Application Portfolio Management

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Introduction….

In today's marketplace, Application Modernisation is the #1 software priority* across all industries.

To successfully grasp the modernisation and transformational opportunities embedded in their current estate an organisation must first understand the current landscape and the way in which it serves the businesses capability needs.

The cornerstone of IBM's solution to unlocking that understanding is to drive an Application Portfolio Assessment [APA] that will deliver both a baseline position of the current estate and a range of transformation treatments that could be applied.

That APA then forms the primer for on-going pro-active Application Portfolio Management and a move to cyclic review and improvement of the estate to better serve the organisation's business needs.

IBM's approach combines in depth consulting experience with industrial strength tooling to deliver tangible assets whilst having the flexibility to adjust to meet the needs of the client and be aligned to the dimensions of the application estate, with different variations depending on the breadth, depth, cost and timescale parameters that apply.

[*Forrester : February 2011]

What Is the Market For Application Modernisation?...

The challenge of dealing with the legacy application estate area is a strong focus for the leading analysts, and their research confirms that is remains a key area of concern to organisations across industry

Over 15 years, the cost of application development and go live are only 8% of lifetime cost of ownership

Gartner, "How to Reduce the Total Cost of Ownership of Applications," November 2010

Application Modernisation is the #1 software priority **across all industries**

Forrester Research, Inc., *Application Retirement—It's Time To Put The Elephant In The Room On A Diet* ; Base: 2,124 software decision makers. February 2011)

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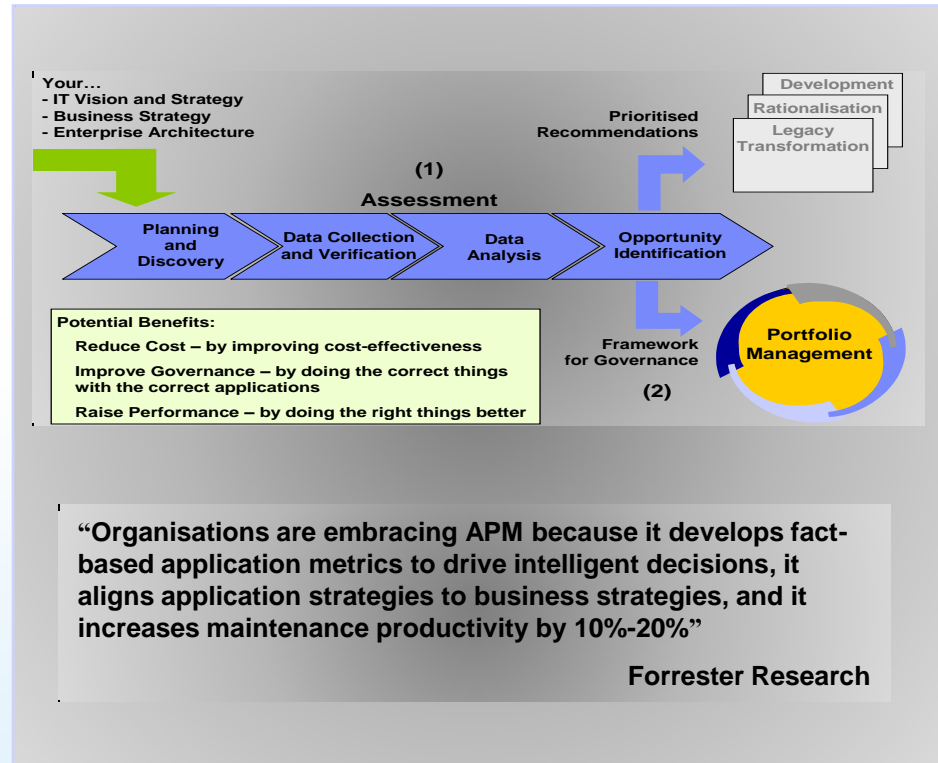# Application Portfolio Management: What it is and what it is not?

APM is…

Two major phases of activities which help align the application portfolio with business, strategic and technology priorities - Assessment (1) and on-going Portfolio Management (2).

