



Tackling technical debt:

How to get started

Why is tech debt a problem?

We are at a crossroad, where the rapid expansion of cloud and the explosion of new technologies and software are pushing organisations to modernize faster than ever.

To stave off disruption, organizations will often invest in technology to help their company innovate, become more efficient and reduce costs.

The reality for most executives is that they are locked in a perpetual cycle of meeting targets on a short-term basis. This means that they are motivated to maximize their assets or revenue and minimize their operational costs for immediate benefit.

The irony is that taking this approach and not developing an integrated business and IT roadmap to enable adaptation and keep tech debt manageable, will end up costing organizations more in the long run.

According to DXC Leading Edge research, [Embracing modernization: From technical debt to growth](#), a global survey of 750 C-suite information and technology executives, 99% of global technology executives recognize tech debt is a risk to their business..

The real threat is not tech debt itself, but when that tech debt becomes toxic. Toxic tech debt threatens a company's ability to operate in the short-term, which long-term becomes visible to external stakeholders.

While tech debt accumulation is continuous and inevitable, you can minimize the amount of debt that you accumulate, create strategies to address your current tech debt and build an organizational process that limits the amount of future tech debt you create.

DXC has found that organizations can experience 39% in cost savings from technical debt reduction and has identified a four-step plan to pay down today's debt and discourage it in the future.

Tolerable vs Toxic tech debt

Tech debt is not an inherently bad thing. The longer you've been in business and the bigger your organization is, the more tech debt you will have created along the way. Tech debt is simply a normal side effect of implementing and utilizing technology within your organization.

There are two types of tech debt, tolerable and toxic.

Tolerable tech debt is the debt you incur as you migrate your business from old to new systems. This tech debt is accounted for, understood and can be lived with, because it is the price of innovation. It allows resources to be freed up in the short-term.

Toxic tech debt is dangerous and comes at a cost. It is often caused by multiple small changes made outside of the organizational strategy or roadmap. It diverts funds, uses up resources, creates complexity, compromises security and impacts the ability for the organization to innovate and improve. In worst case scenarios, it can hamper an organization's ability to function on a day-to-day level.

The true cost of tech debt

The cost of tech debt is often discussed in terms of the financial impact it incurs for an organization. However, there are broader and more nuanced implications of not addressing tech debt and how it impacts people, process, security and innovation opportunities.



The cost to our people

According to DXC Leading Edge research, [Embracing modernization: From technical debt to growth](#), 67% of business leaders said that improving employee satisfaction was a top priority.

It's a universally recognized truth that to retain the best talent you must give people meaningful work and create an environment where they can succeed.

However, if an organization is limited by legacy technology, lack of integration and outdated organizational processes, it will hinder employees motivation to innovate and will likely drive key talent to competitors.

The accumulation of tech debt can also create dissonance among IT and the rest of the business, as other teams push accountability solely onto IT.



The cost to process

Legacy systems, incompatible software and technology that aren't fit for purpose are among the biggest killers of productivity in most organizations.

More time is spent navigating roadblocks from tech debt, creating process bloat and leading to bigger bottlenecks throughout the organization.

The real challenge is when these workarounds become embedded in the company culture and inefficiencies become "just the way we do things here". This makes it more difficult to modernize.

A real world example of this, was when a major US airline spent \$1 billion USD¹ on customer service improvements. However, it did not modernize its crew assignment app which had a small yet well-known weakness. When a major storm hit during the busiest travel season of the year, it created a surge in traffic that the app simply couldn't handle. The result left thousands of travelers stranded and triggered business losses of \$800 million USD.

¹ Ashare, Matt. "3 technology lessons from Southwest's IT failure." CIO Dive, February 2023: <https://www.ciodive.com/news/3-lessons-from-southwest-airlines-technology-failure/641803/>



The cost to innovation

According to [DXC Leading Edge research](#), 46% of executives find tech debt impacts their ability to transform and grow.

Tech debt stops organizations from leveraging new technology and trends, such as embracing AI or automation, which often become too hard or costly to take advantage of. Today's leaders are using changing economic environments as catalysts for accelerating modernization projects.



