar with and capable on four or five. As enterprise applications are modified, those modifications must also be maintained in the software provider's code management system, and that increases the cost of a service contract. So if your software provider has a flexible enough product and can introduce changes you have made to your software into the core product, it makes even more sense to upgrade.

One third and final reason for staying current on product version is that it does lower the cost to upgrade to the latest version. Particularly with a component-based product like IFS Applications, it might be possible to update only the portions of the code that have changed. In almost every case, data migration from an old to a new version will be easier and more cost-effective.

### 3. Consider application hosting or outsourcing some of your IT requirements.

Your investment in enterprise software requires accompanying investments in hardware and skilled people. In even a simple enterprise applications environment, a system owner will need ongoing access to an IT department that includes multiple skill sets, including support of relational databases, Web servers, and terminal servers. In the perfect world, a company might find a single individual with all these skills, but even if that were the case, that person would need vacation time. Occasionally they might get sick or even leave the company. And no single employee will work 24 hours a day, so businesses that are more up-time centric, or have a global footprint with the resulting challenges of supporting many time zones, face additional challenges in supporting their enterprise applications. By definition, many companies need a number of staff to thoroughly support an enterprise environment. Companies without these resources have to either hire additional staff or consider having their enterprise environment hosted and supported by an outside resource. This move gives them access to an entire enterprise IT department for what, in many cases, is the cost of a single full-time equivalent.

Other non-staff resources come into play in maintaining your enterprise environment. An external applications hosting company will likely have a significant investment in system diagnostic and maintenance tools like HP Overview. The cost of multiple system support software licenses can run into the millions of dollars, so it makes sense for a service organization to spread the cost over a number of client companies.

Even larger companies with ample IT staff may consider application hosting. After all, in some situations an external hosting contract for 1,500 users might not cost significantly more than a contract to support 100 users, and that contracted

hosting fee will be more stable and easily controlled than satisfying the same requirements with internal resources. Freed of the ongoing database and system maintenance, a larger company's very capable internal IT department can switch from a reactive mode to a proactive mode, and begin planning and executing initiatives. The internal staff can work more closely and strategically with senior management and build the skills of the company's non-technical personnel.

As a practical matter, whether it makes sense to work with an applications hosting company or host your enterprise environment internally depends on the allocation of your budgets and on your corporate culture. Sometimes capital equipment budgets and staffing budgets are the natural pathways to hosting your enterprise applications, but many companies may at least want to consider outsourcing these functions.

#### 4. Share Information

Here is another TCO Secret that has to do with knowledge. Learning as much as possible during implementation will reduce your consulting expenditures, but so will learning about your applications on an ongoing basis by joining and participating in user groups dedicated to your enterprise application software.

Within these user groups, including active online communities for IFS users, you will find valuable insights, practical wisdom and even answers to specific questions.

These forums are designed for information sharing, and users rely on each other for solutions to individual challenges and ideas for how to solve business issues. At IFS, even we learn from some of the creative uses of our applications described in these forums.

There is no cost to attending or joining application user groups, so the decision to participate should be easy for anyone responsible for their company's enterprise application expenditures. Each bit of information you can get from your peers might save you in the area of \$1,000 of consulting time, so making your user group your information source of choice is a simple TCO secret.

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## **About IFS and IFS Applications**

IFS develops and supplies component-based business applications for medium and large enterprises and organizations. IFS Applications, which can be implemented step by step, is based on web and portal technology. The solution offers 60+ enterprise application components used in manufacturing, supply chain management, customer relationship management, service provision, financials, product development, maintenance and human resource administration. IFS offers customers an easier, more open alternative.

IFS is a leading global business applications supplier with sales in 45 countries and more than 350,000 users worldwide. The company is listed on the Stockholm Stock Exchange (XSSE: IFS).

If you need further information, e-mail to [info@ifsworld.com](mailto:info@ifsworld.com), contact your local IFS office or visit our web site:

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