IT Governance Update: Driving Business Adaptability

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Define IT Management and IT Governance and impact to Global 2000 companies that are straight-jacketed and have little leeway to invest in transformational projects.

Understand current economic pressures and leverage our Developer Collaborative survey to highlight opportunities to improve IT effectiveness by:

- Coordinating the IT project portfolio with IT asset portfolio, compliance and security/risk,
- Applying new IT financial practices in the funding and chargeback domain;
- Continuing to focus on operations standardization.

Recommend key Action items
IT management continues to evolve:
- Strategic coordination of ITPPM with ops. portfolio mgmt.
- Financial mgmt. with tangible IT metrics
- Elevating priorities from ops. focus to bus. value

IT leaders must ...
- Collaborate across functions
- Set an integration point for business process outsourcing
- Create cultural shift to coordinate bus. and IT
- Focus on business deliverables and metrics

Multidisciplinary Decision-Making
Defining IT Governance and IT Portfolio Management

IT Governance includes:

- Exercise of management authority over IT Projects and Programs in conjunction with IT Assets
  - IT Project Portfolio Management (ITPPM) includes project, program, resource, portfolio, process, demand, financial management and workflow
  - IT Asset portfolio includes systems, infrastructure, application portfolio management

- IT portfolio management is the enabling technology to facilitate coordination across business, IT and operations

- Integrated Life Cycle Management incorporates ITPM

Mixing and matching of portfolio must map to competitive nature of the business

Lack of business and IT visibility into past, current and future initiatives is crippling and unsustainable
Defining Portfolio Management

- A categorization model
- A conduit for business and IT to …
  - Organize investments
  - Evaluate and prioritize
  - Decide when and how to make changes
  - Understand what can and cannot be changed
- A hedge for whatever happens with the economy

Portfolio management elevates discussions between IT and line-of-business (LOB) leaders
Disruptive Trends Driving ITG Adoption

- Global economic pressures, competition plus local and other compliance initiatives demand management, adaptability and rigor
- Complex sourcing/off-shoring necessitate strong teaming and effective human, financial capital and IT asset prioritization
- Evolving, paradigm with Service Oriented Architecture will force technology and business collaboration and service quality and governance (Web 2.0 challenges as well)
- Emerging security issues (as driver) and virtualization (as enabling technology) for ITG adoption; ad hoc approaches unsustainable
- License and delivery mechanisms with Software as a Service (SaaS) for new models, choices, mitigate adoption complexity
- Open Source empowers community, marginalizes some profits, seeds others – governance is key for success with open source model

Demand for IT to enable business functions continues to evolve faster than management systems and processes
The Intersection of IT Operations and ITG

ITG

IT Operations
Asset management
Network security
Change mgmt.
Configuration
Automation
Provisioning

IT Project Portfolio
Portfolio Prioritization
Coordinate with Ops
Change mgmt
Resource Management
Program Management
IT Life cycle

Business Objectives/KPIs
Prioritize for Resilience
Risk/Value Management
Compliance Assurance
Cost Reduction
Streamlined Processes
Margin/profit increases
Inventory controls

IT Governance Is a Strategic Bridge Between Operations, IT and Business Objectives
Two Goals of Effective IT/Business Alignment

Innovation: Maximize Upside Through Technology-Enabled Business Processes

Compliance: Minimize Downside Through Risk Management
### Setting an Organizational Approach

Establish neutral governance body to:

- Help set and apply criteria for portfolio prioritization
- Synthesize multi-sourced criteria
- De-politicize decision-making
- Act as conduit for best practices
- Set upper management context

Consistent, long-term executive evangelism is key

Coordination with AD life cycle best practices helpful

46% of those surveyed had formal committees to determine priorities

Source: SWDC 4Q06/Q107 Survey, 2007

N=808
Creating Cultural Change

- Investments in process and organizational change are key to effective ITPM tools implementation
- Cultural barriers and human resistance are the greatest challenges to success
- Establishing initial inventories and rectifying redundancies can result in savings of as much as 30-40% due to increased efficiency
- Longer term competitive benefits accrue as companies become proactive in their business and IT project, program and resource prioritization – improving response and turnaround time
- Costs of poor IT portfolio management overall are prohibitive given financial and resource constraints
Establishing ITG for overall IT portfolio management

**Challenges**

- Cultural disconnect between ops and IT and low maturity level
- Organizational effort, resources
- Inflexible staff, opposes change and new technology mix
- Fear of bureaucracy, loss of control, doesn’t understand value
- Management buy-in – 90% surveyed say this is essential
- Clout to enforce leads to reluctant use
- Tool “inadequacies” to help manage across more complex IT assets (chargeback, etc.)

**Benefits**

- Proactive planning enables AD/ops coordination
- Improved IT project and asset performance – huge cost savings
- Coordinate and prioritize resources across silos
- Deliver first and fastest on what is most important
- Focal point for IT/ops value measurement
- Leverage assets and coordinate projects via reuse of common services
- Advocacy for projects
Factors Impacting IT Mgt Decisions

Please rate the following factors' impact on your organization's IT resource allocation and prioritization.

Source: SWDC 4Q06/Q107 Survey, 2007

N=780
What is IT Financial Management?

**IT Financial Management** both enables and facilitates core IT governance at virtually level.
Which of the following best practices does your organization routinely include to manage the dialog between IT and the personnel that routinely run applications in production operations?

