



Application Portfolio Management—Strategies to Successfully Overhaul Your Application Portfolio

Yvonne Genovese
Scott Nelson
Jim Duggan
Dennis Gaughan

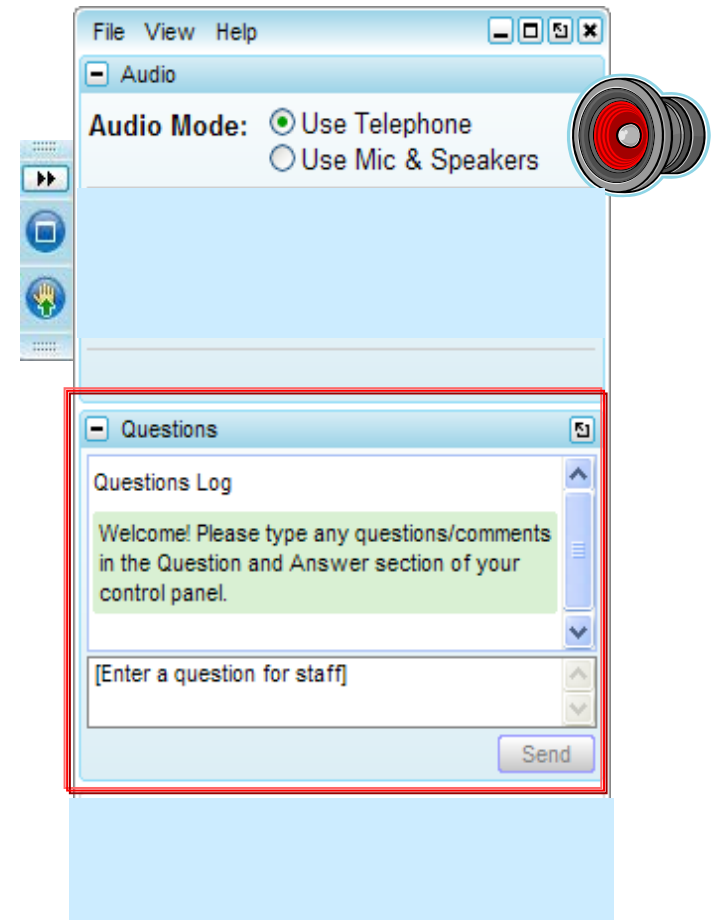
Welcome!

Thank you for joining us on today's Gartner webinar.



Here's how to participate in today's webinar

- You can listen to the presentation using your computer's speaker system as the default (VoIP).
- Or dial the conference line by selecting Use Telephone in the webinar audio pane.
- Have a question for the presenter(s)? Type it into the Questions pane—we will answer as many as time permits.
- A recording of this presentation will be sent to you within 48 hours.
- If you would like a copy of today's presentation, contact your Gartner Account Executive or gartner.com/webinars.
- Please note you may be polled during the webinar; only aggregate answers will appear.





Application Portfolio Management—Strategies to Successfully Overhaul Your Application Portfolio

Yvonne Genovese
Scott Nelson
Jim Duggan
Dennis Gaughan

IT and Business have become Application “Hoarders”

- ...this shouldn't be happening. Effective governance of an application portfolio is an essential mission for IT.

From this...



To This!



Applications Overhaul—What is it?

Application Overhaul is the concept is trying to rework the application portfolio such that firms are in a better position to meet the future needs of IT and the business unit.

Applications Overhaul—Why Now?

- In 2008, 2009 IT budget cuts forced CIO's to examine their application budgets and therefore the application portfolio.
- What they found was functional overlap, costly integration, unnecessary vendor maintenance payments, etc.
- While they took tactical measures to meet budget cut requirements (cutting low hanging fruit), it was apparent that the years of adding applications had resulted in a bloated application portfolio.
- Budget optimization will continue. In many organizations, this will provide the CIO with an open window re-aligning the application strategy to the business strategy.
- Through 2012, at least 25% of Global 1000 will initiate an applications overhaul project.
- Drivers:
 - 2009 – 2010 application overhaul project driven by IT cost optimization.
 - 2011-2012 application overhaul projects will be driven by business drivers (e.g. process standardization, return to growth).
 - Later application overhaul projects (2012-2015) will be driven by business and IT drivers (when there are business cases, when IT gains leadership, etc)

Applications Overhaul—Why Care?

