

WHITE PAPER

5 WAYS TO GET YOUR APPLICATION PORTFOLIO UNDER CONTROL

How Application Portfolio Management Can Streamline Your Enterprise & Foster Innovation

Introduction

Organizations are relying with greater frequency, now more than ever on outside technology vendors and software applications to meet the demands of their information technology needs. However, as an organization's technology requirements and infrastructure evolve, it can be difficult to keep track of which applications are providing the greatest value, and whether the company is paying to support legacy applications that are no longer as valuable or in some cases not even used anymore. A report by AMR Research shows that 75% of IT organizations have minimal portfolio oversight, leading to inefficient planning and poor decision-making.¹

An Application Portfolio Management (APM) system is crucial for managing application costs and reducing bloat. This white paper will discuss what APM is; the benefits of implementing an APM system; why APM should be mandated as a required component of a Project

Portfolio Management System (PPM); and steps that your organization can take to develop an APM strategy.

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What Is Application Portfolio Management?

Application Portfolio Management refers to the discipline of gathering data in relation to each technology application that a company uses, in order to monitor and measure the business value of each application.

APM relies on a scoring algorithm, in which each application in the company's inventory is ranked based on a set of criteria. This criterion typically includes metrics such as, but not limited to:

- The cost to build and maintain each application
- The business value delivered by each application
- The expected lifespan of each application

After collecting such data and ranking the applications, the company's application portfolio manager is able to accurately assess the actual return on investment produced by each application, and flag redundant and inefficient applications. Ultimately, an APM process can enable organizations to modernize and streamline their application inventory, providing a transparent look at how each application is being used and how well it contributes to the organization's overall technology goals.



Benefits Of Application Portfolio Management

IT departments typically spend 75% of their time, budget and resources sustaining existing operations, or “keeping the lights on,” and only 25% on new strategic initiatives.²

Many of these operational expenses can be eliminated when an organization commits to reducing reliance on outdated or redundant applications. According to a CapGemini Application Landscape report, 20% of the typical global organization’s applications are redundant, and half of CIOs surveyed believe that as many as half of the applications in their current portfolios should be retired.³

By deploying an effective APM system, an organization can strategically determine which applications are proving their business value, eliminate those that do not meet the business’ needs or strategic business goals, as well as support the development of a forward-thinking approach to application management that incorporates valuable existing applications and focuses on building an application inventory with the flexibility to adapt and scale to meet future business needs.

As a result, an APM system does help businesses evaluate IT expenses to more effectively deploy their resources, allowing them to free up more of their IT budget to invest in new projects that will contribute to their companies’ strategic goals and ensure that they are investing in modern, scalable technology.

How APM Works With Project Portfolio Management (PPM)

APM relies on many of the same principles as Project Portfolio Management (PPM), and can easily integrate with an organization’s existing PPM process.

PPM refers to a process for managing specific projects within the IT department, using metrics to analyze the cost-effectiveness and business value of each existing and proposed project by measuring how many resources will be needed to support each venture, and their anticipated or actual return on investment. The process should illustrate how much employee demand is required to undertake each development project, and should specify which applications will be used to complete the project.

In order to gain more transparency in the PPM process, an enterprise’s APM strategy should be aligned with its PPM approach. APM can be used within the PPM process to identify applications that are not cost-effective, so that they can be eliminated or replaced. This will ensure that each new development project relies on the most efficient technological resources at the company’s disposal.

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5 Key Strategies to Manage Application Portfolio

Use this five-step process to assess and manage your company's own application portfolio:

- 1. Create a full inventory of all applications.*
- 2. Eliminate redundant applications.*
- 3. Identify the business value and function of each application.*
- 4. Map your applications in a TIME chart.*
- 5. Optimize your resources against your applications.*

1. Create a full inventory of all the applications used or owned by your company.

Categorize and rationalize each application that has been used in the past, is currently in use or has been proposed for future projects. Take note of the cost to operate each application, the function it performs, which other applications it is used with concurrently and which projects it is used to support. As this can be a large undertaking, you may wish to initially focus on inventorying applications that are being used for current projects before analyzing applications that are infrequently used.

