NUCLEUS RESEARCH

GUIDEBOOK
ALFABET FROM SOFTWARE AG

ANALYST

Samuel Hamway

EXECUTIVE SUMMARY

Organizations face increasing complexity in their IT landscape, requiring Strategic Portfolio Management (SPM) and Enterprise Architecture (EA) solutions to align IT investments with business objectives, manage risks, and optimize costs. Key drivers for adopting these solutions include improving visibility and management of the IT landscape, bridging the gap between IT and business goals, enhancing security and compliance, and accelerating development while increasing productivity. Companies seek solutions that offer a centralized IT repository, comprehensive capabilities, data quality and governance facilities, strong support for architecture processes, and ease of use. Alfabet by Software AG is a popular choice due to its superior data capture, governance and migration capabilities, broad functional scope and SaaS offerings. In interviews for this report, customers reported generally positive experiences during the implementation of Alfabet. Many appreciated its ease of data import through Excel, management of a large number of applications, and flexibility of the SaaS model.

Companies deploying Alfabet experience a range of benefits, including cost savings through application rationalization, improved transparency and IT governance, alignment of IT and business goals, accelerated IT delivery, increased productivity, and more effective security and compliance. One organization reported savings of over $1,000,000 in software costs through visibility into redundant functionality across its IT landscape. For another customer, Alfabet enabled the reallocation of FTEs by eliminating manual reporting. One customer attributed $14 million in cost avoidance in the past year to Alfabet, with more projected as they increase deployment scope in the following year. Another noted that with multi-dimensional data about their IT landscape, they could accomplish much more with their existing assets. Alfabet additionally allowed one organization to build software solutions in-house that were much cheaper than purchasing third-party solutions. Organizations can maximize their return on investment for Alfabet by following best practices such as starting small and incrementally building out, engaging with stakeholders, investing in user education, appointing an executive sponsor, establishing strong data governance, building processes on the solution, and monitoring progress and benefits.

METHODOLOGY

Nucleus conducted interviews with nine end-users of Alfabet for this report. These users, representing a diverse spectrum of industries such as manufacturing, utilities, consumer goods, telecommunications, government, and healthcare, were strategically selected from various localities to provide a well-rounded, insightful perspective on the technology's multifaceted application.

THE CHALLENGE

One of the primary reasons organizations seek SPM and EA solutions is to align their IT portfolio and investments with overall business objectives. As businesses evolve and expand, their IT landscapes can become increasingly complex and difficult to manage. SPM and EA tools provide a structured approach for analyzing and organizing an organization's IT assets, ensuring that IT investments align with strategic goals and deliver optimal value. By establishing a clear understanding of the connections between technology, applications, business processes, and business goals, organizations can make informed decisions about resource allocation, technology adoption, and system optimization.

Building the SPM practice on an EA foundation ensures that the interdependencies identified by EA are used to understand the impact of change in any one portfolio on other portfolios. With consistent, continual practice of these interrelated disciplines, with EA's single source of truth and central platform for all change agents and stakeholders, and SPM's change impact discoveries and strategy-to-execution chain of activities, a company can accelerate execution of the business strategy, achieve greater cost efficiencies and build resilience to operational risks and strategic setbacks. Software AG's Alfabet combines these two disciplines into one product. Thus, going forward, this research paper will refer to the discipline as SPM/EA.

Another key driver for implementing SPM/EA solutions is the need to manage and mitigate risks associated with IT operations. As organizations become more reliant on technology to support their business, the potential for disruptions due to system failures, security breaches, or outdated technology increases. SPM/EA tools enable organizations to assess their IT landscapes, identify potential vulnerabilities, and develop risk mitigation strategies. This proactive approach to risk management helps organizations maintain the stability and security of their IT environments while minimizing the likelihood and impact of technology-related incidents.

Efficiency and cost optimization are also significant factors motivating organizations to adopt SPM/EA solutions. Managing IT resources effectively can be challenging, particularly

for organizations with large, complex IT environments. SPM/EA tools offer a systematic approach to evaluating the performance and value of IT assets, identifying opportunities for consolidation, and eliminating redundancies. By streamlining IT operations and rationalizing technology investments, organizations can achieve cost savings and improve overall operational efficiency. Furthermore, these solutions can help organizations anticipate and respond to changing business needs, allowing them to adapt more quickly and maintain a competitive edge in the market.