- IT Governance leads and drives dialogue
- Organizational coordination via groups such as an Enterprise Program Management Office
- Operations automatically shares real user information with the QA team so they can use real data to drive testing of the apps
- Coordinate data leveraging IT Project Portfolio Management and IT Asset Portfolio Management Tools
- None selected

Source: SWDC 4Q06/Q107 Survey, 2007  
N=824
## IT's Objectives

<table>
<thead>
<tr>
<th>IT's Objectives</th>
<th>ITG Role/Impact</th>
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<tbody>
<tr>
<td>CMDB projects/change and configuration</td>
<td>Asset management improvement</td>
</tr>
<tr>
<td>Server provisioning/data center automation</td>
<td>Staff delegation clarity</td>
</tr>
<tr>
<td>Network performance reporting</td>
<td>Increase in network security</td>
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<tr>
<td>Application management</td>
<td>Bridge App/Dev/QA with IT operations</td>
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**ITG Brings Cross-Silo Teams Together; Staff, Processes, and Technology**
IT Management Service

Balancing the Overall IT Portfolio

- The overwhelming majority of IT work is non-discretionary, or “lights on” (80-90%)
- Riskier initiatives that are more evolutionary comprise smaller percent (14-18%)
- The highest risk and most radically transformative projects comprise the smallest portion (2-6%)
- Companies that do not manage the portfolio effectively waste resources on least competitive areas
- Poor ITPM is most problematic for aggressively changing markets where margins are highest but costs are visceral due to disruptive environments confronting all G2000 organizations
- Impact for those with constrained resources also very problematic – increasingly an issue with 2008-10 economy
- Schism between IT and operations and lack of upfront planning for deployment/ IT Asset Portfolio costly, rigid, ossifying
Harmonizing Portfolio Management With an Adaptive Organization via ITG

- **Portfolio management**
  - Align and communicate asset and project investment with business imperatives

- **Adaptive organization**
  - Maximize IT flexibility through a balance of cost and risk, aligned with fluctuating business requirements

**Operational/Infrastructure Management**
- Provide Robust Computing (Risk)

**IT Financial Management**
- Provide Cost of Computing

**Projects**

**Venture**
- Discretionary Enhancements

**Growth**
- Non-Discretionary

**Core**
- Transform

Risk
Defining the Infrastructure/Operations Portfolio

- Identifying the business drivers for the operations/infrastructure portfolio
- What does an asset portfolio look like
- Making the asset-IT customer connection
- Asset life cycle: The cornerstone of asset portfolio management

Capital dollars are scarce — assets will age until failure without careful planning
ITPPM market is eclectic – made up of vendors from four key areas: Enterprise PM, ITLM, ERP and niche portfolio management.

IT Asset vendors all acquiring and/or partnering for ITPPM -- CA, HP, IBM; BMC partnering (Planview, ITM).

Emerging suite support from IT Life-cycle management vendors driving consolidation and extending ALM suites to incorporate ITPPM (HP Software, Compuware, IBM, CA, Borland, Microsoft evolving).

ERP vendors strength in financials and HR drive deals where user focus is on those areas (with evolving portfolio and PM needs).

Enterprise PM vendors that extended products for PPM suite support still largely dominate but agile ITLM and others moving in.

Project management becoming commoditized but still necessary (CA open source, MSP); user focus more on resource and portfolio management in combination with financials and workflow/demand management.
Niche portfolio management vendors drive innovation for ITPM and ally to provide suite capabilities (push to NPD, etc.)

- Largest major deployments exist now in ITPPM (multi-thousand user) due to greater user readiness and maturity -- branching out to NPD and other areas; IT asset area less mature organizationally

- Microsoft entrance initially with VSTS (2005) and eventually with EPM (2008/09) will grow ITPPM adoption

- Push towards coordination between IT project and IT asset portfolio (systems, infrastructure, applications) for IT Governance will drive additional growth – inhibited by poor processes in both areas

- Service Management Announcements 2007/08 (CA, HP, IBM)
Portfolio from an ITG Perspective

Business Decision-Making
- Business Case, Risk Mgt, Strategic Product Planning

IT PPM + ALM
- Project, Program, Process, Resource Portfolio

IT Asset PM
- Systems + VMs, Infrastructure, App Portfolio

Virtualization Evolving

IT Governance
Coordinating Virtualization with Asset and Application Portfolio

- IT project Planners coordinate with ops/asset planning
- Incorporation of VMs as part of portfolio cuts ALM test/build costs
- Assess impact and optimize asset portfolio to improve plan
- Design, test and deliver apps as part of IT portfolio
- Resulting app resides in the asset application portfolio
- Gather metrics to justify reinvestment in virtualization
- Advocate to operations

Inclusion of virtualization as part of the IT portfolio speeds delivery, cuts costs
**Improved Decision-Making**
- Enterprise-wide view of demand on IT
- Facilitates joint IT/business/ops planning/prioritization
- Clear accountability for decision-making and outcome
- Quantified business value from IT and operational investments
- Visibility into IT priorities and status for all stakeholders
- Visibility into impact of change enables greater business agility

**Shift IT Resources from Tactical to Strategic**
- From silos to enterprise-wide IT planning
- Prioritizes IT resources for higher-value projects
- Enables long-range platform/architecture planning/execution
Recommendations

✓ Consolidate demand management across the IT Project and IT Asset portfolio to enable business views for IT and operations to reduce costs and gain strategic leverage via proactive, coordinated planning.

✓ Users should evaluate and adopt IT project and portfolio management (ITPPM) tools in conjunction with IT asset management (ITAM) based on key pain points and organizational maturity/readiness.

✓ ITG strategy must include effective practices and prioritization criteria coordinated by organizational governance bodies like enterprise program management offices (EPMOs) with direct CXO reporting.

✓ Vendors in both areas — ITPPM and ITAM — are beginning to integrate and provide ITG solutions for user assessment and service management, but must couple tools with process and organizational strategy.
Questions?

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