

# Setting the Stage for Growth with Data-Driven Application Rationalization and Portfolio Management



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# Executive Summary

Almost every organization acknowledges that Application portfolio management is a problem caused by multiple internal and external factors.



Almost every organization indicates application portfolio management has profound implications on business operations, investment capacity, and competitiveness.



Effective application portfolio management can lead to business gains across departments and the entire organization, including operational savings.



**92%** of organizations indicate challenges related to application portfolio spending



**90%** of organizations recognize inefficient app estate management has a knock-on effect on business and users

## Main reasons behind poor application portfolio management:

- 01 Poor operational/management practices
- 02 Frequent changes in application strategy
- 03 Vendor billing complexity and inconsistency
- 04 Poor application architecture
- 05 Poor application cost governance and/or management skills

## Poor application portfolio management impacts ability to invest in:

- 01 Modernizing app delivery tooling
- 02 Driving digital innovation
- 03 Training and reskilling
- 04 Modernizing the application landscape
- 05 Hiring talent

## Business areas to benefit the most from application portfolio management:

- 01 IT service management
- 02 Finance
- 03 Security
- 04 Lines of business
- 05 Procurement

## Biggest cost savings on the back of application rationalization achieved in:

- 01 Development, testing, and integration
- 02 Monitoring and ticket handling
- 03 Architecture and design
- 04 Infrastructure management, monitoring, and remediation
- 05 Support and maintenance

# Priorities in The Economic Environment Shifted Towards Business Efficiency

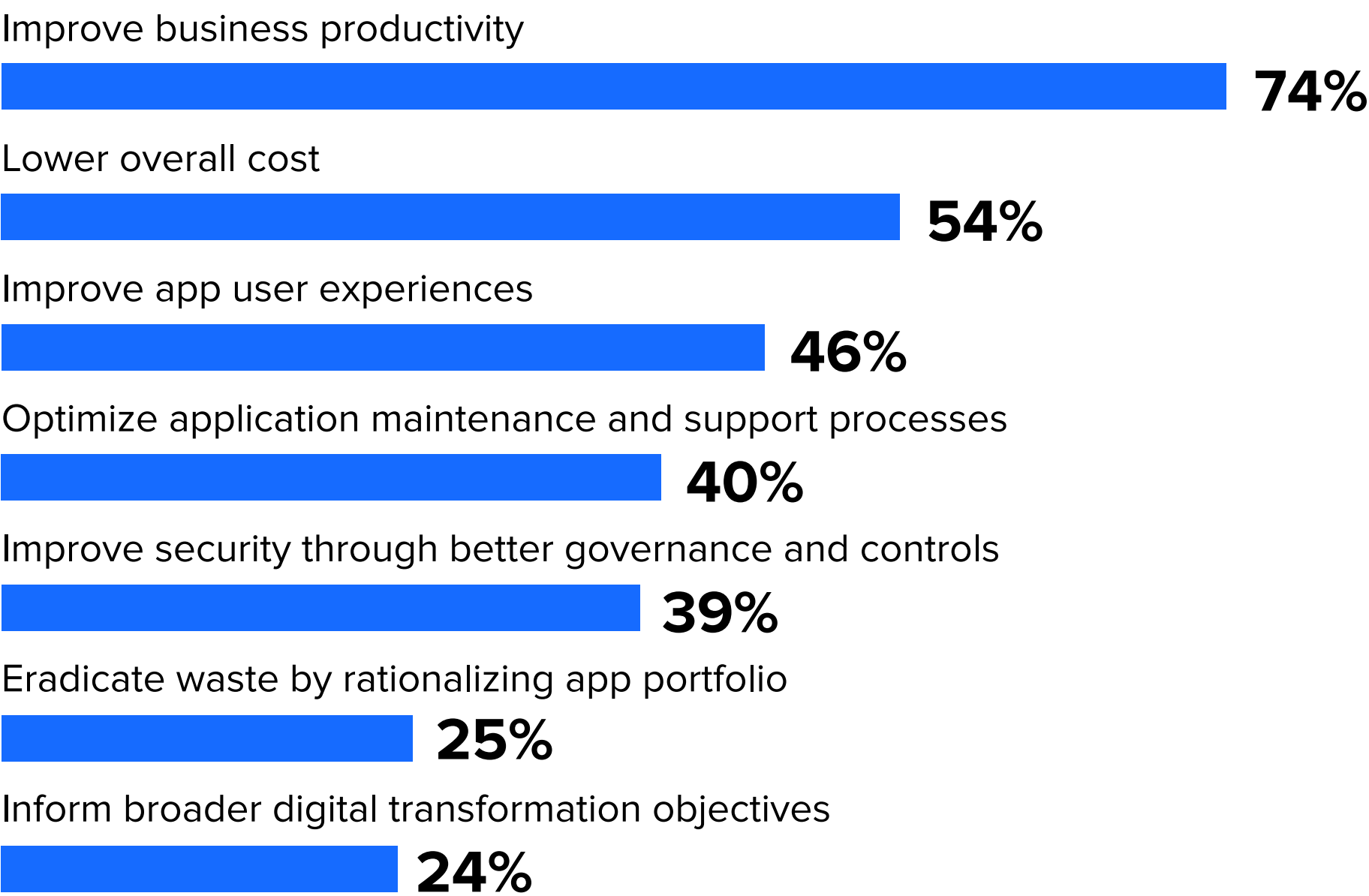
The change in economic climate forced a shift in business imperatives. Although innovation and customer experience remain important, efficiency became the primary mandate driving business agendas. In the face of unpredictable market dynamics, ensuring deeper optimization in the business emerges as key to ensure operational agility and competitiveness.

## Main Business Priorities

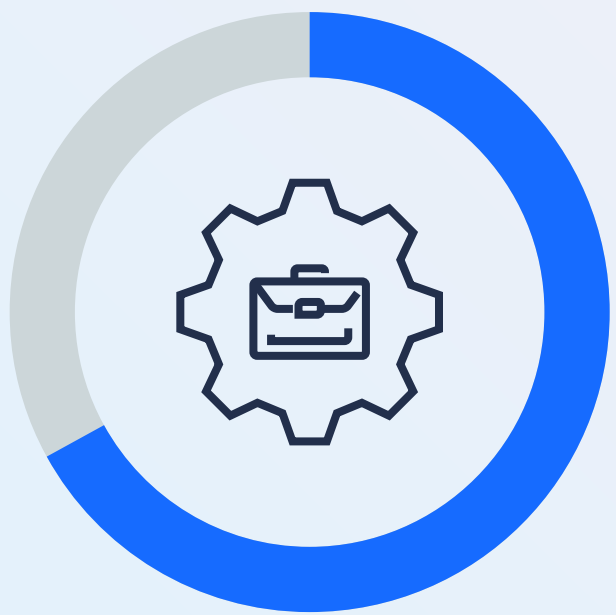


# Business Priorities Put Application Portfolio Management Under the Spotlight

## Top Business Drivers for Improving Application Strategy:



**Q: What are the top business drivers for your application strategy in your company?**



**67%** of organizations **recognize application portfolio management as very or extremely important** to cope with a rapidly growing number of apps

**Q: Which of the following best describes the importance of application portfolio management investments in your organization to cope with the growing number of applications?**

With technologies such as AI, low code/no code, and cloud native increasing, the number of applications worldwide is expected to grow substantially over the next couple of years. In this context, **ensuring operational, financial, and compliance discipline** across the application estate **requires very robust application portfolio management** capabilities.

