Application Portfolio Rationalization

A Vehicle for Driving Business Agility and Building Competitive Advantage

The Business Motivation for Application Portfolio Rationalization

All organizations make decisions around building context-specific applications to satisfy their strategic business intent. As organizations evolve, the ecosystem of applications they use to execute these business-critical processes becomes highly complex and tightly coupled. Changing business imperatives, mergers & acquisitions, and more often than not, the disconnected and siloed operations of different business units all add to high entropy in the application ecosystem. Oscillations in the budget, depending upon the fiscal performance of the organization, also lend to complications. Over time, organizations are left with an ossified system of myriad applications, many of which are redundant, no longer provide the required business functionality and are increasingly expensive to maintain. In the age of the Digital Economy, when business agility and quick-time-to-market are required to compete effectively, having a rigid and costly application portfolio can become truly detrimental to the business.

In this scenario, business leadership takes recourse by rationalizing their application portfolios to get a handle on redundancies, unleash locked potential and positively influence the time-to-respond to a competitive market situation. In fact, portfolio rationalization is one of the most common precursors of a digital transformation program. The rationalization process always begins with the "capability lens" and an "enterprise architecture" driven mindset within the context of a business and technology framework. In that sense, application portfolio rationalization is a pivotal, business-driven and technology-enabled process that is aimed at:

- Building business agility
- Improving operational excellence and reducing costs
- Scaling up competitive advantage
- Eliminating the flab or technical debt at the level of the process and/or business application layer
- Improving the overall risk footprint in terms of business risks, technology risks and resource risk
- Creating better alignment between business needs and the enabling technology layer to maximize the ROI on IT investments

Aligning Business Vision and Application Capability: The Best Place to Start

The best place to start an application portfolio rationalization is by assessing application capabilities relative to business vision. This step quickly focuses the spotlight on core applications, processes, and risks, etc., capturing the "As-Is" or Baseline state of the capabilities relative to the stated business vision for different Lines of Business, geographies, product lines, etc. The associated applications/platforms/products are mapped to the relevant business processes that they invoke. There are different levels of granularity that companies can drill down to, and no two organizations have the same journey to achieve portfolio rationalization. Organizational culture is also a huge shape shifter in this entire process. Figure-1 shows an abstraction of the approach, illustrating the assessment layers from 'Capabilities' to 'Risks,' though organizations can drill further into the technology mix and possibly, the resource skill set distribution, as well.
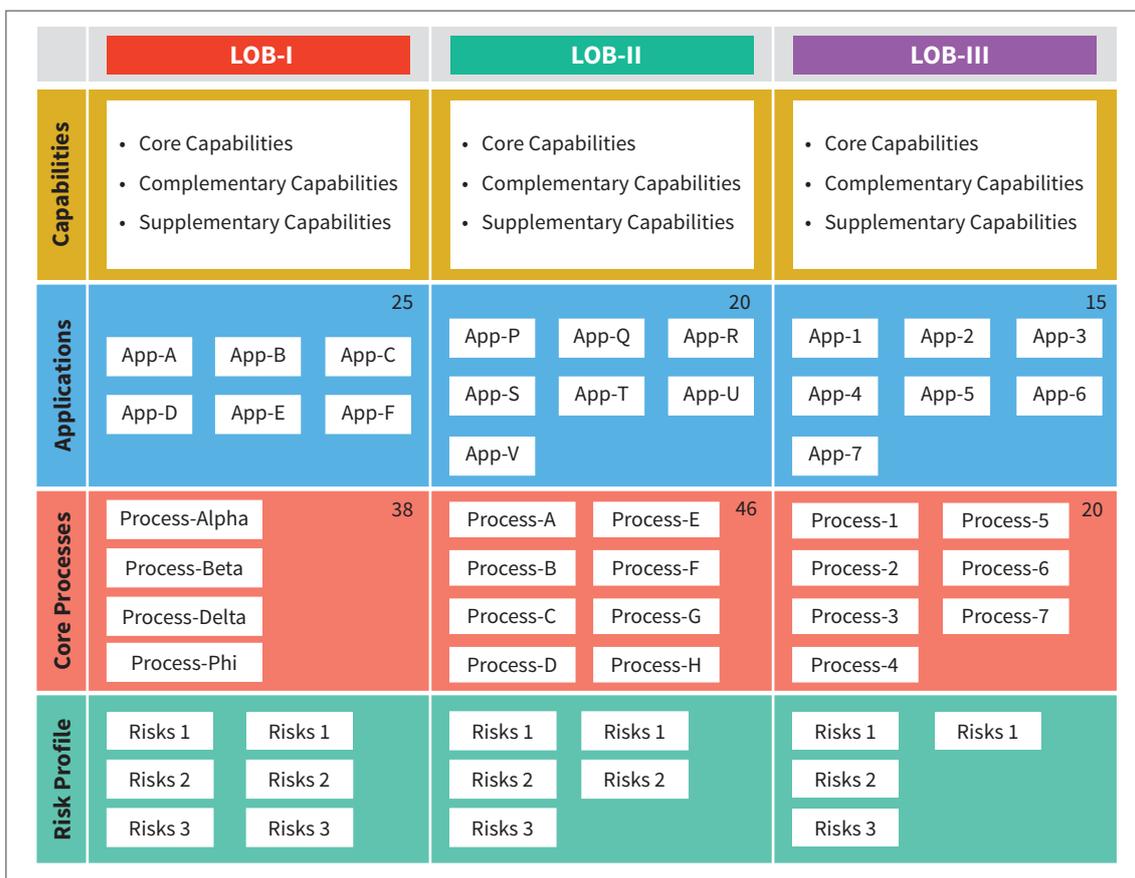

