

Application portfolio rationalization

CGI Technology Viewpoints

ABOUT THIS DOCUMENT

This CGI Technology Viewpoint takes a look at the topic of application portfolio rationalization (APR). It discusses how APR is both an immediate and long-term strategy for improving agility, reducing costs and maintaining profitability.

The basics: How APR can help organizations

Studies have shown that IT organizations are spending a great deal of their resources maintaining existing applications—that's application maintenance and production support. Those studies show that the percentages of the total IT budget can range between 60–80 percent, with 70 percent a commonly named statistic. Of that, 10–20 percent can be spent just on maintaining duplicate or underutilized applications. If you do the math, there's a significant amount of opportunity for taking costs out of the organization.

With an APR assessment, organizations can identify that waste. In CGI's experience, we typically find 10–30% of the application maintenance and production support budget that could be saved. In addition to cost savings, the assessment leads to improved efficiency by simplifying complicated and complex application environments in terms of support and technology, which leads to improved business agility.

The assessment identifies applications that are candidates for retirement or consolidation—and this can include the underlying infrastructure. As part of this, the application software licenses that may be part of those applications can be eliminated or consolidated as well. They also pinpoint opportunities to reduce IT labor costs and potentially labor costs on the business side.

All types of organizations can benefit from APR. Typically, CGI finds the best candidates to be companies that have been involved in mergers and acquisitions activity, or companies and government agencies that have multiple independent business lines with functional or technical redundancy. Also, organizations that have been aggressive with technology are good APR candidates; we find that as new technologies and applications get introduced, it's very rare that old applications are retired, leading to many generations of applications.

The process: What an APR initiative encompasses

CGI starts with an APR assessment and checks if the organization has an application portfolio management capability in place. We then work with that, suggest upgrades or introduce one. Once that capability is in place, the following activities take place:

- Inventory the applications to document all assets
- Assess those applications, identifying rationalization opportunities
- Draft a roadmap that outlines how to move from the current state to the desired future state
- Document the business case in terms of the investments that are required and the expected benefits

Within these steps, CGI uses a five-phase process that has been tested on many engagements and used for many years.

Once the assessment is completed, a management summary is provided to the client. With this summary report, the client can see what they have and where the redundancy lies. The rationalization roadmap also merges with any existing IT roadmaps that are already in place. Then, working with the client and their finance organization to understand what represents the winning business case, the CIO is provided with a CFO-ready business case ready to present.

The assessment can identify both near- and long-term initiatives and savings for the application portfolio. Instead of suggesting consolidations that will achieve savings in year 3 or 4, CGI specifically targets retirement opportunities within the first 3–6 months after the assessment. The assessment identifies applications that can be retired, are of minimal use, or aren't providing significant value.

Once the inventory is in place, the client has a much more robust application portfolio management capability—which also leads to opportunities to rationalize or consolidate data, leading to master data management opportunities. They have a better ability to plan for their long-term business needs and other IT transformation programs. They are able to focus on application modernization to identify what the complete portfolio needs in terms of upgrades, and put business intelligence, IT governance and application management programs in place.

Next steps: How to get started

The best place to start is with an assessment, and the assessment length will vary by the size of the application portfolio. In CGI's experience, assessments can be completed in as little as 6–8 weeks and go up to 12–14 weeks for very large portfolios.

In these assessments, a savings of 10–30 percent of the maintenance budget is typically identified. The near-term savings are frequently in the range of 1–3 percent of that spend, which essentially pays for the assessment a number of times over. The short-term savings by itself is a very good business case, and the long-term roadmap provides clarity and direction for the organization.

This dual approach is very popular to find both short-term cost reductions and long-term savings. By doing this, organizations can reduce their IT expenses for new opportunities and free up those dollars for new investments.

A unique approach: How CGI helps clients with APR

CGI has implemented APR assessments within multiple industries and has four differentiators within these types of engagements.

1. CGI has a proprietary process for designing an application portfolio management data dictionary, which is essentially a knowledge base of all of our engagements. We put together a data dictionary that describes the applications in very quick order, which helps the client understand the pieces of information they need to track to support their strategic decision making.

THE BENEFITS

To sum it up, application portfolio rationalization helps clients spend less on maintenance and production support, realign expenses with revenue levels, and reallocate IT dollars for critical business initiatives. It also helps simplify complicated and complex application environments, allowing clients to change their focus from supporting many and various technology components to supporting a common technology stack and skill set, thus allowing the IT organization to focus on more strategic opportunities and improve business agility.

2. A lot of organizations develop their application inventory, but do not know how to turn that into an actionable plan. CGI puts together a roadmap that is actionable.
3. We build a CFO-ready business case that identifies the cost savings and the transition costs to go from the current to future state where the rationalization has been achieved.
4. CGI offers flexible contracting arrangements, such as benefits funding where some of the savings can be shared between the client and CGI. This gives the client a lower cost to go through the engagement.

The work done for clients results in the consolidation and simplification of many complicated and complex application environments, the reduction in licensing requirements and costs, and the overall, continuous improvement to the evolution of the portfolio, including rolling new technologies in and expanding the use of service oriented architecture.

Ultimately it's about increasing effectiveness and decreasing those fixed costs—the maintenance and support costs—to become more profitable and agile in responding to business needs and opportunities.

For one client, we helped put together a plan to rationalize over 40 percent of their applications, reducing production support and maintenance costs by over 30 percent. For another, we reduced their environment from three separate mainframe application platforms down to one.

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COMPANY PROFILE

At CGI, we're in the business of satisfying clients by helping them succeed. Since our founding in 1976, we've operated upon the principles of sharing in clients' challenges and delivering quality services to address them.

A leading IT and business process services provider, CGI has a strong base of 31,000 professionals operating in 125 offices worldwide. Through these offices, we offer local partnerships and a balanced blend of global delivery options to ensure clients receive the optimal combination of value and expertise required for their success.

We define success by helping our clients achieve superior performance and gain competitive advantage.