- Firms are losing IT flexibility
- Firms have little to no budget left for new projects
- Software as a Service (SaaS) is allowing business users to go outside IT to get systems to solve their problems
- Current environment is sub-optimal
- Some solutions are worse than the problem

Applications Overhaul: Is IT Doing the Right Things?

Aligned with current and future business needs?

- Contributions to total cost:
 - Maintenance
 - Technical quality
 - Gaps and enhancement plans

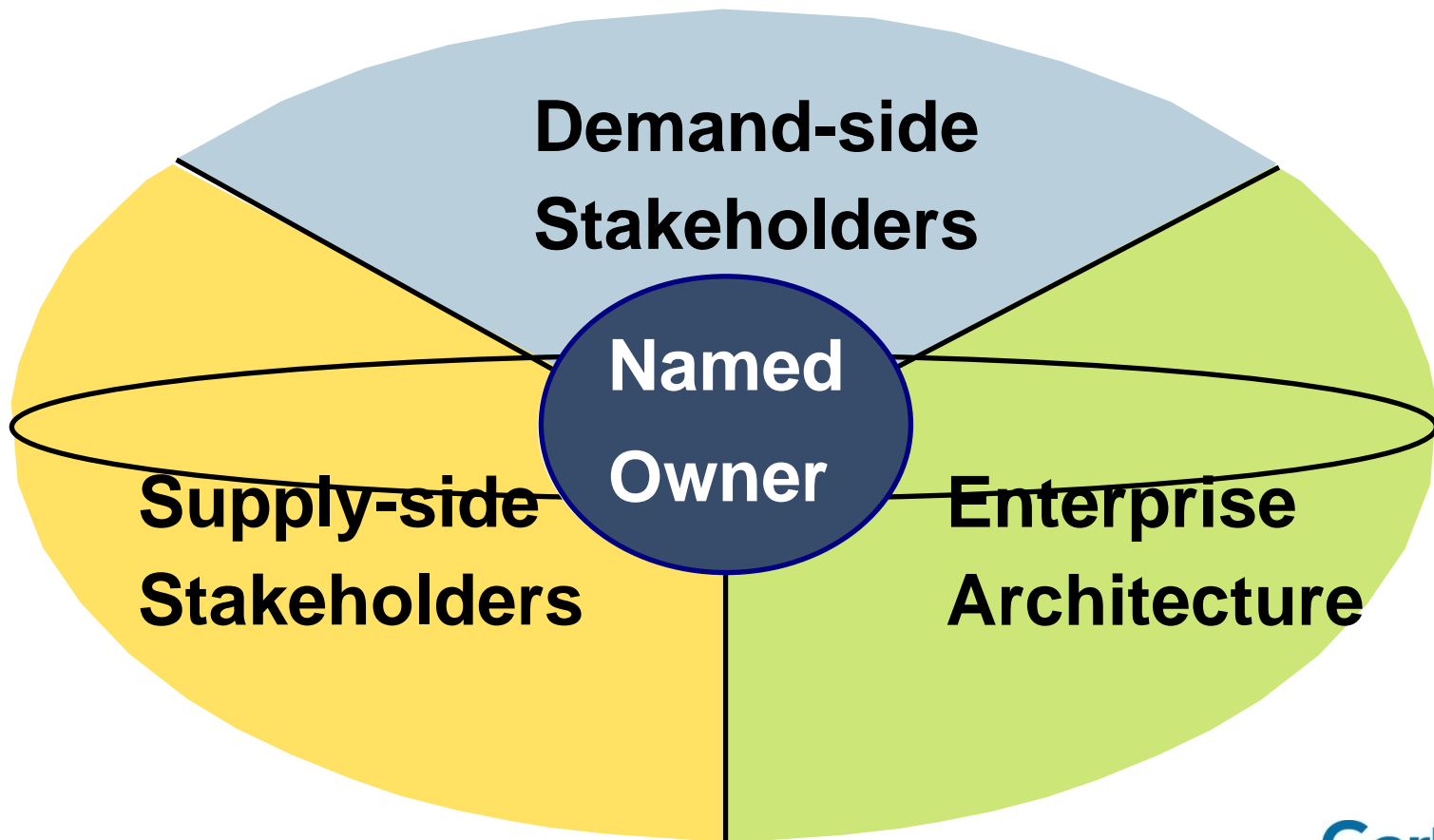


- Potential risks and disruptions:
 - Technology
 - Business
 - Resource
 - Operational

Delivering at best cost and right risk?

It's All About the Governance

Governance of the stakeholders, by the stakeholders, for the stakeholders



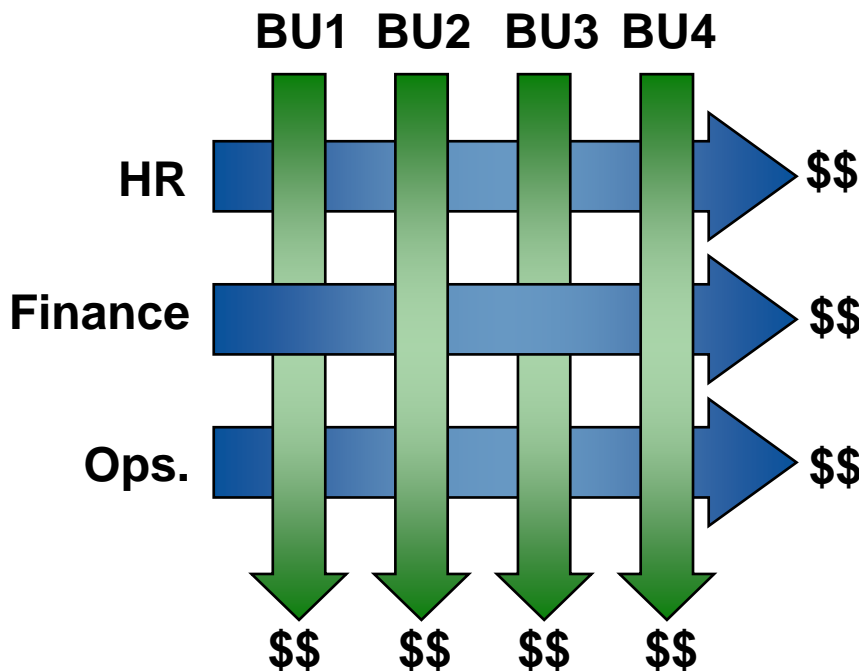
Do APM Top Down!

