



Application Portfolio Analysis: Creating Order from Chaos

By Aparna Umakant Katre

Chaos is a word that describes the current state of most financial services IT portfolios. As early adopters of technology, financial institutions and insurance companies are running systems that were originally developed as early as the 1970's. These legacy systems continue to provide essential services to the enterprises they support.

Today, such legacy systems face an uncertain future. These application portfolios are now comprised of inflexible, disparate systems that are intertwined throughout the entire enterprise.

The risk of escalating maintenance costs combined with increasingly unsupportable technology platforms has become an undeniable threat to business. In many situations, the nimbleness required to onboard new functionality in competitive time frames is little to non-existent.

Industry research shows that such systems often result in—

- ▲ High costs for maintenance
- ▲ Misalignment with business strategies
- ▲ Hurdles to standardize business practices
- ▲ Inability to implement shared services
- ▲ Long timeframes for deployment and market launches

An independent assessment of your application environment—**application portfolio analysis**—provides your organization with the following understanding of the individual applications—

- ▲ Impact on business value
- ▲ Enhancement potential
- ▲ Cost
- ▲ Short and long term technology concerns

The ultimate goal of application portfolio analysis is effective management of your IT systems, including strategic application development, maintenance, transformation and retirement. Application portfolio analysis is a continuous process and must be an integral part of your IT management strategy. It's a valuable tool which supports your application decision-making process—when to

outsource, what to outsource, what NOT to outsource, and what measurable results can be achieved.

Why Analyze Your Portfolio?

IT systems in financial services organizations have grown as disparate investments were made to meet immediate business needs rather than overall strategic goals. While many of these investments have lasting value, many do not. The end result for most financial firms is a patchwork of applications and infrastructure, frustrating both business and IT users. See Figure 1.

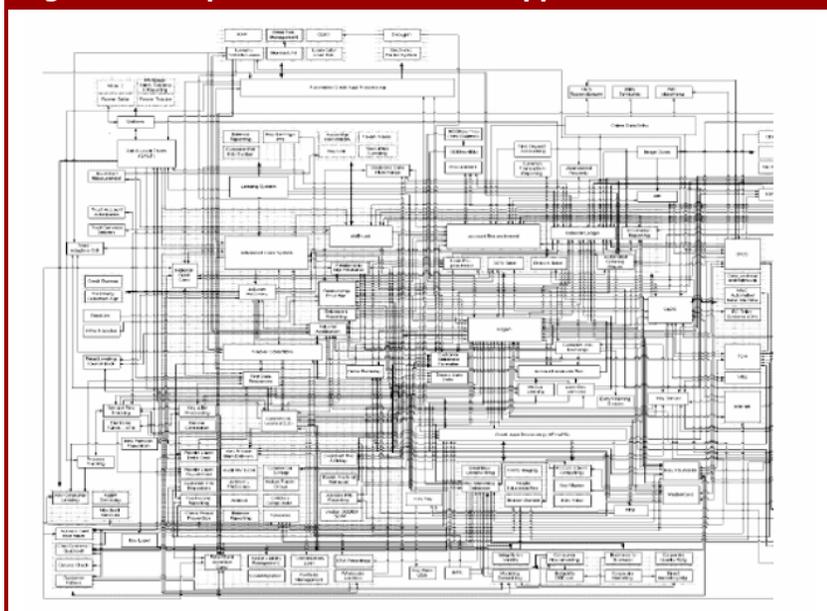
Some factors which drove separate development efforts include—

- ▲ Business units often “went their own way” to meet unique needs
- ▲ Mergers and acquisitions created a complex web of networks and applications
- ▲ Organizations often harbored a “not invented here” syndrome which led to building new applications rather than buying off-the-shelf

To help alleviate these concerns, it’s important that portfolio analysis be performed by people who understand both the technologies and your business.

Most financial companies have a large installed base of hardware, software and proprietary applications that run all or part of their critical business functions. A typical financial services company uses 20 or more critical business applications which have been enhanced over a period of time, leading to unnecessary

Figure 1: Sample Financial Services Application Portfolio



complexity. It's important that these investments yield true business benefits. As such, streamlining information technology and getting more value through IT transformation are challenges for many companies today.

AMR Research estimates that 85% of IT budgets are spent on maintaining current operations. Some of this is spent on common inefficiencies for application portfolios, including—

- ▲ Duplicate functionality across multiple applications
- ▲ Uncontrolled enhancements
- ▲ Applications implemented in silos
- ▲ Fragmented information architecture

These inefficiencies make it difficult for your organization to launch products, react to fast-paced markets and achieve the service excellence required to remain competitive.