APM recommendations should be transparent and qualified in business case terms

APM is NOT…

Simply about listing and counting applications - though clearly a interesting metric it is not often a robust indicator of application portfolio management alignment or value

A process for raising abstract technical change initiatives

Your…
- IT Vision and Strategy
- Business Strategy
- Enterprise Architecture

(1) Assessment

Planning and Discovery → Data Collection and Verification → Data Analysis → Opportunity Identification

Prioritised Recommendations

Development
Rationalisation
Legacy Transformation

Framework for Governance

(2)

Portfolio Management

Potential Benefits:
Reduce Cost – by improving cost-effectiveness
Improve Governance – by doing the correct things with the correct applications
Raise Performance – by doing the right things better

"**Organisations are embracing APM because it develops fact-based application metrics to drive intelligent decisions, it aligns application strategies to business strategies, and it increases maintenance productivity by 10%-20%**"

Forrester Research

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We All Know The Problems….

As we integrate functionality, systems, data and business system components, "legacy" gets bigger and more complex

Too many versions, vendors, products, platforms

Multiple integrated layers of systems and infrastructure become difficult to change

Skills and resource issues

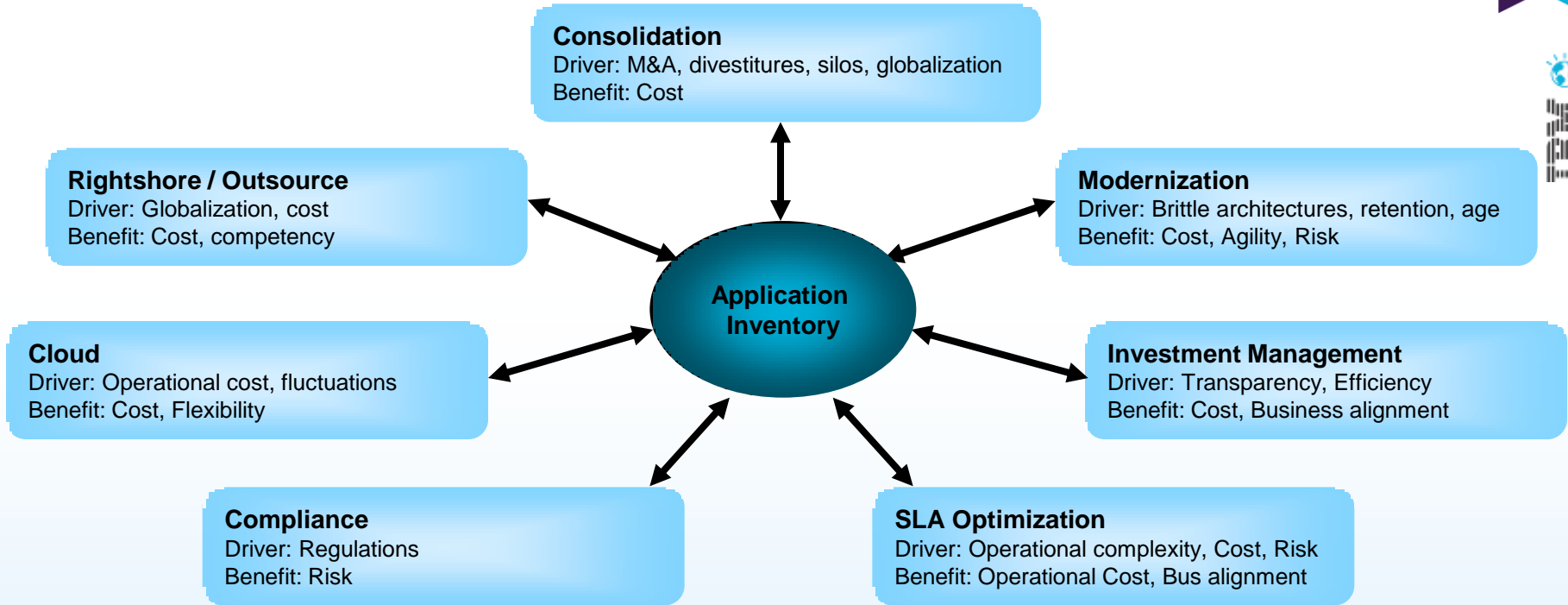Requires precision surgery to remove old solutions or join new solutions

