



application portfolio and IT cost assessment

A large energy holding company with annual revenues in excess of \$6 billion is headquartered in the Midwestern U.S. Its operating companies engage in all phases of the natural gas business as well as electric generation, transmission and distribution.

Following several years of mergers and restructuring, the company hired TCA to perform an objective and rapid assessment of its application portfolio, coupled with a detailed investigation of the current costs of company-wide IT (Information Technology) services.

Also required were estimates of Total Cost of Ownership (TCO) for major business applications including customer information systems, work management systems, call center technologies, financial systems, and budgeting/planning.

vision

TCA's assessment focused on three major areas:

1. Company wide IT costs subdivided by individual operating company and key application group.
2. IT costs in comparison with external cost metrics for similar companies.
3. Enhancement of the application portfolio and assessment of individual key applications.

Operating under an aggressive schedule, the project team employed a mix of tools and techniques to accomplish the project's objectives:

1. Rapid customization of TCA's IT Cost Assessment framework to support the consistent collection, organization, and reporting of internal and external IT costs associated with labor, software, hardware, telecommunications, and IT infrastructure.
2. Rapid modification of the client's Lotus Notes based IT Application Portfolio system to support:
 - Collection and updating of core descriptive data describing the company's business applications.
 - Surveying of business and IT owners concerning the business and technical functionality of a group of over 100 "key applications."
3. Maximum reliance on existing financial reporting systems, procedures, and personnel to support collection and classification of cost data into cost categories specified by TCA.
4. Cooperation with IT management to define key classification categories for project information, including operating company definitions and selection of "key applications" to represent those IT applications of most critical to the company's operations.

Project staff presented a series of findings, including:

- A review of IT costs comparing the client's expenditures in relative terms with those incurred by similar sized companies as well as companies in the same industry.

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experience

- Both similarities and differences with external metrics were highlighted and recommendations made to improve understanding of the company's unique IT cost profile.
- An analysis by operating company of IT operational costs. This included a review of direct operational costs in the IT budget and an allocation of depreciation charges associated with individual companies and applications.
- A review of key application groups in terms of their technical and business performance as well as the IT costs associated with key application groups.
- A review of the overall application portfolio infrastructure based on upgraded "mandatory data" for key applications. This included a review of the breadth of operating systems and platforms used throughout the company in "production" applications, and a review of the variety of database engines supporting company applications.

TCA presented a series of recommended initiatives the company can take to improve operating costs and IT effectiveness. Initiatives addressed IT infrastructure and telecommunications costs, IT organization and operations, customer system consolidation, and application portfolio rationalization.

results

The Client/TCA team produced a detailed presentation report describing:

- Total IT costs compared with other companies and industries.
- Expenditures on key applications.
- Survey ratings of key applications, subdivided by major strategic categories.
- Tabulations of platform and other characteristics of the company's application portfolio.
- Recommended cost-reducing initiatives with estimates of cost, schedule, and dollar savings over time. Altogether, high priority initiatives contained projected savings totaling over \$15 million per year.

Also delivered:

- A re-usable database of cost information supporting analysis of IT costs by year by individual cost category including internal and external personnel and provider costs, hardware and software, and telecommunications.
- An upgraded Application Portfolio database management system incorporating improved application descriptions, business and technical functionality assessments, and updated business and IT ownership information.
- An online database of project documentation, organized by the major categories of steps followed in managing the project.

value

The project was completed on time and within budget. The client reviewed the information provided by the project and congratulated TCA on having "exceeded expectations." TCA was subsequently hired to perform a series of additional projects for the client.