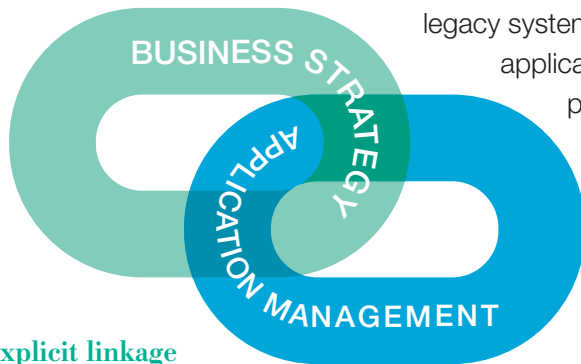


Gain Control and Reduce Costs by Linking Your Application Portfolio to Business Strategy

By David Wright

Most well-established companies have amassed a complex infrastructure of applications, including both new and legacy systems. These application portfolios become increasingly costly to support and maintain, and enhancements



Explicit linkage from business strategy to application management strategy is crucial

and integration of new solutions become more and more difficult to implement. Businesses routinely invest almost 70% of their IT spend on maintaining these existing application portfolios*. With this level of spending, explicit linkage from business strategy to application management strategy is crucial. Application Portfolio Management (APM) is a best-practice for IT departments to achieve that linkage.

Application Portfolio Management (APM) is the process of continually assessing and evaluating the IT application portfolio on the diverse perspectives of business value, performance, cost, architecture and risk and then managing the necessary transformations to align the portfolio with these strategic needs of the business.

APM and Project Portfolio Management (PPM) are closely aligned. They are built using the same processes to inventory, analyze and optimize a portfolio using objective methods. They also use the same organizational strategies and business drivers as the basis for analysis and to ensure adherence to corporate governance processes. However, where PPM deals with a portfolio of projects that may or may not be implemented, APM focuses on a portfolio of existing applications so is concerned much more with ongoing costs, architectural fit and risk.

The Benefits of APM

A well executed APM process can provide both strategic benefits and efficiency gains for an organization. The process of objectively assessing the fit of current applications allows for increased ROI from the entire portfolio. The specific benefits are detailed below.

Application Inventory

A central, standardized application inventory is the foundation of an APM solution. Applications can be assigned to portfolios, linked with other applications and their costs associated to related projects and funding organizations. Application functionality is mapped to business processes to assess and quantify strategic impact. Architectural fit scores are created by measuring applications' alignment to portfolio standards of architectural quality. All of these metrics combined create an analytical platform for managing the application portfolio on an ongoing basis.



*Gartner Worldwide Benchmark Report

APM

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“Enterprises that implement a disciplined Application Portfolio Management strategy can achieve IT expense reductions of more than 20 percent and reduce future application transformation costs by 30 percent.”