# Application Estates Have Been Poorly Managed, Impacting Ability to Execute on Business Mandates and Stay Competitive



**73%**

of organizations are unhappy about their level of spending for applications relative to benefits



**40%**

of organizations recognize their current capability to cost-effectively manage their application portfolio is suboptimal

**34%**

Custom-built applications

**42%**

Commercial off-the-shelf applications

**24%**

Commercial SaaS applications

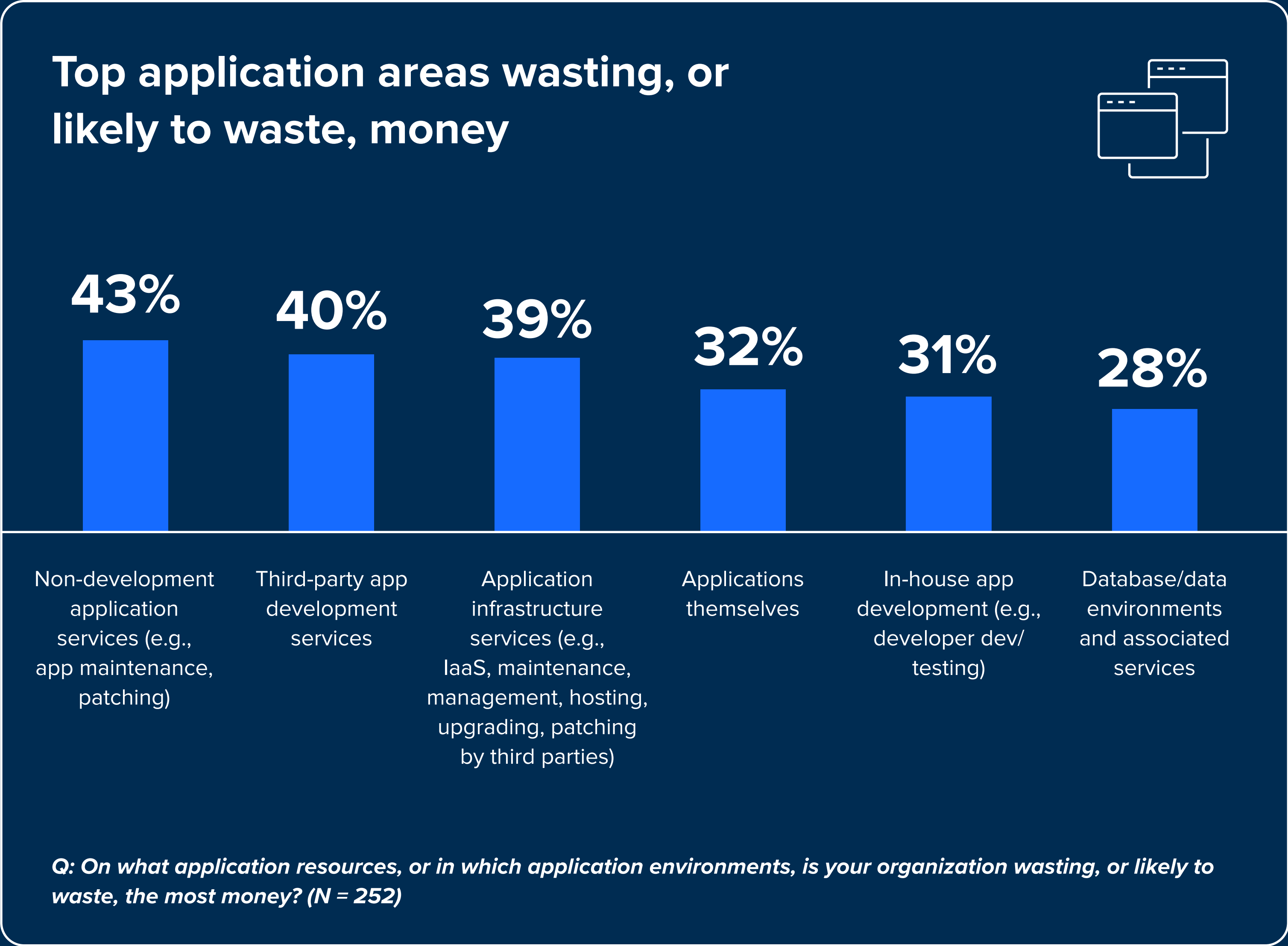


**Q: Please estimate the spending split across your organization's application estate between commercial off-the-shelf applications and custom-built applications**

Application strategies have been focused on modernizing the app estate in a highly phased manner, often under loose financial and organizational governance. In many instances, such modernization approaches meant capitalizing heuristically on scenarios that fit tactical business rationales and that allowed for short-term, practical benefits in specific business areas. All too often, these approaches were driven without coordination across application stakeholders, including across specific teams and business functions. One implication of such approaches has been a disconnected application strategy in places and inadequate spending discipline.



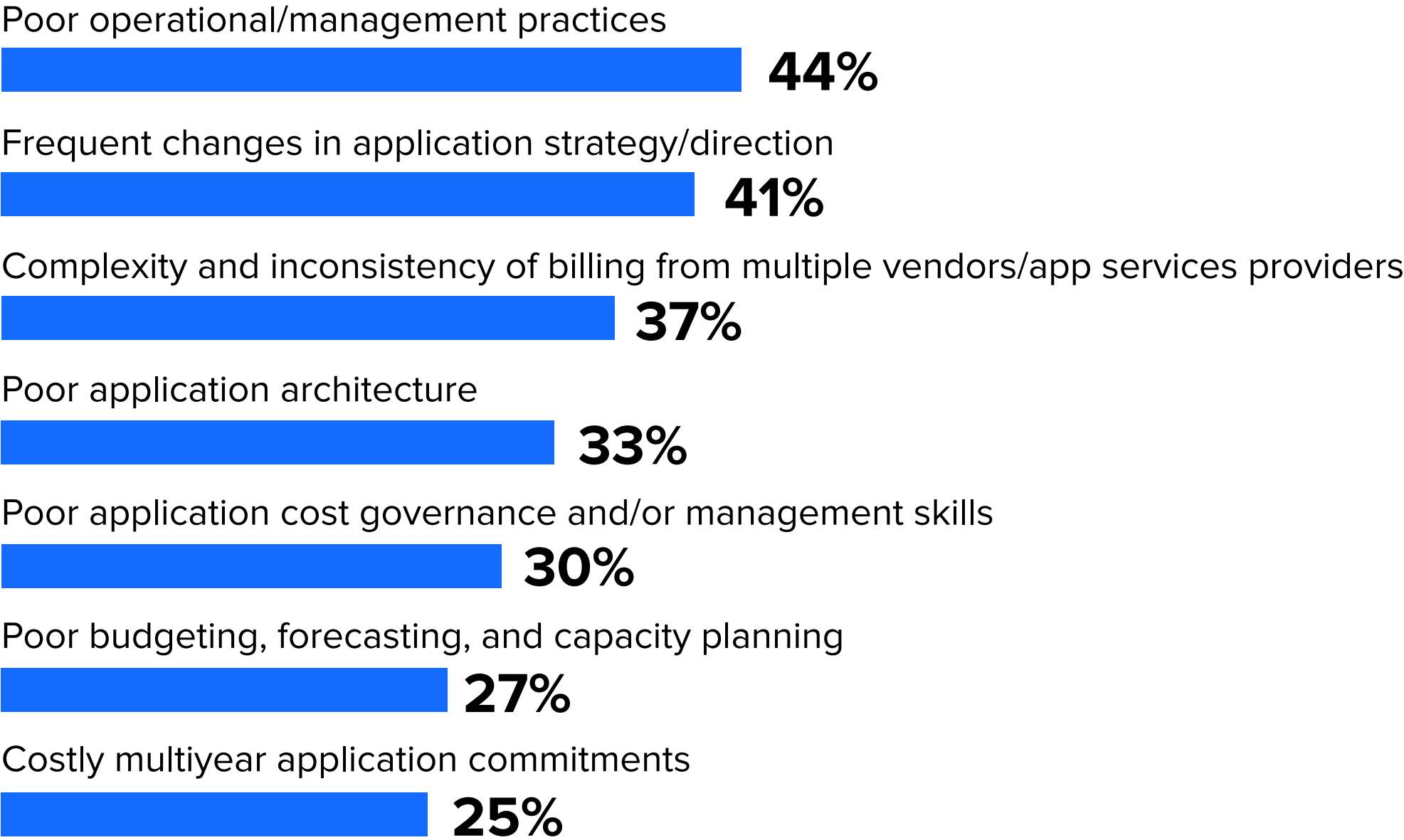
56% of organizations indicate waste or potential waste across their application portfolio