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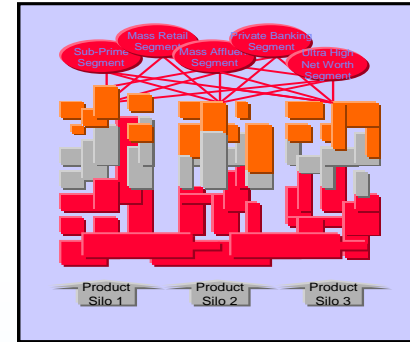
And The Changing Market Adds Further Challenges…

- Applications landscapes evolve to a complex mix of technologies, applications, and versions – with high fixed costs

- Living with existing applications is a core challenge for organisations, while they juggle cost reduction and business transformation demand

- Optimising existing applications is critical to meet these demands and deliver IT value of new opportunities, for example:

  - **Increasing business value while reducing on-going costs** constrained by "untouchable" applications as knowledge and skills reduce

  - Leveraging enterprise value of **cloud-computing** constrained by inflexible applications which resist change

  - **New business and application architectures** constrained by integration rules and complexity

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IBM's APA Solution Has A Set Of Clear Objectives Designed To Address These Issues…

Consolidation
Driver: M&A, divestitures, silos, globalization
Benefit: Cost

Rightshore / Outsource
Driver: Globalization, cost
Benefit: Cost, competency

Modernization
Driver: Brittle architectures, retention, age
Benefit: Cost, Agility, Risk

Application Inventory

Cloud
Driver: Operational cost, fluctuations
Benefit: Cost, Flexibility

Investment Management
Driver: Transparency, Efficiency
Benefit: Cost, Business alignment

Compliance
Driver: Regulations
Benefit: Risk

SLA Optimization
Driver: Operational complexity, Cost, Risk
Benefit: Operational Cost, Bus alignment
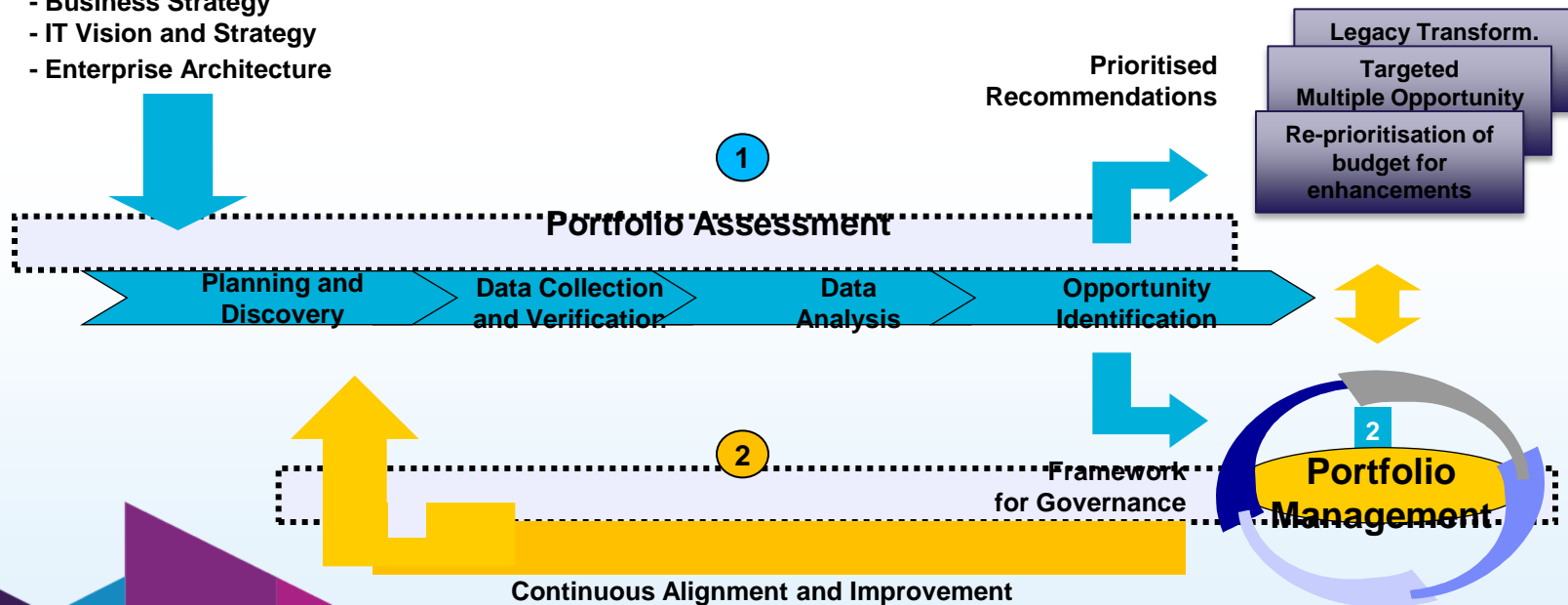
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Application Portfolio Management and Assessment

