Achieving Best in Class APM

Look Beyond One-Time Cost Savings to Continuous and Fundamental Improvement
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Executive Summary

APM (application portfolio management) identifies which applications an organization needs, which it doesn't, and helps the organization plan for the safe removal of the redundant applications. It also helps organizations manage the costs of the remaining portfolio through hardware refreshes, license renegotiation, moves to new platforms or to the cloud, and outsourcing. Done consistently, it assures the application portfolio continues to provide the proper functionality as technology and business needs change.

When many companies first think of APM, they think of dramatic short-term cost reductions. This is good and proper, and a well-executed APM program will deliver these results. A best-in-class APM initiative, however, reflects an enterprise context that provides much more value over time.

This enterprise context includes an understanding of the dynamic relationships among the application portfolio and five other enterprise portfolios: business goals and strategies, the business architecture (including people, processes, capabilities, and organizations), investments, information, and the underlying information technology infrastructure. (See Figure 1.)

This broader enterprise portfolio management (EPM) context ensures better decision making in a number of ways. Only by understanding, for example, which geographies the business is expanding in (from the goals and strategies portfolio) can managers know which applications they will need today and in the future. Only with an understanding, for another example, of the investment portfolio can business managers know which applications are already on track for modernization and thus avoid wasted repeated effort.

The key to implementing APM in this necessary broader EPM context is to focus data gathering around the needs of the business. Rather than wasting time and effort gathering every last bit of information or data to the last degree of detail, successful organizations focus on the specific information they need to meet their most critical challenges.
Implementing APM with the broader EPM perspective is the only way to make the best-informed APM decisions, and to deliver incremental value from APM while paving the way for the longer-term benefits of EPM.

The initial driver for many APM efforts is reducing costs by eliminating those applications that are not delivering value, are especially costly to maintain, involve a high degree of risk, or perform the same function as other applications. (See Case Study #1.) The more significant and long-term benefit of APM is refining the application portfolio on an ongoing basis to reduce risk, increase agility to meet changing business needs, and spend less on maintaining daily operations and more on “transformational business” initiatives.

We have found that the organizations who achieve this “best in class” APM are those that recognize that it is lifestyle change, not a one-time “crash diet,” and that APM is part of a broader EPM program taking into account all six enterprise portfolios. While APM requires an up-front investment of time and effort, when executed correctly with an understanding of the full enterprise portfolio, it delivers long-term benefits not only through lower costs, but increased business effectiveness and reduced risk.

This white paper describes “best in class” APM, the drivers behind it, common obstacles to achieving it, and best practices for overcoming those obstacles.
APM Defined

APM provides IT and business stakeholders complete visibility into their application portfolio. It gives them a detailed understanding of the business processes, capabilities, and strategies each application supports, as well as the infrastructure, software, services, and projects required to implement them.

The insights generated by APM help IT organizations explain to the business how they are reducing costs and risk while providing the agility needed to manage change. APM also provides, in conjunction with a broader EPM initiative, real-time reporting on issues such as the health of the application portfolio, the risks associated with it, its compliance with internal and external standards, and how well the portfolio aligns with changing business needs. APM done in the broader enterprise portfolio context can help the organization meet not only expected but also unexpected challenges (See Case Study #2.)

APM Benefits

Because APM requires an up-front investment in effort and funding, it is important to identify its immediate and long-term benefits to gain support, which is critical for its success. These benefits include:

- Minimizing application costs by eliminating redundant applications. These applications may have resulted from the acquisition of other companies, independent purchases by business units within the organization, or tactical acquisitions to cope with rapid growth outside of enterprise-wide IT strategies.

- Reducing the cost and increasing the value of the remaining applications by, for example, implementing new hardware to improve performance and allowing virtualization to reduce capital and operating expenses. An APM program can uncover value optimization opportunities to negotiate licenses based on volume discounts, move to newer, lower-cost hardware platforms or the cloud or even to outsource application hosting or management.