# Structural Reasons Lead to Poor Portfolio Understanding and Mismanagement



## Top causes for wasted spending on applications



**Q: What are/would be the main reasons for wasted spending on applications?**  
(N = 252)

### At strategic level, this is due to:

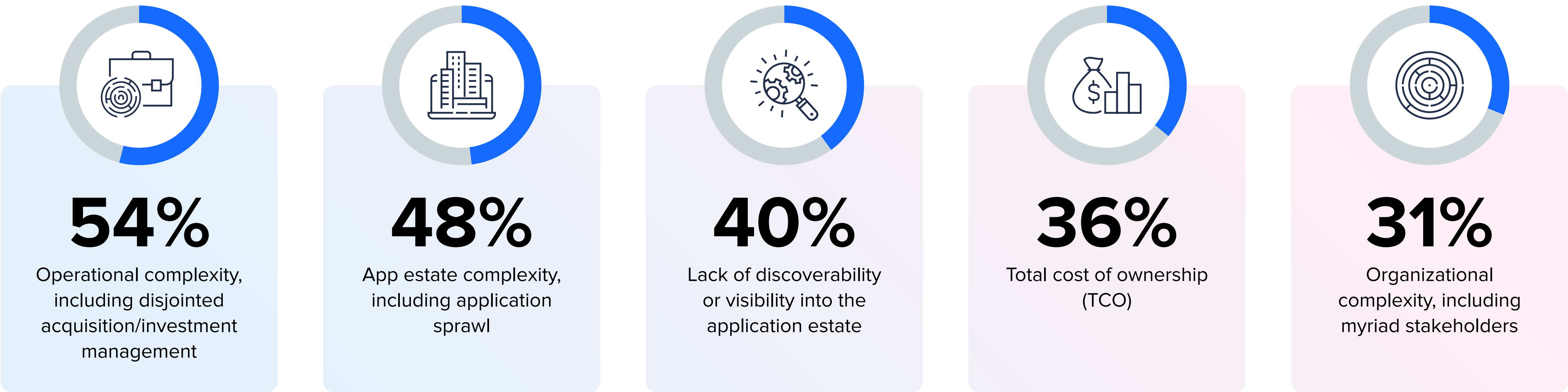
- Lack of visibility into the IT landscapes (amount of apps, interdependencies, poor documentation)
- Siloed teams and architecture pieces that are incompatible, often as a result of rushed merger and acquisition strategies
- Lack of buy-in from management to invest into enterprise application management due to poor communication between departments
- Lack of adequate tools to capture dynamically how portfolios evolve and deliver strategic recommendations
- Poor planning, management, and coordination between business buyers of IT and the IT management department, leading to undocumented shadow IT

### The risks are substantial, leading to:

- Missing end-of-life cycles
- Ungoverned and poorly-controlled application spend
- Poor knowledge and documentation of app estate
- Poor serviceability and support

# Complexity Abounds Across the Application Estate...

## Top challenges negatively affecting application portfolios:



**Q: What challenges are most negatively affecting your organization’s application portfolio?**

It is difficult to manage a large number of apps that change constantly. Buying or investing in apps without sufficient coordination adds more complexity to the already complicated app estate.

Limited knowledge, documentation, and classification of the app portfolio make it hard to create cohesive and clear plans for the app portfolio.

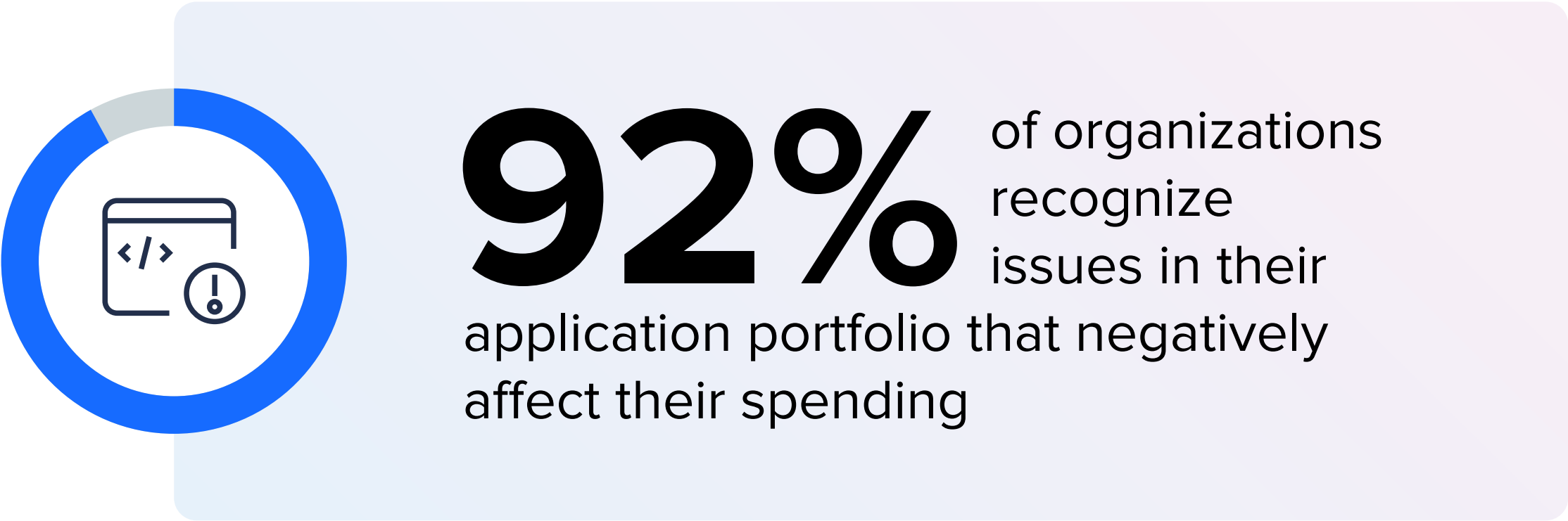
App costs can hinder modernization, but measuring app TCO is difficult. It depends on many factors, such as:

- Changes in functionality
- Maintenance efforts
- Cascading costs of interdependent apps

Complex apps involve many stakeholders across the organization, making portfolio management decisions hard to align. Organizational complexity affects both horizontal (across functions) and hierarchical (across seniorities) levels.