The cost to security

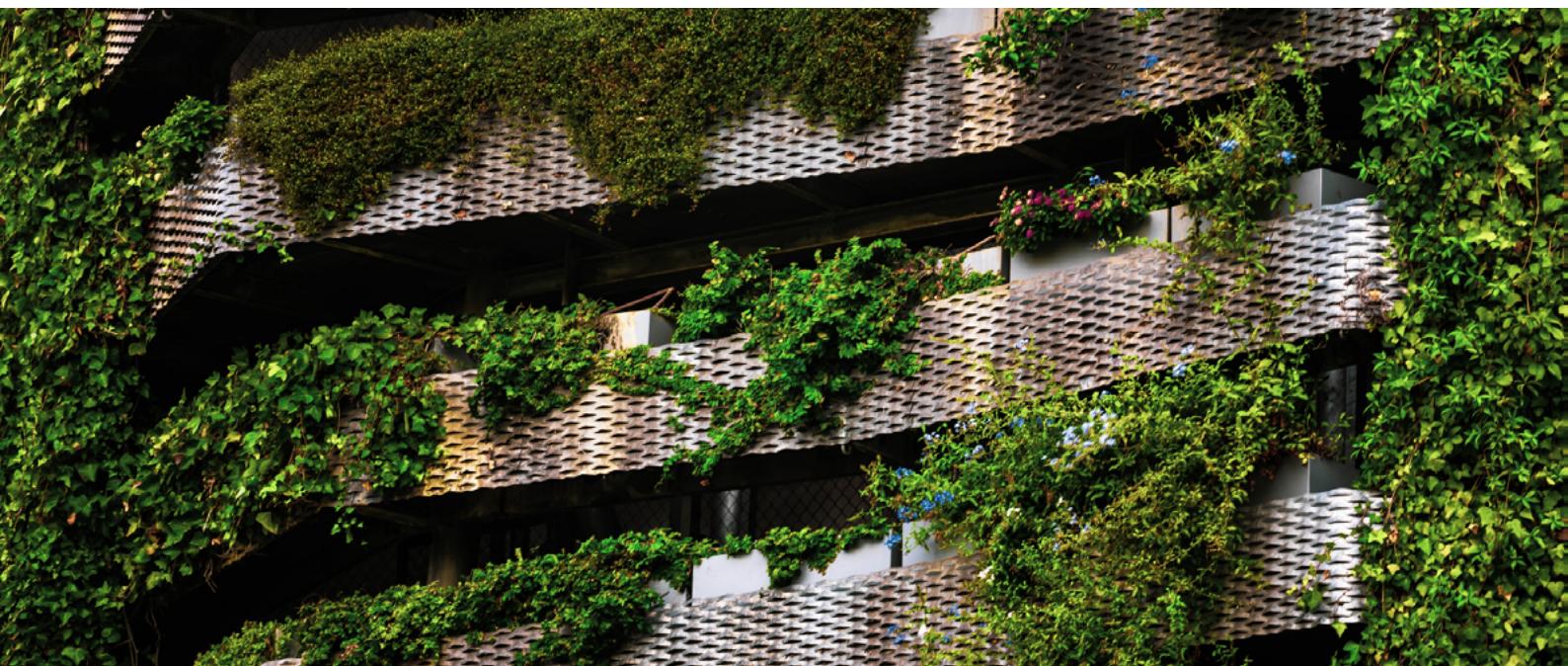
Security and compliance are almost impossible to navigate with outdated or siloed technology and solutions.

Fragmented systems and silos managed with ad hoc, purpose-built processes and tools, make it very difficult to consistently and proactively manage and protect data. This opens an organization up to a huge amount of risk.

The cost of data breaches is significant, often creating reputational damage that can take years to recover from.

For example, if you do not install a security patch on time, not only have you accrued tech debt but you have exposed your organization's ecosystems to a security risk.

Identifying the potential cost of security failures and the additional processes required for maintenance and analysis across a range of legacy technology should be a key consideration for any organization.



How to address tech debt

Organizations of all sizes and types struggle to address tech debt – whether it is financial constraints to make the changes they need or an inability to make significant changes due to their businesses' complexity and diverse needs.

Many organizational leaders dream about the technology magic bullet to solve their problems, but what we need to do is take a step back and consider the bigger picture.

The challenge that many organizations have is where to start and how to make sure that they do not make the situation worse while trying to pay off tech debt. This is why DXC has created this supporting guide.

According to the [DXC Leading Edge research](#), 46% of respondents anticipate their modernization efforts across the organization will mostly be complete in the next three years.