Scope to Match Resources and Need for Action

Individual Health Check

Top 25 Applications

Business Continuity List



Single Business Process

Related Business Processes

Cross-BU

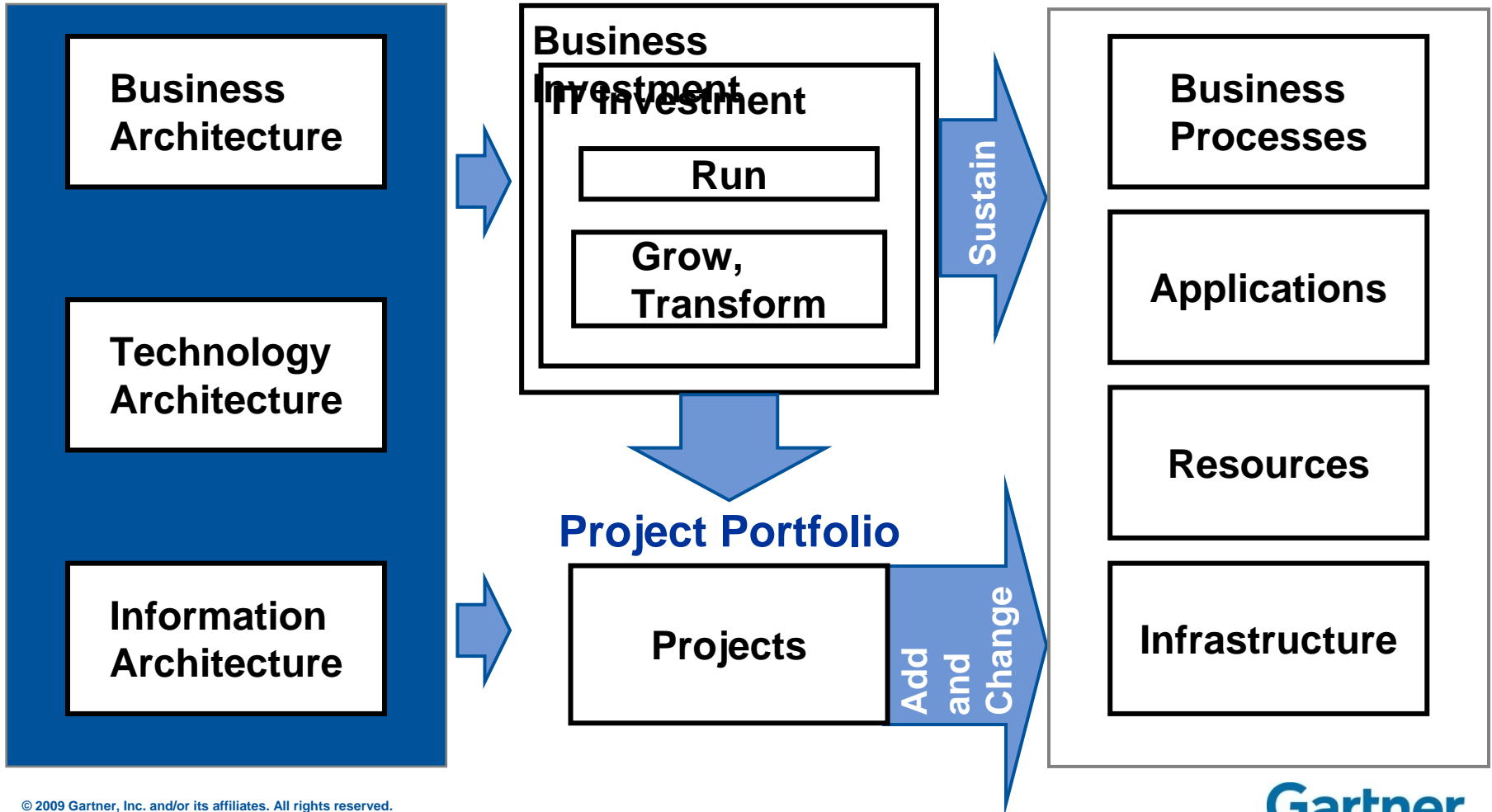
Line of Business

APM Provides Factual Information to Drive a Better Balance

Enterprise Architectures

Investment Portfolios

Asset Portfolios



Application Portfolio Review Inputs and Processes



Preparation by the APM Team