SEARCHING FOR A SOLUTION

Organizations across various industries sought an SPM/EA solution to address several common needs. Many organizations experienced limitations with their existing solutions, such as Linux-based legacy systems, which lacked scalability, or Excel-based documentation, which provided insufficient structure.

- *"We needed a vision to bring transparency about our IT landscape and the ability to transform it for alignment with our strategy, business goals, and customer needs."*

- *"Our previous system was limiting our growth potential and hindering our ability to quickly adapt to changes in the market."*

REQUIREMENTS AND PRIORITIES

Key priorities in selecting a new system included a centralized IT inventory, comprehensive capabilities, data quality and governance facilities, strong support for architecture processes, and ease of use.

- *"We wanted a tool that would not force the building out of relational data and associated reconciliation, but instead offer a formal structure that enabled more structured building."*

CHOOSING A SOLUTION

Several solutions were considered, such as Alfabet, Planview, LeanIX, Orbus' iServer, Mega, and Unicom's Rational System Architect. Companies often chose Alfabet due to its superior data capture and governance facilities, migration capabilities, broad functional scope, and SaaS offerings. In some cases, existing business partnerships with Software AG influenced the decision on top of the product fulfilling requirements.

> **"In the past year, our cost avoidance attributed to Alfabet totaled 14 million, with more projected as we increase deployment scope next year."–Healthcare Firm**

- *"Alfabet was clearly a leader in its ability to handle migrations."*
- *"The comprehensive feature set and strong support for architecture processes made Alfabet stand out among its competitors."*

ALFABET FROM SOFTWARE AG

Software AG's Alfabet is an SPM/EA tool that assists organizations in making informed decisions to achieve strategic objectives. Alfabet provides insights into the relationships between applications, technologies, business processes, and business goals allowing for the alignment of IT strategy with business strategy. Alfabet is recognized for its capacity to support digital innovation and organizational agility.

Alfabet's range of functionality addresses various enterprise requirements, such as IT planning and portfolio management, business capability management, risk and compliance management, and strategic roadmapping. Its collaborative environment promotes transparency and communication among stakeholders. Alfabet's analytical capabilities offer real-time performance monitoring and predictive analytics, providing insights into IT investment efficiency, resource allocation, and overall IT landscape health. Consequently, businesses can identify areas for improvement, manage risks, and ensure the delivery of value to stakeholders.

In the context of a rapidly evolving business environment, Alfabet's ability to help organizations manage the complexities of digital transformation is noteworthy. By offering extensive visibility into the IT landscape, Alfabet enables businesses to make informed decisions about adopting new technologies, consolidating IT assets, and prioritizing investments. Moreover, the platform's compliance with industry standards and frameworks, such as TOGAF and ITIL, ensures that organizations can utilize established best practices to optimize their IT landscape. Alfabet's history of successful implementations demonstrates its potential value to organizations seeking to enhance their IT portfolio management and strategic planning processes.

IMPLEMENTATION EXPERIENCES

Customers reported generally positive experiences during the implementation of Alfabet. Many noted that the process was smooth, with some experiencing rapid implementation, even as short as three months. Customers appreciated Alfabet's ease of data import through Excel, the ability to manage a large number of applications, and the flexibility of the

SaaS model. Some organizations faced initial delays or internal challenges, but once those were resolved, the implementation process progressed smoothly. A few customers emphasized the importance of having knowledgeable personnel with experience in EA to ensure a successful implementation.

