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The Executive Guide™ To

Improving Your Business through IT Portfolio Management

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Introduction to Realtime Publishers

by Don Jones, Series Editor

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Don Jones

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Chapter 1: Managing an IT Portfolio

Although most large organizations hire and staff IT executives, they are not always permitted to be relevant business contributors. This guide is targeted at IT executives at any level; in order to simplify the message, though, it will speak directly to the CIO. More than any other executive position, the role of the CIO varies from company to company. In some organizations, the CIO is a technical implementer. Other companies will hire CIOs to manage people and projects. There are even CIO positions that are strictly focused upon financial management. Organizations farsighted enough to create a CIO position that truly leverages technology to achieve business goals are rare. This guide will examine the role of the CIO, and discuss how it is possible to elevate that role into a strategic business partner who is key to the success of the business.

Why IT Portfolio Management?

The goal of every business is to generate revenue. Even in the non-profit and federal business sectors, profit and loss statements are common to illustrate what type of return is being produced. Why then are most CIOs managing to a fixed budget or an ROI for their isolated department? Although many organizations are still making technology investment decisions at the department level, IT Portfolio Management (ITPM) makes it possible to discard this outdated view of “siloed” decision making and provide visibility into all of the work of IT. This level of insight allows business leaders to directly link IT with business goals.

By managing technology like any other investment, it is possible to make informed decisions about specific projects and provide hard data to business decision makers. However, change never comes easily. As a CIO, you have the ability and responsibility to champion this change in your organization—a change that will increase profits and insure that the right decisions are made based on accurate data.

Viewing IT as a Business Contributor

Most CIOs are still managing IT as a reactive business unit. Whether it’s repairing existing systems or providing a new application or service, IT is still responding to the demands of those that “yell the loudest” and placing resources on projects that do not provide the largest impact to the business. Even if your IT department is excellent at problem solving, working on the wrong projects will cause spiraling costs and inefficient operations. A CIO who can minimize reactive management and increase the efficiency and transparency of IT is what most organizations are hoping to find. The best CIOs will recognize this need, be confident in their decisions, and come prepared to lead the organization into this business model.

For example, I recall working with a PC manufacturing company who was tracking the components in any given PC via serial number. They accessed a database from the production floor where the component serial numbers were scanned in and associated with the main serial number on the PC. The customer-facing Help desk would use this database when a customer called in with a problem so that the Help desk would know what components the customer was working with. During my tour of this facility, the serial number database went down, and the Help desk was at a standstill. The CIO had only been with the company for a few months, but when he understood what information the Help desk needed, he asked them if they had looked in the accounting database. What he uncovered was that the same information was being tracked in two separate applications. Furthermore, the serial number database was written in-house and had a tendency to frequently go down, while the accounting software was accessible via a standard browser. Of course, the company immediately started a project to eliminate the standalone serial number database. By removing a redundant application, the CIO saved hundreds of man hours and ultimately, financial resources, by not maintaining redundant systems.

In this example, the CIO was applying his breadth of knowledge to elevate the role of IT as a business contributor. However, what if that information could have been uncovered *before* those separate systems were implemented? Understanding what is being delivered to the business and how those IT assets are helping attain business goals should be a key priority of the CIO.

Incorporating the Goals of the Business into IT

Any line of business manager will be able to explain what information their division needs in order to do their jobs. Many managers will even meet with sales people or pay consultants to help them determine which application or user interface will be the best fit. Sometimes IT is involved in this process, which then proceeds to the CFO who establishes budgets. By using this methodology, major investment decisions are being made by someone whose primary goals are focused on a small portion of the company's overall business. Although a manager may be capable of making decisions that are in line with company goals, they rarely have enough information about how their decision will affect other business units. Even in organizations that communicate well, business goals are communicated via meetings, written documents, and even email. By scattering information across multiple forms and formats, even the best managers are making educated guesses, as opposed to informed decisions.

An ITPM solution allows companies to store communications and gather information about their investments, projects, applications, and resources as well as how technology is impacting the business. Once ITPM is implemented, technology investment decisions are made collaboratively while taking into account the entire IT portfolio.

