Application Rationalization: Burnout and Budgetary Waste from Application Proliferation

Are you trying to adopt new solutions in an already crowded IT application environment? You are likely to experience application proliferation, wasted budgets, and IT burnout.

Application proliferation is not a new problem, but it is one that has accelerated in recent years. With the move away from monolithic systems to best-of-breed SaaS solutions, it is now easy to add new applications to your portfolio. Many organizations are doing just that—far too often, and without controls in place for workload impacts. Organizational considerations—like desires to give staff flexibility to use tools they are already familiar with, to adopt the newest and best technologies, and to simply renew subscriptions rather than investigate whether applications can be retired—are part of the problem.

There are also often structural and governance drivers behind application proliferation. These result in a buildup of undesired or underutilized applications from missteps like not properly testing applications during the buying process, not monitoring application usage, and not planning for the full application life cycle. Unfortunately, the impacts of application proliferation can be severe. From an operational perspective, transparency and collaboration are hindered because transactions and data are separated between systems. In addition, IT staff are stretched thin trying to support multiple systems that can achieve the same ends. From a budgetary perspective, organizations are often paying significant licensing and maintenance fees for software that is not being fully utilized. In fact, surveys indicate that at least 30% of software spend is wasted in just that way. Once you include things like staff time, opportunity costs on both organizational budgets and service offering priorities, and turnover from staff burning out, that figure could multiply.

This is where application rationalization comes in. By strategically analyzing which applications across an organization should be kept as-is, replaced, retired, or enhanced, application rationalization optimizes the value of an organization's IT assets—including its personnel. In this three-part series, we will look at all aspects of application rationalization—from the impacts of burnout from application proliferation, to how to right-size application portfolios, and, finally, to what organizations can do to prevent application proliferation. In this article, we will focus on the factors that cause application proliferation and the burnout and budgetary waste that accompany it.

Ineffective Application Selection and Deployment Criteria

Two of the biggest drivers of application proliferation are disorganized application selection processes and incomplete deployments of software investments. Decisions to implement new software are often made without complete understandings of the functionality, resources, and agility needed to maximize end-user adoption.

What Are the Impacts of Application Proliferation?

Workforce Effectiveness

- Resource burnout
- Inadequate application support and training
- Wasted staff time
- End-user confusion
- Incomplete change management processes

Cost Efficiency

- Wasted Budgets
- High total cost of ownership (TCO)
- Redundant applications
- Unused applications

Processes Optimization

- Lack of standardization
- Collaboration challenges
- Interface proliferation
- Data silos
- Limited automation

Effective application acquisition processes involve a clear inventory of existing, similar applications, a map of how the systems fit together, a list of software needs to prioritize, a software evaluation process with clear criteria, and capacity planning to ensure adequate IT support not just for software adoption and training, but also for the application's full life cycle. Unfortunately, those best practices are rarely followed. Instead, organizations often adopt software without proper review and without a holistic understanding of organizational needs.

These bad processes often lead to even more application proliferation because they leave unmet needs. Expectations most likely are not clearly communicated, and users begin to believe that systems are not capable of meeting all their needs. This frequently results in a chronic lack of adoption and limited success in application rollouts. These failures can in turn result in calls for additional redundant applications because people were never trained to use the functionalities of the applications they just adopted. This can become a self-reinforcing cycle.

