

Solution Brief

APPLICATION PORTFOLIO OPTIMIZATION

Reduce IT Costs by Optimizing Your Applications

The Growing Need for Application Portfolio Optimization

Today's business environment features increased cost pressures, tougher competition, growing IT infrastructures, and more stringent regulatory compliance. Organizations are tirelessly looking for ways to improve performance, reduce costs, and gain an edge on the competition. Simply put, the need for application portfolio optimization has never been greater.

Most organizations lack a centralized system for capturing their application performance and spending over time. This means that the total cost of ownership (TCO) of current applications is unclear at best. Without proper visibility into TCO, IT executives can never be sure that they are retiring, enhancing or acquiring the right applications at the right time.

In short, without this visibility, true application portfolio optimization is simply impossible. Technology leaders are missing a significant opportunity to quickly and easily reduce costs and deliver value back to the organization.

A One-Time Rationalization is Not Enough

Traditional attempts at application portfolio optimization typically involve one-time, ad hoc rationalizations. With changing requirements and shifting infrastructures, a one-time rationalization is no longer sufficient.

To accommodate ongoing change, organizations need a way to track the performance, cost and value of their applications over time — and that means an ongoing optimization process.

A Unique, Lifecycle Approach driven by best practices

Planview Application Portfolio Optimization's lifecycle approach has been developed leveraging Planview PRISMS adaptive IT management best practices that have been proven over the past 20 years at hundreds of organizations around the world. These best practices develop processes that track benefits and costs over the lifecycle of the applications.

Using this long-range visibility, IT executives can eliminate unnecessary costs, streamline IT infrastructures, and create lifecycle programs to retire outdated, redundant or low-value applications. The Planview approach to Application Portfolio Optimization is an iterative process that includes developing an inventory, assessing applications, and enhancing the application portfolio.

In addition, only Planview Enterprise provides a lifecycle-driven approach that automatically manages the execution phase of application portfolio management. This often-overlooked phase frequently has the greatest impact on the organization. Understanding the execution phase is critical because the work and projects required by application optimization result in specific costs in terms of time and resources. If these costs are not captured, organizations cannot put a true dollar figure on TCO for an application.

Bottom-Up Analysis For Top-Down Decisions

With Planview Enterprise for Application Portfolio Optimization, IT executives gain accurate visibility into their application portfolio. As a result, they can make more effective, top-down decisions about which applications to acquire, retire or enhance. The result can be a dramatic reduction in IT costs and a significant increase in resource utilization, services, and performance.

Planview Enterprise for Application Portfolio Optimization

Planview Enterprise® is the market-leading portfolio management solution from Planview®. Portfolio management helps you optimize your business by balancing strategy against scarce resources — people and money.

Planview Enterprise components include Enterprise Portfolio Management for linking strategy with execution, Product Portfolio Management for maximizing the market impact of products, Ideation Management for amplifying the voice of the customer throughout products and services, Service Portfolio Management for managing the total cost of business service delivery, and Insight Analytics for accelerating informed business decisions. Planview Enterprise is available both in on-premise and hosted, Software-as-a-Service options, for optimal deployment flexibility.

Planview Enterprise for Application Portfolio Optimization helps IT organizations reduce costs and improve infrastructure management.

Learn more at www.planview.com.

ROI In a Matter of Months

Achieve maximum ROI by quantifying your applications benefits with Planview Enterprise for Application Portfolio Optimization.

According to Forrester Research, application portfolio optimization delivers a significant ROI in only a few months and savings of up to 30% off of application maintenance spending.

Since companies spend more than 70% of the total application budget on maintenance, application portfolio optimization represents a 7% to 21% savings off the total applications budget.

“Application portfolio management is critical to understanding and managing the 40% to 80% of IT budgets devoted to maintaining and enhancing software.”

- Gartner Research



Figure 1. The Planview Three-Stage APO Process

An Ongoing, Three-Stage Process One ... Creating an Inventory

An effective application portfolio management process requires the development of a comprehensive application inventory. This ensures that organizations are working with the most up-to-date information possible.

