

Application Portfolio Optimization: Best Practices to Reduce Inertia and Optimize Cost

Stefan Van Der Zijden

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**“How Many Applications Should
We Have?”**

**What Is a Good Number in Our
Industry?”**

— Anonymous CIO

First Law of Application Portfolio Optimization

You have **exactly** the correct number of applications today ...

To run your business the way that you run it today!

Key Issues

1. Why we need the business to reduce inertia and optimize cost?
2. How to identify and prioritize opportunities?
3. Other best practices for application portfolio optimization.

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Optimize Cost: Where to Cut, Protect and Invest



Cut Costs

Reactive, Short-Term
Immediate Reductions



Optimize Performance

Programmatic,
Structured
Improvements

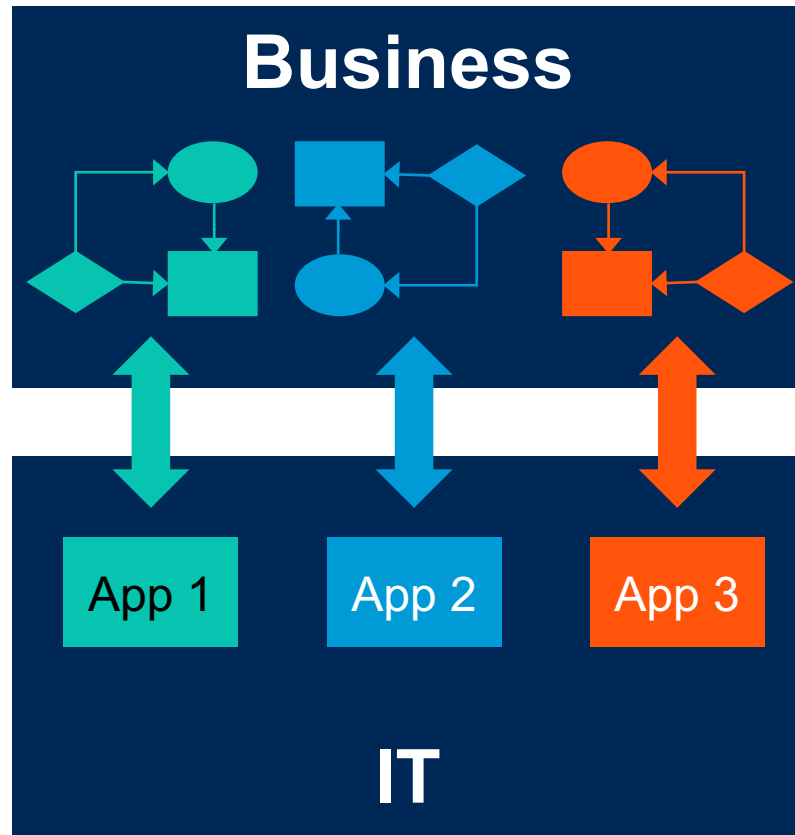


Invest to Grow

Business Value
Driven, Stakeholder
Partnership

The application portfolio plays a role in all three ...

