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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investment decisions at the department level, IT Portfolio Management (ITPM) makes it possible to discard this outdated view of “siloes” decision making and provide visibility into all of the work of IT.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).

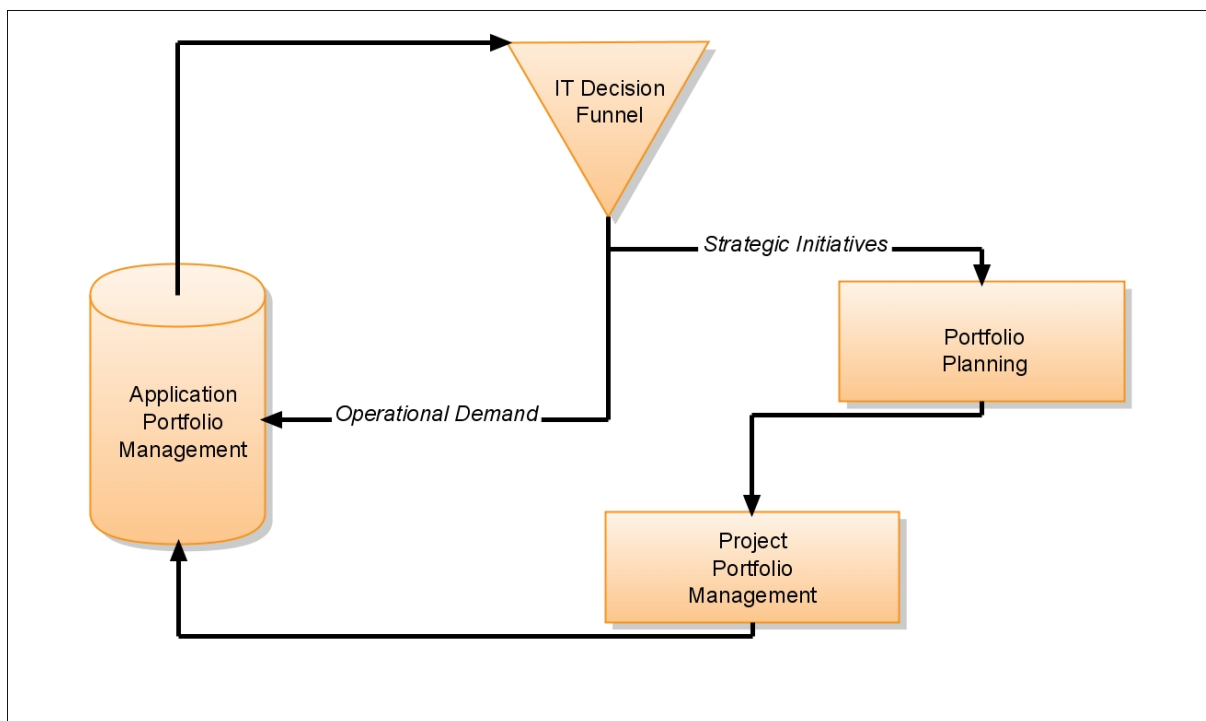


Figure 1.1: The basic framework for ITPM.

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.