Getting Started

Ideally, your company should hire an outside vendor to perform application portfolio analysis. Like any auditing process, this analysis is best done by an independent team. Your organization must have oversight of the process and closely study recommendations to ensure your vendor understands all applications and is performing a proper assessment. Additionally, your vendor should understand the technologies and industry-specific issues which drive your business.

Application portfolio analysis services should take a proven and strategic approach to the inventory, analysis and transformation of corporate application portfolios. Your portfolio analysis may follow a four step process as shown in Table 2.

- ▲ Pre-Assessment Diagnostic
- ▲ Current Baseline
- ▲ GAP Analysis
- ▲ Restructure

Key steps in any analysis include identifying the high-level business goals, creating an "as is" state for the portfolio, and performing quantitative and qualitative analysis on the collected information. When the analysis is complete, your firm will receive a framework for upgrading, growing, retiring or consolidating systems. From these recommendations, your organization will be able to fulfill strategic goals.

Application portfolio analysis is not a static, one-time exercise. It is a continual and evolutionary process that involves the assessment, rationalization, categorization and disposition of applications to achieve better strategic alignment with business goals, higher usability and lower costs.

What are the Benefits?

Application portfolio analysis is just one part of your larger portfolio management process. Effective portfolio management ensures that decisions are made to align IT initiatives with business objectives.

From the analysis, you can identify—

- ▲ Improvement areas in the portfolio which match up with dynamic business requirements and are in line with strategic priorities
- ▲ Selective restructuring, redesigning, retiring and redeployment of applications to achieve desired business results

In addition, the analysis will facilitate maintenance & support and deliver cost savings. As a first step in portfolio management, application portfolio analysis is necessary to drive transformation initiatives. The analysis will let your organization—

- ▲ **Maximize value of current portfolio.** Applications with similar or overlapping functions can be consolidated. Existing applications can be extended to a broader, global group of users, or your organization can build new, standardized global solutions designed to eliminate regional and redundant applications.
- ▲ **Focus on core business.** As companies move “back to their roots” and focus on core business, outsourcing non-core functions is a growing trend. Portfolio analysis can identify applications for outsourcing, reducing costs and freeing up key IT resources for use in core applications and new development.

Table 2: Four Stage Process for Application Portfolio Analysis

STAGE 1: Pre - Assessment Diagnostic	STAGE 2: Current Baseline	STAGE 3: GAP Analysis	STAGE 4: Restructure
<ul style="list-style-type: none"> ▲ Identify high-level business goals ▲ Scope out opportunities ▲ Collect data (infrastructure and applications) ▲ Set improvement targets 	<ul style="list-style-type: none"> ▲ Create an “As Is” state which includes a detailed view of the current applications and infrastructure portfolio ▲ Focus on two separate areas simultaneously: infrastructure and applications ▲ Data used: business value; technology value; risk; cost 	<ul style="list-style-type: none"> ▲ Use sophisticated models to perform qualitative and quantitative analysis of data ▲ Expose “low-hanging fruit,” applications that can clearly be maintained or eliminated ▲ Run models such as: portfolio categorization framework; business value versus technical value mapping model; and offshore-ability analysis framework 	<ul style="list-style-type: none"> ▲ Develop a roadmap to implement recommendations

- ▲ **Make better informed decisions.** Gain an in-depth knowledge and understanding of the strengths and weaknesses of your current application suite. Investments can be prioritized based each application's strategic importance. This streamlines spending and ensures that IT investments deliver real value to the business.
- ▲ **Decrease cost of future application maintenance.** Application portfolio analysis can help your firm create an outsourcing plan that enables you to sign competitive, long-term maintenance and support contracts which significantly reduce application operating costs.
- ▲ **Provide continuous improvements.** By conducting regular analyses, your company can evaluate the changes that have been implemented and ensure that IT assets are always aligned with business goals.
- ▲ **Enhance value by transforming portfolio.** Portfolio analysis delivers to your organization a transformation blueprint. The blueprint includes application consolidation, integration and retirement options to deliver maximum returns.

Conclusion

One of the largest challenges in information technology is the support and management of a complex web of interdependent applications. You cannot manage what you don't know. Application portfolio analysis gives your company the information you need to make strategic decisions about your systems. It gives you the knowledge to eliminate redundancies and bring simplicity to an otherwise chaotic IT infrastructure.

Ultimately, you want your company's application portfolio to serve business needs. Portfolio analysis will tell you if it does, or show you how it can.

ABOUT THE AUTHOR

Aparna Umakant Katre is Kanbay's Chief Process Officer and leads the process organization. She holds a Masters Degree in Statistics and specializes in the area of Statistical Quality Control and Operations Research. Ms. Katre has managed organization change in the area of quality in software engineering and was responsible for implementing Kanbay's standard global methodology, KGM.