

Effective IT Management

Using Genuine Portfolio Management Techniques
for Better IT Control



Overview

It is a difficult time to be an IT executive. You are in the norm if the business executives at your company expect you to continue to deliver incremental improvements, despite static or decreasing IT budgets. At the same time, you are likely finding new compliance regulations adding external pressure for tightened IT management control and accountability.

A broadly recommended response to these challenges is to establish effective IT management controls using portfolio management techniques. This practice helps align the activities and investments of your IT organization with the objectives of the business. While a variety of approaches to portfolio management have been documented, most require significant enterprise change. This entails substantial investment and significant risk. Fortunately, there are more effective, lower risk approaches available.

This white paper is intended to provide the business case for effective IT management through portfolio management, and to detail an implementation approach which can bypass many of the major cultural, technical and organizational challenges that typically add risk, cost and complexity.

Challenges to IT Management

In the recent past, tools to provide a single, comprehensive picture of the IT management cycle simply didn't exist. Executives struggled to obtain timely views into the operational activities and the data required to anticipate and adjust to problems in real-time.

Consider these common scenarios that still exist in many companies today:

- Investment objectives and expenses are tracked in separate, static documents, leaving no way to evaluate new requests against the whole portfolio according to priority and available resources.
- Schedules are built inconsistently and are maintained by using a variety of methods, making it difficult to capture a single view of multiple projects.
- IT budgets are created out of allocations from the Finance department, and thus require ongoing justification from IT since their intended purpose and business alignment were not clearly established at the start.

- Funding for infrastructure technologies is allocated based on asset costs only, with little understanding of the resource costs needed to deploy, support and maintain those assets
- Resource hours are only tracked on some projects, and only for internal IT resources, ignoring hidden costs and making it impossible to create accurate TCO (total cost of ownership) measures that could be used in ongoing budgeting cycles.

IT executives trying to manage in these conditions typically spend long days attempting to maintain visibility into their organization and long nights preparing reports to justify progress to senior business executives. Ultimately this decreases the status of IT within the business and increases the probability of failure for the IT executive. A more desirable end state is one where IT executives can actively manage their budget and resources for the best use of the business.

The Project Portfolio Management Approach

One type of information needed for effective IT management can be found among project metrics. As such, many project management application vendors have created roll-up views on costs, benefits, resources and risk data to allow analysis of the project portfolios. The intention is to use portfolio management techniques to improve the alignment of undertaken and current projects with the business strategy. While this “project portfolio management” approach offers a valuable perspective, it suffers from several important limitations.

- First, a consistent project management approach is required to be able to do roll-up analysis. Since process maturity levels often differ across the organization, this requirement can add implementation complexity and thus increase the risk of failure.
- Second, limited consideration is given to risks external to the project. Changes to the business situation that might impact the original project justification are rarely considered.
- Third, by focusing exclusively on project information, IT executives do not get visibility into the operational activities that account for 60% of IT expenses. This limits the ability to understand the actual resources required to justify expenditures back to the business.

- Fourth, Project Management systems are not designed for initial estimation exercises. They require detail planning, scheduling, and resource information. Generally, executives do not want to deal with this level of detail in order to engage in planning activities.

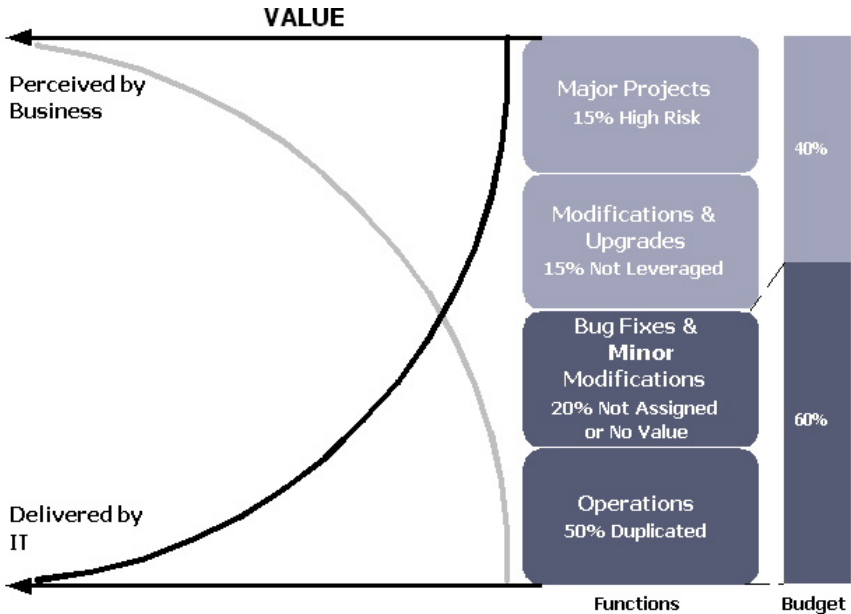
Top Down Portfolio Management

Artemis now offers a different approach that allows portfolio management to flow top-down through all phases of the lifecycle. Using this approach, strategy and business needs drive the prioritization of the IT portfolio, ensuring alignment before execution begins. As a result, IT can become engaged in business planning, rather than trying to align to it.