Gartner

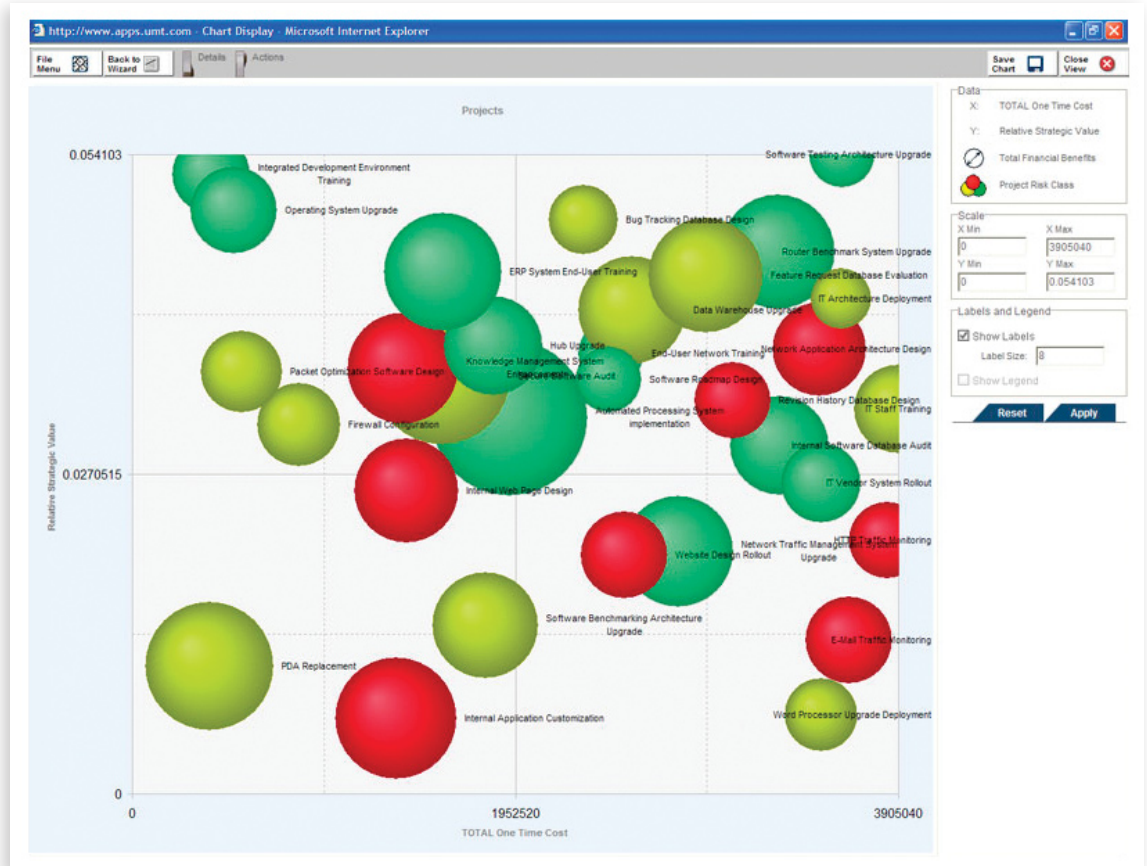
Framework for Managing Application Costs

With an APM solution, IT managers are able to budget and track the “lights on” cost of applications and link them to the costs of associated projects to calculate total cost of ownership (TCO). IT managers can identify cost drivers by comparing average costs of applications by type, domain, technology, age, and correlating other attributes to cost. Correlating application cost elements to other metrics, like business value, performance and architectural fit, can highlight cost-effective design patterns and identify best practice “outliers”. Using this process, IT is able to clearly define the value of its annual maintenance budget in terms of business value.

Strategic Alignment

APM allows a true business-IT partnership. Each application derives a strategic impact score from its contribution to business processes and the strategic importance of those processes. Application costs can be compared to the strategic importance of the processes they support to illustrate the value added by IT spend. In conjunction with business stakeholders, CIOs can create several scenarios to align to business needs by optimizing the strategic impact of the application portfolio; subject to constraints of budget, risk and human resources.

Portfolio view in APM Solution



Opportunity for Portfolio Rationalization

The process of inventorying and assessing all applications allows for the identification of both functional redundancy as well as redundancies in a process context. Application consolidation opportunities can be identified thereby reducing the redundancy from the application portfolio. Portfolio rationalization allows for significantly reduced maintenance costs.

Architectural Fit Assessment

APM provides an architectural fit score based on standards of performance, reliability, information protection, cost-effectiveness, supportability and interoperability. In particular it exposes organizational skills gaps in terms of ongoing support and development and the risks associated with each. This assessment highlights areas to be rectified as well as identifying the most successful design patterns to be continued. The architectural fit assessment identifies ways to reduce support costs and reduce risk in the application portfolio.

Risk Management

With APM, standardized risk metrics can be correlated to strategic impact and architectural fit. Compound metrics can be created by weighting a standard risk score by strategic impact, or user count. The risk management office can aggregate the compound risk metric to compare averages by application type, and quantify the application risk of a portfolio.

Business Decisions

Based on the information from the assessment process, informed decisions can be made regarding the direction of any component of the application portfolio. The choices are:

- **Upgrade:**
Get next version of a packaged application
- **Grow:**
Enhance functionality to support the strategic needs of the organization better
- **Integrate:**
Merge or integrate application functionality with other portfolio components to improve the cost-effectiveness of IT support to the business
- **Sunset:**
Retire the application component and migrate or consolidate the functionality as required.

If the decisions include growing or integrating applications, the organization's current IT skills and tools need to be assessed and any deficiencies addressed. Then a fully prioritized action plan can be created. The process is illustrated on the next page.

The final step is the most important – continuous renewal.

