

# Application Value Assessment

## Journey to Realising the Value of an Organisation's Application Portfolio

Fujitsu UK & Ireland - Business & Application Services

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Businesses today operate in highly competitive environments where new entrants to their markets appear rapidly with innovative ways of providing products and services. If these businesses cannot react quickly to new competitors they risk losing customers and market share which will threaten revenue and profitability. Applications underpin every organisation's business processes and their effectiveness and contribution to achieving business objectives must be fully understood. The organisation must also be able to make rapid and accurate decisions, based on factual evidence, regarding the future of their business application portfolio in the face of challenging competitive landscapes.

As well as supporting innovation in the business there is also pressure to reduce costs. Answers to the following questions need to be readily available and based on quantifiable evidence:

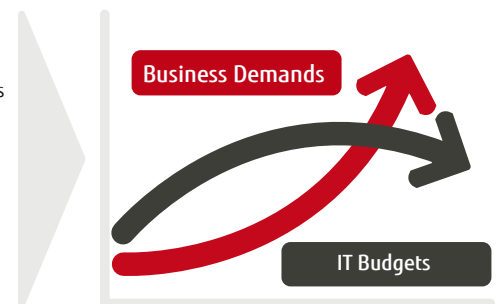
- Is the application budget being effectively focused to leverage high value strategic applications?
- Are resources wasted by the unnecessary enhancement of applications of low business value?
- Can expenditure be released to fund activities of higher value to the business?
- Are there opportunities to reduce costs by changing the way applications are supported?
- How healthy are the applications in the portfolio and the risks if they fail?

To enable the right decisions an accurate picture of the current status of the applications portfolio is required. Ideally this should include a scoring mechanism that compares the applications in a quantitative manner and provides information on their relative strengths and weaknesses. This will ensure the appropriate action for an application to maximise its benefits to their business.

### 1. Challenges in Managing the Application Portfolio

Shareholders are insisting on growth in revenue and profits from the business. Nimble-footed competitors are stealing market share with innovative solutions that differentiate their businesses in the market. End-users and customers are demanding a better service in terms of functionality, responsiveness and performance, in other words an improved customer experience. These challenges, and many others, need to be addressed in the face of declining IT budgets (see figure 1).

- Need to grow the business
- Respond to changing business needs
- Provide better service level performance
- Lower IT operating costs



**Figure 1: What is driving the IT agenda today?**

Organisations are seeking advice and guidance on how they can resolve this dilemma and deliver more value to their business.

In resolving this dilemma we see organisations facing multiple individual challenges in managing their application portfolio and ensuring they realise the maximum benefit from these assets. Figure 2 provides some examples of the challenges they face. There is a CIO UK report on the growing need for application portfolio assessment which is referenced at the end of this document [1].



**Figure 2: Challenges**

**Cut costs:**

The CIO UK report [1] referenced above estimates that organisations spend 65-80% of their application budgets on day-to-day routine maintenance and operations – activities usually known as ‘keeping the lights on’. CIOs need to reduce these costs to free up budget for application projects that support their changing business models and improve competitive advantage.

**Improve end-user and customer satisfaction:**

Organisations are facing fierce competition in their market sectors from new and existing entrants who have innovative ways of capturing new customers, revenue and market share. New or enhanced applications are needed to underpin business innovation to drive the business forward.

**Respond faster to changing needs of the organisation:**

Organisations are tightening up their back office functions to realise efficiencies and costs savings in carrying out their day to day business processes. Shared services, self service applications and streamlined procurement of goods and services are examples of where innovation is being sought to drive up efficiencies and drive down costs.

