PARADIGM™
technology

THE VALUE BLACK HOLE OF APPLICATION RATIONALIZATION

Digital transformation and multi-cloud adoption are driving almost if not all organizations to rethink their application landscapes. In this Q&A session, the Paradigm team explores what application rationalization is, how to avoid the pitfalls, what success looks like, and how to get started.

Insights provided by Phil Zeringue, Paradigm Technology's portfolio management expert.

Q You recently wrote a blog called "The Value Black Hole of Application Rationalization" where you described common mistakes and best practices around app rationalization. What does application rationalization really mean?

A Simply put, it's an effort to reduce the complexity and cost of your IT portfolio. It often becomes all about the exercise – how you're doing it and what your final report looks like versus the results that affect the bottom line. But I'll tell you a secret as a former CFO... it's not really about the numbers or app inventory, it's being able to answer the simple question, "Are we as a business getting value for our IT spend?" It's about getting more bang for your buck with the IT you're investing in.

Q What are some common mistakes organizations encounter that you've experienced when trying to tackle the optimization opportunity?

A The biggest mistakes I see organizations make are to overthink, over complicate, and get wrapped around the axle. Oftentimes they'll create comprehensive documents that don't indicate business value and simply tell you to do exactly what you were doing before. Let me give you an example.

I worked at a large federal agency, and this is what the process oftentimes looked like:
1. It would start with data gathering. What is our inventory? What do we have? What does the whole thing look like? How do I get my arms around my portfolio? And you find out you don't have good app inventory or good asset ages on licenses or maintenance contracts.
2. That turns into several months of cleaning up and collecting the data just to get your arms around the total portfolio – all 1,500 applications or whatever your number is.
3. Once you've done that, you get into scoring mode. What are the criteria to score this from a functionality, technical debt, asset age, or security perspective?
4. Having been scored, you'll prioritize them across whatever you're bucketing into – what gets invested, eliminated (sunset), or stays as is.
5. As those buckets are shared with application owners in the lines of business, they'll start to tell you why you're wrong and how important their system is! Everyone is going to want the latest and greatest, so you end up with a document of desires that ultimately gets negotiated across the entire company.

This keeps everything at the status quo and it's what I've seen a bunch of times.

Just don't try too much. Don't try to boil the ocean. Or, you know, start with a specific area, make some progress, and expose that progress to the team and leadership so they buy in. Focus on where you'll get the most bang for your buck.
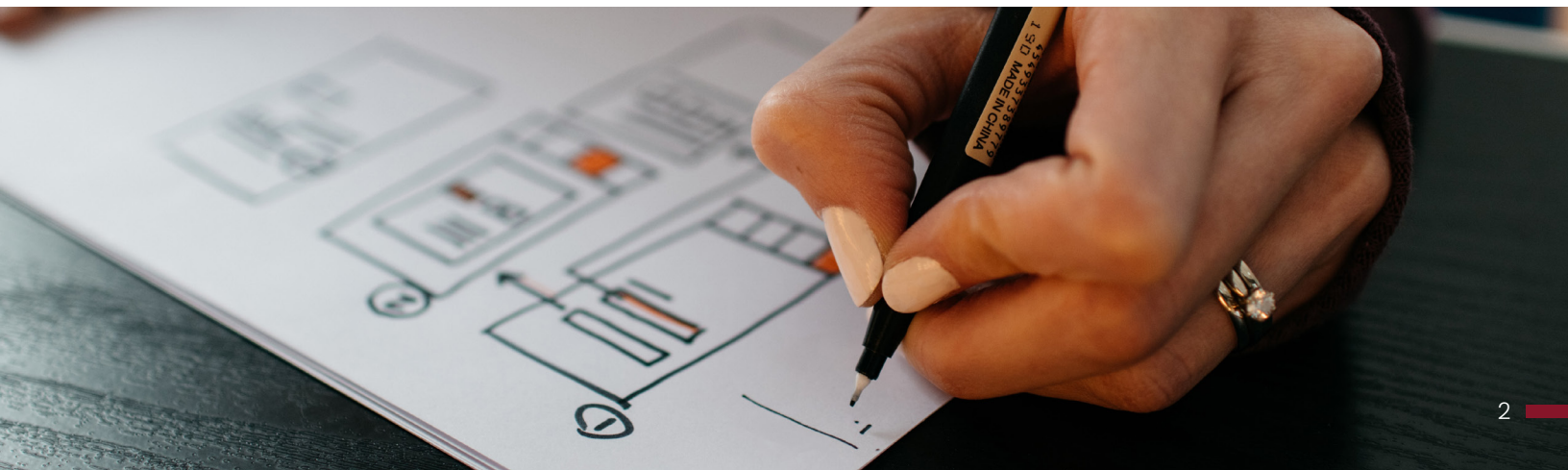
Q **Is it as simple as just doing it differently? Or what are some successful ways to attain this exercise?**

A Successful implementations focus on the business value and do it as simply as possible. What application are you spending the most on and what applications are you spending most of your time on? It's a Pareto. You don't need to get a full inventory of everything! Every one of your application managers and IT leaders have a sense of where their teams are spending most of their time. They can tell you that with a simple question, you don't need a study to figure it out. I mean, if your leaders can't tell you where their teams spend time you have a bigger problem than application rationalization!