The Need for Hard Data in Business Terms

What if the CIO could provide a repository for relevant data and illustrate to all lines of business how their technology investments further business objectives? Providing and interpreting hard data about technology decisions will transform IT from a "means to an end" into a business collaboration unit that is responsible for driving informed technology investments.

With the proper tools, CIOs should be able to take company data in real time and convert it to information that guides investment decisions. With accurate project models and feedback, it is possible to build a system where you can change the project variables and determine business impacts. However, creating and maintaining this type of application would require teams of developers and specialists. ITPM systems are off-the-shelf solutions that provide a framework for managing your IT resources as you would any other business resource, which allows CIOs to turn hard data into information that directly impacts the business.

Creating a Management Framework

Most project management solutions allow you to manage resources and tasks. Although this functionality is helpful for mapping productivity, it can't provide a view into the business impacts of resource allocation issues and rapid project changes. In order to understand how valuable real-time business data can be, it is necessary to step back and evaluate your IT project and investment model (Figure 1.1 shows an example model).

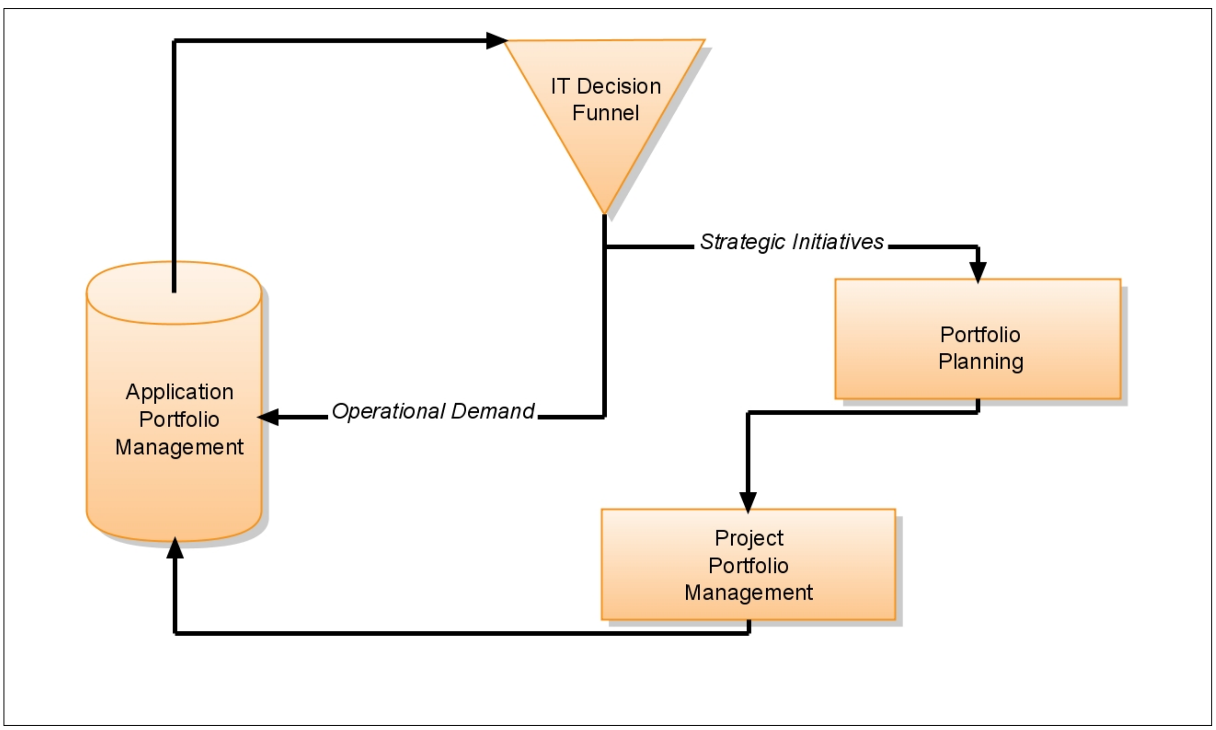

Figure 1.1: The basic framework for ITPM.

