The Cost of NOT Keep Up

By: Darrell Scott
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You most likely have heard of Kodak, Sony, and Blackberry. These firms were once leaders in their industries but are now gone or greatly diminished from their former selves. Kodak missed the move to digital. Sony had the resources and ability, but lost significant ground to Apple in the personal music/entertainment market. Blackberry once ruled with email on your phone, but missed the wave when smart phones took away their market. Examples of companies that have struggled to keep up are numerous. I am sure you can come up with many on your own.

Keeping up is essential, but it isn’t easy. If it were, we wouldn’t have all of these examples. And it is essential for any size company, not just those major corporations with so much to lose. Let me give you an example from my recent personal experience to show you the kinds of things we consultants run into on a regular basis.

AN EXAMPLE

I recently took a call from a user of Sage ERP system our firm supports. This client was having trouble installing their very old version of Sage ERP on a new computer. Eight years ago their management had decided that the ERP software suited them just fine the way it was and they weren’t going to pay for a maintenance agreement. The software has served them well over the years. They hadn’t needed help with routine updates and didn’t really have a requirement for new functionality. They had a consultant that helped them occasionally, but he had retired and was no longer available. Now, they found themselves in a technology squeeze.

All of their old client machines were running Windows XP which is 13 years old and Microsoft has long since dropped support on this version. No more bug fixes and more importantly, no more security patches. Their first step was to upgrade their Windows XP individual machines to Windows 7. Next, our client was trying to install their outdated version of Sage ERP on a Windows 7 computer and it wasn’t working either.

Go figure! They have a problem which has been building for a long time and is now starting to crest like a wave that has crossed an ocean and is building power as it approaches the beach at the end of its long journey. This problem with the client installation is just the beginning. Eventually, the server at the core of their system will fail or need upgrading. And that time is coming soon. Other client machines will fail and require replacement.

The immediate problem has a few stop-gap, Band-Aid options for solutions, but the ultimate solution will be an upgrade – client machines and operating systems, server hardware and operating systems, and, of course, their ERP system. This will not be
inexpensive. Besides the hardware, operating system and ERP software costs, there will be significant implementation costs to make it all work.

The ERP system is so old, there is no direct upgrade path from their current version to the newest version of the software. There may be a way to run the system through multiple, stair step, upgrades to get to the current version, but I am not sure even that approach will work. If it does, it will be expensive. They may be looking at a completely new installation which will be even more expensive because it includes new system setup and data migration. This kind of implementation is also expensive internally with all the requirements for project meetings, design meetings, testing, etc. that are conducted by the client company’s employees.

SAVING MONEY?

Did that decision eight years ago really save them money? To answer that question, one would need to accumulate all the costs associated with keeping a maintenance contract in place. Add in the occasional client and server upgrade; add services costs related to incremental upgrades to stay current. Calculate the net present value of those costs and compare to the cost of the upgrade or reinstallation they are now facing.

My best guess is that the numbers are fairly comparable. If they are lucky it will be a breakeven risk they took. But what is the true cost of this company not keeping up? There are things they have been missing by not keeping up. Things they maybe didn’t need, but things they could have/should have/would have taken advantage of if they had access to them along the way. Keeping current may have given them a competitive edge with greater efficiency, redesigned user interfaces, major and minor functionality enhancements. Last but definitely not least is peace of mind that a critical toolset in their business isn’t going to stop working all of a sudden and cost a lot of unplanned costs to get it fixed in an emergency.

WORKING ON OLD SYSTEMS

Sage software, like most software publishers, has a policy to support the current version of the software and two versions back. If you go looking for older versions of software on their website, you won’t find them. They do this for a reason. Not just to encourage their installed base to stay current (and keep the revenue flowing), but it costs them a lot of money to work with the older versions. As time goes on, there are fewer and fewer installations using the older versions. They provide less and less revenue to fund the efforts involved to support these version. Fewer and fewer people are available who know how to work with the older systems and those software technicians assigned to support the old versions feel like they have been shoved aside into some back water section of the company with diminished opportunities for advancement. Working with old software is not what very many people want to do.
Clients with old systems are not the favorite account of most any consultant. I can tell you I dread getting assigned to a job working with a client that has antiquated systems. Working an old version of a system is so unfamiliar. I struggle to find things that were moved or renamed in the versions I am current on. Or they simply aren’t there because that feature came out in a newer version. I waste time and frustration mounts. If I am not able to fix the problem, the resources I would normally turn to are not able to support me.