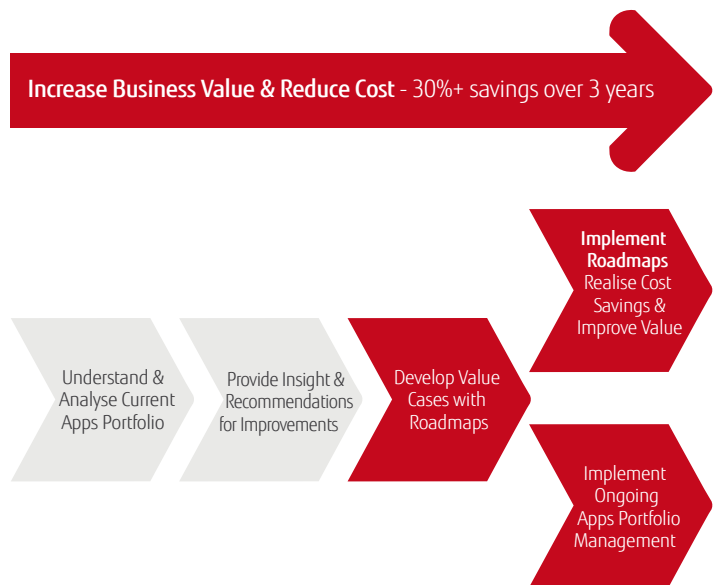
Clearly these are not the only challenges organisations are facing, other examples are:

- Continual re-prioritisation of the application budget in line with changing business needs,
- Increase effectiveness in sourcing and delivering applications,
- Rationalisation of the application portfolio due to mergers and acquisitions,
- Improvement in the value of existing applications,
- Reduction in the complexity and improvement in effectiveness of applications.

**2. Application Journey to Value Realisation**

Every successful conclusion to a challenging objective requires detailed planning with clearly defined and agreed milestones. Realising increased business value from an application portfolio and reducing costs is no exception. An application journey, such as that shown in figure 3, is required to ensure a successful outcome.

The length of the journey will vary from organisation to organisation and benefits should be delivered over the complete life of the journey not just at the very end. Every successful journey needs to have a starting point where issues are well understood, priorities are established and objectives are set. This stage provides an insight into the potential improvements that could be made to the applications and recommendations as to which improvements would have the most positive impact on the value to the organisation’s business. This is summarised in the first two arrows in figure 3.



**Figure 3: Journey to Value Realisation**

Having established the potential improvements that could be made and ensuring that they align with the final destination of the journey, in other words improvements that align with the business strategy, planning for the next stage can commence. Application roadmaps and project funding need to be defined and agreed within the organisation before the next stage of the journey can commence.

Having completed delivery of the projects that improve the value of applications and reduce costs, the application portfolio needs to be continually managed. This will ensure that it continues to add value to the organisation’s business and costs are driven out where possible. These latter stages are defined in the last three arrows of figure 3 where Application Portfolio Management ensures the continuous alignment of the application portfolio with the organisation’s business needs.

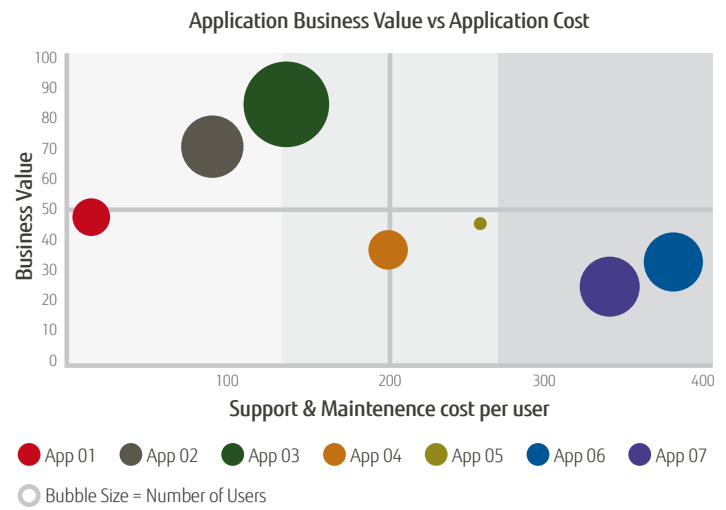
### 3. The Start of the Journey – Application Value Assessment

The current economic environment means that every organisation needs to be sure that it is achieving maximum value from IT investments – particularly in understanding the business value, skills resourcing, health, risks and cost of its business applications. Organisations considering substantial investments, cost reduction programmes or changes to their application portfolio, whether through outsourcing, merger and acquisition, competitive pressures, Cloud adoption or the development of new application functionality, need to understand the relative value and contribution of their existing applications within the overall application portfolio.

