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Thought Leadership

A Brief Conversation with Erik Golz, EVP, Director Professional Services

Erik Golz has built and led several consulting organizations focused in the Financial Services industry over the past 20 years. His philosophy embraces a pragmatic approach to delivering innovative solutions.

“PSSST, HOW’S YOUR PORTFOLIO DOING?”

Q: What is Application Portfolio Management?

A: Done properly, Application Portfolio Management, or APM, is a “living program” that allows you to assess the applications in your portfolio, evaluate potential changes, and understand the risks and impact of these changes to the portfolio. APM is a discipline and a tool set that enables a CIO to respond to the pressures of managing an application portfolio. It relates total cost of ownership to revenue, identifies redundancies and gaps in current capabilities, pinpoints trouble spots, and highlights opportunities to pursue sourcing alternatives and decommissioning targets. In short, it’s a real opportunity to improve the return on your existing investments.

Q: What would possess a CIO to open what could be a Pandora’s box?

A: I think one of the major contributors – if not *the* major contributor – in the movement towards better-managed IT portfolios is the maturing of the offshore support model. The process of evaluating offshore support has provided the catalyst for a more in-depth analysis of IT portfolios. In the early days, assessments ran something like this: “Offshore is the answer, what was the question?” Portfolio assessments were conducted more as a means to find candidate applications for offshore support rather than to address the needs of the complete portfolio. As a result, while one might identify two or three major applications that fit well into the offshore support model, it did nothing to address what could be significant challenges in the remaining portfolio. Issues around scalability, skills, total cost of ownership, IT and LOB interdependencies were not addressed. Within the recent past, the appetite of CIO’s to address the complete picture has grown significantly. The maturation of the outsource market -- on-, off- and near-shore -- has opened up many more alternatives that allow CIO’s to address issues across the complete portfolio. This is not to say that partners can solve all the challenges unearthed through this process, but it is a start. The funding, decommissioning, alignment, skill, metrics and management issues don’t do away with third party relationships. However, solving these issues will define the success of any portfolio optimization initiative. It’s about reducing complexity and costs and closing the gaps between capabilities and business demand.

Q: Sounds like a lot of heavy lifting. Are there ways to accelerate the process?

A: Absolutely. The key here is establishing filters. Every portfolio has assets (applications) that do not require immediate attention. Eliminating these from the assessment will help reduce the complexity of the analysis. Desktop applications, highly customized secondary systems, mission-critical customer-facing application are examples of a few applications that may not make the initial cut.

Secondly, one should start with the end in mind. You will need to refer to this objective throughout the process – repeatedly! Is your goal to: reduce the cost of ownership across the portfolio; identify candidates for alternate sourcing; identify performance risks in the current portfolio; or develop a baseline to understand/measure planned investments? Regardless of your intent, define it and revisit it. It will save you from wallowing in the depths of over-analysis.



THOUGHT LEADERSHIP *(continued)*

Lastly, clarify the evaluation criteria up-front. How will you evaluate the applications? The criteria could include cost, scalability, support requirements, operational risk, vendor exposure, and/or regulatory risks. Set the bar at the beginning of the initiative. You will inevitably add or change some of your evaluation criteria – we see it all the time – but starting with a meaningful and manageable set will accelerate the rationalization process.

Q: Does size matter?

A: It certainly does add levels of complexity. Larger application portfolios, measured by numbers of applications and breadth of coverage (global constituents), can have a significant number of dependencies. These dependencies will add complexity to the rationalization process. Changes to the portfolio will have cascading effects that need to be clearly understood. The last thing a CIO wants to do is disable or handicap an important business partner.

A disciplined approach – although important in any size effort – becomes paramount with larger portfolios.

Q: What are some of the collateral benefits of optimizing your application portfolio?

A: As is true with most broad-based initiatives, there are several secondary benefits generated from an application portfolio management initiative. Perhaps the most common one is a much clearer alignment between business and IT initiatives. The process of mapping the portfolio to business value really highlights how well connected, or disconnected, business objectives are to IT spending.

Two other significant benefits are typically exposed through this process: resource planning and allocation, and project funding/decommissioning. The rationalization process exposes strengths and weaknesses in your skill and support capabilities. In this case, knowledge is power. Understanding how well the skill portfolio matches the application requirements is the first step towards upgrading and balancing your resource allocation scheme. The same holds true for project funding and decommissioning. Clearly understanding how projects get into, and out of, the application portfolio can be eye-opening. At the end of the day, we see a lot more discipline being applied to funding and resource planning.

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