2. Eliminate redundant applications.

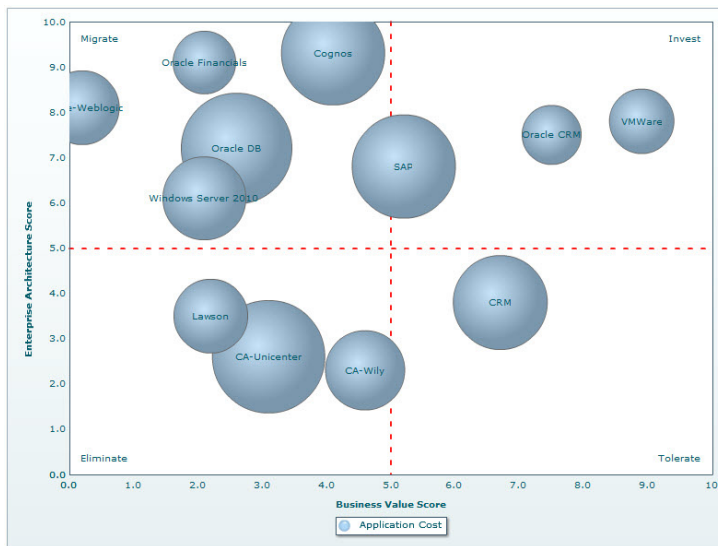
Once the inventory is completed, you should have a good perspective of which business functions are performed by each application, and whether there are applications with

duplicate functions. In this process, you are likely to find that a number of legacy applications are used to perform tasks that overlap with the capabilities of new applications. Take this opportunity to eliminate such redundant applications, which may result in significant cost-savings for the IT department.

3. Identify the business value and function of each application.

After eliminating applications that are clearly redundant, you can now assess the value of each remaining application by analyzing its business value. Rather than focusing solely on financial concerns, your organization must take a comprehensive overview to determine the value generated by each application. To do this, each IT application should be scored on six separate criteria: strategic alignment, business process impact, architecture, direct payback, risk and customer/revenue.

4. Map your applications in a TIME Chart.



TIME Chart in Innotas APM

Once the business value and function of each application has been identified, determine where each application fits in a TIME Chart, based on Gartner's Portfolio Triage process.⁴

The TIME Chart consists of four high-level categories:

Tolerate - The applications in this group are those that deliver business value, but are not necessarily built on modern platforms or well integrated with the company's infrastructure. Such applications are candidates for future elimination, but should be used until the IT team has determined the best alternatives.

Invest/Innovate/Integrate - This grouping of applications are those which show great promise to deliver significant business value, but will require the company to invest in integrating or upgrading existing infrastructure to ensure that these

applications are able to function at the highest level.

Migrate/Modernize/Remediate - This application category refers to technologies that involve software that is no longer supported, or rely on a small group of human resources with specialized knowledge. For applications in this category, CIOs must consider action plans for updating technology to fill the roles currently filled by these applications.

Eliminate -- In addition to redundant applications, you may find in your scoring that some of the applications in your inventory have little to no business value, or that the costs of operating the application far outweigh the results delivered. In these situations, such applications should be marked for elimination.

After completing a TIME Chart, your organization will have a clear perspective of where each application fits into the IT process, and what steps should be taken to maximize the business value of each one.

5. Optimize your resources against your applications.

At this point, you should have a good overview of the costs and resources involved in operating each application. Now, work to maximize efficiency in each application process by ensuring that your human supply chain are effectively deployed and managed. A resource management platform can be used to monitor and track inefficiencies in the process, and to implement highly effective and transparent work process systems.

An Overview of the Innotas IT Governance Solution

While it is possible to implement a proprietary APM system without the aid of software tools, making use of an APM system such as the one offered by Innotas can provide in-depth analysis of complex data sets, resulting in a comprehensive set of directives for APM improvement.