The applications within an organization are inventoried using information collected through a comprehensive set of interviews. While some questions require a descriptive answer, most questions are answered by selecting a response from a pre-populated pick list. By using pre-populated questions obtained from past application inventories, the data collection process is effectively automated. Automated information-gathering, as opposed to front-loading the data, results in more accurate data. In fact, this automation component is generally considered an essential requirement for true application portfolio optimization.

Planview Enterprise for Application Portfolio Optimization also provides the option of interfacing with third-party application auto-discovery systems.

Two ... Assessing the Application Portfolio

Once the inventory phase is completed, five key elements are necessary for successfully assessing the portfolio:

1. **Information gathering:** Information gathering requires measurable metrics, objective assessment and standard templates and tools to ensure the correct data is used for assessment.
2. **Business buy-in:** Stakeholders must agree to the approach and participate in the process. This will ensure that they value the results.
3. **Evaluation framework:** An evaluation framework must be constructed that takes into consideration business value, cost and risk.
4. **Validation of output:** Output is validated if the data is objective, believable and tells a story.
5. **Recommendations and decisions:** A clear business strategy and pre-defined criteria — as well as the authority and budget to take action — are necessary to begin making key recommendations.

Dramatically reduce IT costs and improve infrastructure management by:

- Simplifying application infrastructure to comply with enterprise architecture requirements
- Eliminating redundant and low-value applications
- Accelerating portfolio evaluations during mergers and acquisitions
- Identifying and quantifying sourcing alternatives
- Instituting effective IT governance / portfolio management processes

Data is gathered to measure the following aspects of each application:

- Customer satisfaction
- Frequency of use
- Application lifecycle position
- Application complexity and risk assessment
- Business and strategic value
- Capability to fulfill present and future business functional needs
- Technical capability to perform within the enterprise
- Alignment with corporate architecture standards

These aspects are rated to determine an application's score within three key performance areas (KPA) – business value, cost and risk.

Overall, the assessment phase enables an organization to understand the condition of an application, quantify its operational and support costs and measure its value to the business. This information is essential in achieving full optimization of the applications.

Three ... Taking Action

After creating an application inventory and assessing the portfolio, the final step in the process is optimizing the portfolio. Application inventory and assessment data is used to create and execute targeted action plans to improve the overall value of the portfolio. These plans are launched and managed by automated lifecycles. This unique optimization step enables organizations to make decisions on:

- Extending the life of useful applications
- Retiring or sunseting low-value applications
- Standardizing technology platforms
- Consolidating redundant applications

Powerful Functionality for Application Owners

Planview Enterprise for Application Portfolio Optimization enables application owners to carry out the following functions, ensuring effective application portfolio management:

- Define the strategic-level business requirements that the application should fulfill and then launch major changes in the application
- Own responsibility for the application's total budget, total cost of ownership, and the quality and structure of the information in the application
- Assign budget and funding for maintenance and development of the application, as well as roles and resources for coordination and development in the business organization
- Ensure that any mandated regulatory compliances are followed and that the application is being utilized Make sure that the information is continuously up to date by delegating the responsibility for the information inventory to the concerned parties
- Comply with enterprise architect infrastructure standards

REAL-WORLD BENEFITS

Application portfolio optimization has delivered real-world solutions across a wide range of industries, business models and markets, helping IT leaders gain better cost control while improving services and processes.