- Extracting the most value from existing applications by assuring all their useful capabilities are being leveraged.

- Assuring the organization proactively adapts to changes in the IT landscape such as those driven by the consumerization of IT, the growth of mobile technologies, and cloud computing.

- Maximizing the value of applications by focusing scarce dollars on those that deliver the most value to the business, thus reducing wasteful or misdirected spending. (See Figure 2.)

- Perhaps most importantly, freeing scarce capital and operational dollars from operations and maintenance for use in discretionary budgets. Even small reductions in this “institutional” spend has a major impact on the funds available to the CIO for initiatives that can dramatically improve organizational performance.
Common APM Hurdles

Despite these compelling advantages, many organizations face significant challenges implementing successful APM initiatives. The most common are focusing only on the short-term cost-cutting benefits of eliminating redundant applications, and on the initial work of capturing an inventory of enterprise applications and their contribution to the business.

This is understandable because capturing this information is, in many cases, a significant challenge. In some cases, this up-front inventory requires further instrumentation of the existing infrastructure. In other cases, the application information exists, but is only available to staff in individual operational areas, and not gathered in a central location and easily accessible to business and IT decision makers.

Consistently updating this information is the only way to continue making good investment decisions as new technologies such as cloud and mobile change the importance of various applications and delivery platforms. Unfortunately it is all too common to see many organizations do the one-time work of creating an application inventory, only to let that information go out of date and become useless because no individual was responsible for updating it.
Sometimes the data is examined only through the single “lens” of the application portfolio, ignoring or under-emphasizing the other five portfolios that describe the full EPM context. Failing to link the insights generated by APM to the other enterprise portfolios makes it impossible to make the well-informed funding decisions that maximize value while reducing cost and risk.

Another major hurdle is the failure to gather the political support needed to implement the changes suggested by an APM effort. Any increases or reductions in funding for applications are, after all, either a threat or a boost to one group or another within the organization. Without the authority to make the needed changes, the findings of an APM effort can become “shelfware” that never delivers business benefits. That is why proving the value of APM in reducing costs or risk, or increasing agility, is so important.

**Best Practices in APM**

The single most important APM best practice is consistency. The organizations that have achieved the most benefit from APM are those who have gone beyond a one-time “crash diet” to an ongoing, disciplined, consistently funded APM effort that grows incrementally and delivers value at each stage.

Without a consistent APM program to update information, organizations cannot make well-informed decisions regarding technology capabilities and business needs. Without such consistency, they cannot understand their inventories in more detail over time and refine the measures used to track application quality and business impacts. And without such consistency, they can never move beyond the “low hanging fruit” of cost cutting to more fundamental changes such as freeing operational funds for game-changing innovation.

To make APM a lifestyle change rather than a crash diet, an organization must commit first to “instrumenting” the portfolio to measure the performance and business value of each application. It must also establish and enforce the “stewardship” of each application by assigning a single person the responsibility for maintaining information about it. While no one person is expected to know everything about an application, there must be an individual to facilitate the accumulation of essential, current, correct, and complete facts concerning the application.

Implementing APM as a series of focused initiatives, each of which delivers value, builds support for the ongoing funding needed to gain the maximum benefit from APM. This incremental growth also allows the organization, as its capabilities mature, to combine the insights from its APM program with a broader understanding of its enterprise portfolio.

The highest-performing APM practitioners also achieve a balance between the ideal of complete instrumentation of their portfolio to a level of infinite precision and total accuracy, with the pragmatic realization that APM is an ongoing journey.
High-performing APM practitioners also design programs that focus not on their organization’s current needs, but on its projected needs three years out, the minimum value horizon for application planning.

Finally, best-in-class APM initiatives focus on answering the most critical challenges facing the business. Those might involve cutting costs, moving into a new market segment or geography, improving customer service, or speeding new product development. Whatever they are, these needs should govern the type and amount of information gathered so that APM is done in the context of the wider enterprise portfolio.