Figure 1 – Mapping of As-Is State

The Five Essential Steps to Application Portfolio Rationalization

The key steps involved in the portfolio rationalization exercise are:

1) Discover: Recording the applications/platforms/products/processes, risk profiles, costs, etc. to capture the 'As-Is (Baseline)' state. It also involves laying down the 'To-Be (Target)' state in terms of the same dimensions stated for the baseline architecture.

2) Evaluate: Scoring the applications/products based on business and technology relevance and arriving at the decision support matrix (see Figure 2 below), which helps companies determine which applications to retire, maintain, enhance, or invest in.

3) Roadmap and Plan: Creating a roadmap to reach the Target state along a timeline

4) Implement: Commencing implementation of the recommendations developed during the 'Evaluation' and 'Roadmap' phases.

5) Govern: Ensuring that the implementation phase is well governed and the progress is captured through appropriate reports and/or visual dashboards. This should also enumerate the steps for escalation, remediation and clearly spell out the relevant decision-making structure.

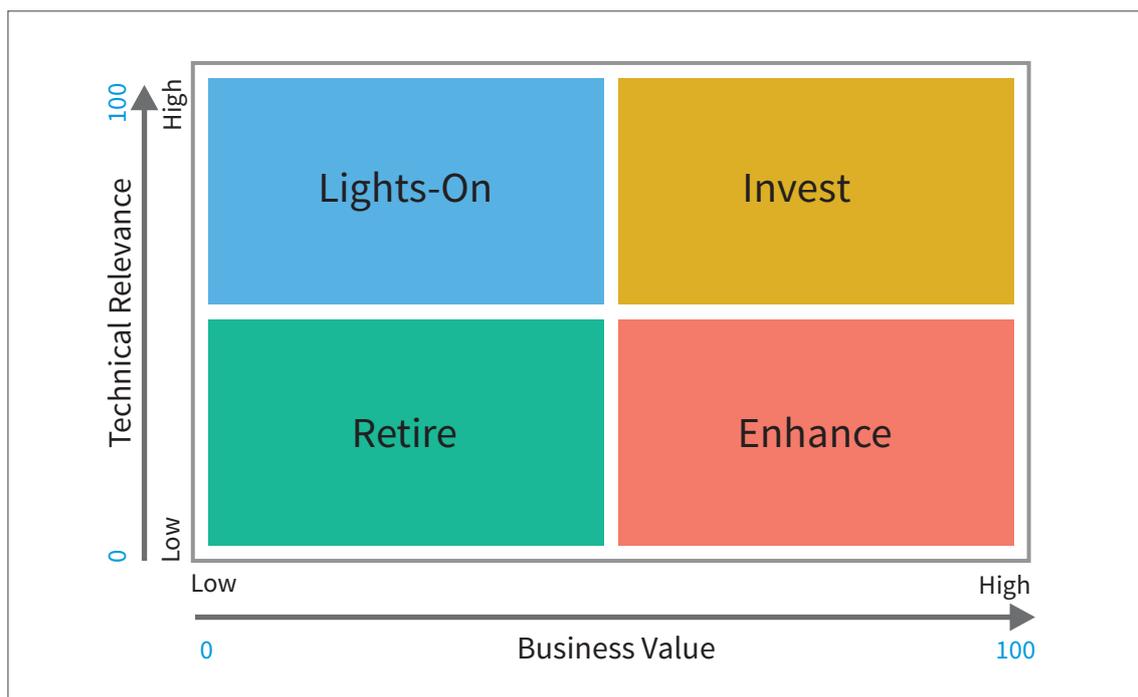Figure-2 below shows the decision support matrix that is created in the 'Evaluation' phase.