Before financial investment and resourcing decisions can be made key questions need to be answered to ensure effective allocation of the available budget:

- Is the application support budget being properly focused to leverage high value, strategic applications?
- Are resources wasted by enhancing applications of low business value?
- Does the investment in the application portfolio adequately align with and underpin the business strategy?
- Can some expenditure be released (e.g. on legacy applications) to fund activities that are of higher value to the business?
- Are there opportunities to reduce costs by changing the way applications are supported?
- How healthy are the existing applications in the portfolio?
- What are the comparative risks associated with the applications?

An Application Value Assessment (AVA) service can provide an insight into these questions to assist in making decisions. The application portfolio needs to be analysed, in co-operation with the CIO's IT organisation, so that the CIO can be confident that his or her team will endorse the outcome of the service. The output needs to be in a format that is easily understood and recommendations are clearly stated. An example of this is the applications heat map shown in figure 4.



**Figure 4: Applications Heat Map**

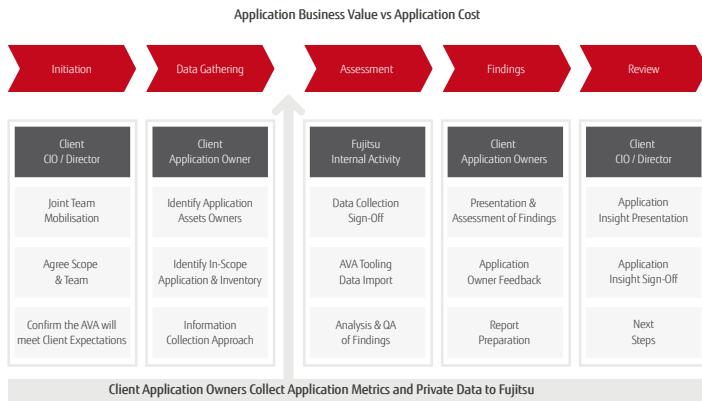
The service needs to provide an Insight into the organisation's Application Portfolio to enable the CIO to make informed decisions regarding future application investments and cost reductions. The report that is presented to the CIO should enable rapid results by providing insight into where;

- Support and maintenance costs are high and could be reduced,
- Application investments can be optimised,
- Application business alignment can be improved,
- Applications skills pool can be better balanced and utilised,
- Applications are at higher risk and need health improvements,
- Quick wins can be achieved in relation to the above points.

The service should also provide a baseline of application metrics and scoring to enable further detailed analysis of opportunities for improvements such as: Application Consolidation, Application Decommissioning, Application Virtualisation, Application Modernisation and Application Cloud migration.

## 4. Application Value Assessment – Service Framework and Methodology

A defined service framework and methodology is required to ensure the successful conclusion of an Application Value Assessment service (see figure 5). All parties will then be clear as to their roles and responsibilities.



**Figure 5: Application Value Assessment Service Framework & Methodology**

### Initiation

An Initiation Meeting takes place in order to establish and agree the terms of reference for the AVA Service and a commitment from the organisation to contribute to the service.

### Data Gathering

A Data Gathering Workshop where the data attributes to be collected for each of the In-Scope Applications are defined, the owners in the organisation are identified and a plan is established for the efficient collection of the application data.

### Assessment

This is the assessment of the in-scope applications using AVA analysis tooling.

### Findings

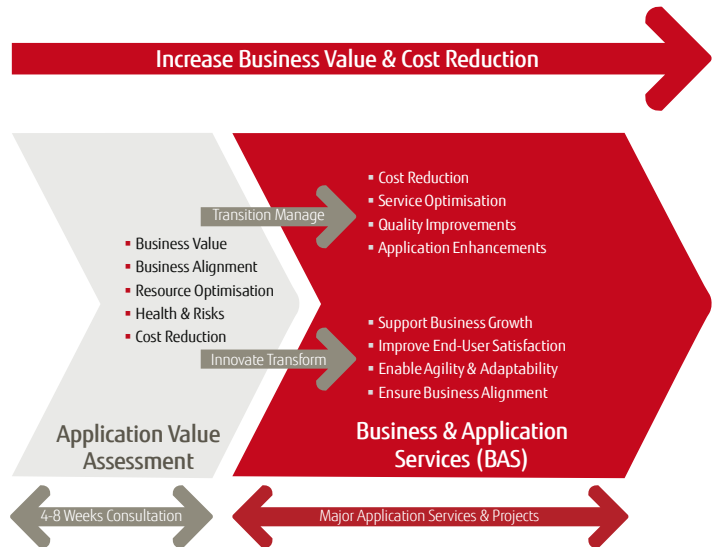
A Findings Workshop to present initial analysis results to the organisation's application owners, confirm the interpretation of the findings is accurate, and fine tune where appropriate.