There are two major phases of activity; the initial Application Portfolio Assessment "APA" (1) and ongoing Application Portfolio Management "APM" (2).

Your…
- **Business Strategy**
- **IT Vision and Strategy**
- **Enterprise Architecture**

Prioritised Recommendations

Legacy Transform.

Targeted Multiple Opportunity

Re-prioritisation of budget for enhancements

1

Portfolio Assessment

Planning and Discovery	Data Collection and Verification	Data Analysis	Opportunity Identification

2

Framework for Governance

Portfolio Management

2

Continuous Alignment and Improvement

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Our own results: IBM is a world leader in leveraging the benefits of consistent focus on Application Portfolio Management

The client:

Objectives:

Reverse the rising tide of application maintenance costs to fund strategic development efforts from reduced support and maintenance costs and align IT with IBM business goals

Challenges:

To assess the current portfolio of 15,000 applications and establish targets, savings strategies and supporting plans

The solution:

- Identify redundant or obsolete applications and set end-of-year targets for retiring a committed percentage of the total
- Classify applications by their strategic value and shift maintenance support focus to highly strategic applications
- Rank applications with a quality score; applications failing to meet a baseline are selected for preventive maintenance, code simplification, modularisation, and more thorough documentation to improve maintainability
- Migrate an increasing share of maintenance work to IGS maintenance centres in lower-cost geographies

The benefits:

Cut applications by 70%

- From 15,000 to 4,600 applications
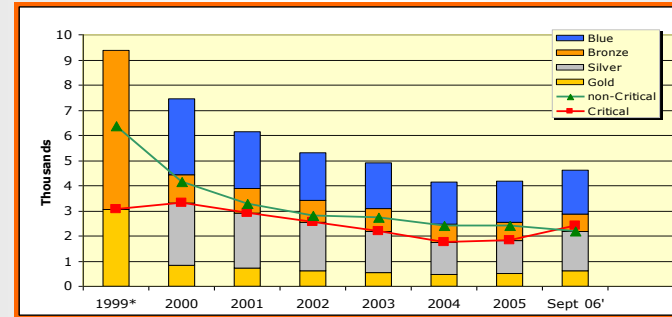
Established rigorous priorities

- SLAs now vary based on objective business criteria

Re-engineered applications

- Defects down 58% and maintenance costs down 20%

Relocated work

- Significant maintenance is now performed in countries with costs 60-70% lower than previous