Some organizations choose a sequential approach, managing their applications first and then moving on to other portfolios. Others choose to improve their management of all six at once. Whether the organization takes a sequential or simultaneous approach, incorporating the enterprise portfolio context from the earliest stages helps deliver the greatest benefits in both the short- and long-term.

However, it can be challenging to know which questions to ask to speed the time to value of a combined APM and EPM effort. This is why teaming with a partner who has been through the process before can be helpful.

**Getting Started**

While the concepts behind APM are not inherently hard to understand, implementing it requires very specific expertise that may not exist within an organization. This expertise ranges from identifying the information that is most critical to a knowledge of EA terminology to navigating the political minefields that accompany any attempt to change. For all these reasons, learning from others who have successfully implemented APM is essential, with an attitude of humility rather than resistance to any ideas “not invented here.”

We recommend choosing APM partners who are committed to mentoring an organization’s internal staff and transferring skills and knowledge that help them make the long-term lifestyle change required for success. Because APM requires coordinated and consistent effort, successful implementers proactively communicate its benefits to all appropriate stakeholders inside and outside the organization. That allows them to “federate” the effort – and the requests for funding – among those who will benefit from APM. These range from the CIO to the CFO, project management offices, architecture teams, application stewards, project managers, and information managers.
Better Business Results, Today and Tomorrow

Best-in-class APM is a pragmatic balance of what can be done today with the ideal of perfect insights into application quality and usage. It is an ongoing process of incremental improvement that delivers business value at each step and focuses scarce dollars on tomorrow's, not just today's, needs. It delivers not just short-term cost-cutting but long-term value maximization, and relies heavily on the experience and skills of those who have successfully done it.

It is also only one component of a broader EPM effort, not a stand-alone effort that is siloed from other enterprise portfolio management initiatives. Instead, it must utilize information from other EPM activities, and contribute its own insights to them.

Troux Technologies offers “Accelerators,” a best practice methodology based on years of experience with hundreds of customers. This helps organizations to align and optimize their enterprise portfolios, including the application portfolio, to realize better execution, control risk, and improve financial performance. Troux solutions are built around some 150 key business questions which provide a strategic, 360 degree view of the IT landscape in the context of the business. Troux consultants have the experience to make the best use of the information an organization already has, find the gaps, and fill them with the information needed to help reduce cost, decrease risk, and improve business agility.

To get started on the path to “Best in Class APM” contact Marketing@Troux.com.

QUICK TIPS FOR “BEST IN CLASS” APM

- Recognize that APM is lifestyle change, not a one-time “crash diet.”
- Secure CIO or other executive-level sponsorship to drive the APM effort and implementation of needed changes.
- Start small with “bite-sized” chunks of the portfolio.
- Expand over time to link your APM effort with broader enterprise portfolio management.
- Don’t focus only on short-term cost cutting, but long-term value maximization and risk reduction.
- Make one individual responsible for maintaining data about each application.
- Put the funding and organization in place to sustain a long-term “lifestyle change.”
- Balance the desire to do “perfect” APM with the need to deliver value incrementally.
- Learn from others.

About Troux

Troux's mission is to forever change the way businesses make decisions. With Troux solutions, business leaders, CIOs and their teams can use the power of Enterprise Architecture to successfully manage the connected set of enterprise portfolios that define their business. Better-informed decisions powered by the unique TrouxView™ Enterprise Portfolio Management approach helps businesses save money, reduce risk, and increase business agility. With the largest and fastest growing base of successful customers, Troux delivers results for some of the world’s best known brands including: American Express, AstraZeneca, Bayer Health Care, Boeing, Cisco, Disney, Fidelity, Lloyds, U.S. Department of Health and Human Services, U.S. Department of Homeland Security, Vodafone, and Volkswagen Group of America.
CASE STUDY #1

APM at Work: 200% ROI in 12 Months

With the right focus and the right goal, even an organization that lacks a basic application inventory or an APM organization can quickly achieve a positive ROI by eliminating redundant applications.

