

Application Portfolio Rationalization

Legacy applications which have passed their period of use and independent applications that are unmanaged and out of control add to technological development, global competition and compliance requirements to pose greater challenges to IT and business.

Application proliferation

In many companies, IT spending is often the single largest capital investment that business makes. Many organizations have, over the last couple of decades, invested aggressively in IT initiatives resulting in a large number of applications in their portfolio. The increase in IT portfolio can be primarily attributed to the following events:

- M &A
- Applications developed to address new business lines
- Technology Evolution
- Vertical Specialized Products

Despite its magnitude, IT budget looks less like an investment and more like operating expense. Recent study shows it is common place in many organizations to spend about 75-80% of their IT budget on application management / maintenance.

Looking back, many legacy applications were written in silos primarily addressing their line of business functionality. These have undergone many modifications / up-gradations to keep up with changing business processes or been reengineered to match evolving business requirements. Over a period of time these applications provide diminishing support to business objectives and require higher costs to maintain.

Also there are many redundant applications which get created as an effort to provide solutions that are a need-of-the-hour. This creates a surge in IT portfolio which can be viewed as a valid depending on which side of the table one sits.

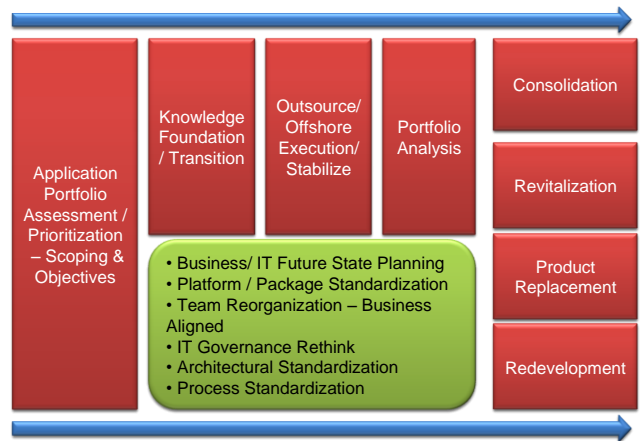
This kind of approach, a linear thinking process to IT planning, under which applications are deployed and then expected to run forever, leads to an endless proliferation of IT systems that is not sustainable. The practice of adding new applications without retiring old ones will eventually cause the entire IT budget to be consumed by maintenance and operational burden. In the absence of a defined process, the risks and benefits of these applications cannot be quantified with respect to the business objectives they serve. This often results in a situation where identification of redundant IT applications and those that are not aligned to the organizations business strategy becomes difficult. Lack of quantitative criteria also makes it difficult to decide on new IT initiatives that are in line with the current and future business requirements.

Foundations of Portfolio Rationalization

Study the Current Portfolio – A core team constituting of business and IT people to do a detailed study of the business process and IT systems supported in the organization. Organization must define a clear methodology to quantify the risks and benefits of an application in relation to its cost and purpose.

Defining the future state of the IT Ecosystem – IT Leadership to define the future state IT Ecosystem of the Organization which is to be used as the blueprint for all future endeavors and also the path the existing/legacy applications should take in the rationalization journey.

Path to Rationalization



Build a strong Knowledge foundation - Based on the study and existing documentation available in the organization, detailed knowledge foundation is to be created of the existing portfolio. The knowledge foundation is required as a reference to the needs of the organization and also to transition the application to vendors/partners.

Optimize maintenance cost of existing/legacy application - In a effort to first cut the maintenance costs being incurred and to free up funds in the budget for rationalization, legacy / existing applications support/enhancement to be outsourced/offshored to a partner. In addition to freeing up budget, this also makes internal IT team and leadership available to focus on the rationalization initiative.

Analyze the portfolio against the future state defined – The IT Leadership along with the core team reviews the existing portfolio against the future state blueprint. The road map must define a course of action for the existing portfolio that will best put it on the path to adhering to the future state in terms of technology, functionality etc.

Initiate Rationalization:

- Consolidation of Applications
- Revitalization of Applications
- Product Replacement
- Redevelopment of Applications



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