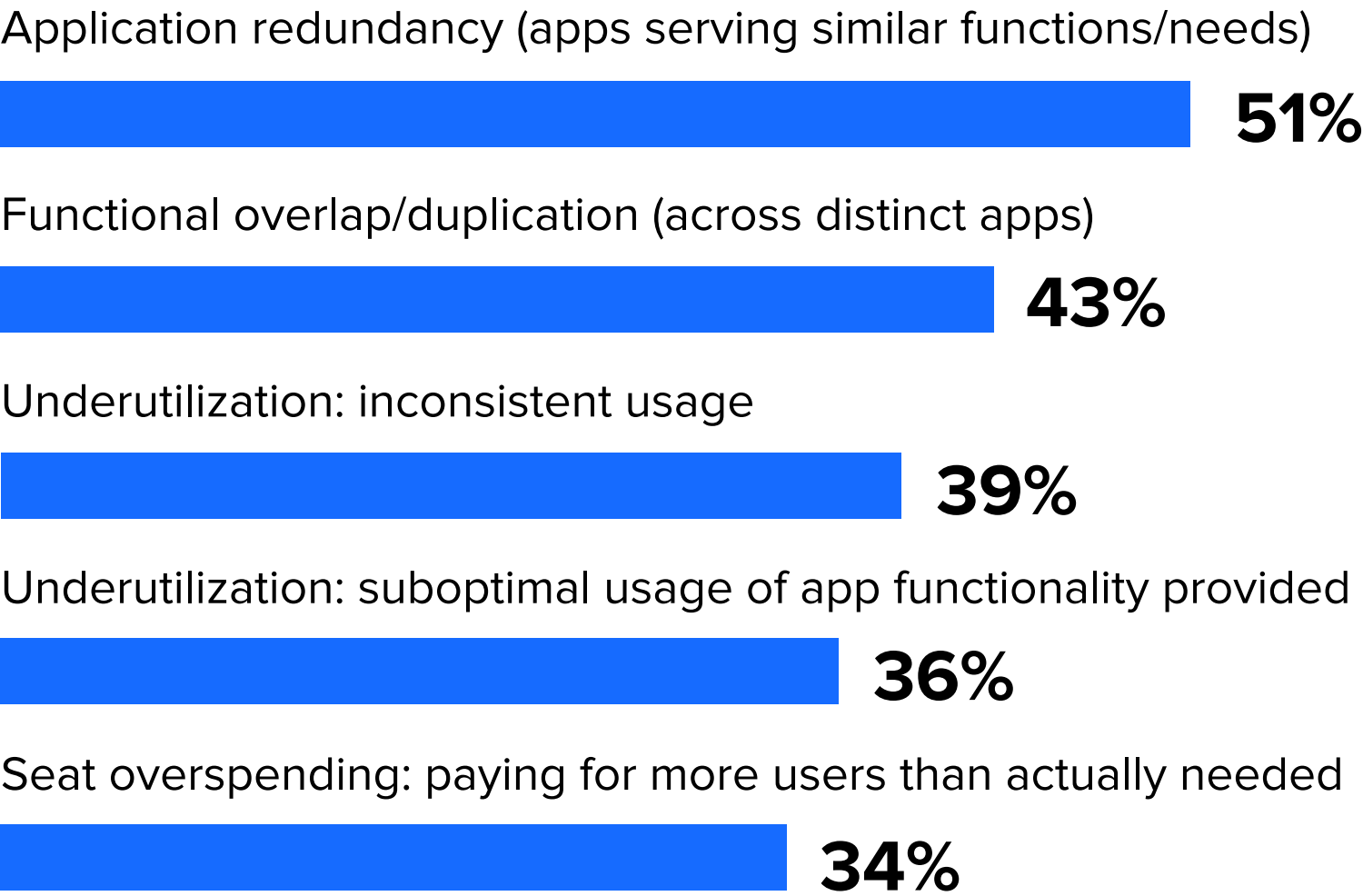
# ...and So Do Application Spending Issues!



Only 8 in a 100 organizations indicated that no issues affect their current application portfolio spending. The complexity at operational, technical, organizational, and behavioral levels within the application estate translates into spending challenges and inefficiencies. Redundancy and/or functional overlap on the back of apps or functionalities serving similar needs emerge as the biggest problems affecting spending on applications. However, limited ability to understand, capture, and manage utilization of applications is also a key factor impacting spending.

Any effective programs to optimize application portfolio spending need to include a deep look at functionality duplication and underutilization.

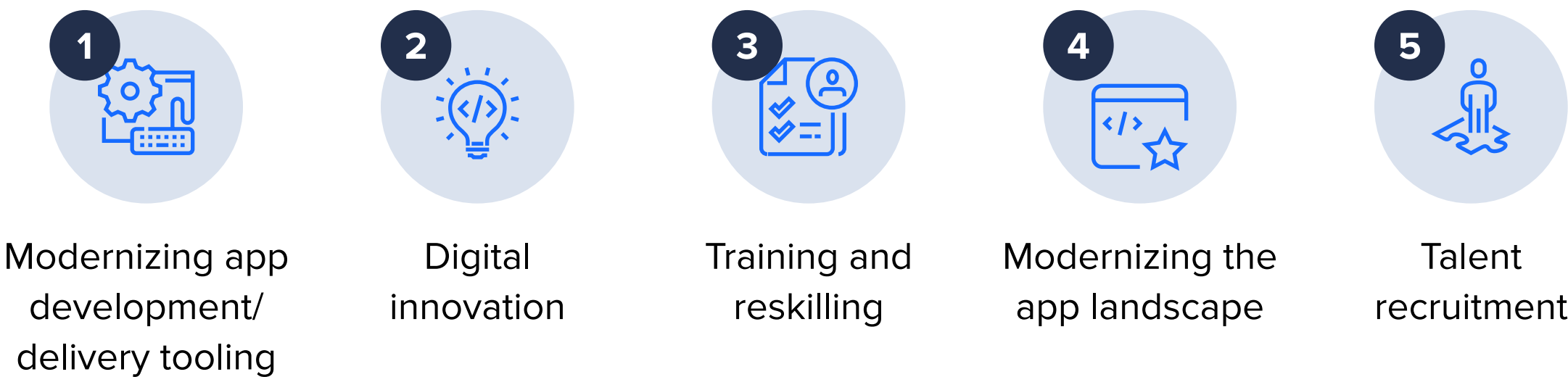
## Biggest issues that drive overspending on application portfolio:



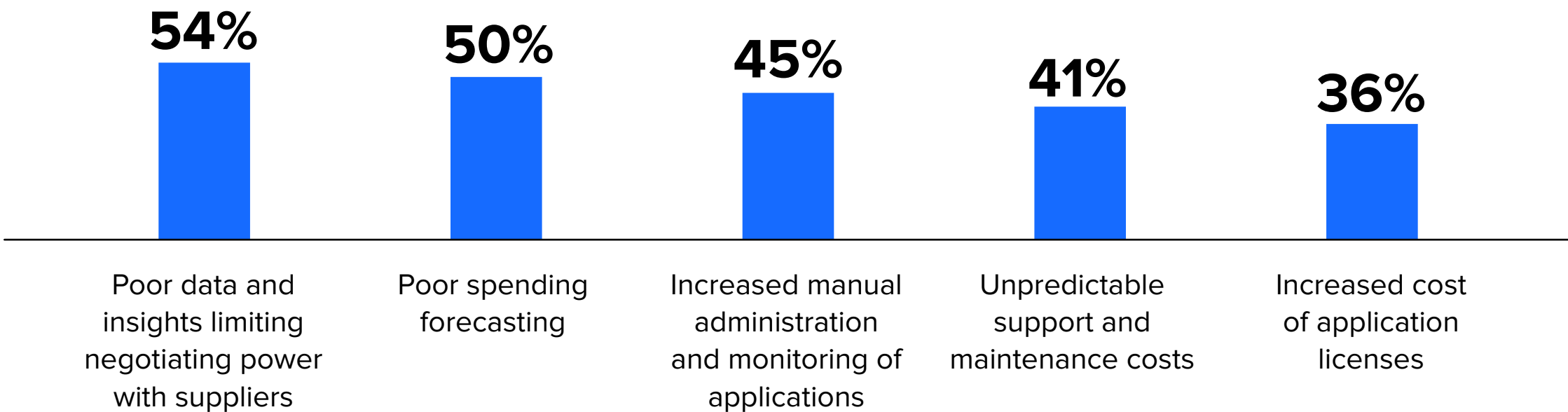
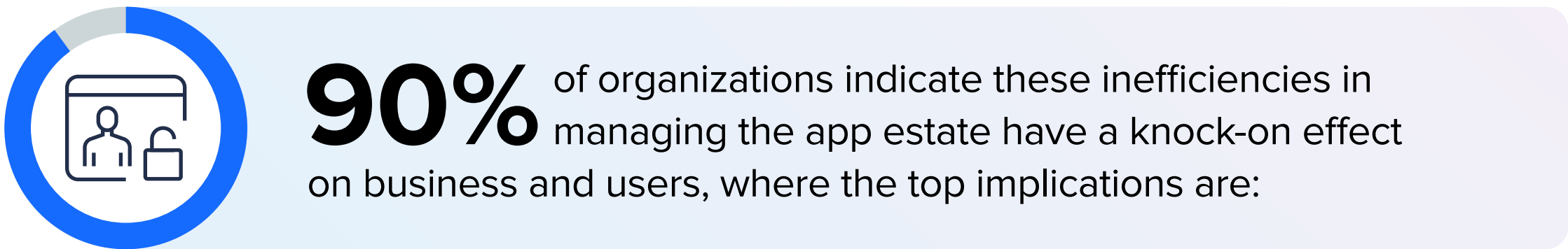
**Q: What are the biggest issues affecting your organization's spending on its application portfolio?**

# The Opportunity Costs of Inadequate Application Portfolio Management

Inefficiencies in application portfolio management lead to missed investment opportunities, including:



Poor financial control and management capabilities over the application portfolio result in opportunity costs for the organization. Spending that would be otherwise allocated to modernizing application delivery tooling is lost because of improper management in the existing application estate. Similarly, investments in digital innovation projects that can have a direct impact on customer satisfaction, monetization or business process reinvention are not realized on the back of spending eaten up by the application estate. The organization likely loses in other areas, such as its ability to invest in people and their reskilling, as well as its ability to redirect investments away from aging apps towards modernizing the app estate.

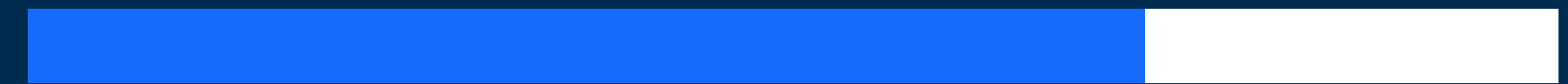
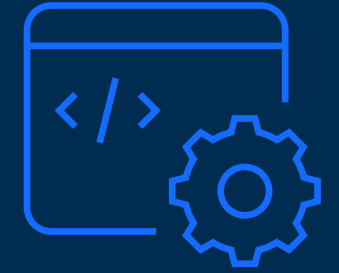


Limited application portfolio capabilities have implications that cascade on the business at multiple levels, including:

- Insufficient contract intelligence to support negotiations with vendors when application contracts renew
- Spending inefficiencies and poor ability to adequately plan for investments and build roadmaps backed by strong financial planning
- Manual and labor-intensive approaches to managing applications, leading to loss of productivity and compliance and governance risks

If not done in a deliberate fashion, application rationalization delivers unsatisfactory results. More importantly, it fails to prepare the organization for a highly competitive business landscape.

**73%** of organizations have been doing application rationalization



of which:

**57%**

have been running programs for over 2 years



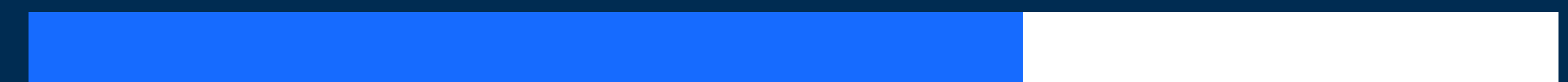
**58%**

have reached the 3rd iteration or higher



**Yet degree of success has been limited**

**65%** of organizations indicate a **low or moderate degree of success** in achieving initial objectives set for these application rationalization programs





# Driving Efforts with a Strategic Mindset Is Key to Any Effective Application Rationalization Program

## Top application rationalization priorities:

#1



Bundle/deprecate/decommission applications and/or specific modules/functionality packages

#2



Drive application discoverability programs to increase understanding of the existing app estate

#3



Downsize hardware infrastructure and/or datacenter footprint, including associated services

#4



Establish centralized portfolio management

#5



Define clear roles around app portfolio management, including cost management

#6




Initiate/increase consumption reports for insights prior to contract renewals

*Q: Which of the following are/would be the highest priority as part of your organization's application rationalization/optimization strategy?*


# Ensure Visibility Across the Entire Application Estate at All Levels

To improve cost management across the application estate, organizations prioritize:


- 1




Investing in dedicated enterprise architecture talent to drive application estate optimization, budgeting, and forecasting
- 2




Building clear showback and chargeback mechanisms to drive application consumption by business unit/team
- 3



Investing in automation/ AI solutions/tooling to optimize the application estate and improve budgeting and forecasting
- 4