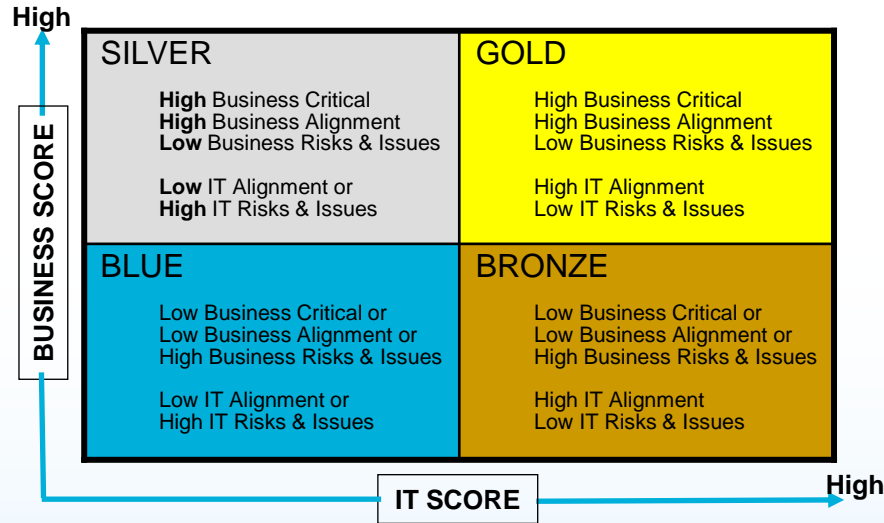**Innovate2011**

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Leveraging The Collected Data : Build The Knowledge Base

- ❑ The APA will build its portfolio upon the application data repository initiated for Due Diligence and Migration Planning.

- ❑ The application portfolio is an asset for point in time assessment and on-going monitoring and tracking

- ❑ Includes basic catalogue data – technology, owners, users etc.

- ❑ Issue based data points form transparent measurement frameworks

- ❑ Allows profiling of the application portfolio, and can use a range of perspectives

- ❑ It feeds longer term application portfolio management

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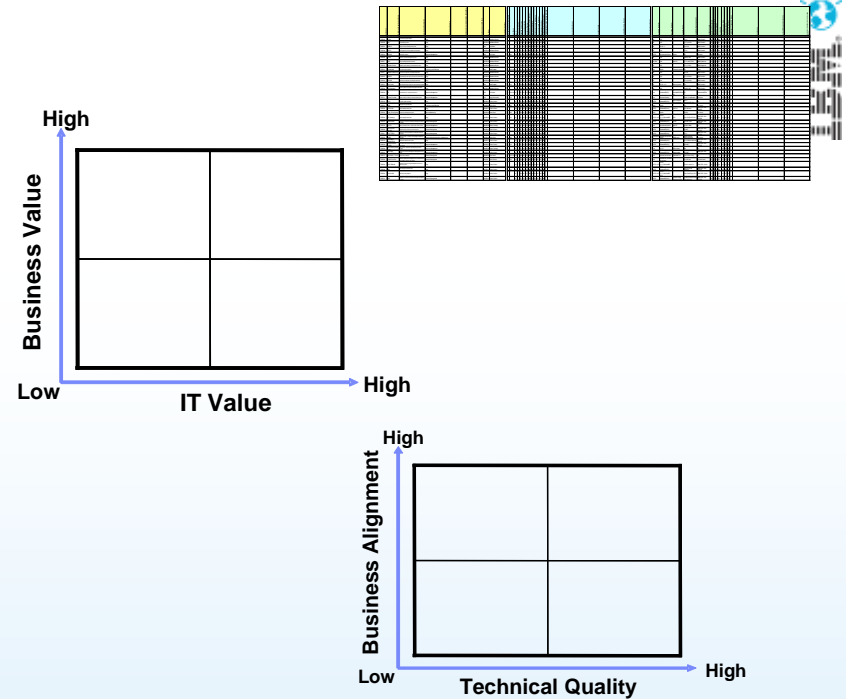
Using Focussed Assessment Criteria To Rank The Portfolio Using The Business Value / IT Value Measurement Framework

BUSINESS SCORE (vertical axis, High)

SILVER	GOLD
High Business Critical **High** Business Alignment **Low** Business Risks & Issues **Low** IT Alignment or **High** IT Risks & Issues	High Business Critical High Business Alignment Low Business Risks & Issues High IT Alignment Low IT Risks & Issues
BLUE	**BRONZE**
Low Business Critical or Low Business Alignment or High Business Risks & Issues Low IT Alignment or High IT Risks & Issues	Low Business Critical or Low Business Alignment or High Business Risks & Issues High IT Alignment Low IT Risks & Issues

IT SCORE → High

Rigorous challenge of BLUE and BRONZE ranked applications – both exhibit low business score:

- ❑ **GOLD** – Possible source of strategic or consolidation opportunities
- ❑ **SILVER** – typically high business score and low IT score characteristics, opportunities may be to restructure so to raise the IT score. Possible strategic opportunities
- ❑ **BRONZE** – typically source of a low number of opportunities
- ❑ **BLUE** – typically ALL Blue applications will be candidates for replacement, retirement or other opportunity