Figure 2 – Decision Support Matrix

Utilizing Visualization and Dynamic Dashboards to Highlight Application Efficacy

Dashboards can be highly effective for tracking application portfolio efficacy, using tools that capture quantitative information and metrics across multiple application dimensions. Customized dashboards can also be built on top of commercially available products. Some of the visual dashboards capture the business and technology risks, while others reflect multiple attributes such as operational efficiency, strategic alignment, risk, etc. Figure-3 below is an example of a multi-dimensional spider chart showing the efficacy of an application portfolio rationalization. This is a dynamic visualization that changes over time as the organization inches its way towards the Target state.
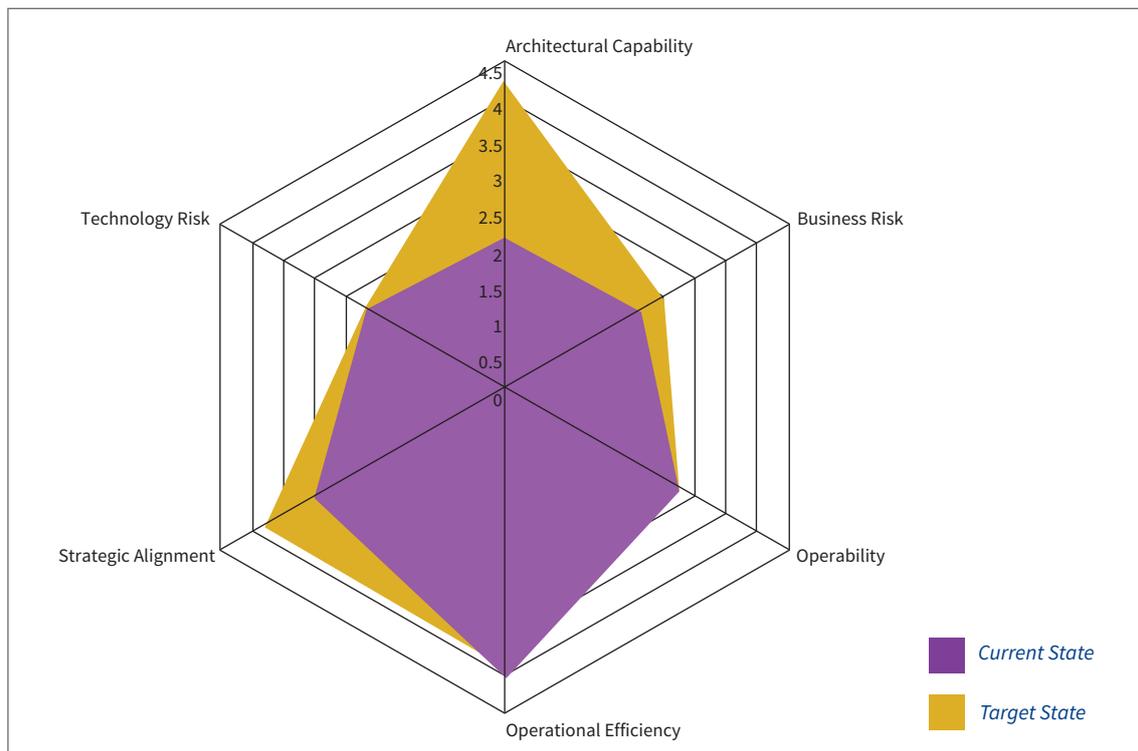

Figure 3 – Multi-dimensional Spider Chart of the Portfolio Efficacy

The Rationalization Effort Is Significant, But the Payoff Is Immense

Application portfolio rationalization is a very contextual journey for every organization and requires thorough preparation and due-diligence to make it a success. It is often seen as an onerous task by senior executives, and it can be difficult to get broad consensus amongst multiple stakeholders. Laying hands on the right quality of information to support the decision making process can also be a challenge, so it is useful to prepare for these potential pitfalls in advance.

All of these challenges require deft handling besides the technical rigor. But, when executed correctly and decisively, portfolio rationalization offers immense business value (higher ROI from technology investments), visible reduction in IT spending, process simplification, elimination of redundant applications/products and a greatly optimized resource and risk profile for the entire organization.

About Ness Digital Engineering

Ness Digital Engineering designs, builds, and integrates digital platforms and enterprise software that help organizations engage customers, differentiate their brands, and drive profitable growth. Our customer experience designers, software engineers, data experts, and business consultants partner with clients to develop roadmaps that identify ongoing opportunities to increase the value of their digital solutions and enterprise systems. Through agile development of minimum viable products (MVPs), our clients can test new ideas in the market and continually adapt to changing business conditions—giving our clients the leverage to lead market disruption in their industries and compete more effectively to grow their business.

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