IT strategy can be thought of as a funnel. The funnel collects IT demand from every aspect of the business. What comes out of this funnel can be separated into two specific categories: operational demand and strategic initiatives.

Operational demand is simply what is necessary to maintain existing systems and "keep the lights on." This category includes application patching, network architecture, Active Directory (AD) management, and the like. Frequently, operational demand includes small enhancements or changes to applications. As a result, it can "escape" the review process and become a drain on your strategic resources.

Strategic initiatives are IT projects with the specific intent of developing the business. For example, implementing a new CRM system to decrease customer hold time and increase revenue is a strategic initiative. Strategic initiatives should go through two separate steps before implementation: Portfolio and Investment Planning, in which business decision makers assess each project's value and prioritizes investments; and Project Portfolio Management, where the focus is on implementation.

This investment in strategic initiatives versus operational demand is referred to as *innovation capacity*. Companies that have the ability to increase their innovation capacity have a better chance of prospering and outliving their competition.

By understanding and applying this model, it is possible to move an organization from reactive management to enabled management, where resource allocation is the responsibility of the business leaders rather than the individual managers. This transition from managing technology to managing business goals will allow your organization to prosper and grow faster than your competition.

Managing to the Business

One of the more challenging aspects of implementing ITPM is getting other executives to buy into the concept. CFOs are quite busy managing cash flow and corporate investments, while CEOs are examining the markets and trying to steer the company. Many executives view technology like plumbing: you only notice it when it stops working! However, if you can help them understand the ITPM model, they will start to view technology as an investment as opposed to a cost.

Moving from Project Management to Portfolio Management

The idea of managing technology as you would any other investment is not a new one. However, in the past, it has been difficult if not impossible to do so. A CFO can watch the stock market and get instant updates on the health of corporate investments. CEOs frequently subscribe to news services and mass media to get updates on the health and direction of their industry. In order to help your peers understand ITPM, think of it as the stock-ticker for your technology investments. You can use this paradigm to open the discussions, and move into a more detailed description of what ITPM can do.

One of the reasons organizations have not made the move to ITPM is that they are overwhelmed by the operational demands and resource management aspects of their business. Who has time to stop maintaining the environment and focus on implementing a business solution? Then again, what IT department wouldn't take the time to implement an ITPM solution if it means reducing operational demand while increasing IT efficiency?

How many times have you completed a project only to discover that the systems you just installed are either redundant or will soon be obsolete? Think of the database example previously discussed where PC component information was being stored in two separate applications and the CIO was quick to spot the redundant systems. If that company had taken the time to map out the different sources of their data, they could have abandoned an obsolete product and focused on different technology with a positive impact on the bottom line. In order to facilitate the move to ITPM, it is necessary to illustrate to the executive decision makers how crucial technology is to generating revenue, while at the same time getting line of business managers and IT architects excited about directly contributing to the company's profitability.

Project Management

There are many tools available to help IT departments manage projects. Most of these tools allow you to assign tasks to individual resources and estimate how long those tasks will take. Some will even allow you to store and manage to a set of criteria as defined by a scope of work or other requirements document. Although these solutions can manage strategic projects and resources, they have no mechanism for communicating relevant real-time data back to business decision makers. Furthermore, they perpetuate "siloed" decision making because they have no cross-project visibility. A CFO may want to know whether a project will be completed on time, but the reason he or she needs that information is so that they can translate completion dates into cash flow and fiscal health data.

This narrow focus of traditional project management tools can actually decrease efficiency for the business. By forcing IT into managing project implementations, all the decisions involving strategic planning are "handed down" without the input of the technology specialists who will be implementing them. A CIO's most valuable tool is a portfolio management system that addresses all aspects of the IT life cycle.

Portfolio Management

ITPM allows CIOs to track IT resources, determine which applications are used, and measure the true cost of business initiatives. By automating the ITPM process, business decision makers can gain a truly integrated view into their IT investments. There are three key elements to an ITPM solution:

- **Portfolio and Investment Planning** is the process used to capture demand and prioritize IT projects. With the right data, you can choose projects that tie directly to business goals while balancing risk and value. A clear picture of the financial impact, business impact, and associated risks inherent to any IT project will allow decisions to be made based on objective criteria instead of the "loudest voice."