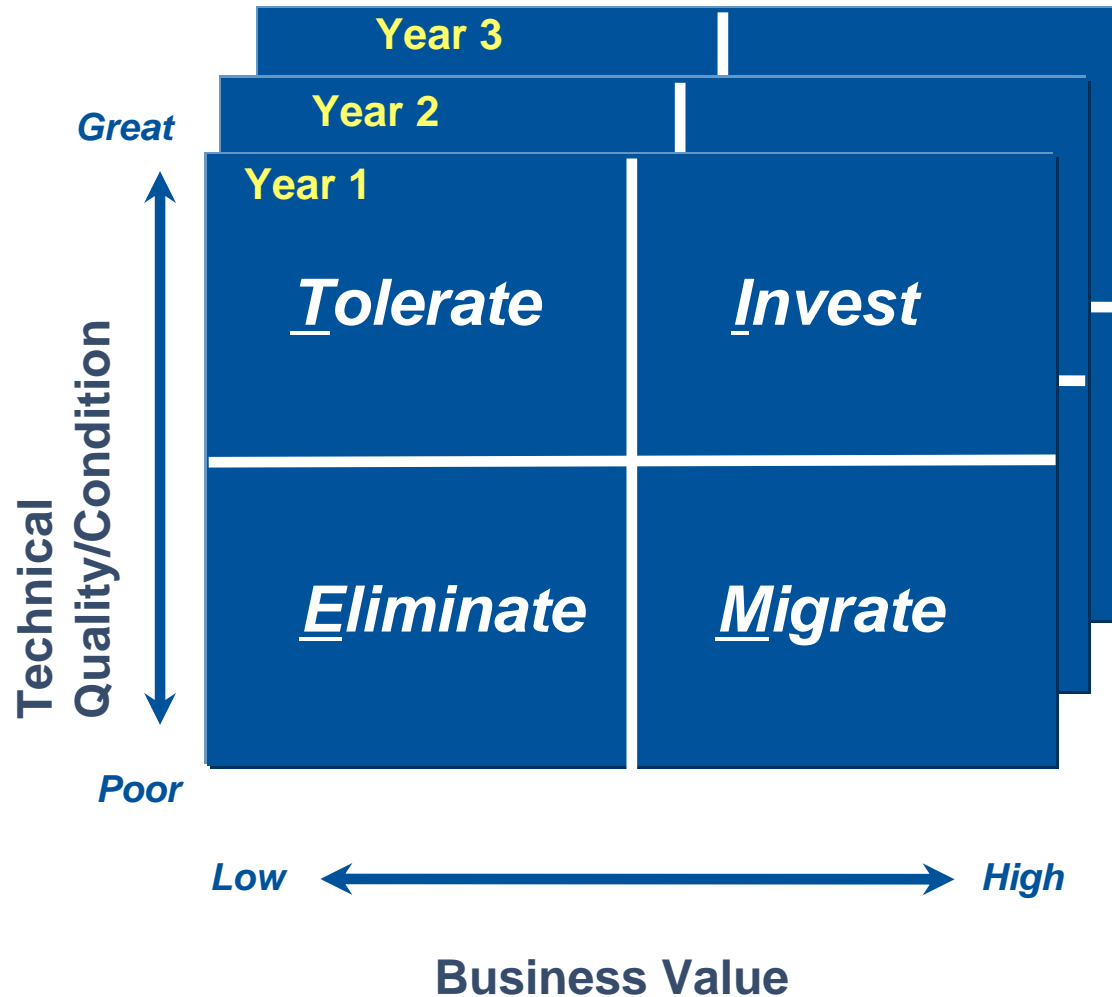
- Inventory of applications in use and key attributes: Risk, Cost and Value
- Assessment of applications from business, technology and financial perspectives
- Gaps, overlaps and improvement opportunities



Application Value Review Meeting

- All stakeholders
- Review assessments and alternative futures
- Select strategy to align with needs
- Input to budget and project planning