Why We Need the Business

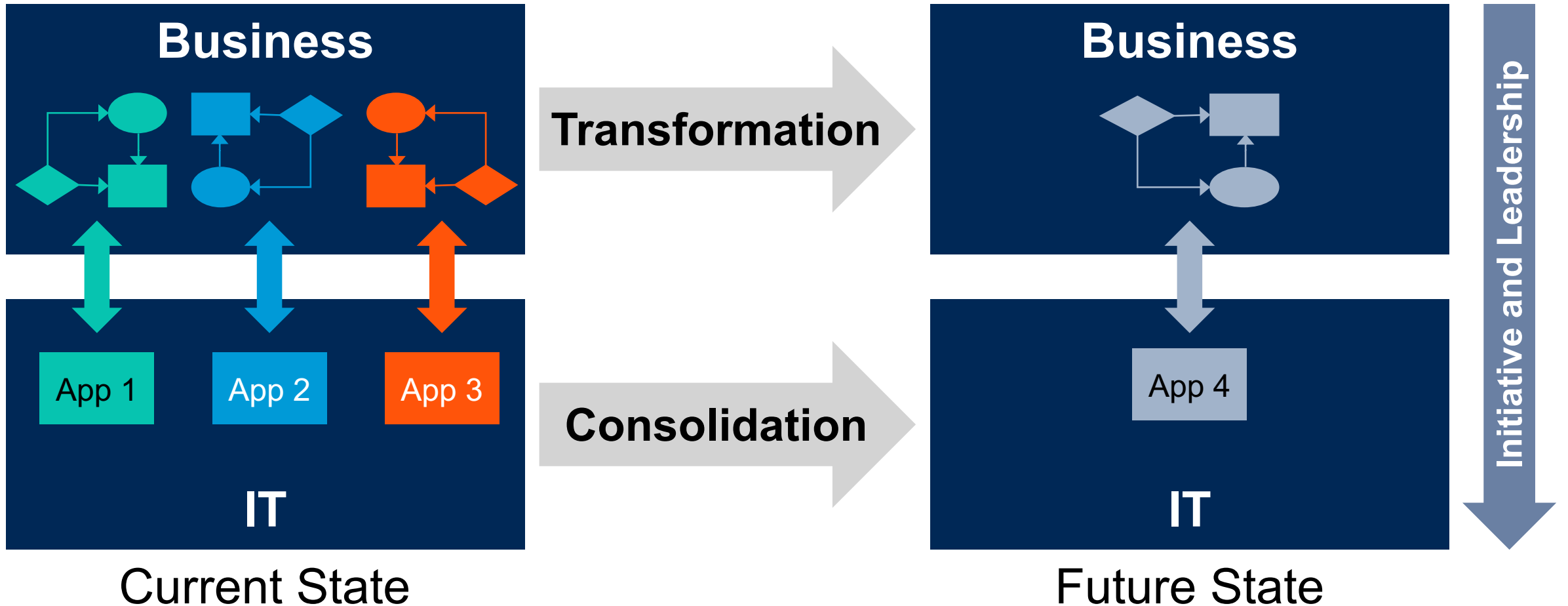


Current State



Future State

Why We Need the Business



Application portfolio optimization without business transformation delivers limited savings

Best Practices: Business Engagement

Engage the Business Early

- Joint analysis, joint decision.
- Find common ground.
- Pave the way for successful execution.

Best Practices: Business Engagement

Engage the
Business Early

**Create
Application
Governance
Teams**

- One team per business domain.
- Unite all stakeholders from business and IT.
- Takes ownership of the application portfolio.

Best Practices: Business Engagement

Engage the
Business Early

Create
Application
Governance
Teams

**Drive
Application
Ownership to
the Business**

- Make business aware that applications are their assets to conduct business.

Best Practices: Business Engagement

Engage the
Business Early

Create
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Teams

Drive
Application
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the Business

**Search for
Business
Process
Optimization**

- Select opportunities where business sees value in business process optimization to drive application portfolio optimization.

Key Issues

1. Why we need the business to reduce inertia and optimize cost?
- 2. How to identify and prioritize opportunities?**
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Objectives for Application Portfolio Optimization

What Makes A Good Application Portfolio Optimization Opportunity?