Need to drive out Opportunities
- ❑ From the "no brainer" to the "improbable"
- ❑ Quick wins Cost and consumption reduced inline with value

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Consistent Approach to Opportunity Identification

Retain ➤ Applications which meet both the Business and IT criteria (may be subject to different opportunity, e.g. reprioritise

Retire ➤ Applications with low business value, potentially high maintenance - move useful functionality, rules and data migrated to other portions of the application portfolio

Replace ➤ Applications important to the business operations, but lacking in functional or technology quality - move useful functionality, rules and data to existing or new packages or applications with higher functional and/or technical quality.

Restructure ➤ Applications with high business value but low non functional or operational performance. – by re-architecting, re-platforming or 'rust proofing code structure.

Reprioritise ➤ Applications with higher than desired maintenance or operations costs – reset service levels (e.g. criticality or fault severity levels, maintenance or enhancement request priority) in line with business value.

Relocate ➤ Applications which could benefit from different sourcing methods – evaluate and select alternate sourcing for application hosting, maintenance and/or development

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With The Prize Of Reduction In Overall Applications Spend & Improvement In The Fixed vs. Variable Cost Ratio…
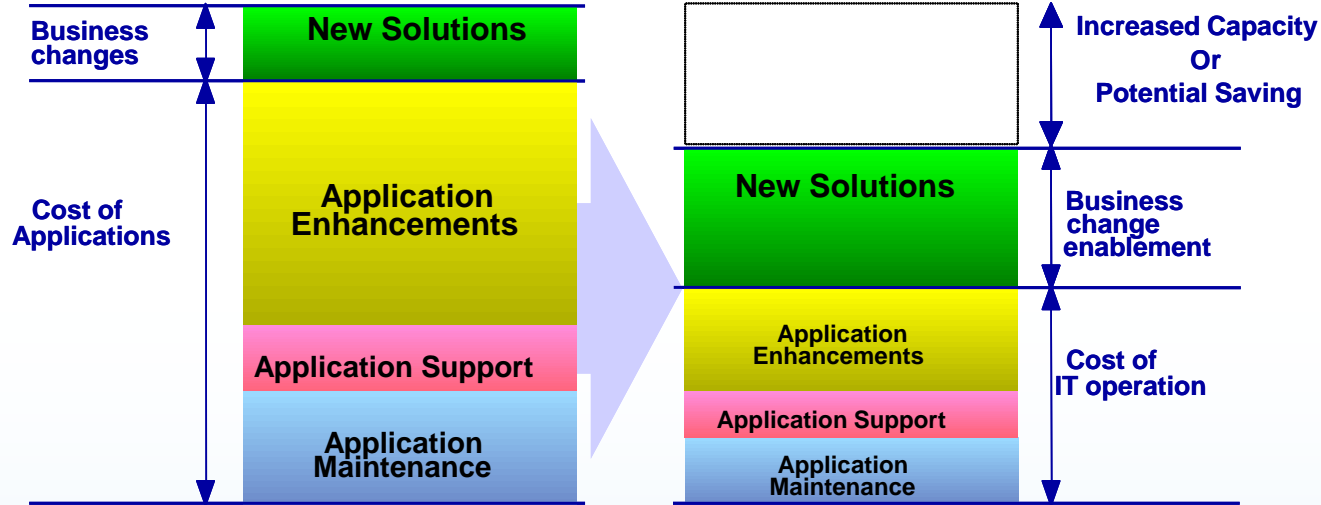
- Unlocks hidden capacity within IT spend – based on business value
- Focus spend on top applications – reduce fixed cost