One of the world’s largest construction services firms reached their goal of 200% ROI on their APM investment (including professional services) within 12 months. By teaming with Troux, they achieved this goal by eliminating fewer than two percent of their business applications.

As the result of mergers and acquisitions, this organization was saddled with a number of very expensive applications that either duplicated the functionality of other applications or were no longer needed. However, it lacked an extensive application portfolio with information such as the costs and business capabilities supported by each application.

To speed them on their path to ROI, Troux provided proven best practice methods that allowed the subject matter experts who had the most information about the applications (even if that information wasn’t complete) to create a portfolio complete enough to begin discussions about which applications to eliminate. “Within four months from our original kickoff, we were heading into our first governance review board meeting with senior leadership to begin the application rationalization process,” says Chuck Keffer, director, practice consulting at Troux.

Troux helped organize an ad-hoc team of 15-20 individuals, including several senior managers, who devoted part of their regular work weeks to this focused, goal-driven APM implementation. Overall, the project required roughly one FTE to reach, within a year, its goal of 200 percent ROI on its total APM investment.

“This is a great example of the short-term cost-cutting results an organization can achieve through APM,” says Keffer, “even if it lacks an application portfolio or even an APM team. With this initial APM effort as a foundation, it is well suited to move on to higher levels of benefit, such as improved application quality and agility and reduced risk.”
CASE STUDY #2

APM and EPM Helps Assure Availability of Life-Saving Apps

One of the advantages of a comprehensive EPM effort is the ability to answer not just expected but also unexpected questions. One of the world’s largest pharmaceutical and health care companies discovered this unexpected benefit after a coordinated EPM effort.

The implementation began with a three month program to improve the management and governance of their technology portfolio, focusing on technology standards. Within another three to four months, as the benefits of that first initiative were realized, the company undertook an APM program.

By coordinating the APM program with its wider EPM initiative, the organization was able to both enforce technology standards and associate its business-critical applications with the technologies that support them. It achieved this through a very strong understanding of the full business context, including its application portfolio, the business goals and strategies, business architecture, its investments, information, and the underlying technology infrastructure.

This organization achieved full EPM within 36 months. The benefits became dramatically clear when regulatory authorities unexpectedly required the company to identify, and attest to the quality of, those applications that would be required to support the rapid production of medication to respond to a disease pandemic. Without the tools, processes, and information provided by EPM, it would have been much more difficult, if not impossible, to meet this regulatory requirement.
CASE STUDY #3

Managing the Enterprise, Not Just the Application Portfolio

Once an organization is effectively managing its application portfolio, it can move quickly to managing its enterprise portfolio in a broader business context.

One very large multinational financial transaction processor engaged us with a very mature APM process. It had created an application inventory, along with the technology to manage the inventory, and the processes to ensure proper stewardship of the applications over time.

However, their understanding of their portfolio lacked the broader enterprise context that would allow them to meet their annual and longer-term (three year) planning goals and the instrumentation to assure the portfolio complied with corporate standards over time. In addition, the detailed application data needed to most effectively rationalize the portfolio over time was held by the operational groups and not available to the APM platform, and integrating this information would be cost prohibitive.

This is a common problem with our clients who have effectively used APM to retire some of their most obviously redundant applications but lack the detailed information needed to most effectively plan future development and maintenance. To do so, they must understand not only which applications are obviously redundant, but the importance of every application to the business. This insight requires the business context of each application, its compliance or noncompliance with the organization’s technology standards, and its health compared to other applications.

Working with Troux, this organization has moved past the first cost-reduction phase enabled by APM and towards the less quantifiable, but even more important, benefits of cost avoidance, risk mitigation, and business alignment. Because the APM effort has already delivered quantifiable cost reduction, business stakeholders are more willing to accept the value of these less quantifiable benefits.