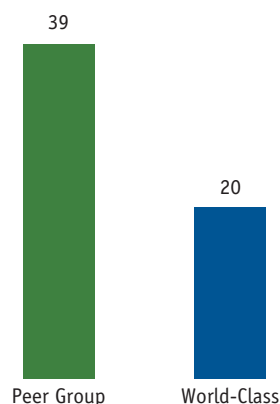


MAXIMIZE THE IT ORGANIZATION'S EFFECTIVENESS BY REDUCING COMPLEXITY IN THE APPLICATION PORTFOLIO

METRIC DEFINITION

The efficiency of the business-technology interface is a key factor in the ability of organizations to leverage technology for greatest benefit. World-class IT organizations demonstrate an ability to maximize the IT effectiveness of this boundary and so maximize the efficiency of the business processes being supported. The principal metric for assessing progress toward this goal is number of applications per 1,000 end-users (**Fig. 1**).

FIG. 1 Applications per 1,000 end-users, 2009



Source: The Hackett Group, 2009

Management of the applications portfolio is not only the key to IT complexity reduction, but also a necessary step toward increasing IT's ability to partner effectively with the business.

WHY IT'S IMPORTANT

There are three principal reasons why a company should measure the size of its applications portfolio. First, the number of applications per 1,000 end-users serves as a reliable proxy for the complexity of the technology that supports business processes. A high number signifies a complex technology environment, one in which IT's ability to act quickly is hampered by its need to support many potentially duplicative or unneeded applications. By contrast, a low number implies an efficient environment and strong alignment between IT and overall business objectives.

Second, a high number of applications reduces the IT organization's effectiveness because it takes longer to implement changes in response to business needs and opportunities. This is because when companies have a high number of applications, they tend to suffer from excessive technical infrastructure complexity (i.e., more technology platforms); information architecture complexity (more data models); maintenance and support process complexity (more fixes and upgrades, and greater fragmentation of expertise); and development complexity (duplication of project work). For all of these reasons, project implementation takes longer and has a higher risk of unintended effects that must in turn be addressed, slowing time to completion.

The third reason for keeping an eye on the number of applications in use is closely related to the first two, in that the more applications in the portfolio, the greater the likelihood that companies will have difficulty scaling up or down quickly in response to changes in the business environment. Making the right decision about whether to continue to support and invest in a given application requires

alignment between IT and the business. Any decision must balance business value, technology, support and maintenance costs, as well as opportunity cost (the cost of not migrating to a new application, resulting in the inability to support business process integration).

STRATEGIC IMPLICATIONS

The recent economic crisis tested companies' ability to take out G&A costs (including IT) commensurate with revenue declines. This was a test which most companies failed, some miserably so.

As time goes on and the most immediate effects of the recession begin to fade, companies will face a different kind of test: how well they adjust to a new economic environment, one characterized by higher levels of volatility in areas such as demand, commodity prices, exchange rates and the regulatory environment. Since IT is so intrinsically linked to operational and customer-facing processes, as well as other G&A processes, it is essential that it be as effective as possible. This starts with minimizing application complexity. Reducing the applications per 1,000 end-users increases IT's effectiveness, which in turn increases the efficiency of the other functions.

ABOUT THE HACKETT GROUP

The Hackett Group, a global strategic advisory firm, is a leader in best practice implementation, advisory, benchmarking, and transformation consulting services, including shared services, offshoring and outsourcing advice. Utilizing best practices and implementation insights from more than 4,000 benchmarking engagements, executives use Hackett's empirically based approach to quickly define and prioritize initiatives to enable world-class performance. Through its REL brand, Hackett offers working capital solutions focused on delivering significant cash flow improvements. Through its Hackett Technology Solutions group, Hackett offers business application consulting services that helps maximize returns on IT investments. Hackett has worked with 2,700 major corporations and government agencies, including 97% of the Dow Jones Industrials, 73% of the Fortune 100, 73% of the DAX 30 and 45% of the FTSE 100.

Founded in 1991, The Hackett Group was acquired by Answerthink, which was renamed The Hackett Group in 2008. The Hackett Group has global offices in the United States, Europe, Australia and India and is publicly traded on the NASDAQ as HCKT.

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