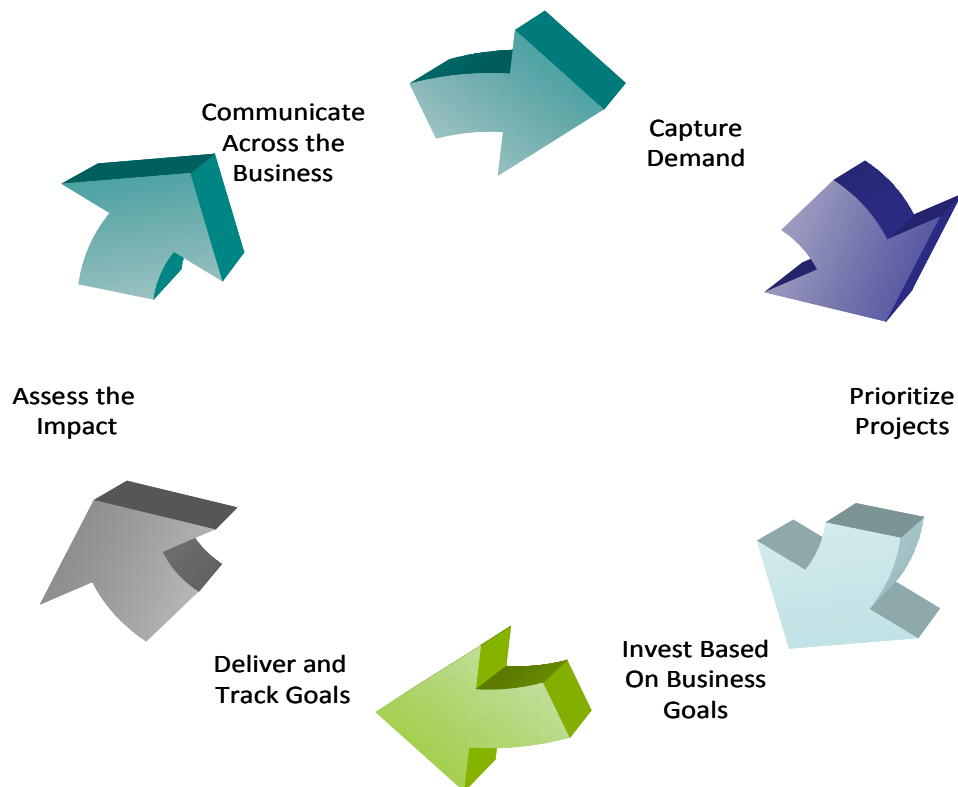


Figure 1.2: The IT investment life cycle.

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 you 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.

Chapter 2: Capturing IT Demand

Demand for IT services will almost always exceed the resources available. It's not unusual for IT departments to work well over 40 hours per week just to keep up with operational demands. Amidst all this work, how do you know that you are addressing the needs of each of your customers?

Although many organizations have a formal process in place for capturing departmental needs and transferring them to IT, it is rare that this data is kept in a central repository and tracked through delivery. Furthermore, many IT departments are forced into “decibel management” where the department with the most vocal leader, or the person with the highest title, can short circuit the IT prioritization process. The first step in maximizing the return on your IT investment portfolio is capturing IT demand. If you can create a central repository where business and technology needs are stored and measured objectively, you can make sound decisions about your IT investments.

Demand Visibility

Most IT departments have many concurrent projects at any given time. As a result, it's difficult for a CIO to know which projects have a direct impact on the business. Often, CEOs and CFOs will ask for status on a project that the CIO delegated to an IT director or project manager. Without help, it is difficult to know which projects are important to your peers. In fact, in a May 2007 *ComputerWorld* survey, only 28% of IT executives report a high level of confidence in working with business counterparts on decision-making criteria (Source: “The Current State of Supply and Demand Management in IT,” *ComputerWorld* white paper, May 2007). Because each individual contributor will have a personal opinion about any given project, it is often difficult to ascertain which projects should be given priority.

Most of the document-centric processes used today to capture demand actually scatter information across several platforms. Business cases are created in Visio and PowerPoint, corporate governance and project requirements are distributed in Microsoft Word, and Excel spreadsheets are commonly used to track ROI and test cases. Tracking and updating this information in multiple formats complicates a CIO's ability to gauge demand for IT. Furthermore, it is difficult to track relevant information through multiple formats and keep documentation consistent when information changes. Identifying a way to minimize the demand entry points to IT allows for the creation of a consistent, repeatable process that will increase your chances of success.

Demand Entry Points

Many organizations struggle with the prioritization of projects and the allocation of IT resources. The difficulties actually begin when IT is forced to aggregate business and technology demands without the tools to do so. Most CIOs and IT directors have become fairly adept at compiling and storing demand information in a format that allows them to function. However, this type of system is usually limited to just the CIO and/or the IT department. Collection methods can be as simple as storing email in a specific Outlook folder, or as complicated as manually entering every customer request into a Help desk software package. When an IT department is managed in this fashion, it will be forced to be reactive. No matter how integrated a given system, it still relies on human intervention and manual workflow.

As an example, I worked with a fairly large bank that used a simple spreadsheet to track and manage IT demand. Most significant technology requests were discussed at weekly meetings with branch managers, loan officers, and executives. One afternoon, I witnessed a discussion in the break room between the CIO and a top loan officer that ended with the CIO saying “I will get that put on the project list.” We left the break room, and as he sat down in his office, the IT director walked in for our meeting. Unfortunately, because of an issue at an outlying branch, we now only had 15 minutes for our discussion instead of the 45 minutes we had originally scheduled. After our quick meeting, we shook hands and agreed to meet in 2 weeks with the engineering team to start planning a rollout. What do you think happened to the loan officer’s request for IT services? Without a consistent, controlled entry point for IT demand, customer requests are frequently forgotten.

Whether you are dealing with operational demands from line-of-business managers or corporate objectives handed down from the board of directors, it is imperative to capture demand from every aspect of the business. ITPM solutions use surveys, online forms, and integration with other software packages to aggregate data into a single demand management platform. With a few mouse clicks, business leaders and managers can create surveys and distribute online forms that gather employee feedback.

If you have Help desk software with a case-tracking system, it should have the ability to notice trends in the number and types of Help desk cases. ITPM systems capture this data in real time and immediately alert you when applications become troublesome and begin to reduce productivity. Even if you don’t have a Help desk solution, ITPM has the ability to capture application trends, but a strong ITPM solution will integrate with your existing systems and protect your investments. By using these tools and controlling the demand entry points into your portfolio, you will have a much clearer picture of overall business health with more proactive management of your IT investment.