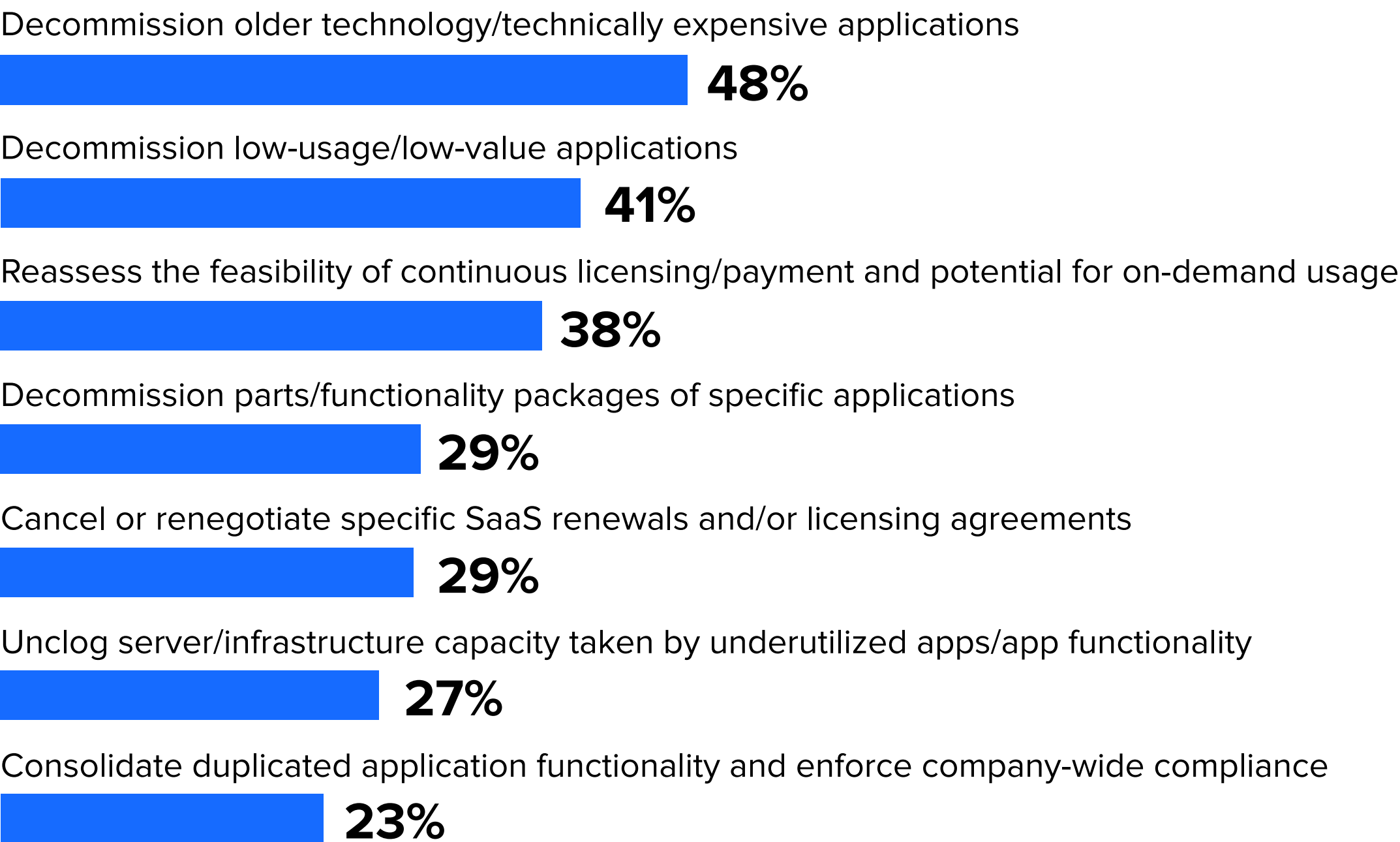


Building a unified app operations dashboard, including adequate metrics
- 5



Implementing a culture of application-cost ownership

Operational application rationalization efforts focus on:



**Q: From an operational standpoint, what are/would be your organization’s most important strategies to drive rationalization/optimization across its application portfolio?**



# To Lower Operational and Strategic Risks, Application Portfolio Roadmaps Need to Be Driven Through a Best-Practice Approach

## Key areas to consider when removing, replacing, renewing apps:

Ensuring data/API chains are not broken between apps



Evaluating/measuring application criticality



Evaluating the stage in each app's value lifecycle and usefulness



Understanding costs in addition to the actual payments for the app (e.g., maintenance, indirect infrastructure)



Identifying asset ownership

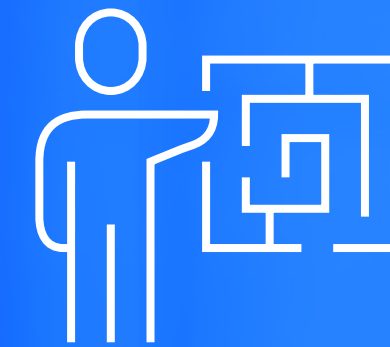


Agreeing on asset roadmap across all stakeholders



**Q: Which of the following is most important when assessing your organization's likely decisions on removing, replacing or renewing apps?**

**Aligning the application rationalization initiative to the business goals is paramount.**

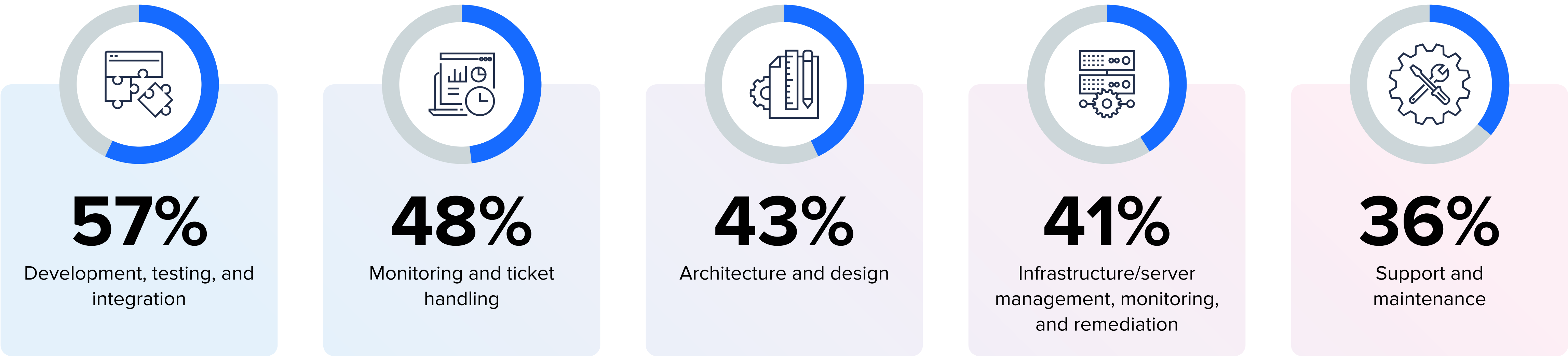


**This means thoroughly understanding and documenting the business objectives first, followed by establishing the application rationalization goals mapped against the business objective.**



# If Done Right, Application Rationalization Delivers Considerable Savings in Costs and Employee Time

Where companies can save the most:

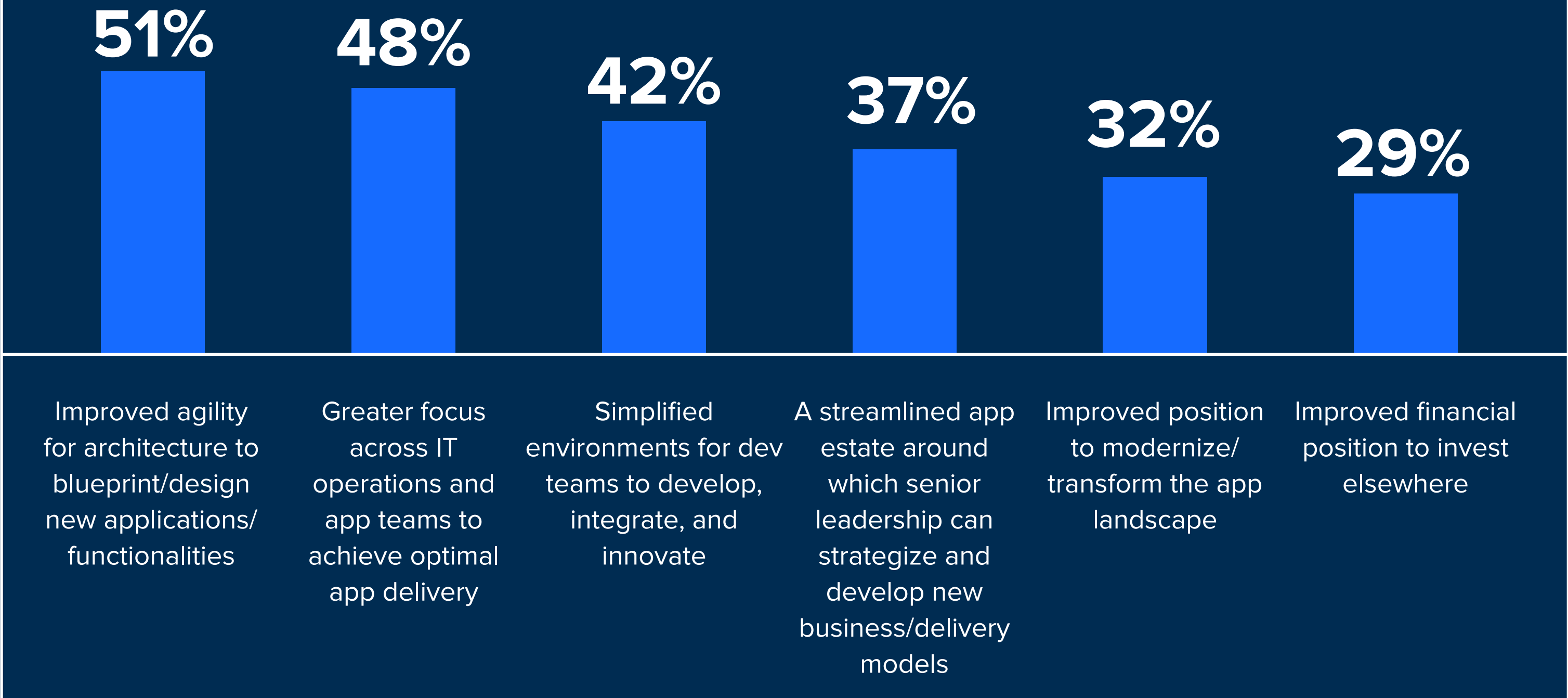


Q: In which of the following areas would your organization achieve the biggest savings in application portfolio costs and employee time from application rationalization and management?

<b>Wider business gains:</b>	<b>Dev and Release Velocity</b> Streamlined code estate for dev teams to build and ship new apps faster	<b>Business and IT Resiliency</b> Faster problem identification, remediation, and user support	<b>Design Focus</b> Higher capacity for architecture to focus on new business-IT value add	<b>Financial Optimization</b> Improved cost and financial position, including savings and investment reallocations
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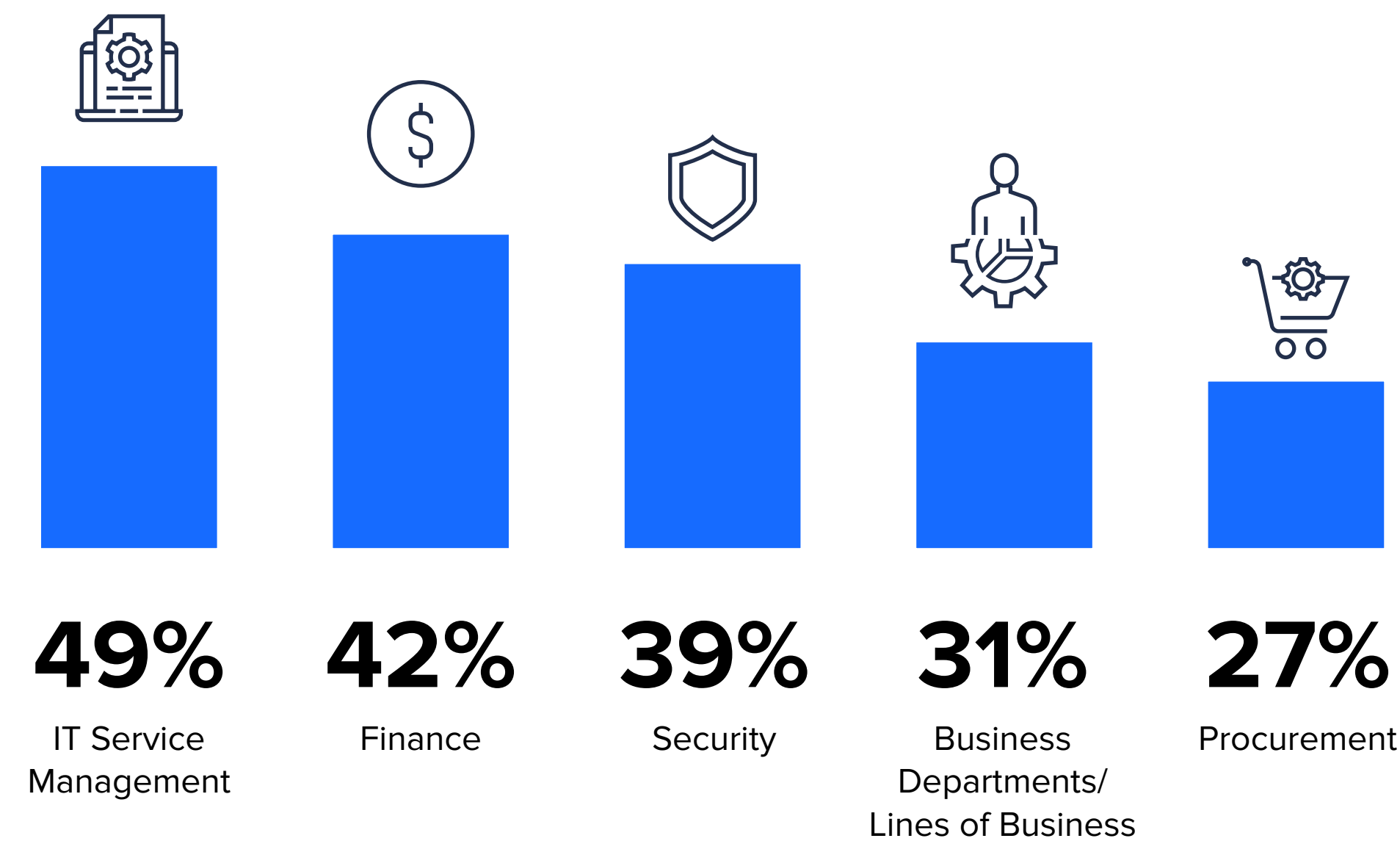
Comprehensive application rationalization programs fuel competitiveness by raising agility across application design and delivery chains. This, in turn, means higher readiness for digital business at scale.