Assessing and Consolidating the Portfolio: TIME Recommendations



Application Portfolio Deliverables

Tactical Actions



Outputs of the Application Value Review

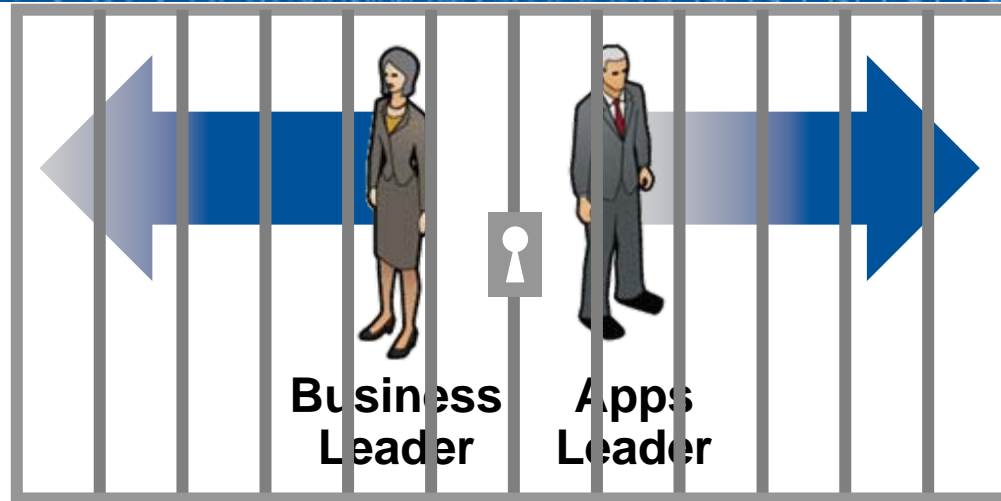
- Short-/medium-term classification related to application life cycle:
 - Tolerate, integrate, migrate and eliminate
- Recommended action for each application (area)
- Critical watch lists: skills, vendors, technologies, products, languages and tools
- Project charter for recommended actions

Long-Term APM Deliverables

- Strategies to rationalize, reduce costs and increase overall value
- A "to be" application portfolio/architecture and metrics to manage application portfolio in time
- Road map that outlines and prioritizes overhaul alternatives: standarize, consolidate, modernize, rationalize



If You've Had This Conversation... You Are In A Jail of Your Own Making



- **Common Ideas**

(do them the same as everyone else, but execute better) • Core System*

- **Better Ideas**

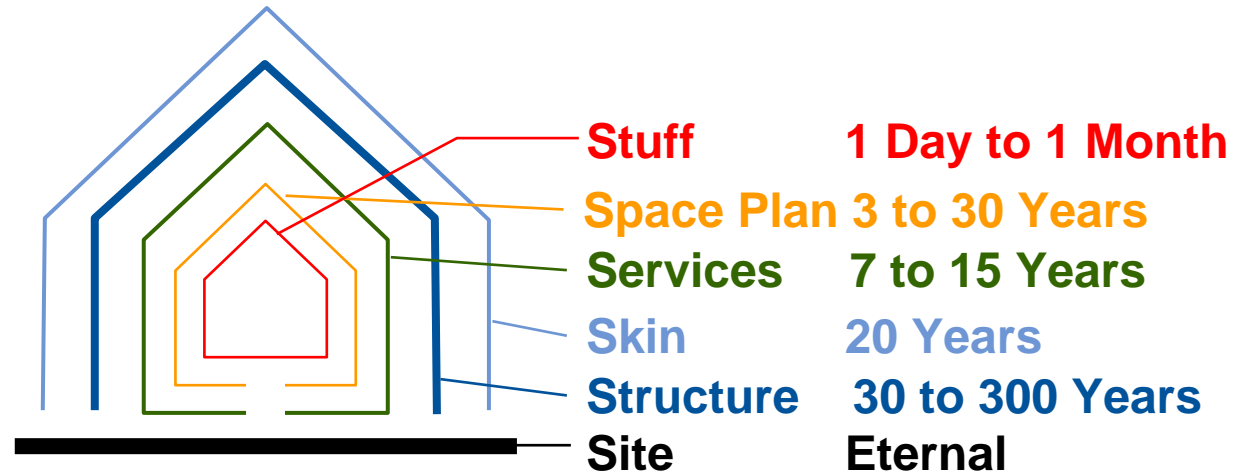
(do them differently from how others do them) • Core System*

- **New Ideas**

(not sure exactly how to do them, but they could be big) • Core System*

* Note: "Core System" is usually a Packaged Application Suite, but may be best of breed packages that have been integrated, or a legacy 'homegrown' system.