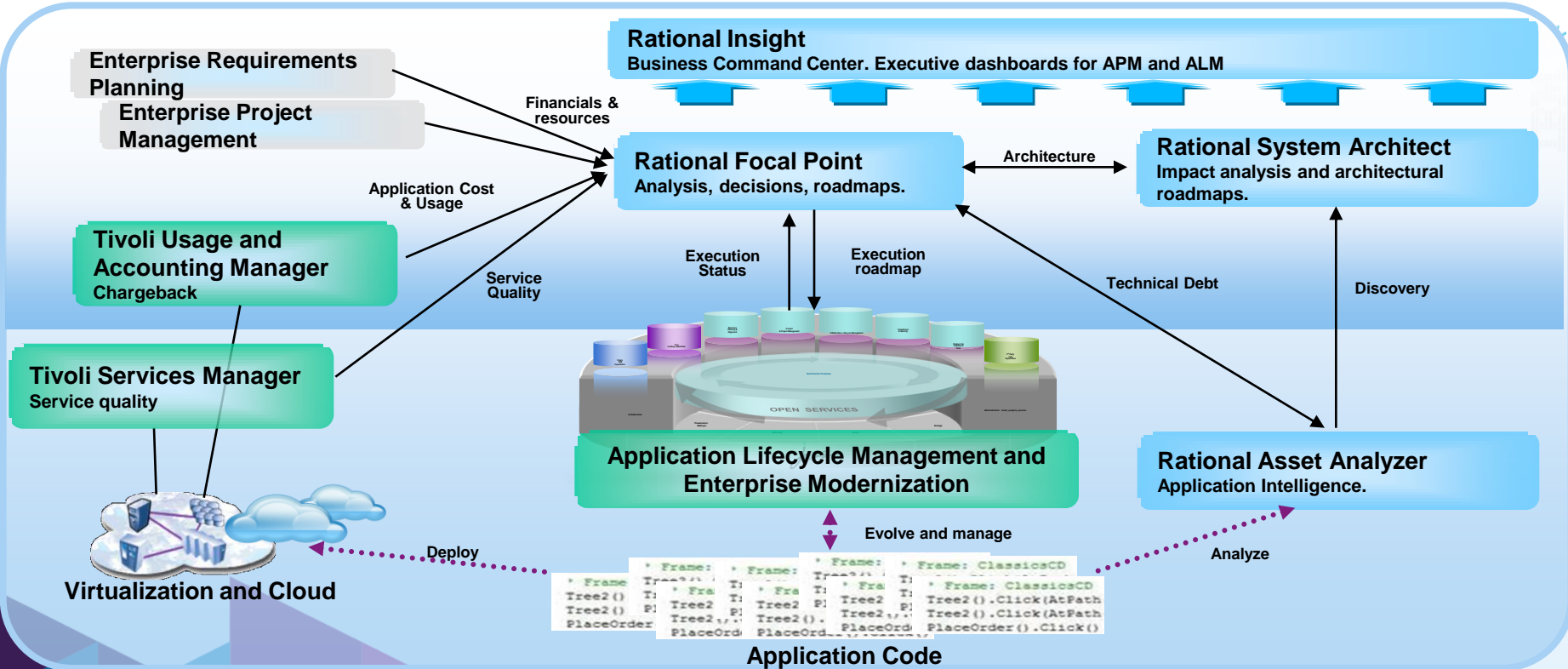- Savings may be reinvested in the top applications or taken as return on investment

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Vision: Enterprise Application Portfolio Management
Monitor, Analyze, Decide, Execute

IBM APM   IBM non-APM   3rd party

Rational Insight
Business Command Center. Executive dashboards for APM and ALM

Enterprise Requirements Planning

Enterprise Project Management

Financials & resources

Rational Focal Point
Analysis, decisions, roadmaps.

Architecture

Rational System Architect
Impact analysis and architectural roadmaps.

Application Cost & Usage

Tivoli Usage and Accounting Manager
Chargeback

Service Quality

Execution Status

Execution roadmap

Technical Debt

Discovery

Tivoli Services Manager
Service quality

OPEN SERVICES

Application Lifecycle Management and Enterprise Modernization

Rational Asset Analyzer
Application Intelligence.

Virtualization and Cloud

Deploy

Evolve and manage

Analyze

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Application Code

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Recommendations

- Clear approach and experience more important than tooling
- Business buy in and sponsorship is vital, use transparent measurement frameworks
- Define objectives, be clear on goals and on the range of dispositions you will focus on
- Build knowledge base for execution focus, complete and simple data points
- Value accelerates beyond counting applications
- Identify potential opportunities and qualify these in business case terms
- Socialise results, prioritise and transition to benefits realisation
- Embed the process for business as usual

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