

Enterprise Need

*Rationalize, Standardize and service enable
silo'd systems*

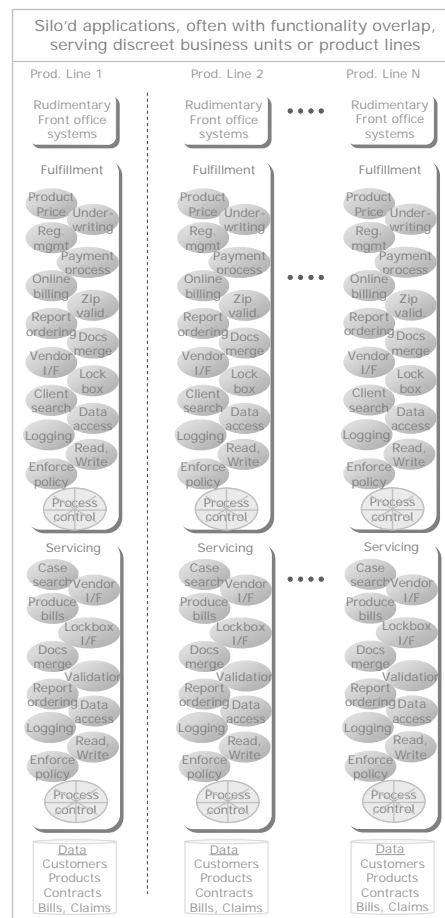


Rationalize, Standardize and service enable silo'd systems

In the past, IT departments built applications as and when business needed them. As business expanded, more applications were added to meet the growing business needs. When a new type of product was introduced, a new set of applications were developed to handle the related needs. When a new line of business (LOB) was added, a new set of applications were introduced to operate that business line. Such a non-modular silo-based approach to building applications was not just restricted to product lines or LOBs but also in addressing new channels, new regions, new segments etc. Mergers and acquisitions also resulted in introducing new applications into the Enterprise.

Eventually, Enterprises ended up owning and operating several discreet applications, each of them complex, non-modular and with its own dedicated resources. This is especially true of Back-office applications such as Fulfillment, Policy processing, Servicing, Claims management, Billing etc. As Enterprises introduced Customer-facing and Front-office applications, many "spaghetti" connections were coded to ensure that those systems can access the silo'd Back-office systems. This increased the overall complexity of Enterprise applications.

This large repository of applications in the Enterprise, while providing significant functionality, posed several challenges to the Enterprise.



- Overlapping systems and functionality. Mergers and Acquisitions often resulted in Enterprises owning multiple Fulfillment/Policy processing systems, multiple Billing systems etc. Often these systems had very similar functionality.

Overlapping functionality resulted not just from Mergers and Acquisitions. Even applications homegrown within an Enterprise had overlapping functionality across

LOBs, geographies and Product lines. Decisioning functionality such as Underwriting, Compliance, Report ordering and Claims adjudication was coded again and again in each LOB's systems. So was the case with transactional functionality such as Payment processing, Online billing, Zip validation etc. Even Ancillary services such a Document workflow, Vendor interfaces, Lockbox interfaces etc were coded by different project teams into different LOB or geographically separated systems. The result is that, even while growing in revenues, Enterprises are not able to leverage economies of scale.

- Lack of Agility. Most of these applications have been developed as monolithic (non-modular) code and have hard-coded processes making it difficult for Enterprise to quickly add/change code. This is slowing Enterprises down when they want to introduce a new product, add a new channel or respond to a competitive or regulatory pressure.
- Spiraling maintenance expenditure. Enterprises are spending 70% or more of their IT budgets and staff in upkeep of these applications as even making small changes to these applications require enormous effort and, due to duplicate functionality, the code change needs to be repeated multiple times. Each of the overlapping system also needs dedicated staff as its maintenance requires in-depth knowledge of the system and technology used to build it. Eliminating the overlap can reduce expenditure considerably without compromising functionality. Resulting savings can be invested in more strategic new initiatives.
- Difficulty in re-using existing assets resulting in continued development of overlapping functionality. Enterprises have spent millions of dollars and several years improving and perfecting the functionality of their Back-office applications. When a new Line of business (LOB) is established that requires application functionality a part of which is similar to an existing application, Enterprises expect to be able to re-use what they have already spent a lot of effort developing thereby realizing better ROI on investments already made.