Improved cost position is key! In addition to that, adequate application rationalization delivers:



Q: Which of the following will be the biggest business benefits for your organization from application portfolio rationalization/management?

# Business areas that benefit most from comprehensive application portfolio management



**Q: Which of the following business areas/departments would benefit the most if your organization were to improve the management of its application portfolio?**

Likely financial and business benefits can equate up to:

**\$1.1 million per organization\***



\*Source: The Business Value of LeanIX Enterprise Architecture Management



# Organizational and Partnering Choices Drive Application Rationalization Impact

## Most important considerations for successful application rationalization:

Establishing an in-house application portfolio management center of excellence



Delegating a trusted partner to handle application discovery, auditing, and rationalization planning/strategy



Understanding broader IT transformation and app modernization initiatives



Driving cross-organization collaboration and alignment among all application stakeholders



Ensuring senior leadership support/buy-in



Adopting a best-of-breed application portfolio management/rationalization solution



**Q: Which of the following is most important when assessing your organization’s likely decisions on removing, replacing or renewing apps?**

The degree to which a digital business is successful depends on the strategic choices made. That translates into how well organizations orchestrate their people, processes, partners, and technology assets. Similarly, the degree of effectiveness in application rationalization is **dependent on choices made regarding organizational, people, and technology design and sourcing.**

# Choosing the Way to Go Can Make or Break Application Rationalization Efforts, Including Engaging with the Right Vendor

Application rationalization is complex, and engaging with an experienced and trusted specialist vendor can ensure the process is handled with maximum efficiency and achieves optimal results.

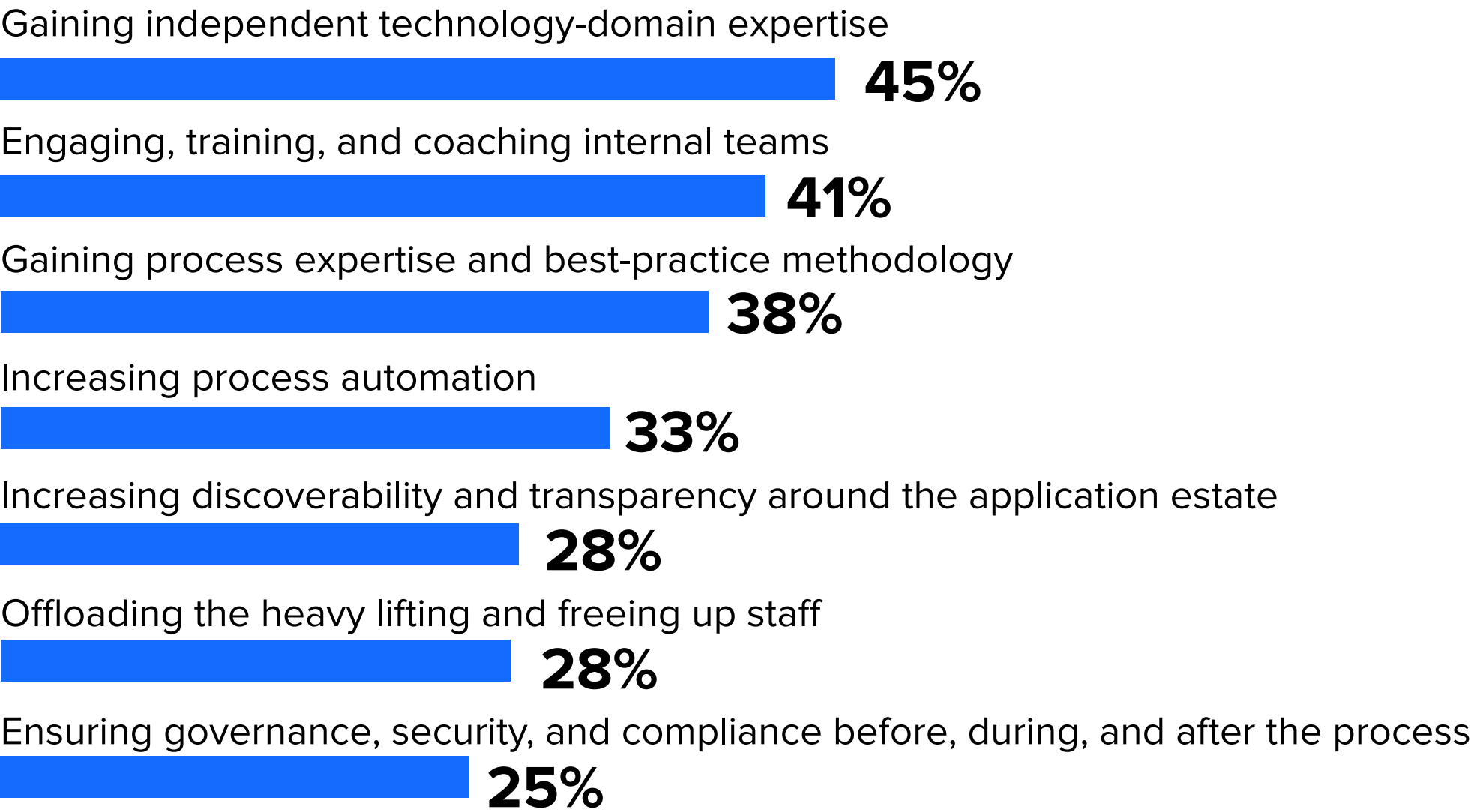
42%

of the organizations indicate that is **very or extremely important** to engage with a **best-of-breed solution vendor** to deliver effective application rationalization



**Q: How important is engaging a best-of-breed solution vendor to deliver successful/effective application rationalization?**

## Key benefits for engaging with a best-of-breed vendor include:



**Q: What are the main benefits your organization would gain by working with a best-of-breed (application portfolio management) vendor to drive application rationalization/optimization programs?**



# Continuous Application Optimization Requires Robust Application Portfolio Management

Continuous application optimization today is a foundational capability driving improvements in digital assets and digital roadmaps. In the absence of robust application portfolio management, organizations risk harming their investment and financial strength, their strategic and operational agility, and their governance and compliance position. All this ultimately endangers competitiveness in the market.

## To successfully set the organization for continuous application optimization, reflect on:

- Leading initiatives with both a short-term and long-term vision for a digital enterprise; fitting optimization efforts within your wider digital investment roadmap
- Ensuring every stakeholder understands both the business gains and risks, and driving alignment and active program participation
- Engaging with business partners that understand the domain deeply and have proven expertise





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