### Review

A Review Meeting to present the Application Value Assessment report to the organisation's sponsor to provide insights into where improvements to the application portfolio could be made from a short and long term perspective in order to improve value and reduce costs.

## 5. Continuation of the Journey to realise value

On the successful conclusion of the Application Value Assessment service the organisation will have an insight into what actions need to be taken to improve the value of their application portfolio to their business, and where they can reduce costs. Examples of where the organisation will benefit from application and service improvements, identified in the Application Value Assessment service and delivered as application services and projects, are identified in figure 6.



**Figure 6: The Continuing Journey and Benefits**

- Cost Reduction of up to 50% using Blended Delivery and Right-shoring freeing up budget for new projects,
- Service and Quality improvements resulting in higher customer satisfaction,
- Functionality and usability improvements with business related application enhancements,
- Support of Business Growth, an example being on-line transactions,
- End User Satisfaction improvements with the introduction of self service applications,
- Agility and Adaptability enablement with applications that are tailored to the organisation's specific business needs,
- Business alignment through deployment of Cloud solutions.

## 6. What's needed for the start of the application portfolio journey

Software tooling to analyse the application portfolio and provide the Application Value Assessment.

A defined set of hypotheses that can be used to establish the relative merits of applications in the portfolio, for example:

- Business Value versus Costs,
- Support skills demand versus availability,
- Health versus risks to the business.

A set of questions and defined possible answers that are used to underpin the hypotheses;

A mechanism that is used to score all applications in the portfolio to determine which applications are high value and those that need improvements,

A defined framework and methodology for the assessment and a fully documented set of material,

A flexible solution that will address specific questions like Legacy Modernisation or Cloud Migration,

A solution that is able to be tailored to address specific questions and requirements.

An organisation can achieve rapid, cost effective results as all the above is included in Fujitsu's Application Value Assessment service.

## 7. The value and benefits realised by Fujitsu customers

Application Value Assessment (AVA) services have been delivered by Fujitsu to UK&I customers in both the public and private sectors. The following are two examples:

In the public sector a Tailored AVA service was delivered to a large UK Government Agency. The customer was grappling with support process issues with a number of different 3rd party application providers providing the support. The AVA service was able to provide:

- An insight into the issues that needed to be addressed in supporting their application portfolio,
- Recommendations on priorities for improvements to achieve the maximum benefit for the customer's organisation,
- A common understanding, within the customer organisations, of the issues and necessary remedial actions,
- A defined way forward for the delivery of a high quality Application Managed Service.

■ In the private sector a Tailored AVA service was delivered to a global energy and home related services group. The customer's application portfolio ranged from large strategic applications for billing and customer relationship management to small, but critical, stand-alone systems. The AVA service identified:

- Applications that could be delivered much more cost-effectively from an Offshore location with subsequent savings in the region of 50%,
- A specific problem area where revenue and profit were adversely affected by application duplication and overlap. This was as a result of past mergers and acquisitions,
- This problem was resolved with input from a Fujitsu in-depth application and business process analysis service.

## 8. Conclusion

Organisations today have overly complex landscapes of overlapping applications – some of which are strategically important, while others provide little real value to their organisations. The need to focus on strategically important applications and avoid continued investment in unnecessary applications is particularly important in the current economic climate.

Application Portfolio Management is becoming an increasingly important agenda item for CIOs. At the base level, it helps organisations to minimise wastage and reallocate spend more effectively. Crucially, it can also help to maximise business advantage in a number of important ways. The ongoing delivery of Application Portfolio Management will ensure that the application portfolio continues to add value to the organisation as it changes and adapts to market pressures.

The journey starts with an Application Value Assessment Service where a base set of metrics is established that is used to enable Application Portfolio Management for the organisation.

CIOs and their organisations can realise the full potential of their application portfolios and at the same time reduce costs starting with Application Value Assessment.

## Reference

[1] CIO UK, [The Growing Need for Application Portfolio Assessment, FUJ\\_Apps\\_Report.pdf](#)

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## What next?

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