

Executive summary

Best practices for mastering IT performance

How do the leaders reduce their costs while also reducing time to market and enabling innovation?





Today, IT is becoming an essential enabler of the digital transformation of the business, regardless of the industry you're in. In this context, CIOs face the challenge of simultaneously managing legacy systems and achieving innovation, with a budget that decreases year on year. You, as CIO, constantly need to keep abreast of business requirements, doing more with less.

The ecosystem that you have to work with is complex. Amid all the complexity, you have to innovate while managing the legacy estate, including its obsolescence, and while dealing with a range of constraints and imperatives that are often contradictory. All the time, there is relentless pressure to drive down costs even though the multiple requirements are conspiring to drive them upwards. It's crucial to know where best to invest, where to cut back, and what the side effects of these decisions will be.

What makes some IT organizations perform better than others? How are they able to manage IT costs better while bringing in speed and innovation that enhances the value IT brings to business?

In the past few years, we have been investing heavily to find out how best-in-class organizations tackle these challenges. We have conducted in-depth research into best practices in applications portfolio management. This report documents the results of this analysis. We selected a bottom-up, big data based approach, applying the latest analytics techniques to the wealth of data our clients shared with us. We have analyzed numerous characteristics of 67,000 applications from more than 100 portfolios across many countries and 13 industries. This has resulted in more than a million data points. The data embodies objective facts derived from our delivery experience with our clients. This rich information resource has been exploited through the use of big data techniques to identify segmentation, data correlations, and best practices. To our knowledge, this type and scale of study has never been conducted before.

100 PORTFOLIO
100 portfolios analyzed
across many countries
and industries

5
years of
in-depth research

savings
of more than
30%



>1,000,000 data points
knowledge base exploited through
analytics and big data techniques to identify
segmentation, links and patterns

37%
savings from
3 areas

In summary, the data shows that adopting best practice produces significant benefits. The theoretical savings could potentially add up to a 37% difference in IT run costs between best-in-class IT teams and the rest. Not only do the best-in-class organizations reduce their TCO, but they also increase the value contribution from IT in terms of innovation enablement and speed to respond to business needs, and they considerably mitigate their risks.

Several areas of levers emerged as key to achieving best-in-class status.



Those levers have impacts on three areas for improvement:

- Demand management. This activity is fundamental and its eventual outcome is the application portfolio itself. The expected gain from best practice in this area is 15%.
- Application portfolio management. The main benefit in this area relates to risk mitigation, but 4% average savings on TCO can also be expected from managing the “long tail” of small applications.
- Operating model for delivering IT. This operating model combines all the levers related to IT team organization. Within best-in-class organizations, we find two modes coexisting: industrialization (TCO oriented) and innovation (TTM oriented). On the first dimension, expected savings from best practice are 18% on average.

Having a strong industrial model in place enables innovation in two ways. First, some of the savings generated can be reallocated towards innovation. Second, selected human resources can be freed up from legacy-related activities to focus on projects that generate value for the business. Our data demonstrates that best practices can reduce time to market (TTM) by a factor of four, and foster adoption of innovative technologies.

We are very grateful to the clients



who have worked with us to pioneer this approach, and we're proud to deploy it to the broader market.



Although our main focus is more on applications and less on infrastructure, the improvements to application portfolio management bring infrastructure simplification and associated cost reduction.

All our knowledge has been translated into an application portfolio analysis software solution based on big data and cloud computing, and a consulting approach that leverages the solution. By building on the findings, we have been able to develop a fast, fact-based approach to challenging a given IT ecosystem. The approach combines operating model analysis and financial modeling with Capgemini's delivery expertise, and takes account of the client's individual constraints. It enables us to build a pragmatic action plan for driving optimization, with clear targeted savings. Our research demonstrates that laying a firm foundation is key to the success of the journey. The first set of milestones creates credibility for the IT team and presents an opportunity to demonstrate new leadership, with vision, commitment and alignment; tangible results, including performance, savings and predictability; and business satisfaction from faster TTM and IT proactivity on value initiatives. The approach is now proven, thanks to the many cases where we have had the opportunity to refine it. This work has enabled many IT departments to transform themselves, delivering significant cost savings and time to market improvements for the business.

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