

**T H E D E C I S I V E
F A C T O R I S
T H E B U S I N E S S
B E N E F I T**

**AND NOT THE
USER'S WISHES**

Which software investments can be attributed to CapEx?

Software CapEx relates to all investments directly attributable to the solution as an asset to be developed. This framework can be interpreted differently, depending on the financial strategy and the local accounting capitalization options. These can be newly implemented systems, including implementation costs, but also replacement investments, for example, in the case of very large upgrades and version changes.

What significance does the use of AI technologies have in this context?

With AI, companies can create CapEx-relevant assets by developing and training AI in specific contexts, such as building company-specific Large Language Models (LLMs) that can be capitalized and assigned to CapEx.

Which optimization approaches for software CapEx have proven successful?

The first point is platform strategy. Two opposing strategies can generally be described here, which can be useful depending on the context and initial situation. Do you opt for a best-of-breed or a one-platform approach? The one-platform approach reduces CapEx. Complexity and cost risks are reduced, and the negotiating position vis-à-vis the provider becomes stronger. But there is also another side to this. For example, working with providers who offer a complete solution is often cost-intensive and cannot always map certain growth models efficiently.

This applies, for instance, to acquisitions of smaller business units, scalability, or the support of smaller units. From this perspective, best-of-breed approaches can also be useful for certain fields of application or business units. Caution is advised when combining these two approaches. It is not trivial and often leads to greater complexity in parts of the overall landscape and, therefore, higher costs and technical challenges.

What other aspects play a role in addition to the platform strategy?

Technology developments in the market, innovation potential, and the roadmaps of major system providers should be closely monitored and analyzed. This includes areas such as cloud, edge, and IIoT, where opportunities should be identified and exploited. This is the second pillar regarding the management of software CapEx. The third pillar is governance. The aim is to make not only the process owners but also the business responsible for results and costs. The fourth aspect is demand management. The focus should be on business benefits and not on user wishes.

Currently, IT is often driven by user demands instead of business strategy needs. IT often lacks an understanding of the requirements of the specialist departments and a deep understanding of the business processes. You have to concentrate on the strategically relevant requirements. And finally, IT Supply Management should be considered. Building

up your own resources can reduce CapEx. It makes sense to combine the core competencies in process and IT alignment in a separate core team that can act globally in the strategic area of IT. However, success depends on understanding critical organizational and personnel factors, such as the distinct roles of a solution manager and a solution architect.

What software world trends are having an impact on these approaches?

The first is IIoT platforms. There are more and more specialist providers and innovative solutions on the market. We are moving into a world of apps and container systems, which is creating a new ecosystem on the market. This is not just about apps on a platform but also about orchestration and synchronization of data and applications in the process context. The providers themselves refer to these as composite applications. They emphasize the interoperability of their platform and its container-based logic and allow third-party applications on their platforms. You can take advantage of this, and design modular solutions based on technology platforms in areas such as ERP and MES. This makes it easier to manage requirements and achieve a reduction in CapEx.

What significance does the convergence of IT and OT, as well as the IIoT, have in this context?

The core problem in many digitalization projects is often the IT-OT divergence. The corporate IT of a group coexists with the OT world in the globally distributed plants. In this local world, technologies have been developed and operated for years on and around the shop floor, around the machine. However, in the Future Factory, integrating OT and IT solutions with end-to-end logic becomes critical.

A cooperation and governance model is necessary for effective global scaling and integration of these two domains. It's essential to understand why and how OT has developed its own solutions and how to design their interaction both technologically and organizationally. For instance, addressing security requirements is challenging with the often outdated systems of the OT world. Without concrete details, projects risk remaining on an abstract meta-level.



**INTERVIEW WITH
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