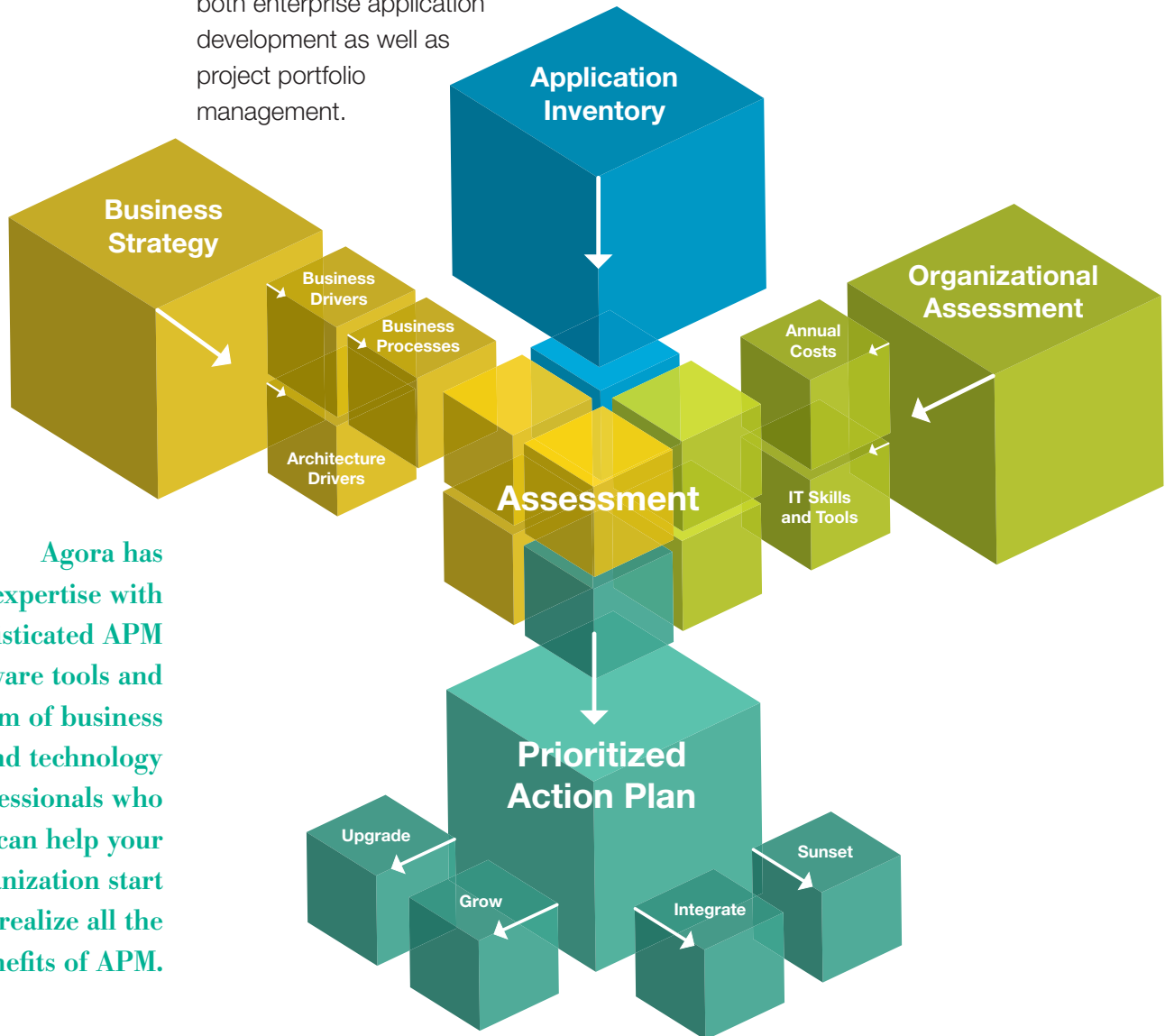
Every change in business strategy, business processes, organizational readiness or the application portfolio itself requires an updated analysis to ensure that the optimum set of actions is being taken.



Getting Started

The first step in the process is to start building the Application Inventory. This process builds on Agora's core strength in both enterprise application development as well as project portfolio management.

For more information on Application Portfolio Management, please visit our website at www.agorainc.com/apm



Agora has expertise with sophisticated APM software tools and a team of business and technology professionals who can help your organization start to realize all the benefits of APM.

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