The 5 steps to application portfolio management
For an organization to operate consistently and effectively, it must manage all of its assets strategically—an undertaking much easier said than done. And one notoriously difficult place to do this is with the application portfolio.

An application portfolio encompasses all digital solutions and services that support the organization and its business. Basically, these are all the strategic assets of the business that IT is directly accountable for managing. Yet because this area has historically low levels of fitness, it is an area that needs immediate and focused investment of time, effort and money. By addressing the issue, organizations can:

- Manage digital assets as an integrated portfolio geared to optimize business performance
- Proactively manage the lifecycle of each asset and maintain a balance between investment in new and existing solutions and services

This guide provides an overview of the five levels of maturity, highlights some of the behavioral characteristics at each level, and provides a high-level overview of how to begin your own journey toward application portfolio management fitness.
Fitness level 1: Basic application inventory

At level 1, organizations are just beginning to understand the digital assets they have in their organization. While this shows progress from a complete absence of asset inventory, it is still highly limited.

At this level, tracking is generally done through spreadsheets with a reliance on manual supply and updates of data. This inevitably results in an inaccurate, incomplete, and outdated inventory that can actually be worse than no inventory at all. That’s because it creates a false sense of security around the information and can lead to making flawed decisions. Decision-making requires a complex and time-consuming mining of data warehouses in order to validate and use information.

Organizations must seek to move beyond level 1 as soon as possible, or preferably bypass it completely.

The bottom line
A famous study by Ray Panko, professor of IT management at the University of Hawaii, found that 88% of spreadsheets contain errors—and those errors can come at a high price. In one famous incident, a cut-and-paste error cost TransAlta $24 million.
Fitness level 2: IT-focused understanding of applications

The key characteristic of level 2 fitness is the shift of assets into a central repository that allows for better tracking and management. This is a critical precursor to application portfolio management, but at this stage the focus is still on capturing and maintaining information in a timely manner.

While the owners of digital assets are still expected to manually maintain many data elements, the ability to integrate with the enterprise technology infrastructure supports the automation of some data elements. This in turn allows for the development of trends and supports the beginning of effective management.

The visibility for both technology and business stakeholders improves the completeness and accuracy of the data captured and creates a foundation for higher maturity levels. It also supports the evolution of the inventory from a list of individual elements to a network of related components, creating the beginning of a true portfolio view.

The bottom line

A CapGemini Application Landscape report found that almost half of CIOs believe they have more applications than the business requires. Three quarters believe 20% of their applications should be consolidated.

Characteristics

Level 2 maturity organizations commonly demonstrate:

- A better understanding of the applications they have and where there is wastage, duplication, and outdated capabilities
- Stronger relationships between digital asset owners as dependencies and relationships become better understood
- Improved technology decision-making around maintenance and management of applications
- Still too much focus on the technology element of the application portfolio, frustrating business stakeholders and their needs
Effective application portfolio management isn’t about technical capability, it’s about business performance. To move from merely maintaining an inventory of applications to managing an integrated portfolio, organizations need to understand how various digital assets support business capabilities and strategies.

At level 3, organizations map their application inventory to business capabilities to develop an enterprise-wide understanding of how applications and the underlying platforms they run on support all elements of business performance. This provides technology leaders with the context they need to manage the application portfolio effectively—an understanding in how the various components support current operations and future plans. This context allows for further refinement of the data to provide insight into the application portfolio and its components, leading to improved automated data capture. That in turn allows for improved management.

Application portfolio management is becoming an effective tool to support the business—and many organizations are satisfied when they reach this point. But there’s a lot further to go to optimize performance.

**The bottom line**
A MeriTalk study found that 92% of federal IT managers say it’s urgent for their agency to modernize legacy applications, citing the largest driving factors as security issues, time to manage/maintain systems, and inflexibility and integration issues.
Fitness level: Rationalization and portfolio-level management

At level 4, application portfolio management is a tool for proactively improving the business. IT leaders now make decisions about digital assets specifically to improve business capabilities and enhance strategy execution. Rationalization and modernization are under way and areas of risk and exposure are being addressed.

The application portfolio is now a valuable tool that can be used throughout IT and the business to support decisions around information security, regulatory compliance, privacy, operations, and financial planning. It informs smart decision-making throughout the enterprise, enabling improved management of everything from strategic investments to tactical support requirements.

Organizations at level 4 have a comprehensive window into their digital assets—a vital prerequisite for digital transformation.

The bottom line
According to a 2019 report by the Government Accountability Office, the top 10 US federal legacy systems cost a total of $337 million to maintain annually. In the private sector, industry analysts have estimated that legacy maintenance eats up 80% of a company’s IT budget.

Characteristics
Level 4 fitness organizations regularly demonstrate:

- Proactive management of the entire application portfolio to optimize business performance
- The ability to integrate the application portfolio into all enterprise management and decision-making roles, improving visibility and resulting in higher-quality decisions
- Improved financial performance in IT operations and support, freeing funds for more strategic investments and digital transformation
Fitness level 5: Completely integrating technology and business functions

The highest level of overall IT fitness embodies a true integration of technology and business functions. With application portfolio management, this occurs through total visibility and transparency into the portfolio by all business areas and all technology capabilities.

The application portfolio can be viewed by all stakeholders in a context relevant to them, becoming a valuable contributor to all strategic decisions. As business and technology decisions become more closely intertwined, the application portfolio becomes an extension of the view into how the business operates.

The ability to rely on the application portfolio in this way is driven by complete integration and automation of all portfolio data. All enterprise platforms are integrated, with the application portfolio providing data that is always accurate, complete, and current. That in turn allows management to focus on operational oversight and management, improving effectiveness and efficiency still further.

The bottom line

A 2019 survey by Accenture of C-level execs from 8,365 companies found that companies that are strategically investing in “future systems” technology are doing better financially—doubling their average revenue growth compared to tech laggards.
While the road may feel long for those just beginning to improve application portfolio management fitness, with the right tools and the right mindset, support is available every step of the way. Wherever you are in your IT fitness journey, ServiceNow has a solution to support your IT organization. Start by exploring IT Business Management to discover how business works better when IT is a strategic partner.

The fitness journey continues

If your organization is at a low fitness level when it comes to managing digital assets, you’re not alone. Achieving the necessary fitness level requires focus and investment. And more than any other aspect of our IT fitness model, investment in the right software tools is crucial for accelerating application portfolio management maturity.

Organizations must also recognize the relationship between digital assets and business strategy, using asset management tools consistently across all areas and all technologies. This leads to:

• Operational effectiveness and efficiency
• Regulatory compliance, privacy, and information security
• Organizational return on investment

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Start Exploring
Ensure the application portfolio fully aligns with the business and drives technology decision making through Application Portfolio Management with IT Business Management from ServiceNow.