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Application Portfolio Management for IT Governance

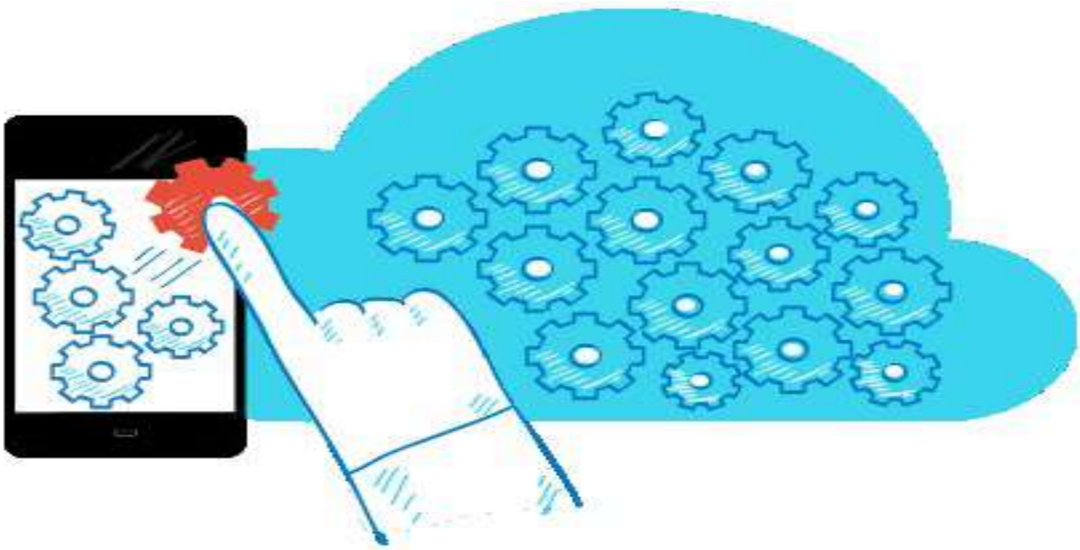
- Not aligned with your IT strategy / expired
- Older applications slowing down the business
- Redundant, under-used, and obsolete systems

Abstract

Smart businesses are always about managing what you have, in the best way. Budget, resources, efficiency and business value are the key things that define strong governance. In IT, managing assets or applications qualifies an IT investment. Many a times, applications in use are redundant, underutilized or have become obsolete for business needs. They still reside in the business portfolio for the sake of it without much response to business. They are for sure a burden of costs which can otherwise be used for new development projects and investments. Who is watching out these idle evils?

Application portfolio management is a formal concept to manage IT assets/applications. The traditional focus of interest for businesses is on new project opportunities to optimize new IT investments. However, in the vast majority of companies, the installed IT asset base remains essentially unmanaged. While the new lot is coming in, there needs to a compatible welcome from the old residents. Whether the old applications are no longer relevant for our business, another application is already serving its purpose, new applications are operating in silos, and there is no technology compatibility with the new and existing applications. There could be myriad problems to ponder. In this paper we will discuss some of the downsides of stagnant applications in business portfolios and following which the steps that need to be taken to govern those applications real-time.

How to invest in your app resources



Companies are concerned that 61% of the IT budget is dedicated to “keeping the lights on” in a cost-constrained IT budget environment. In most companies, senior managers believe that 10%-20% of the IT budget is wasted on maintaining unwanted applications — an obvious squandering of precious IT resources. Cost management represents just one side of the IT investment picture; the management of IT benefits is dismal. Two out of three companies have no effective means of measuring or managing the benefits of IT investments. In short, vast majority of companies are not sure what return they are getting for their investment in IT.

Indeed, three out of four companies have no systematic process for retiring applications. To put the cost of unwanted applications into real numbers, a company with an average IT spend that is wasting 10% of IT budget on unwanted applications can add 0.38% of total revenue to the bottom line by eliminating those unwanted applications — without any reduction in business value provided. Broadly speaking, business and IT managers are giving up their responsibility to create value for shareholders through mismanagement of IT spending.

Companies that have historically managed large investments over a long life cycle (e.g., nuclear power generation, airlines, and telecommunications) have developed sophisticated models for managing the asset life cycle from cradle to grave. IT organizations, as custodians of applications assets, must also become more adept at managing the entire asset life cycle, rather than just the implementation project.

With so much blackguarding the management of applications, let us specific the pertinent challenges due to the context:

#Redundant, under-used, and obsolete systems - Applications are accumulated through acquisitions, technical evolution, and time. They can make up a complex landscape of inconsistent architectures not compliant with your policies or platform strategies. An unknown number of applications and a lack of insight into their usage and importance to the business can make it impossible to make progress in reducing them. Hardware resources, staff time, and maintenance fees are wasted every year. Resources and investments wasted on these applications could be utilized for new initiatives and under-funded areas.

#Older applications slowing down the business - Many older applications are slowing down your business by not supporting business processes that require more robust functionality or through duplicate applications being used for similar functions. Others are slowing down the business literally through inadequate performance or poor availability. Your IT organization often doesn't have the insight into the business usage to identify how these applications can be modified or reduced. The business users themselves often don't have insight from enough perspectives to understand how these applications can be optimized. From a performance perspective, your IT organization may not have the application performance tools necessary to provide metrics suitable for comparing and evaluating performance.