- **Project Portfolio Management** is the process for insuring that a selected project is delivered on time and within budget. Frequently, projects are plagued with resource allocation issues and scope creep. A strong Project Portfolio Management solution incorporates the project management functionality required to effectively manage strategic projects and allows you to make changes in real time, illustrating the impact of those changes—not just the delivery schedule—to all aspects of the business.

- **Application Portfolio Management** (APM) provides "current state" information about every application in your enterprise. APM uses continual cost analysis, employee surveys, and application categorization to determine when an application is providing a strong ROI. This constant measurement can clearly illustrate when an application is performing well, or more importantly, when it needs to be replaced or removed.

Corporate Objectives and the CIO

In most large organizations, executive officers answer to a board of directors. The board is responsible for safeguarding the company's investors and insuring that corporate goals are in line with the best interests of the shareholders. It is possible that as a CIO you will be required to meet with the board and explain the benefits of large investments in technology and resources.

If you are utilizing an ITPM solution, you will fully understand the business impacts of any technology decision. Corporate governing bodies need to implement policies, processes, and corporate decisions as rapidly as possible. The only way to do so effectively is to have the right data at the right time. Corporate governors will look to you to help them gather the information that is relevant from a technology perspective to contribute to an informed decision. Imagine how much your role as a CIO would change if you provided the board of directors with a direct, real-time view into the information they need the most. An ITPM solution will allow you to create a role-based view into your IT investments that board members can study at any time and manage with just a few mouse clicks. Without an ITPM solution, governing bodies run the risk of inappropriate or untimely decisions.

Business Risks Without an IT Portfolio Discipline

As a CIO, how many times have you been asked to implement projects that solve a single problem and create several more? Until you elevate IT into a business decision-making team, you will always run the risk of trying to implement technologies that actually decrease the effectiveness of the organization.

Without a process to manage all aspects of the IT life cycle, corporations run the risk of investing in IT solutions that are costly to maintain and have no real impact on the business. IT investment decisions can be made without your input, and as a result, IT will be held accountable for projects that failed before the first dollar was ever spent. An effective ITPM solution simply brings consistency and transparency to the IT investment life cycle. It is necessary to fully understand this life cycle process to determine how it can help you guide the IT organization toward working on the projects that are most strategic to the business and provide the greatest return, while still delivering valuable business services.

Defining the Process

Corporate IT budgets can represent as much as 50% of a company's total capital investment. This level of investment must be successful if your company is to survive. With that much pressure, reducing risk and insuring predictable outcomes has to be a top priority. There are many tools available to manage IT and stay focused on business objectives; all of them rely on an IT investment life cycle.

An Overview of the IT Investment Life Cycle

There are six steps in the IT investment life cycle. These steps are best illustrated by a wheel that can guide you through the process of managing your IT investments.

