Application portfolio management

In a post-digital transformation world, managing assets strategically is of paramount importance. This is especially true when it comes to an application portfolio—the digital solutions and services that support an organization and its business.

When an application portfolio is well-managed, organizations can:

• Manage digital assets as a 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 takes a look at the five levels of fitness as it pertains to managing the assets IT is directly accountable for, helping you understand where your organization falls and how to begin your own journey.

Fitness level 1: Basic application inventory

Level 1 organizations are still striving to achieve a basic level of visibility into their digital assets. Tracking is generally done manually through spreadsheets which results in inaccurate, incomplete and outdated inventory that can lead to flawed decision making. Avoiding this requires a complex, time-consuming mining of data warehouses.

Characteristics

Level 1 fitness organizations commonly have:

• Manual tracking of inventory information that is incomplete and inaccurate
• An absence of any formal management or updating of the inventory
• Confusion over what the inventory should contain and how it should be used
• A lack of faith by both business and IT users in the value of the inventory

A 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

In level 2 maturity, an IT organization has moved their asset inventory into a central repository that allows for better tracking and management. There is a focus on capturing and maintaining information in a timely manner. Asset owners still maintain many data elements manually, but integration with the IT infrastructure supports some automation. Improved visibility helps boost accuracy and evolves inventory from a list of individual elements to a network of related components.

Characteristics
Level 2 fitness organizations commonly demonstrate:
• Better understanding of applications, wastage, duplication, and outdated capabilities
• Improving relationships between digital asset owners
• Improved decisions around application maintenance and management
• Still too much focus on the technology element of the application portfolio

Fitness level 3: Aligning applications to business

At level 3, portfolio management is becoming an effective tool to support the business. Organizations can map application inventory to business capabilities to see if applications are supporting all elements of business performance. This gives tech leaders insight into how components are supporting current operations and future plans, while allowing for further refinement of the data used to provide insight into the application portfolio.

Characteristics
Level 3 organizations typically demonstrate:
• The ability to view their inventory of digital assets through a business lens
• A shift in decision making from IT focused results to business focus results
• Improved automation of inventory data capture and management
• An understanding of where portfolio elements exist and a strategy to manage them

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.

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 4: Rationalization and portfolio-level management

Level 4 fitness finds organizations using application portfolio management to proactively improve the business. IT leadership can now make decisions around digital assets to improve business capabilities and enhance strategy execution. Rationalization and modernization are in place and areas of risk and exposure are being addressed. The application portfolio is now a valuable tool used throughout IT and the business to support information security, regulatory compliance, privacy, operations, and financial planning decisions.

Characteristics
Level 4 fitness organizations regularly demonstrate:

- 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

Fitness level 5: Completely integrating technology and business functions

Level 5 organizations have fully integrated their technology and business functions, achieving 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 and is a valuable contributor to all strategic decisions. There is total integration and automation of all portfolio data, ensuring accuracy and allowing management to focus on operational oversight and management.

Characteristics
Level 5 maturity organizations:

- Integrate application portfolio management into every aspect of the business
- Invest in digital assets as a critical part of a post-digital transformation
- Automate data management to allow for focus on higher value tasks

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.

A 2019 survey by Accenture of C-level execs from 8,365 companies found that those that are strategically investing in “future systems” technology are doing better financially—doubling their average revenue growth compared to tech laggards.
The fitness journey continues

Many organizations lag behind when it comes to managing their digital assets. More focus and investment in the right software tools—used consistently across all areas and all technologies—can accelerate application portfolio management fitness.

Organizations must also recognize the relationship between digital assets and business strategy, as well as the contribution those assets make to critical aspects of your business:

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

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.