HOW TO CUT COSTS AND CREATE INVESTMENT FOR YOUR CHANGE AGENDA

PROJECT ONE

real change • real difference

Every business asks the question **"how can I create both the funds and resources to drive real improvement?"**
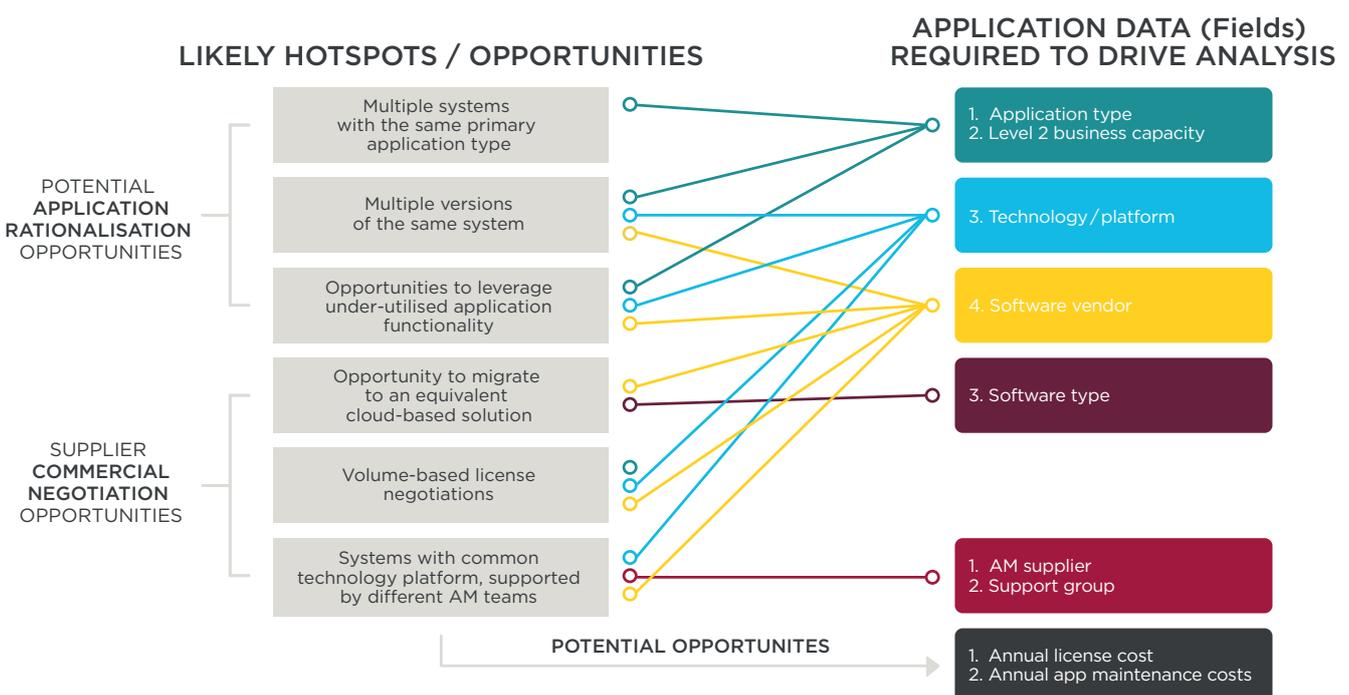
It is not just about reducing cost, but an opportunity to clear the decks and drive **business change.** Also, in many industry sectors we are seeing that the focus has been towards introducing digital technologies that drive real improvements and **transformation.** This insight takes a high level look at driving the implementation of 'application rationalisation (AR)', so funds and resources can be better used to support future change capability and investment.

1. WHY IMPLEMENT APPLICATION RATIONALISATION?

- **Application rationalisation** could be a key driver of business transformation – freeing your resources to concentrate on **"change the business"** initiatives, not just keeping the lights on
- **A significant amount of IT budget** could be tied up supporting redundant or low value applications
- **Leading industry research** has found that application rationalisation initiatives reduce up to 25% of the total cost of ownership (e.g. license, maintenance, infrastructure and change costs)*

2. WHERE DO YOU START?

Take a step back to review your current position and identify likely hotspots you may not have yet considered. The below diagram gives examples of what applications and costs may be relevant to your organisation.