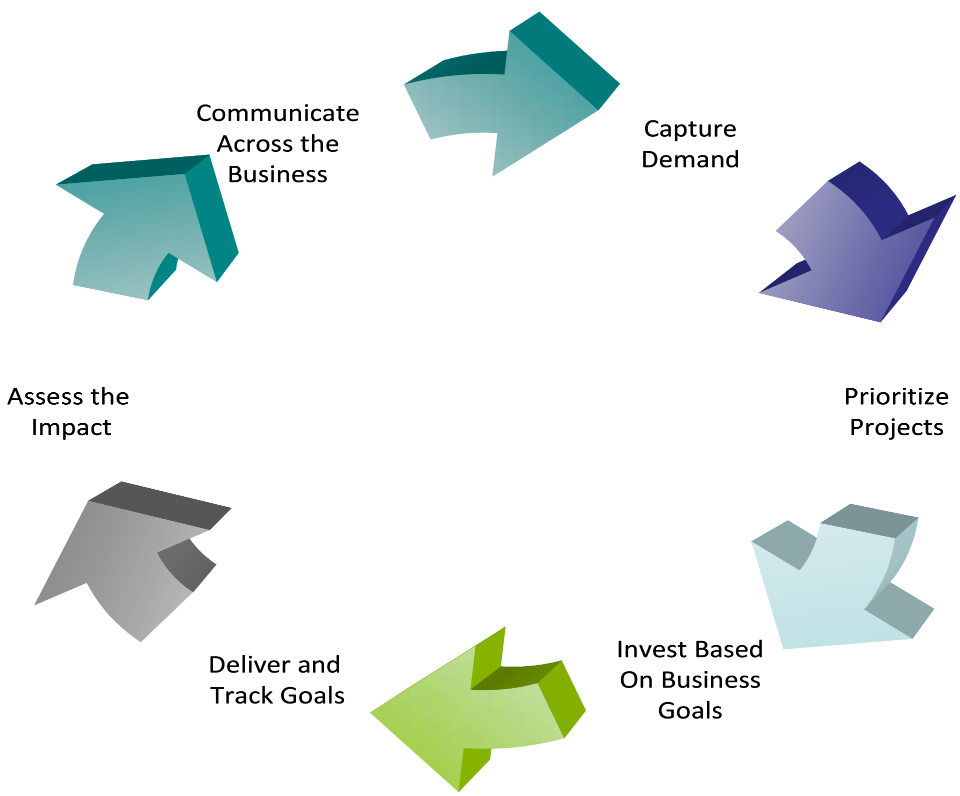

Figure 1.2: The IT investment life cycle.

Some aspects of the IT investment life cycle actually take place throughout the entire investment process; however, they each mitigate different risks. For example communication across the business is important to the success of each life cycle step, and ITPM facilitates constant communication with information that is relevant to the business. Once implemented, this model will allow you to radically alter the way IT is perceived by other business units. By becoming a cornerstone for the collaborative process, IT will evolve into a business services organization rather than a cost center.

Capture the Demands of the Business

Although most environments have some sort of system for capturing internal demands, many of them are informal and prone to errors. Hallway conversations and random emails leave end users asking themselves, "Are my requests simply being ignored?" Even formal meetings and pages of notes still create separate silos of information that a CIO has to organize and figure out how to allocate resources amongst the various requests.

The first step of the IT investment life cycle is to capture all the business demands for IT in a single repository. Forms and surveys can be created that allow users to categorize their demand and weigh the importance of each one. Siloed Web sites can be consolidated and the business information captured and rated to provide an objective view of what IT is providing. The importance of a central repository and its corporate-wide adoption cannot be stressed enough.

By adopting and using an ITPM system, you are leading by example and demonstrating to other business units that IT does listen to their needs. Once this process has been accepted, it becomes a valuable tool for focusing IT on the proper projects.

> **Risk**
> Without properly capturing business demand, IT runs the risk of implementing projects that have little to no impact on the business.

Prioritize the Work

There has always been a disparity between business demand and IT's ability to supply the proper resources. Many business executives have unrealistic expectations of what IT can accomplish because these executives lack visibility into the conflicting demands on IT resources. This lack of perspective leads to inaccurate forecasting and can reduce innovation capacity because the time, money, and people are simply spread too thin.

ITPM will allow you to create "what if" scenarios and illustrate not just scheduling and deadline alternatives but also the impact of change across all aspects of the business. For example, if you know your lead architect for a specific application will be on leave for 30 days, you can clearly illustrate the ROI of postponing their next project or moving it higher in the queue so that it is completed before they go. This allows you to prioritize based on business requirements rather than schedule deadlines.

As a CIO, there are four "pillars" of prioritization that need to be balanced in any investment decision:

- Finances—Finance is the simple math of the project, which varies from company to company. Whether you use ROI, TCO, Cost of Service, or other metrics, accurate data can give a direct and simple answer.
- Risks—By examining the impact of a technology project on all departments, you can minimize the business risks and clearly illustrate the risks associated with a failure to proceed.
- Systems architecture—Systems architecture data allows you to determine how well the technology will fit into your organization. Will you require a new Oracle database or will the existing Microsoft SQL farm manage the load? If so, what are the differences in functionality between using a back-end Microsoft database versus Oracle?
- Corporate alignment—Lastly, aligning IT with corporate strategies will insure that your projects run parallel to corporate governance mandates and stakeholder goals.

