



Application
Rationalization:

Changepoint™

The 9 questions to ask before you start

OPINION PAPER

Application rationalization is not a one-and-done activity—it's an experience and a discipline. It requires having an unbiased, cross-enterprise understanding of your applications and the impacts, dependencies, and complexity of relationships they create across your business and IT environments. So get started because it's important to know what boxes you have, what's in them, if they are providing value—and what to do if they aren't.



Application rationalization—an opportunity for change

Application rationalization efforts fail. The reality is, over 70% of all application rationalization efforts fail. But why? Many organizations let perfect get in the way of good. They become so focused and obsessed with capturing as much data as possible that they're unable to derive any insights.

We've all had experience with spreadsheets: hundreds and hundreds of rows and tens and twenties and thirties and forties, and more, of columns. We are trying to glean insight, either via pivot table or trying to standardize information, but we're unable to achieve the results that we've been tasked to achieve, which is to identify candidate applications for rationalization.

A MIT study from a few years ago found that the quality of an IT portfolio is directly related to the organization's financial performance. Forward thinking companies focus on negotiating and learning about their company's most valuable and achievable business change opportunities. That is what application rationalization is. It is a change opportunity.

And when better to embrace change than right now? Ask yourself these nine questions before you start an application rationalization initiative.



1. Ask yourself: What is the desired outcome?

Organizations often say that they're going to drive an application rationalization effort, but they don't really understand why they want to do it. What business outcome will this application rationalization effort help achieve?

Maybe your organization has opportunities with respect to cost reduction, consolidation, data centers, or application consolidation. Maybe there's a goal to modernize, so that you can support the digital simplification and/or transformation of your businesses—making it easier, not just for your end customers, but your business customers to perform a given task. Rationalization, specifically application rationalization, is an initiative that can help support these desired outcomes.

2. Ask yourself: What are your goals?

Once you've identified what your outcome is, it's important to identify what success looks like.

To be able to achieve your goals, companies need to understand, from an application portfolio perspective, what they have and why they have it. What value does this application deliver? And, is it performing—not from a service management uptime perspective—but is it contributing to the business?

When you are identifying your goals, or trying to forecast what success looks like, the discovery of relationships and how your application is related to other portfolios within your enterprise is critical. Is the application portfolio related to and/or necessary to support projects that are in flight? Is it necessary to support the delivery of a service in the field?

Based on those relationships, you can start to identify business value. How does your application portfolio support a given business capability or process? Think order to cash or procure to pay. How was that application portfolio aligned to specific outcomes? As an organization, be it for profit, not-for-profit, or government agency, you have strategic initiatives and/or an imperative. What is the alignment of your application portfolio to those outcomes?

Then lastly, from a success perspective, how fast can you identify candidate applications for rationalization? It is not necessary to have a long-running, multi-month or multi-year initiative to support the discovery of application rationalization opportunities. It can be iterated in a very accelerated environment.



3. Ask yourself: Who are your stakeholders?

You've identified outcomes and highlighted or discovered the goals necessary to support those outcomes. With that input, you can now assess the stakeholders. How many times have you sat with the executives, team members or management that question what you are doing in IT, and who think you run black box initiatives. Honestly, most application rationalization initiatives tend to be very isolated and black boxed, for which a few key IT resources have been tapped on the shoulder to identify and support the identification of rationalization opportunities within your application portfolio.

Your success hinges on having a multitude of stakeholders. This does not mean that they need to be involved day to day, but definitely there should be representative stakeholders from a revenue perspective—think sales and marketing. From an operation standpoint, your stakeholders could be financial management, HR, warehouse, delivery, supply chain, field enablement, or technology. The collaboration and learning between these stakeholders will help position you for success in your application rationalization effort.

4. Ask yourself: Which applications are in the portfolio, and to whom do they belong?

You know your desired outcomes. You've identified what success looks like. You've tapped the stakeholders that need to be involved. Now, it's imperative for you to identify the applications and app owners—not only for those that are supporting the application rationalization initiative, but those from whom you may be requesting information. It's not uncommon in an application rationalization environment or initiative that people start to be fearful that they may lose their job. Maybe they're associated with an application that may be identified as a candidate to be removed out of your application portfolio. It's imperative to communicate, across the organization, the value of an application rationalization initiative, for individuals, departments, and the entire business.

One of the greatest outcomes that is achieved in the context of an application rationalization effort is the increase of the maturity level of your team. The mere exercise of doing an application rationalization project skills-up your entire team. You become aware of gaps in information and knowledge as it relates to a specific application. You are going to be able to create a culture of collaboration where IT resources are working with, and learning from, their business constituents.

By involving everyone, you'll be able to identify and document risk so you'll understand where expertise lies, and where it doesn't. Where might there be regulatory risk and/or security risk? And it's likely that you will discover additional transformation opportunities. Application rationalization in and of itself is a transformation initiative, but you are likely to discover other opportunities as it relates to your application rationalization effort.



One concept that is often overlooked in an application rationalization effort is how you are going to be evaluated: from a team perspective? From a portfolio perspective? When evaluating an application rationalization effort, it is important to look at alignment. Is your application portfolio aligned to support the strategic initiatives and/or declaratives of your organization? What's the relative utility of your application portfolio? Who uses it? How is it used? Is it supporting the key business process or capability?