LIKELY HOTSPOTS / OPPORTUNITIES

APPLICATION DATA (Fields) REQUIRED TO DRIVE ANALYSIS

POTENTIAL **APPLICATION RATIONALISATION** OPPORTUNITIES
- Multiple systems with the same primary application type
- Multiple versions of the same system
- Opportunities to leverage under-utilised application functionality

SUPPLIER **COMMERCIAL NEGOTIATION** OPPORTUNITIES
- Opportunity to migrate to an equivalent cloud-based solution
- Volume-based license negotiations
- Systems with common technology platform, supported by different AM teams

1. Application type
2. Level 2 business capacity

3. Technology/platform

4. Software vendor

3. Software type

1. AM supplier
2. Support group

POTENTIAL OPPORTUNITES

1. Annual license cost
2. Annual app maintenance costs

3. WHAT ARE THE CRITICAL STEPS TO PUT IN PLACE?

Our experience suggests there are critical factors in setting up application rationalisation programmes for success. It is all about getting the basic hygiene factors right and making it simple to deliver a successful **change programme.**

Active sponsorship – given the continual desire for new functionality and capabilities, senior sponsorship for the simplification agenda must be strong

Central funding – key to establish a central funding/business case which gives the programme a mandate and supports tough prioritisation calls

Manage as a portfolio – think about the benefits at the portfolio level. Avoid too many decisions at the "application by application" level

Architecture support – cross functional working is the key, with the architects setting the overall strategy and direction

Robust inventory – having clarity of ownership, strategy, the business capability it supports and cost will be essential to analyse and prioritise the right "targets"

Decommissioning capability – establish a service that can remove data, applications and infrastructure with a repeatable process. Efficiency in this space will reduce overall costs

Govern the future – ensure the application portfolio doesn't 'bloat' by governing new change to include application rationalisation

4. APPLICATION RATIONALISATION - QUALIFYING THE VALUE

Project One have devised a set of simple diagnostic tools to help you review your application estate. Answer the questions to find out whether application rationalisation would be of value to your business.

A score of less than 40 is a strong indicator that substantial savings would be possible

A — HOW WELL DO YOU UNDERSTAND YOUR APPLICATION ESTATE?

	No / Limited		Unsure		Yes / Comprehensive
Do you have a **single, centralised** application inventory?	1	2	3	4	5
Is your inventory of applications up to date and complete?	1	2	3	4	5
Do you have a good understanding of the total cost of ownership for each business application?	1	2	3	4	5
Do you have multiple applications meeting the same or a similar business need?	1	2	3	4	5

B — HOW CLEAR IS YOUR STRATEGY?

	Poor				Excellent
Is there a clear enterprise application architecture strategy & associated governance?	1	2	3	4	5
Do you have a mature and actively applied application management lifecycle process?	1	2	3	4	5
Is there a clear simplification strategy in place and sponsored at a senior level?	1	2	3	4	5

C — HOW STRONG ARE YOUR CONTROLS?

	Never				Always
Do projects introducing new applications need to identify and remove legacy applications?	1	2	3	4	5
Do business units act independently with respect to their application needs & purchases?	1	2	3	4	5
Are application purchases validated through central IT and asset management teams?	1	2	3	4	5
Are licences tracked and licence purchases optimised?	1	2	3	4	5

"TRUE TECHNOLOGY TRANSFORMATION AFFECTS THE WHOLE BUSINESS"

5. APPLICATION RATIONALISATION CASE STUDY

AstraZeneca

Read how **AstraZeneca**, a world renowned leading **pharmaceuticals company** reduced the cost of their legacy application estate, making significant annual savings of over $25 million. **CLICK HERE TO FIND OUT MORE**

Interested in finding out more? Please contact

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*Source: Torry Harris, Application Rationalisation-the starting point for SOA (www.thbs.com)