Risk

If projects are not prioritized according to business goals, resources can be over-committed or misaligned.

Invest According to Business Priorities

The current model for most IT spending involves putting together a budget based on perceived needs and spending that budget as the year progresses. Unfortunately, without a formal process for capturing business data, investments are frequently made that may solve a technical issue but have minimal impact. Furthermore, if IT is not involved in the prioritization process, projects may be selected that are not technically feasible to finish with the available resources. Without the tools to manage to the business goals, IT may find itself employing "decibel management," where the department that is the most vocal about their needs gets the resources, regardless of the impact on the business.

By getting involved at the business level, CIOs can insure that IT investments are made that provide a maximum return. This active management will allow you to illustrate the value of IT back to the business and lead to increased investments in IT.

Risk

When business priorities are secondary, lack of consistency and poor ROIs are common. Organizations can be forced into "decibel management."

Deliver and Track Goals in Real-Time

Delivery and demand management will always be part of IT's objectives. Whether you are managing operational demand or strategic initiatives, the impact of delivery schedules can define a project's success or failure. Late delivery can reduce ROI and lead to missed opportunities. Manually collecting and updating scope and requirement documents can be time consuming and prone to errors. An ITPM tool will reduce the risk of late delivery, cost overruns, and scope creep. Furthermore, real-time adjustments to project deadlines can instantly illustrate the impacts across the business.

There are three common problems associated with delivering technology projects. Many projects miss their "go-live" date and cost significantly more than what was planned. Newly deployed applications are frequently missing key functionality or don't perform up to defined business service levels. Lastly, if IT investments are not linked to business goals, the company fails to achieve or recognize the expected value from its investment.

> **Risk**
>
> When projects are not delivered on time and targeted to business need, market opportunities are missed, costs increase, and customer satisfaction can decrease.

Assess the Impact of the Work

Has your completed project been successful? Although the end users may appear happy with the new implementation, did management recognize its intended benefits? ITPM acts as a central collection point, enabling you to assess whether your completed project has added business value. By using an ITPM solution, your assessment data becomes more and more valuable over time as trends emerge and you adjust your IT systems accordingly. Furthermore, you will be able to map your success back to objectives set by multiple departments and illustrate to each of them how any given project impacted them directly.

By creating a consistent, repeatable assessment process for the applications once deployed to the business, then automating as much as possible with an ITPM solution, you will be able to reduce operational costs by uncovering and eliminating redundant data and applications. This process will allow you to constantly redeploy your resources in an increasingly efficient manner and add to your innovation capacity by reducing your operational demand.

> **Risk**
>
> Without mapping a project's success rate to business initiatives, it is impossible to accurately determine the impact of your IT investment. Unless your are engaged in a constant assessment process, applications can perform redundant functions and reduce the return on your IT investment.

Communicate with the Entire Organization

The last phase of the process is frequently considered optional or obvious by many CIOs. Unfortunately, the communication phase of the process can be more important than any other. Unless the business decision makers can see the value that IT brings in business terms, IT will always be designated as a cost center as opposed to a business partner. With an ITPM solution, you can tie your results directly back to the priorities defined earlier in the cycle with your customer. Not only will this illustrate to your peers that IT is primarily a business collaboration unit, it will also "demystify" the processes within IT and allow the CIO and his team to make proactive business changes.

> **Risk**
> Unless you communicate the true value of IT to business decision makers, IT will be relegated to a cost center and unable to increase innovation capacity.

Closing the Loop

ITPM is an ongoing process that provides:

- A single source for capturing business demand
- A way to balance resource supply with that demand
- Complete and consistent information for investment decision making
- A repeatable process that increases project success rates
- A way to balance project and application portfolios
- Business relevant metrics.

Although most CIOs are currently trying to manage IT to the goals of the business, a lack of automation makes this process long, complicated, and prone to error.

Chapter 2 will deal exclusively with the capturing corporate demand for IT. For most CIOs, capturing demand involves sorting through multiple requests from both executives and line of business managers, in many different formats. If you can automate this process and convert demand into business information, your department will lead the way to corporate growth.