Let's consider the performance of an application—not from a SLA or an uptime perspective, but in the context of revenue generated. Are there components of your application portfolio that support a given product, in a specific market, and that generate revenue?

And let's not forget velocity—what is the velocity of change within your application portfolio? Can you quickly adapt to meet a changing business environment? How rapidly can you adjust to support changes that may come in from your business partner? Do you have large, monolithic applications? Or are you more nimble?

5. Ask yourself: What's the criteria for selection—or deselection?

Now that you understand how you're going to be evaluated, let's identify the rationalization criteria. There is a one-to-one mapping here: who are the users, and how do they leverage the application portfolio?

Lifecycle and dependencies are probably the two most critical rationalization criteria when it comes to looking at your application portfolio and being able to present a plan that is actionable.

In your application rationalization effort, lifecycle is the most important consideration—not just in the context of current state, but really looking at it from a future state perspective. Where do you anticipate your application portfolio to be, from a lifecycle perspective, in three months? Six months? A year? Two years? This provides a great opportunity to collaborate with your business partner and involve them in planning, as it relates to the utility they expect to achieve from a given application.

How many times have you tried to rationalize an application that may be 20 years old but you're unable to rationalize it? It may not provide a particular utility for users, but is critical to the data that is processed and persisted to support source or target systems. End game: other vital systems are highly dependent on it.



6. Ask yourself: What's your governance model?

Now that you've identified evaluation requirements and rationalization criteria, what's the governance model? How are you going to monitor the overall success of your application rationalization initiative?

Make sure that you have a qualitative, not a quantitative, approach. When organizations take a quantitative, numbers-driven approach, they fail nine times out of 10. However, those organizations that start with a qualitative approach have a 90% chance of success. A lot of organizations obsess about data—they create so much data, they're unable to glean insights. When taking a qualitative approach, you gain the opportunity to automate the discovery of candidate rationalization opportunities. And remember, once candidate applications have been identified, there is an opportunity to do a deep dive and look at those rationalization opportunities with more precision and apply cost metrics to them. Ask yourself: What are the actual service management costs, from an infrastructure perspective? From a help desk perspective? From a support perspective? Financials are an important component in your rationalization effort; however, it is much easier to discover candidate applications for rationalization taking a qualitative approach, and once those applications have self-selected themselves, then dig in and get more precise from a costing perspective.

Completeness is a valid and important governance model component. If you've standardized on eight specific criteria, from a rationalization perspective, evaluate the completeness of information. It is sometimes easy to identify rationalization opportunities because information is lacking, and that may be an 'AHA' moment for your organization to recognize that you lack resident expertise, or might incur too much risk.

It is also very important to get as many people involved in the rationalization exercise as possible. That does not mean that they have a project code and they're entering time against a specific code. Instead, you're soliciting utility performance and consumption input from as many participants as possible. That gives you the opportunity to collaborate and learn from both your business partners and stakeholders, as well as your IT team members.

From a governance perspective, a preferred approach is to automate the discovery of candidate rationalization opportunities—not related to service management or CMDB, but rather focus on the criteria and how it relates back to a governance model so that your applications, in your portfolio, are essentially self-selecting themselves as opportunities for rationalization.



7. Ask yourself: Are you empowered to make decisions?

What is your organizational capacity? Is there someone within your team that is empowered to make a decision?

Too many times, rationalization efforts start, and candidate rationalization applications have been identified, but the team is not empowered to make any decisions. This is why stakeholder involvement is critical and a key criteria in determining your organizational capacity. If you are not able to identify candidate stakeholders from revenue, operations, and field service, you are setting yourself up for failure.

8. Ask yourself: Is the business enabled to work after the application rationalization initiative?

Never underestimate change management. Ask yourself: can the change be absorbed by the business? It is common to rationalize out an application, only to bring in a new version months or years later because the business could not manage the change that the application elimination caused. Be sure you have a change management plan that will help the business to absorb the resulting changes brought about by application elimination. A vital part of change management includes resources. How will you reallocate resources whose jobs are eliminated with the rationalization of applications?

9. Ask yourself: Who's going to lead the charge?

Then lastly, who's responsible for the execution of the rationalization effort? It's one thing to identify candidate applications for rationalization. Many times, if an organization is successful with rationalization, that's as far as they get. The holy grail is to be able to execute and smoothly extract those applications from your portfolio. You've gathered your stakeholders, and included application owners. Now it's time to have a collaborative and experienced program manager or PMO work with you toward success.



It's never too early to get started

Application rationalization will increase the quality of your IT portfolio, which has a direct impact on the overall financial performance of your organization. It will help optimize your current portfolio, leaving resources to accelerate business transformation initiatives. This initiative is not for the faint of heart: ultimately, your applications contribute, or align, back to the strategic initiatives and success of your organization.

As you consider taking on an application rationalization initiative:

- start with discovery: what's in your portfolio? Why do you have it? Is it performing?
- Then map your enterprise: how does your application portfolio support the broader enterprise, from a utility, performance, or consumption perspective?
- Engage others: identify key stakeholders and then get the broader enterprise involved with supporting key data elements necessary for rationalization
- And lastly, analyze. Make educated, informed decisions

The process of application rationalization isn't just to create weeks and months of activities. If done correctly, it provides action items as it relates to iterating through your rationalization effort. The number one key to getting started is just to start.



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