The process is simple. Corporate strategy is used to create measurable business objectives that can be used to drive the allocation of capital resources to a portfolio (or multiple portfolios) of investments. Those resources can then be allocated down to managers that will assign them to actionable programs, projects and operational activities to accomplish these objectives.

Overcoming IT and Business Perception Mismatch

While insuring the alignment of new investments with business strategy is an important step, the costs associated with new initiatives are relatively small compared to the portion of the IT budget required for maintenance activities.



This creates an awkward situation for the IT executive, who must justify operational expenditures that are perceived to deliver low business value. The solution is to use portfolio management practices on both new investments spending, as well as on operational expenditures. Doing so provides the full cost perspective necessary to determine the total cost of ownership.

Achieving Full Cost Perspective

While insuring the alignment of new investments with business strategy is an important step toward IT management maturity, it is generally ineffective at capturing operational costs such as server hardware, training and support. Because in most organizations these operational costs account for the by far the majority of IT expenses, IT executives are left both, a) without an understanding of the true costs for their applications, and b) with a pool of expenses that can not be effectively justified to the business. Portfolio Management tools can identify these costs, and associated resources to better prepare the IT executive to justify their budget; thus improving the relationship between IT and the business.

There are several steps to this process. Start by segregating your operational expenses into application driven and non-application driven portfolios. This allows your organization to inventory all expense areas and map them to the appropriate application. While a large percentage of these items can be correlated with your application portfolio, some will need to be managed as separate operational investments or pure overhead. These major portfolios can be further analyzed by characterizing them according to strategic value, cost drivers, benefits returned and the human capital necessary to support them. These factors all contribute to understanding not only the true, total cost of your operational portfolio, but the underlying value to the organization. Once value is associated to operational expenditures, redundancies can be recognized and eliminated, saving capital and freeing up resources to work on more business critical initiatives.

Hidden Costs
The cost to deploy a CRM tool for example may be many times the actual cost of the application. Related costs such as support, training, and maintenance are often not looked upon as part of the deployment costs.

An Incremental Approach to Technology Adoption

The solution outlined above is comprehensive, but the approach can be incremental. To reduce the risks typically associated with enterprise implementations, Artemis has created a series of six pre-packaged modules that address different areas of IT management. These offerings, illustrated in the diagram below, include software and process templates configured using our implementation experience and best-practice research.



Each package is built on this top-down approach described above. These packages help you improve your organization's management processes, and can be deployed separately, or combined with other packages to integrate management processes across the organization.

An Incremental Approach to Implementing Change Management

Implementing a solution for Corporate IT Management may appear to be a daunting proposition, particularly if existing processes are not well defined or followed. Artemis provides consulting services and Solutions Management Methodology that offers a structured, reliable and cost-effective approach to implementation, and has the following aspects:

Phased Change Programs: We structure the overall change program into a number of phases, each phase implementing a subset of processes for one part of the organization. Phases are spaced apart to enable people to acclimate to the new ways of working. Each phase builds on prior phases until full benefits of the system have been obtained.

Process Design: The majority of our work in each phase is focused on process and workflow design. We use rapid prototyping techniques to enable the stakeholders to configure our process templates to their specific needs and to validate that the design meets requirements. This saves customers considerable effort and time over manual process design.

Phase Delivery: Each phase has well-defined objectives and scope, is less than 90 days in duration, and is delivered through a series of standard workshops. Each phase delivers a working application with trained users ready to use the system to achieve the planned

Understanding the Challenge

Artemis International Solutions Corporation has been providing portfolio and project management solutions to global 1000 corporations for nearly three decades. Through this experience, we learned that organizations utilize project solutions differently. We came to the conclusion that more comprehensive, strategic information was necessary to facilitate intelligent investment decisions. As a direct output of this domain knowledge, Artemis developed Artemis 7, a robust, flexible portfolio management solution that incorporates current and proposed project information along with business value metrics,

financials, resources and more. This approach allows organizations the ability to implement portfolio solutions without disrupting project planning processes.

What to Remember

Bottom-up program and project management solutions utilize current project information to render a total picture of an organization's health status. There are several risk factors in this approach including different levels of project management maturity, lack of strategic information and the exclusion of proposed investments. Top-down portfolio management solutions are advantageous not only because they capture real time information from your projects, but also include projected work, strategic measurements, cost drivers, benefits and more. Project systems simply were not designed to handle these types of requirements and would entail extensive modifications to consolidate these details into usable formats. Portfolio Management provides executives with a comprehensive picture of their corporation and the ability to quickly recognize risk.

For more information

For more information on Artemis 7 and other solutions for Corporate IT Management please refer on our website at www.aisc.com or contact us directly at:

Worldwide Headquarters

Newport Beach, California
United States
Telephone: 949.660.7100

Americas Regional Headquarters

Longmont, Colorado
United States
Telephone: 303.682.4100

European and Middle-East Regional Headquarters

Slough, Berk
United Kingdom
Telephone: (44) 1753727100

Asia Pacific Regional Headquarters

2-4 Kojimachi, Chiyoda-ku,
Tokyo, Japan
Tel: (81)-33-262-8161