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What Are Your Legacy Systems Really Costing You?
by Karie Barrett

Stay ahead of the competition. Reduce costs. Be agile. These are common demands placed upon every business, particularly IT departments, today in an endlessly changing environment. While your legacy systems have played a large role in your previous success, today they may be costing you much more than you may realize. Even systems that can be kept up today will become increasingly more difficult to maintain, afford, and keep compliant tomorrow.

It's easy to think that just because the hardware has been fully depreciated long ago and the software is "paid" for that your system is "free." However, there are significant hidden costs to maintaining legacy hardware and software systems. The old adage "If it ain't broke, don't fix it" may hold true for many things, but applying that wisdom to your legacy systems may turn out to be a costly mistake.

It's true that legacy systems still run the majority of the world's largest companies. They have even been called the modern-day equivalent of buried treasure; a wealth of information that could be used to support business strategies lays locked behind proprietary code and systems. Since software systems do not wear out and since many legacy systems can appear to be operating like a champion racehorse while actually trudging along like an old mule, realizing the importance of modernizing these systems can hit long after the time when the transition might have been made easily and relatively risk-free.

The fact is, legacy systems spell R-I-S-K - presenting risks to the businesses that keep them, particularly by way of strategic business risks associated with their expense and inflexibility. These systems, which may have been in production for as long as 30 or 40 years, are stable, but inflexible, and made brittle by years of ad hoc maintenance and enhancements. This inflexibility and fragile state makes legacy systems difficult and expensive to maintain. It has been reported

that 60 to 80 percent of IT budgets, on average, are spent on maintaining legacy applications and the mainframe systems they run on. Previous research had put the figure between 50 and 70 percent suggesting that the expense of maintaining these systems is growing as they continue to age.

The following questions will help you discover the costs of maintaining your legacy systems.

Finding the Hidden Risks of Maintaining Your Legacy System

Financial

- Are your legacy systems reducing your overall productivity, forcing you to create manual workarounds to compensate for system limitations, or limiting your competitiveness by failing to provide adequate or timely business data?

- Do you know if the annual support cost is more than the system replacement costs for both hardware and software?

- Many of those who know the most about these applications are approaching retirement, so they are reluctant to take on the task of rewriting code and prefer simply to continue applying minor fixes. Can you afford to maintain a Band-Aid approach?

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Business Continuity

- Would your company be able to continue to operate as needed if your legacy system fails due to a hardware or software problem? If so, how long and at what cost?
- Is replacing the system less expensive than paying for support?
- Are replacement parts available for your legacy hardware?
- Are people with the skills to maintain your legacy applications widely available or do you have the ability to train new resources easily?
- Does your legacy software run only on antiquated hardware?
- If the legacy application was written in-house, is the author still available to support it? If not, do you have enough documentation to support it now or in the future?

Growth

- Can your legacy system support increased capacity in the event of company expansion?
- Does your legacy system have the capabilities to export information to or assimilate data from other systems?
- Is the original vendor still in business and actively supporting your version of the system?

Exit Strategy

- Is your legacy system auditable as defined by the Sarbanes-Oxley Act of 2002?
- Is your legacy system understandable by people outside your IT department/business? If not, the prospective cost of replacing your company's legacy system more than likely will cut the price you can get for your business should you want to sell it.

The Industry Factor

- Does the web play a role in your business operations? Can your legacy systems make the transition to Web-based applications without the use of costly and complex third-party tools?
- Can your legacy applications keep up with the demands of your customers for modern tools, current and customized data, and timely market approaches?
- Do your legacy applications offer easy access to timely, accurate business data in order to meet compliance regulations and satisfy industry auditors?

Comparing Costs

It is critical to factor in all the money you have spent on your legacy system throughout its lifespan when determining the replacement cost for a legacy system. For example, your legacy system may have been purchased for $200,000 a decade ago and you may have spent an additional $500,000 on maintenance, enhancements, customization and repairs each year. That's a $700,000 total investment. By planning ahead and finding a consulting partner to assist you with the transition, you should expect to pay 90 - 150 percent of that total investment to replace your legacy applications or convert them to an enterprise system. However, if you wait until a crisis like a system crash to upgrade, you will end up paying exponentially more.

Conclusion

There are a few instances when replacing your legacy system may not be the best option for your business: if the change cannot be managed without the company becoming too destabilized, or if you have not yet seen a return on your investment because the initial cost of your legacy system was so large. In either case, you can avoid or mitigate either scenario through careful planning and employing a staged implementation. QAT provides legacy modernization services to assist business make a successful and economical transition.