Improve

Business Fit

Business Value

Agility

Reduce

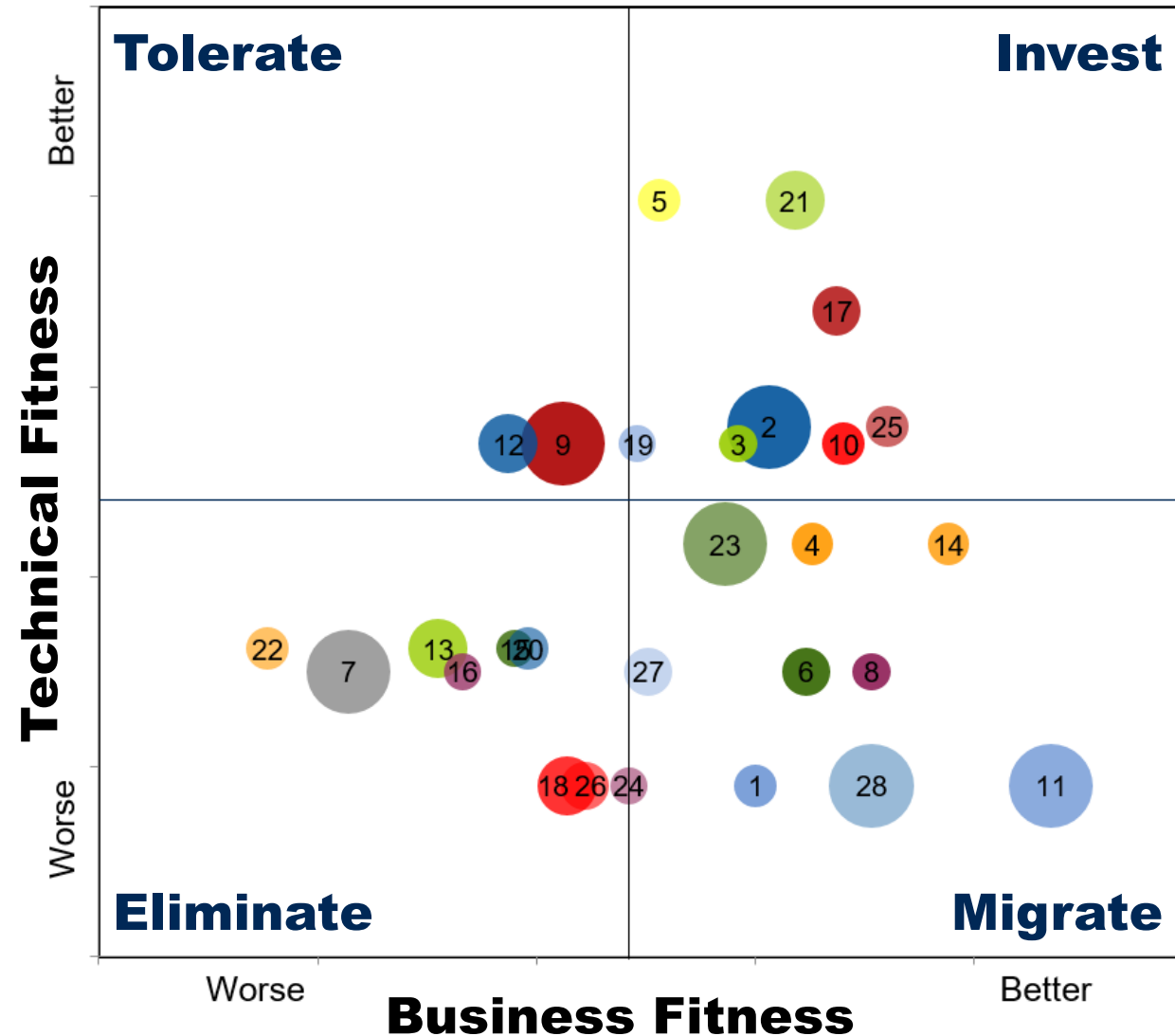
~~Number of Applications~~

Cost

Complexity

Risk

TIME Analysis: Identify and Prioritize Opportunities



Note: Larger bubble, means worse cost profile

Best Practices: Identify and Prioritize Opportunities

Select the Best Opportunities

- Select opportunities with high impact and high probability of success.
- Assess business, technical and cost fitness.
- Select opportunities with a business and IT incentive.

Best Practices: Identify and Prioritize Opportunities

Select the Best Opportunities

Focus on Business Capabilities

- Seek to remove obstacles in business capabilities and processes.
- Do not focus on individual platforms or applications.

Best Practices: Identify and Prioritize Opportunities

Select the Best Opportunities

Focus on Business Capabilities

Focus on Business Outcomes

- Business outcomes will drive value and acceptance of optimization initiatives.

Best Practices: Identify and Prioritize Opportunities

Select the Best Opportunities

Focus on Business Capabilities

Focus on Business Outcomes

Apply Zero-Based Prioritization

- Use zero-based prioritization to re-build your application portfolio and understand what applications are mandatory, priority and optional.

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Other Best Practices

Downgrade Application Services

- Downgrade service level to a “just-enough” quality.
- Limit maintenance and change requests for noncritical apps.
- Reduce recurring SaaS costs by limiting use of chargeable services.

Other Best Practices

Downgrade
Application
Services

**Decommission
Applications**

- Don't forget to decommission.
- Don't retain applications to retain the data.
- Negotiate a clear data retention policy.
- Create a central decommission and data retention service.

Other Best Practices

Downgrade
Application
Services

Decommission
Applications

**Establish
Continuous
Optimization**

- Make application portfolio optimization an ongoing discipline.
- Prevent is better than cure: change the behavior that got you here.
- Stop aiming for successful projects, start aiming for successful applications.

**Your Application Portfolio Provides a
Major **Cost Optimization** Opportunity
And Is Foundational for the
Composable Enterprise**

**Apply These Best Practices to Maximize
Impact and Chance of Success**

Recommended Gartner Research

- 🔍 [In Application Rationalization, the Number of Applications Is Irrelevant](#)
Matthew Hotle and Stefan Van Der Zijden (G00351003)
- 🔍 [Taking on Application Rationalization's "Wicked Problem" of Getting Business Engagement](#)
Stefan Van Der Zijden and Matthew Hotle (G00277296)
- 🔍 [When Application Standardization Works, and When It Doesn't](#)
Bill Swanton (G00391324)
- 🔍 [Use TIME to Engage the Business for Application and Product Portfolio Triage](#)
Stefan Van Der Zijden and Bill Swanton (G00382785)
- 🔍 [Decommissioning Applications: The Emerging Role of the Application Undertaker](#)
Stefan Van Der Zijden, Bill Swanton and Deacon D.K Wan (G00434032)

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