#Not aligned with your IT strategy / expired - Many of your applications are out of alignment with your IT strategies and policies yet they continue to live on. In-depth evaluation is necessary to identify the areas where these applications run counter to your strategies. Without this insight and an objective APM program manager to evaluate and recommend options, it can be difficult to make the case to the business to change or upgrade these applications.

Application Portfolio Optimization (APO) services follow a structured approach to optimize the IT applications and assets of the customer organization.

How Application Portfolio Optimization can help your organization?

Application Portfolio Optimization (APO) services help customers to reduce their maintenance and development lifecycle costs. Technology investment decisions are planned and validated with prior analysis. APO is a health check of your applications to keep them active and responsive to the business flow.

Companies that actively manage the IT application portfolio have a clear definition of the value provided by the applications in their portfolios and the opportunities to increase IT value delivery through additional investments. Given this information, companies can make reasoned judgments about which new applications it should be investing in, how much to invest to maintain applications, and when to retire applications in the portfolio.

Your business likely runs so many applications that you're unsure which are used optimally and which aren't—or even which ones are necessary. Some likely create unnecessary overhead and inefficiencies in the business. But, you don't have the insight into the business value and technical condition of your applications necessary to transform your portfolio into one more efficient and better aligned with your business.

Where to start?

Getting a handle on your application portfolio may appear to be an overwhelming task. The necessary data collection and evaluation can appear daunting. The life span of an asset, when measured in time, investment, and value, actually begins with an idea, well before the decision to invest. Resources are expended investigating the viability, usefulness, and options to realize the idea. Once installed, the application will have ongoing costs for operations/ maintenance and periodic upgrades

How Application Portfolio Management

Step 1: Assign you applications to your portfolio program manager

Appointing the right APM program manager to drive the process is key to the success of the effort. The APM program manager needs appropriate authority to champion the effort while remaining objective and judicial during the assessment and portfolio analysis. The program manager should facilitate discussion without pushing toward a pre-disposed resolution.

Step 2: Define what an application is to your business

Your IT organization needs to establish the right definition of an application for your application portfolio management. Definitions may vary per business needs, your application landscape, or simple opinion, but you need one definition to work with in order to assemble your inventory.

Step 3: Conduct an inventory

Collect relevant information on statuses, business processes and acquisition sources for all applications meeting the definition of your business application and capture the data at all touch points. Collect deeper insight into the applications in your inventory by surveying stakeholders in multiple roles. Inventory of applications need to be clear cut on the accountability to each phase of the application maintenance, evaluating the business alignment of the application, identifying applications solving

Step 4: Define your evaluation metrics

To make the necessary decisions to transform your application portfolio, you must have agreed-upon metrics for how your decisions will be made. Methodologies from groups like Gartner and Forrester have their suggestions, but your organization must determine what metrics will work best for the decisions you need to make.

Step 5: Assess the business value

Survey various roles in the business to collect their perspectives on the business value of each application. Collect opinions from roles such as individual contributors, managers, business analysts, and application managers. In order to trace the metrics for deriving business value, the purpose of the application adoption or innovation needs to be defined. The application should satiate a level of business and functional needs.

Step 6: Assess the technical condition

The technical condition of the application is its quality, performance, availability, and strategic fit in your architecture among other metrics. This information can be gathered by surveying various roles such as users, application managers, and your helpdesk staff. Some of the metrics that may help you assess the technical value aspect are: 1) No. of events related to the application 2) costs associated with developing and resolving the events 3) compatibility and availability 4) compliance with IT policies and strategies.

Step 7: Assess the risk

Develop a risk profile for your applications that takes into account areas such as security, disaster recovery, and vendor viability. Regulatory compliance, privacy, and other issues may need to be included per the needs of your business.

Step 8: Analyse the portfolio

Analyse each application in the portfolio per your evaluation metrics. A robust portfolio management functionality will help you analyse each application individually, within segments of your portfolio, and as part of the entire portfolio.

Step 9: Decide on actions to take

The governance action plan needs to think of various scenarios for potential actions based on the insights of the analysis reports. The scenarios should include a summary of the expected results – its impact on budget, staff, policies, and strategy. The appropriate management team then reviews the scenarios and determines which scenarios should go forward.

Step 10: Implement your decisions

The actions decided upon often generate new IT projects. Projects could be of migrating, retiring or modernizing applications. These

Conclusion

Application portfolio management identifies the business value of assets/applications. APM helps you maintain an application portfolio that can efficiently support the business while staying within IT strategies and policies. It is definitely not any rocket maintenance to manage application portfolios given an organized plan and governance steps. IT organizations will be able to see benefits of optimized resources, updated or retired applications or even move to cloud strategies. APM drives continuous improvement of your assets.

Author

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Padmaja is part of Digital Consulting Group at Sensiple. She consults organizations on embarking their digital strategies. Padmaja has completed her Engineering in Electronics and Telecommunications and is a management graduate from IIT Madras. Her areas of interest are in innovation of new products and services in the Digital space which can optimize costs and build organizations for future challenges.

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