What these leaders are missing however, is that tech debt cannot be "fixed". It takes a continuous effort and iterative management to ensure that the tech debt within an organization remains tolerable.

Aligning the technology roadmap to business challenges and goals, with an eye to managing the accumulation of tech debt is critical. To help organizations pay down their tech debt and discourage it in the future, DXC has created a prescriptive four-step plan for clearing organizational debt.

Four steps for clearing organizational debt





The Tech Debt Audit

It can be challenging to know where to start when it comes to tackling tech debt. Consider these questions when planning for the four-step strategy.

1. What is the extent of your organization's tech debt?
2. Who is accountable for your organization's tech debt?
3. Have you engaged your decision makers?
4. How do you stop creating unnecessary tech debt?
5. Do you have a plan to reduce tech debt?

What is the extent of your organization's tech debt?

Completing an honest inventory of your tech estate is the first step. Organizations have to be honest and open about how tech debt is being created, where there are challenge areas and what organizational structures or processes are hampering efforts to address it.

Determining toxicity levels is about examining and scoring the risks of your tech debt. It is essential that you are as consistent as possible with your evaluating criteria. Then, the key is to prioritize the impact within your business operations, the cost to the organization and the time required to fix in relation to your other projects.

Examples of types of organizational debt



UX debt:

Where customers or teams have difficulty navigating products or services because of legacy experiences.



Data debt:

Where organizational data is inconsistent, corrupt or false.



Process debt:

Where inefficiencies, waste and redundancies accumulate in workflows and handoff



Knowledge debt:

Where personnel hold key knowledge that is not accessible to other teams or the organization as a whole, which creates a risk if they were to leave or change roles.



Infrastructure debt:

Where physical infrastructure like servers, power systems and cooling equipment becomes outdated and inefficient, requiring a higher cost to maintain.



Application debt:

Where applications are outdated, need constant patches or are no longer fit for purpose.



Quality debt:

Where a series of small, seemingly unimportant trade-offs can lead to a situation where a product (or a family of products) starts losing quality and market share.



Customer debt:

Where customers want to stick to an old version of a product or service to avoid the migration cost themselves.



Supply chain debt:

Where it is hard to track, monitor or procure suppliers because they are managed across multiple different platforms or legacy systems.



Architecture debt:

Where inflexibility in the tech stack can inhibit the ability to modernize your systems or apps.

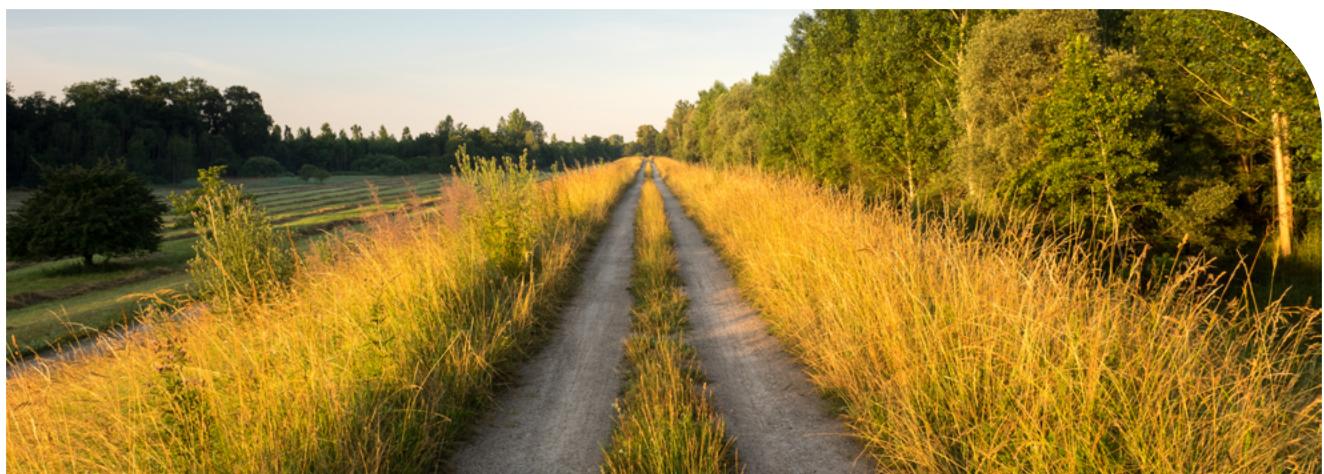
Who is accountable for your organization's tech debt?