Insurance

A \$12 billion insurance company has seen significant growth over recent years due to acquisitions and the development of technologies to meet needs of non-integrated business units. The company found themselves with a large, diversified application portfolio. The volume of applications and non-standard technologies resulted in a higher-than-expected TCO across the portfolio. With application portfolio optimization, they:

- Completed a rationalization of 150 applications
- Retired 7 applications within 6 months
- Saved 40 Fulltime Equivalent (FTE) in labor cost

Manufacturing

Through multiple acquisitions, a multi-billion global manufacturing company developed a diverse and complex portfolio of more than 700 applications. The portfolio led to duplicated efforts, fragmented processes and inefficient maintenance costs. Using application portfolio optimization to streamline its IT spending, the manufacturer:

- Rationalized the use of vendor software licenses, resulting in an annual savings of \$4 million in fees
- Identified and decommissioned 20% of corporate support applications for a 25% reduction of FTEs

Government

A state agency had a large and aging distributed portfolio with large number of critical applications more than 10 years old. The agency needed to understand the magnitude of the problem and define strategies to address risks with their application portfolios. By applying a best-practice framework for assessing the application portfolio, the agency could understand the business value of the applications and quantify the risks. With application portfolio optimization, the agency:

- Completed a rationalization of 1,200 applications and identified status and risks for each application
- Established a governance process to update the portfolio by all agencies on an ongoing basis
- Successfully Integrated recommendations with all planned initiatives

Finance

A large financial services organization carried a portfolio of over 120 applications introduced as point solutions for branch automation and data marts. Support and enhancements of these applications led to costly maintenance, fragmented data structure, reduced data integrity and escalating licensing fees. Taking advantage of application portfolio optimization, the organization:

- Reduced the size of their portfolio by 20%
- Directed savings to new investments in high-value business applications
- Retired obsolete technology platforms within 6 months, resulting in a savings of \$1 million per year

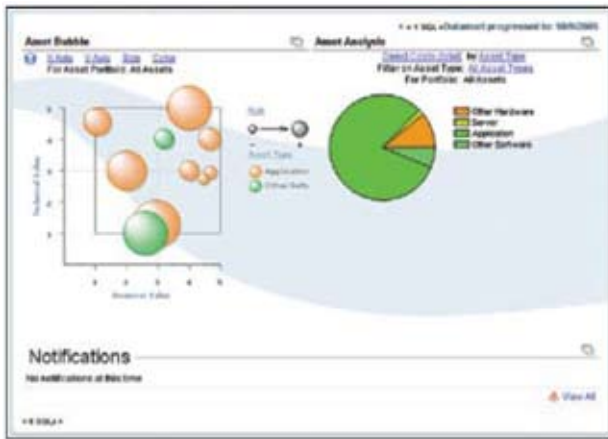


Figure 2. Dashboard views provide quick visual indicators displaying the performance of services and assets

Thinking About Application Portfolio Optimization?

Ask Yourself These Questions ...

Organizations need to justify every IT dollar they spend. To determine the benefit from Planview Enterprise's Application Portfolio Optimization capabilities, organizations should ask themselves the following questions:

1. What is my infrastructure costing me and where can I reduce costs and redundancies?
2. Should I outsource or upgrade any IT services or components?
3. Is our technology positioned to support our business growth?
4. Can I leverage my legacy systems without creating technology gaps?

The answers to these questions can illustrate how Planview Enterprise will help streamline an organization's applications while reducing costs, creating a more efficient infrastructure and building a more flexible platform for strategic growth.

Get Started Today!

Planview Enterprise for Application Portfolio Optimization is a critical step in controlling the total cost of delivering business services, helping to track and report costs across the lifecycle of the application. Armed with accurate, timely data, IT executives can simplify IT infrastructures, reduce IT spending, and launch built-in lifecycles to retire outdated, redundant or low-value applications.

With Planview Enterprise for Application Portfolio Optimization, IT executives can also realize even greater benefits from Planview Enterprise for Service Delivery, giving them an additional level of enterprise-wide visibility to standardize service delivery, enhance service quality, reduce maintenance and improve overall IT performance.

Learn more about Planview Enterprise for Application Portfolio Optimization and other Planview solutions today at www.planview.com/solutions.



For 20 years, Planview has been advancing the discipline of portfolio management, helping our customers change the way they manage people and money to make better business decisions. With a singular focus on portfolio management, Planview is the only company that combines customer-driven software, unmatched domain expertise, and proven best practices to solve each customer's unique business problems. For more information, visit www.planview.com.

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