How do Other “Systems” in Industry “Get Out of Jail”? Pace Layering/Shearing Layers



- **Key insights:**

- “Layers” are a useful technique for handling variations in pace of change
- Interactions across layers are key: integration, integrity & governance

- **For more information:**

- Pace Layering – “How Buildings Learn”, Stewart Brand (1994)
- “A Shearing Layers Approach to Systems Development”, Simmons & Ing (2000) – IBM Research Report
- Wikipedia: Shearing Layers

Get 'Out of Jail' with a Pace Layered View of Systems

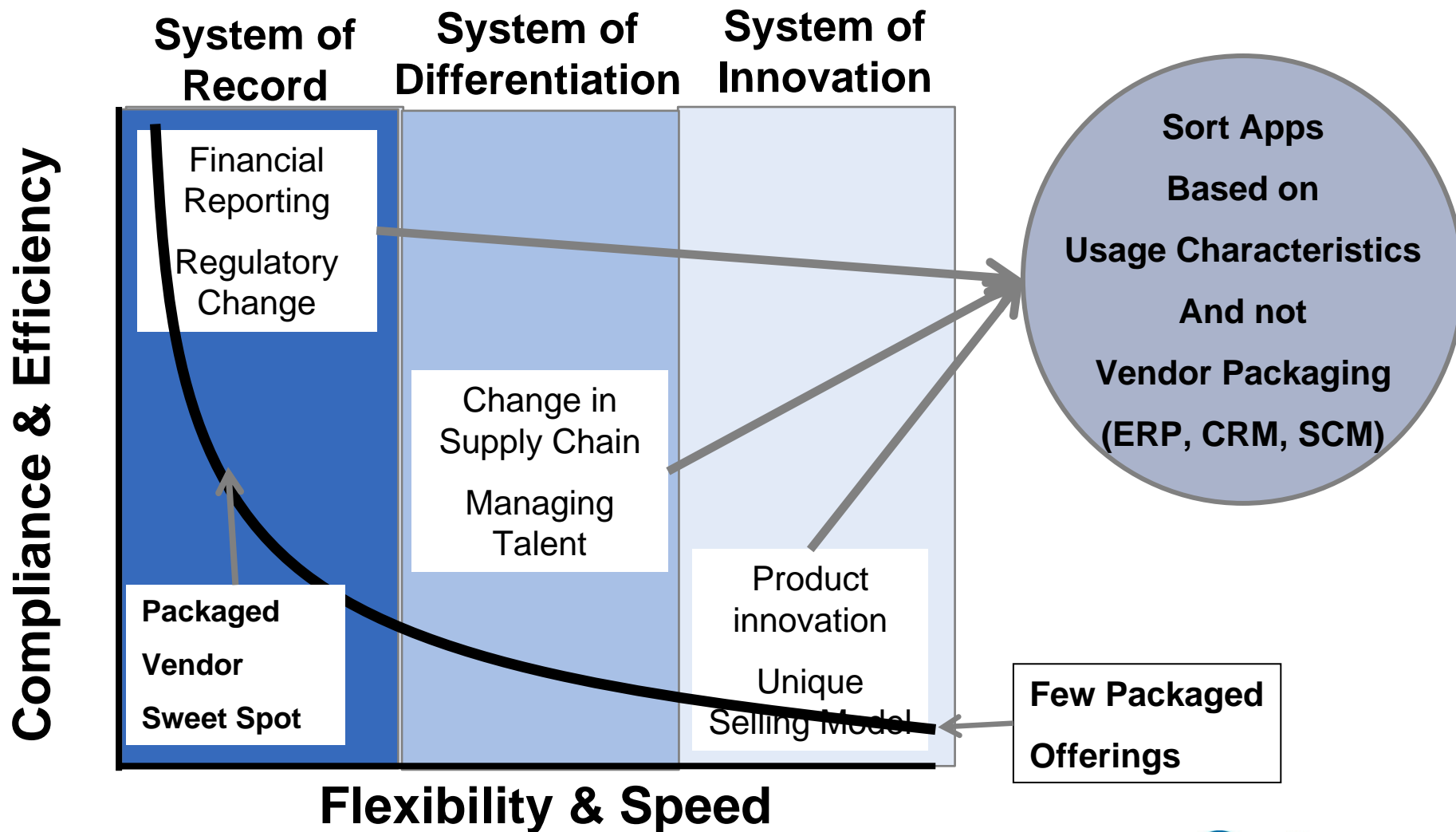
- Execute better (not differently)
- Better idea (differently)
- New idea (not sure about the details)