Innotas APM offers a cloud-based, comprehensive set of functions that enable CIOs to seamlessly manage application and project portfolios, such as:

- **Service request management**

By integrating with an existing service desk or for tracking application enhancements, bug fixes or work requests, you can manage these requests using the Innotas solution and gain a complete view for better decision making and effective IT Governance within a single data repository

- **Application management**

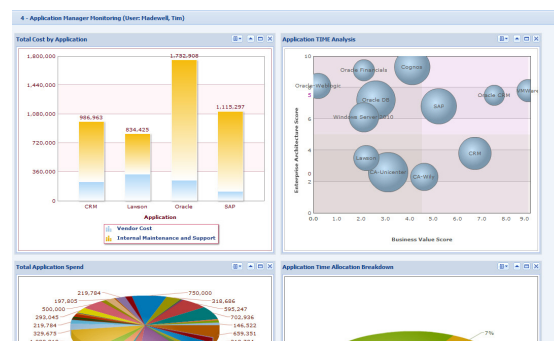
Measure and manage the value of IT applications by understanding their total cost of ownership, resource planning requirements, and aligning work with business goals based on accurate real-time information.

- **Application portfolio management**

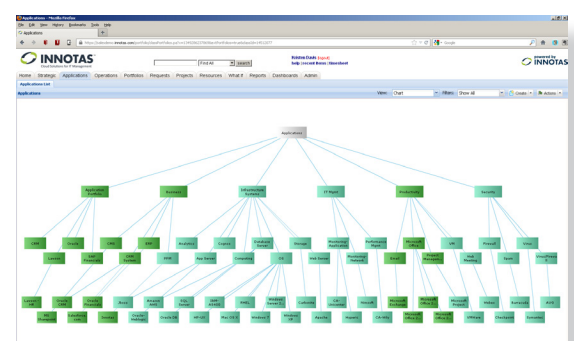
Achieve the best use of IT budgets and resources through full visibility into IT applications. Model your application portfolio based on user-defined specifics, then use simple, customer scoring algorithms to prioritize it.

- **Resource management**

Track your human resources through real-time resource capacity and demand data developed from defined fields such as initiative, role and others. You can fulfill resource assignments automatically and access a single view of resource allocation.



APM Dashboard



APM Hierarchy

The Innotas APM solution can be rapidly deployed and can scale to meet the demands of any organization — enabling enterprises to streamline their applications and improve their technology processes to support business growth.

Conclusion

The practice of APM is relatively new. Today, few organizations have developed comprehensive data related to their applications' cost, associated resources and how well they meet business goals.

However, this is rapidly changing: Gartner estimates that by 2015, at least half of large organizations will be assessing business value relative to application costs and risks as part of the IT budget process on a regular basis.⁵

In order to ensure organizational maturity, it's recommended that an APM process should be considered as part of the overall IT strategy. The development of a long-range plan for eliminating redundant or low-value applications while migrating or modernizing outdated technologies and investing in applications with a modernized infrastructure will help drive the business forward.

If an organization's application stack is not actively managed, the organization loses the ability to remain agile and innovative, and will fall behind competitors. By implementing a comprehensive and effective APM process today, your enterprise can make the technological transformations that will help it stay ahead of the curve tomorrow.

Sources:

- 1 "The Product Lifecycle Management Market Sizing Report, 2007–2012," AMR Research, 2012.
- 2 "Key Issues for Application Portfolio Management," Gartner, 2010.
- 3 "Application Landscape Report 2011 Edition," CapGemini, 2011.
- 4 "Application Portfolio Triage: TIME for APM," Gartner, 2010.
- 5 "Key Issues for Application Portfolio Management, 2010," Gartner, 2010.

About Innotas: Innotas provides a ground-breaking cloud-based IT Governance solution – an easy-to-use, rapid-to-deploy, and cost-effective way to manage resources and budgets across an IT department's entire inventory of projects, portfolios, applications, assets, and service requests. With its strong foundation in Project Portfolio Management and Application Portfolio Management, Innotas provides CIOs and IT managers with visibility across both strategic initiatives and sustaining operations for improved decision making across the entire IT portfolio.

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