As systems get older, there are fewer and fewer consultants that will even attempt to work on them. The software publisher stopped supporting the system years ago and only a few programmers and consultants have retained the knowledge of how to fix things that break. Access to experts becomes more difficult and more expensive.

I started my career as a COBOL programmer on mainframe computer systems years ago. It’s been a long time since I have seen COBOL or a mainframe. There are systems like that still out there, but the geeks that work on them all have grey hair and you never see want ads for COBOL coders. The few who are still working with those systems are expensive. And many of them are involved in projects to move to new systems and replace the antiquated environments they maintain – essentially working themselves out of a job. Not my idea of a dream job.

**BENEFITS OF KEEPING UP**

What happens when you do keep up? What are the benefits? Here are a four key ones:

1. **New Functionality** – Software publishers continuously add functions and support for new technologies. For example, old systems only deliver report results to print. Today’s systems can deliver data via Excel spreadsheets, emails, and tweets.

2. **Support Availability** – New systems have a variety of resources available to provide support. Software vendors, consultants, websites, etc. Current software tools generate competition and reduce costs. Older systems are more expensive to support.

3. **Improved Efficiencies** – New systems take advantage of changes in the environment. Examples include:
   a. New functionality can reduce steps and use new tools not previously available to make workers more effective and efficient.
   b. Newer systems can take advantage of newer hardware and operating systems. Both continue to be more stable, reliable, and faster than earlier versions.
c. Older systems needed to be installed on individual client machines. Newer systems run in an internet browser. If you have access to the internet, you have access to your software.

4. Security – As time marches on, old systems are stuck with the security model they were developed under. Depending on the exposure and the interest of hackers, every machine is a target and old machines are more vulnerable. Keeping up reduces these risks.
   a. Windows XP is no longer supported by Microsoft and no new security patches are being issued, yet nearly 25% of the computers out there are running Windows XP.
   b. A large percent of small business owners are victims of a data breach because they are the least equipped to protect themselves against an attack.

FINDING THE BALANCE

Running a business is challenging. Minimizing costs is important to the success of most businesses. But there is a difference in minimizing costs and digging a hole that can cost you dearly to escape. Software maintenance costs are sometimes hard to justify for some decision makers and they decide to run their software without the protection of ongoing maintenance. Usually, this maintenance fee provides access to routine patches, updates and other technical support and access to newer versions of the software as they become available.

The rationale to go without a maintenance contract is, “Those contracts are expensive. Our software works just fine the way it is. Things don't change here very much. If we have a problem, we will deal with it then.” Most of those that decide to take this approach successfully run their systems for a while. But, as we have discussed, they are missing out on the incremental improvements in the software and eventually, something will happen to create an emergency. It probably won't even be a software issue. Most likely, it will be the hardware that fails. The replacement hardware will come with a new operating system that is no longer compatible with the old software.

PLAN TO KEEP UP

Keeping up is important and should be part of any business plan. Don’t be “that guy”; the client no one wants to work with. You want your workers to use efficient systems that can be supported if they break. You want the benefits of constant improvement. And lastly, NOT keeping up can cost you dearly. You want the peace of mind knowing you don’t have a huge, growing expense hanging over your head that could drop at any time and at probably the worst possible moment.
Darrell Scott  
Senior Business Consultant  
CS3 Technology

Darrell is a ten year employee of CS3 Technology. He bring over 25 years technical and business consulting experience to the table. Darrell currently supports Sage 100 and Sage 500. He is the specialist for all the CS3 intelligence products that include automated workflow, document management and electronic notification.