Systems of Innovation

Systems of Differentiation

Systems of Record

Your Application Portfolio Should Match Business Strategy Requirements



Recommendations for Layers

Characteristic	Record	Differentiation	Innovation
Strategic Focus	Improve Execution	Better Design	Better Idea
Lifespan	10-20 years	3-5 years	6 mos – 3 years
Pace of Change	Infrequent	More Frequent, Configurability is key	Very Frequent
Process Variability	Stable	Dynamic	Both
Data Integrity	High	Moderate	Limited
Support Requirements	75% Technical 25% Business	50% Technical 50% Business	25% Technical 75% Business
Sourcing	Integrated Packaged Application Suite	Best of Breed	Custom, Orchestrated, Open Innovation
Typical Deployment	On Premise Cloud Emerging	On Premise or SaaS	Any, but typically on-premise
Investment	Capital Asset	Capital or Expense	Expense

The Application Overhaul Mind-Set

- 1) This is a multiyear **expedition**
- 2) Overhaul is not one decision; the final result is the outcome of **thousands of decisions**
- 3) The wholehearted participation of all the stakeholder communities is **essential**
- 4) Overhaul program management must focus on the **desired business outcomes**

It's All About the Business Outcomes

Recommendations

- ✓ Develop a portfolio management strategy that maps to the corporate culture.
- ✓ Gather rich inventory data, and socialize it in order to gain real management commitment.
- ✓ Evaluate all four modes of application consolidation.
- ✓ Inform the business so that the business can take the decision to lead.

Related Gartner Research

- ***Applications Overhaul Special Report:***
- **Special Report—Application Strategy: Overhauling Your Application Portfolio**
- **<http://www.gartner.com/technology/research/application-overhaul/index.jsp>**

Gartner Events



Experience live analyst expertise plus much more at a Gartner event.

Events for Portfolio & Program Management Professionals:

PPM & IT Governance

June 20-22, 2011 * San Diego CA

PPM & IT Governance

June 13-14, 2011 * London, UK

Visit gartner.com/us/events

Gartner Symposium/ITxpo: The world's most important gathering of CIOs and senior IT executives

- Hundreds of analyst led sessions, workshops, how-to clinics and more
- Role-based tracks designed to address your key priorities and challenges
- Immediately actionable take-aways—a clear action plan for the next 3, 6 and 12 months
- Mastermind Interview Keynotes with industry leaders
- The ITxpo show floor with hundreds of top solution providers and exciting startups



Celebrating 20 years of Symposium/ITxpo

September 14 – 16	São Paulo, Brazil
October 17 – 21	Orlando, FL
October 25 – 27	Tokyo, Japan
November 8 – 11	Cannes, France
November 16 – 18	Sydney, Australia



Visit gartner.com/symposium to learn more

Two simple steps for increasing the value of today's webinar experience

- **Contact your Gartner account executive (or e-mail GartnerWebinars@gartner.com) with any additional questions, comments or requests—or to order a complimentary copy of today's presentation**
- **Visit gartner.com/webinars for a schedule of upcoming Gartner webinars (plus replays of previous webinars) and share these resources with your colleagues**