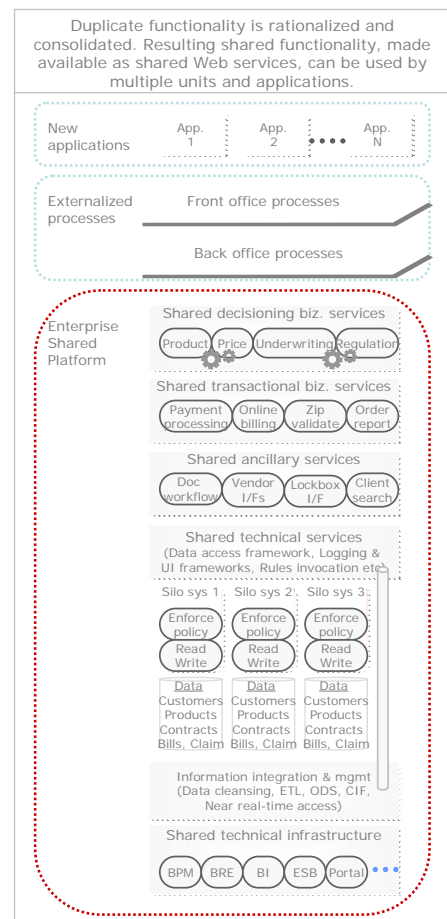
Unfortunately, they are unable to do so as many existing Enterprise applications have been developed as monolithic (non-modular) code, supporting a discreet business unit or a specific business function and designed for handling a carefully defined set of data. Also, as these applications have been developed without a standardized

architecture or interfaces, most of the existing functionality is locked-up in the system and cannot be reused or accessed by other applications thereby forcing either re-development of existing functionality or development of interfaces for every specific access need / usage. Even for eliminating duplicate code in existing applications, Enterprises need standardization to facilitate access of one application's functionality by other applications.

- Difficulty in timely access to information. Silo'd systems, in addition to having functionality locked-up and unusable by other systems, also have data locked-up and unavailable to other systems. Many Back-office systems still rely on job scheduling, batch processing and manual look-ups and entries thereby hindering timely access to information by other systems. Also, each of the silo'd system stores data in its own format virtually making it impossible for other systems to understand the data. Information should be shared in real-time and be current and consistent across several Functional-processes and systems.

To overcome the above challenges, Enterprises are rationalizing and consolidating their existing applications and standardizing the architecture. Some of the key goals of these efforts and different approaches they are adopting, are summarized below.

- Rationalize silo'd applications so as to eliminate overlapping functionality, reduce maintenance expenditure and decrease total number of applications
- Structure the remaining applications as a set of common reusable Web services that can be accessed by other applications in the Enterprise
- Leveraging the SOA approach, organize the service enabled applications into a library of



functionalities that can be accessed, invoked or reused by any other application in the Enterprise. Introduce a directory leveraging which applications can discover and use the functionality that they need. In effect, create an **“Enterprise Shared Platform”** that unlocks the existing functionality from silo’d systems and makes it available to the entire enterprise. The Enterprise Shared Platform can support the needs of multiple groups and business needs across the Enterprise.

- When a new application is required, development time is lower as the new application can leverage reusable services already existing in the Enterprise Shared Platform.
- Adoption of such a modular and shared structure for applications will allow Enterprises to gain resource synergies resulting in cost savings. The Enterprise Shared Platform can reduce the effort associated with administrating several discreet business applications.
- Rationalization, reusable services and resource synergies can lower maintenance expenditure. Enterprises can invest those dollars in more strategic development initiatives.
- Rationalization, reusable services and Enterprise Shared Platform can reduce the complexity and number of connections between applications. Also, reuse of already built applications and technology assets can be maximized.
- Establish a common data store or a “Customer Information File” containing complete data about Customers, stored in a way that it can be understood by all systems, and make it accessible in real-time by various systems in the Enterprise
- Currently process control is buried in each of the silo’d systems. Hence, whenever a business process involves multiple systems it requires manual participation to look-up data or decisions from other systems. Externalizing existing processes from the silo’d systems and making them available in a separate (e.g., BPM) layer will allow Enterprises to implement both Functional (i.e. intra-departmental) and Cross-functional (i.e. inter-departmental) automation properly.

With the advent of technologies such as Business Process Management (BPM), Business Rules Engines (BRE) and Web Services and approaches such as Service Oriented Architecture (SOA), many of the above needs can be fulfilled.

However, evolving Enterprise Applications towards such a structure requires careful planning, technology skill and execution expertise. Enterprises need to understand well the quality and functional richness of their existing applications and judiciously come to a decision on which application assets to be evolved to the new structure.

Once the Enterprise Shared Platform is established and existing Enterprise Applications have been evolved into a shared services structure (leveraging the SOA approach), then new applications can be created faster and at a lower cost by assembling together or accessing the existing assets in the Enterprise.

This white paper is part of a series of papers addressing the topic “Enterprise Needs – 2006-2010. To view other papers, please visit www.valuemomentum.com/WhitePapers/index.htm

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