Tech debt is a misleading name that can lead to organizational inaction and allow people to pass the buck or relegate it to an IT team problem.

When organizations acknowledge these various forms of debt, they gain a clearer understanding of the challenges they face.

One of the best kept secrets in addressing tech debt is creating accountability across the organization, empowering business leaders to understand how it impacts their team and provide the support to address it.

One way to do this is to define your 'tech debt ceiling' or include 'tech debt budgets' for all projects. This gives business leaders and IT teams guidelines to work within for the most balanced outcome and holds everyone accountable to deliver.



Have you engaged your decision makers?

The alignment of vision and expectations across business and IT leaders is fundamental to whether an organization can address tech debt.

While the CIO and CTO will lead modernization, the entire executive team is responsible for its success. It is a collaboration and when tech debt is addressed properly, the benefits can be felt across the entire organization. From cost savings to carbon reduction, to making employee's lives smoother there is a business case to be made across every area of an organization.

The challenge is that IT teams and line-of-business teams are often looking at different success metrics. Line-of-business teams may not actually understand the business impact of out-of-date or hard-to-integrate workflows, but they see a big budget line item that will hit their bottom line.

Educating business division leaders is the first step, but they need to be part of the whole journey. Helping them understand the ways tech debt can be addressed, the requirements and giving them the opportunity to have some control over the issue is crucial to ensure they buy into the solution.

Sometimes the spread of tech debt across the organization makes it hard for leaders to step outside of their team view. This is where a neutral third party can provide a holistic view that lets leaders consider a new perspective.

How do you stop creating unnecessary tech debt?

Managing tech debt is an ongoing and iterative process with no fixed end date. So, addressing the amount of tech debt that is being created is essential. This is achieved through regular planning, measurement and prioritizing flexible architecture that enables you to innovate and respond to market forces.

When you have a system for identifying tech debt, it becomes easier to set objectives, plan and execute project sprints to address it, without losing momentum. Smart leaders can then understand where value accrues and highlight key areas that benefit from adaptation or require flexibility.

Many organizations look at ways to dedicate a percentage of their time to addressing tech debt.

Consider the best sprint make-up for your organization to address tech debt before it becomes toxic; perhaps rotating teams' focus from projects to optimization.

Do you have a plan to reduce tech debt?

Tech debt never goes away; it is an ongoing, multifaceted challenge that organizations will always have to plan for. This is why a cross-organizational roadmap is important to set out how business processes and ways of working can be addressed including training requirements, system needs and data management.

The cross organizational roadmap must include:

- A technical plan that creates a robust architectural runway.
- An organizational debt reduction plan that can be incorporated into every technology initiative.
- An offset plan, where there is a commitment made to remove existing tech debt and, where possible, limit the creation of it.
- Short-term and long-term initiatives. The short-term ones will help to unlock funding that can be reinvested in longer-term initiatives.
- This coordinated approach can then be supported by the CEO and C-suite.



How can DXC support?

Tech debt is challenging to solve by yourself. This is why we work with customers as a dedicated and neutral third party to understand the challenges and help implement solutions.

Backed by our global experience, DXC has a variety of [offerings and services](#) that enable us to examine and address our customers' unique situations with tech debt.

We help our customers understand their tech debt, prioritize and roadmap their digital transformation, and achieve returns on technology investment. In DXC's experience, we have seen 39% cost savings from technical debt reduction for customers, while being able to retire 37% of redundant applications.

"The way we build, grow and enable our teams and customers is changing and with that, our approach to managing the process of modernization must as well. Sometimes the spread of tech debt across the organization makes it hard for leaders to step outside of their team view, and this is where a neutral third party can provide a holistic view that lets leaders consider a new perspective."

Michael Corcoran, Global Lead, Analytics & Engineering

Outcomes



Opportunity



Source: DXC Applications Intelligence Engine. Percentages shown are averages.

For more on how to address tech debt in your organisation, visit dxc.com/us/en/insights/technical-debt

About DXC

DXC Technology (NYSE: DXC) helps global companies run their mission-critical systems and operations while modernizing IT, optimizing data architectures, and ensuring security and scalability across public, private and hybrid clouds. The world's largest companies and public sector organizations trust DXC to deploy services to drive new levels of performance, competitiveness, and customer experience across their IT estates. Learn more about how we deliver excellence for our customers and colleagues at dxc.com