Inadequate IT Resource Alignment

Once application proliferation starts, organizations then face another challenge: IT under-resourcing. Because IT capacity planning is often not conducted in application decision-making processes, IT workforces are often saddled with ballooning portfolios of applications without additional resources to support them. It soon becomes impossible to properly support all these applications, leading to an inability to support training and change management processes as well as a chronic lack of time to retire past software applications that IT then needs to continue to service and pay for instead.
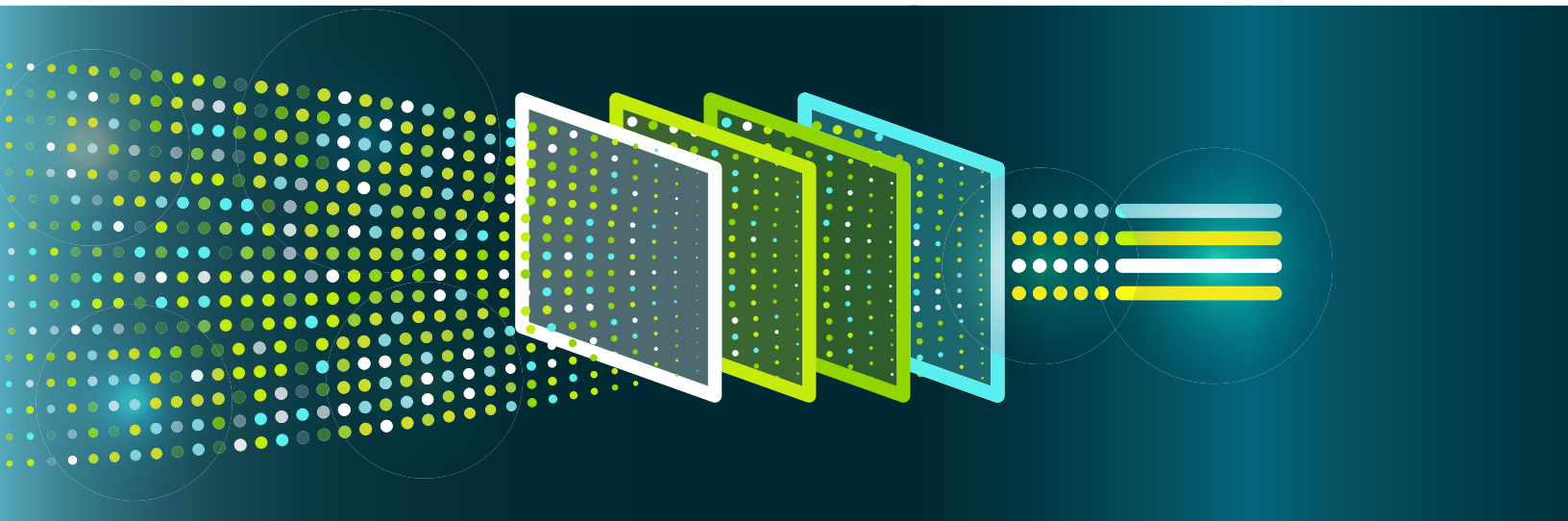
The potential long-term impacts of chronically under-resourcing IT staff in the face of application proliferation include things like burnout and turnover across the enterprise, an inability to support more critical projects, and the need to hire more staff. All those impacts have the potential to cost organizations significant amounts of money—and make it even harder to escape the application proliferation cycle.

The Escalating Costs of Application Proliferation

Understanding the total costs of application proliferation is complicated but important. After all, one of the reasons it continues to be so common is that organizations do not fully realize the costs involved. While expenses like licensing and maintenance costs are clear budget line items, the true costs of application proliferation are most likely much higher once things like staff time, training, inadequate use of software, opportunity costs, and respective turnover are accounted for.

Guidehouse

Because surveys show organizations are wasting 30% of their software budgets on applications that are redundant or should be retired, application rationalization offers organizations clear savings on that metric alone. It is critical that organizations consider how much they are wasting by keeping applications that are underutilized or by acquiring new applications without following strategic software evaluation, adoption, and capacity planning processes.

That can be done by conducting an asset inventory, collecting application usage data, estimating staff time for support and contract renewals, and evaluating the opportunity cost of not having those funds to invest in other IT assets—including upskilling resources and service offerings that use advancing technologies. Those numbers can help make the case for creating and resourcing a new software acquisition strategy and application rationalization process.

Conclusion

Ultimately, application proliferation has a significant—but rarely discussed—impact on an organization's budget, workforce, and return on investment across its service offerings and its application portfolio. It is easy for organizations to let the excitement of new technology lead to nonstrategic acquisitions and over-constrained IT departments. That said, addressing this problem is critical to do now. Waiting until software debt piles up will only make it even harder and more expensive to address down the road.

Guidehouse has expertise in helping organizations tackle application proliferation, conduct rationalization processes, and create controls that guard against future proliferation. Our in-depth segment and industry experience has helped many organizations better understand their true

Contact

Robert McNamara
Partner
rmcnamara@guidehouse.com

About Guidehouse

Guidehouse is a leading global provider of consulting services to the public sector and commercial markets, with broad capabilities in management, technology, and risk consulting. By combining our public and private sector expertise, we help clients address their most complex challenges and navigate significant regulatory pressures focusing on transformational change, business resiliency, and technology-driven innovation. Across a range of advisory, consulting, outsourcing, and digital services, we create scalable, innovative solutions that help our clients outwit complexity and position them for future growth and success. The company has more than 16,500 professionals in over 55 locations globally. Guidehouse is a Veritas Capital portfolio company, led by seasoned professionals with proven and diverse expertise in traditional and emerging technologies, markets, and agenda-setting issues driving national and global economies. For more information, please visit **www.guidehouse.com**.

https://guidehouse.com/services/it-strategy

https://twitter.com/GHTechSolutions

https://www.linkedin.com/showcase/guidehouse-technology-solutions/