- *"Nice thing about Alfabet is its importation is through Excel."*

- *"Within a year, we were tracking thousands of applications."*

- *"We used [Alfabet] FastLane, so a lot was preconfigured. Configuration was easy as a result of [Software AG's] prior knowledge in the EA space."*

- *"Exceptionally smooth"*

- *"First six months: building out, optimizing UI and capabilities to our use-case. Then six months to onboard EAs."*

- *"Really happy with the implementation - Software AG resources are very high quality."*

- *"Smooth, three months overall. Implementation was not an issue whatsoever."*

- *"Seamless from on-prem to SaaS, very intuitive. Updates have been very smooth since."*

ANALYSIS OF BENEFITS

Nucleus found that companies deploying Alfabet experienced a range of benefits across several different areas, which were largely dependent on the size and complexity of their organization, their level of SPM/EA modernization before deploying Alfabet, the number of modules deployed, and the rate of adoption of technology.

The best business cases focus on two or three key benefits that can guide deployment and adoption efforts. To guide organizations in building their business cases, Nucleus has presented the primary benefits most commonly experienced by Alfabet customers with guidance ranges based on what customers typically experience.

> **"We have been able to retire over $1,000,000 in software costs through having visibility into redundant functionality across our IT landscape."–US Manufacturer**

The customers on which Nucleus conducted ROI case studies were moving from legacy on-premises deployments, Linux-based solutions, or

no formal SPM/EA solution at all. These three types of deployments are noted for their high level of manual processes, as well as significant maintenance costs or service fees. As a whole, moving to a fully integrated automated SPM/EA process led to a significant reduction in manual processes, leading to a productivity increase.

SOFTWARE RATIONALIZATION AND COST SAVINGS

Alfabet enables organizations to identify redundant functionality and retire unnecessary software, leading to significant savings. The platform also facilitates proactive removal of redundant technologies, further optimizing the IT landscape and reducing costs. All organizations interviewed reduced software applications and related costs by at least 10 percent following deployment.

- *"We have been able to retire over $1,000,000 in software costs through having visibility into redundant functionality across our IT landscape."*

- *"In the past year, our cost avoidance attributed to Alfabet totaled 14 million, with more projected as we increase deployment scope next year."*

- *"Alfabet allows us to be proactive in removing redundant technologies"*

IMPROVED IT MANAGEMENT AND VISIBILITY

With Alfabet, organizations can gain a unified view of their enterprise architecture, allowing for better management of upstream and downstream dependencies. This improved visibility enables teams to maintain high availability of applications and ensures efficient server management. Real-time reporting capabilities offered by Alfabet led to the reallocation of significant resources.

- *"Alfabet allows users to understand the resulting impact of making an architectural change."*

- *"Alfabet has enabled us to reallocate [a] significant [number of] FTEs through the elimination of manual reporting."*

- *"We can now see what servers each application runs on. This lets our hardware team know which to fix during periods of server-related application downtime."*

- *"Alfabet enables a single source of truth for application rationalization."*

ALIGNING IT INFRASTRUCTURE WITH BUSINESS OBJECTIVES

Alfabet's agile transformation approach helps organizations eliminate the gap between IT and business. The platform offers visibility into the relationships between applications,

technologies, business processes, and business goals. By understanding these connections, organizations can make informed decisions about resource allocation, technology adoption, and system optimization to ensure that their IT investments align with their strategic goals and deliver optimal value. Standardization enabled by Alfabet allows for comparative analysis across traditionally siloed business segments.

- *"Alfabet has given us the insights needed to make data-driven decisions, aligning our IT investments with business objectives."*

- *"Alfabet has been instrumental in bridging the gap between our IT and business teams, fostering a collaborative environment where we can work together to achieve our strategic objectives and maximize the value of our technology investments."*

ACCELERATED DEVELOPMENT AND INCREASED PRODUCTIVITY

Alfabet leads to fewer development projects and faster development, allowing IT decision-makers to accomplish more with existing assets and avoid funding projects that would create redundant capabilities. Developers and project managers who use Alfabet are more productive, as they can rapidly access the information they need to make better software faster. Nucleus found that on average, developers using Alfabet improved their productivity by 18 percent.