It's a very easy back of the envelope swag that'll tell you what your cost is. Overlay that with what's in your license budget for next year. Overlay that with your obsolescence or maintenance upgrade budget – and so on. You start to put a picture together of how much things cost, and once you see that, it looks like an agile process, so you create user stories.

For example, you go to your legal department and say, "You don't have a records retention program and we're spending three million dollars a year in storage of legal documents – all in tier one expensive storage. I'd like to lower the tier of your storage and save a million and a half dollars a year, but you probably want to put a records retention program in place to guarantee we get that savings." It means they'll get the documents in seconds versus milliseconds – they'll take that if they can save a million and a half dollars! That's the low-hanging fruit that gets the business value.

On the other hand, what companies often do – and is a mistake – is to go to legal telling them they're spending too much in storage and that they need to spend less by lowering the storage tier. Well, legal doesn't know what that means, so they get fearful and push back – they say no.

Focus on the value – focus on the measurable difference.

Application Rationalization for the World's Largest Airline
Following a major merger of three airlines, Paradigm reconciled applications into one core system, ensuring user functionality and availability.
- 88.2% application reconciliation
- Enabled 20,000 users to perform their jobs
- Rationalized platforms from three companies into one

88%
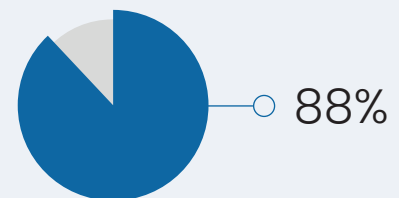
Q **What would you say to someone who thinks they don't need to go through this exercise or someone who doesn't think they need any help?**

A Good luck and hopefully your replacement has better success! I'm mostly kidding. It's a process! The general steps are pretty well outlined, but not necessarily common sense. They're not traditionally what IT does, so it's okay to need someone to help formulate the questions. It really comes down to answering the question, "Is IT valuable for us?" The answer is yes, and IT departments know their value, but don't often communicate it. Some of this process is simply internal marketing.

A lot of CIOs talk about wanting to have a seat at the table. But, if they're at the table and the CFO or COO talks about reducing a line of business, eliminating something that they do, or investing in a specific area, it'd be great if the CIO could answer how much it would save in IT costs. But often, they can't. It becomes a big effort to figure it out, because being able to answer that question at the table means you can help strategize!

A way I like to think of the exploration and rationalization process is this: Have you ever looked at your credit card bill and realized there were recurring payments you didn't even know existed? I guarantee your IT portfolio has that. And it's probably at least two, three, five, or even ten percent of your total budget that's going towards things you didn't even realize you were paying for. Obviously, somebody knows they're paying for it, but organizationally, at the decision-making level, it may not be obvious. Yes, organizations can do this themselves, but the challenge is, how often do you have time to do that work or research?

Your IT team is the size needed to do the job you're having them do right now – not the size to take on this extra effort. My recommendation is to bring in an expert that's done it before with a team of folks that know how to do it efficiently – the tools, the templates, the accelerators, the taxonomy. Bring in a team that can follow the money to answer the business value question.

Application Technical Debt Assessment for Super Regional Bank

Paradigm analyzed all applications and built a tech debt risk scoring model, identifying obsolescent and upgradeable applications.
- 40% improvement in data accuracy and completeness
- 23% increase in decision accuracy
- 8% reduction in tech debt risk exposure

Q So, should everyone just call 1-800-PHIL?

A Yes! All jokes aside, I almost guarantee you'll get more value out of the application rationalization process with outside help. And your performance review as a CIO will look a lot better when you're speaking the business language. The executive team will feel great about the value you're delivering from the IT organization.

My goal – Paradigm's goal – is to use this app rationalization process to help grow the partnership between IT and the business. The methodology to get there starts with this optimization. If you're having the conversation around the things you're spending the most money on and talking to their respective owners, finding the value they get from them is going to spark some ideas. From there, IT plans and identifies what's needed to replace, upgrade, enhance, or reduce. It'll get the business excited! They'll want to partner with IT, and they'll be thrilled about the two million dollars a year they're about to save, for example. How great does that partnership sound?

Now imagine that success across your whole IT portfolio! Application assessment workshops or rationalization process reviews are a great way to start. Looking at the business value you receive for the money you spend or what processes currently exist or how we can augment those processes with best practices. The sky's the limit.

About the Interview

Interviewee | Phil Zeringue, VP of PMO & Utility - 20+ years' experience in business, IT, and project management helping organizations get the most out of technology. He received the Nuclear Energy Institute's Top Innovations Practice (TIP) award for his team's work in automating knowledge work using AI.

Interviewer | Chris Gately, Chief Revenue Officer - 20+ years' experience leading sales organizations across technologies focused on data analytics, storage, cloud, security, and mobile solutions.

The application rationalization journey can quickly snowball without an extra set of helping hands and expertise to guide the way.

Contact us to **request a consultation** to be sure you are ready to take on this challenge.

REQUEST A CONSULTATION