- *"Earlier, we just had an asset catalog. Now, with much higher dimensional data about our IT infrastructure, we can accomplish much more with the existing assets."*

- *"Alfabet, through improving our data access, enabled us to build software solutions in-house that are much cheaper than purchasing a third-party solution."*

ENHANCED SECURITY AND COMPLIANCE

Alfabet allows organizations to review systems, their protocols, security features, and ownership, ensuring better security management. Furthermore, Alfabet's user-friendly interface and responsive support team have enabled public sector organizations to ensure compliance with government regulations and maintain an efficient IT landscape.

- *"Alfabet was the primary driving tool for quantifying our security exposure concerns."*

- *"Alfabet has enabled us to ensure compliance with government regulations."*

ANALYSIS OF COSTS

The Software AG Alfabet subscription is the primary cost for the users. Additional cost areas include implementation time spent on building integrations to other IT management systems, implementation specialist costs, and the cost of time spent training both consultants and operations personnel on the system.

BEST PRACTICES

Organizations that successfully implement SPM/EA solutions benefit from a step-by-step approach, starting small, focusing on key processes, and gradually building out. Here are some best practices derived from customers:

- **Start small and do things incrementally.** Focus on key processes and build out slowly, ensuring you don't put too much on your plate at once. Begin with specific use-cases and expand over time.

  "We took a phased approach, starting with key processes and expanding gradually. This allowed us to stay focused and deliver results."

- **Plan and prepare.** The product is a significant investment, so take the time to plan and understand the project's scope. Work out what you want to achieve before you put a great amount of effort into it.

  "Thorough planning and understanding [of] our goals helped us make the most of our investment and avoid wasted time."

- **Engage with stakeholders.** Extract value from the user community and engage with the IT community. Get buy-in across the organization for the initiative to ensure a successful implementation.

  "Involving stakeholders and getting their buy-in was crucial to our project's success. We worked together to drive value and improve outcomes."

- **Invest in user education.** Schedule in-house user information sessions and allocate resources for user training to promote adoption and effective use of the solution.

  "User education was key. By investing in training, we ensured that our team was equipped to make the most of the solution."

- **Appoint an on-board executive sponsor.** Having a dedicated executive sponsor ensures organizational commitment and prevents people from reverting to old practices.

  "Our executive sponsor was instrumental in driving adoption and ensuring that we stayed on track."

- **Establish strong data governance.** This is essential for ensuring the accuracy and consistency of information within the SPM/EA solution.

  "Data governance was a critical component of our success. It helped us maintain accurate, reliable information."

- **Build processes on the solution.** Drive data points and usage by developing processes tailored to the organization's needs within the solution.

  "By building our processes on the solution, we were able to drive data points and usage across the organization."

- **Be methodical in tailoring the solution.** Understand your organization's needs and follow the out-of-the-box approach unless customization is absolutely necessary.

  "We were methodical in our approach, sticking to the out-of-the-box solution whenever possible, and only customizing when absolutely necessary."

- **Monitor progress and benefits.** Although it may take time to see the full benefits of the solution, once everything is connected, the advantages can be significant.

  "It took time to see the benefits, but once everything was connected, the results were impressive."

> **"By building our processes on the solution, we were able to drive data points and usage across the organization."–Natural Gas and Electricity Provider**

By incorporating these best practices and addressing potential challenges, organizations can effectively implement Alfabet for SPM/EA, ensuring a smooth transition and maximizing return on investment.

LOOKING AHEAD

As businesses continue to grow and evolve in an increasingly digital world, the importance of effective SPM/EA solutions cannot be overstated. The rapid pace of technology adoption, coupled with the need to remain competitive in the market, is leading

organizations to build more complex IT landscapes. This growing complexity necessitates robust tools for aligning IT investments with business objectives and streamlining operations.

Furthermore, as organizations become more reliant on technology to support their business, the potential for disruptions due to system failures, security breaches, or outdated technology increases. Proactively managing and mitigating risks associated with IT operations is critical to maintaining business stability and security. SPM/EA solutions play a pivotal role in enabling organizations to assess their IT landscapes, identify potential vulnerabilities, and develop risk mitigation strategies. By adopting these solutions, businesses can better anticipate and respond to changing needs, adapt more quickly to market shifts, and maintain a competitive edge, ensuring their long-term success in an ever-changing digital landscape.