For example, if the sales department is having an issue with laptop performance, an ITPM solution enables the VP of sales to enter a request to have the hardware replaced. Once IT sees the request, they can assign a dollar value to it and associate that request with a business goal. The project might tie into the corporate objective of increasing margins, increasing customer satisfaction, or even employee retention. With this information, you can examine the budgets available to meet the request and take the necessary steps. This streamlined process limits the amount of time needed to process the request, while increasing business agility.

To demonstrate business agility, assume that while this laptop replacement was being considered, your department was finishing a pilot program for CRM software. That CRM system's purpose was to increase productivity by allowing the sales staff to quickly and easily access customer information. However, during the testing, the sales people consistently gave the application a low performance rating. Upon investigation, the CRM system's low rating was caused by a local agent running on each laptop.

With this feedback, it becomes possible to immediately compare the costs and benefits of a new CRM package or new laptops for the sales staff. These types of scenarios occur on a daily basis in the world of the CIO. However, most of the time, organizations are forced to purchase new hardware after the CRM package has been implemented. An ITPM solution will provide your business with instant visibility into the use of your technology and allow you to make sound financial decisions.

Managing the IT Investment

IT budgets have been slowly shrinking for years. With the recent downturn in the economy, this process has accelerated to the point where almost all IT departments spend up to 80% of their budgets on operational demand. CFOs and CEOs are forced to trim budgets from departments that don't directly impact the bottom line. As a CIO, it is imperative that you help the business grow and prosper by promoting IT as an investment. However, unless you know what resources this requires, it will be impossible to articulate this view to your peers.

CIOs must have a clear understanding of IT supply and demand within their organizations if they want to succeed. In the previous chapter, I used Figure 1.1 to present a model for viewing the ITPM business process. Figure 2.1 illustrates where supply and demand management fit into that model.

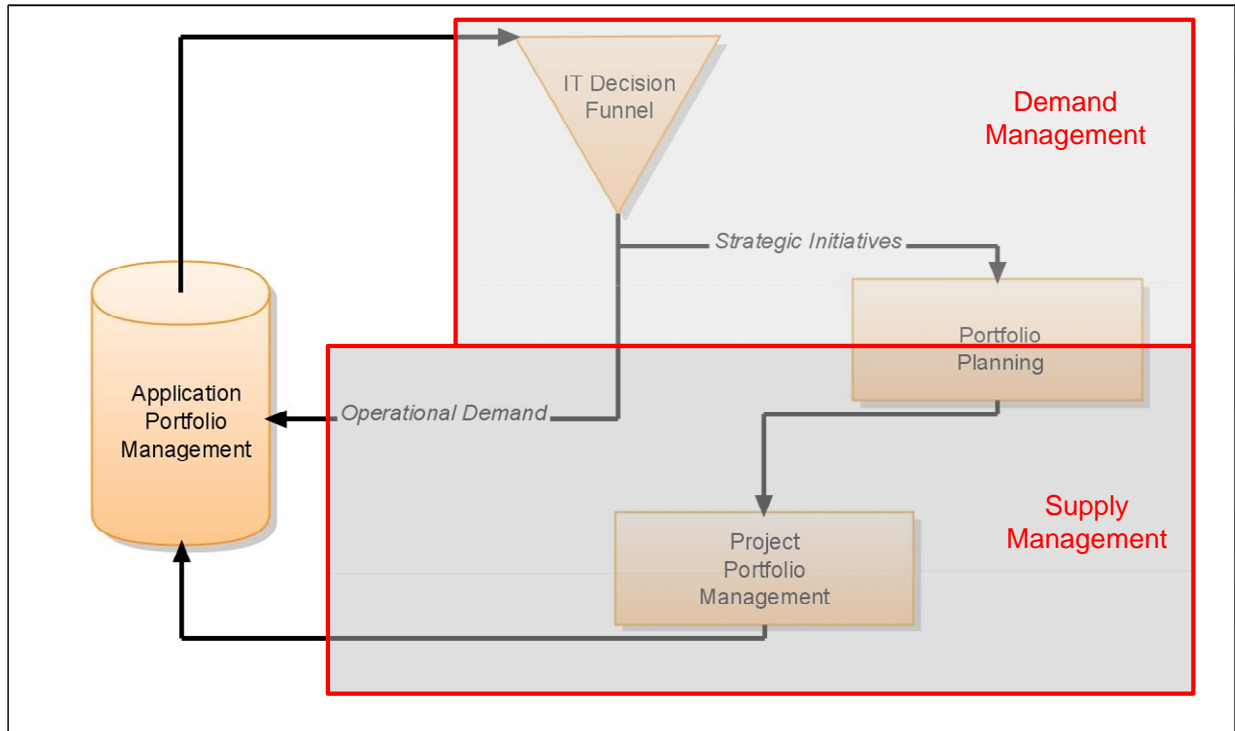


Figure 2.1: Supply and demand management.

Although most CIOs acknowledge that managing both supply and demand is a top priority, many are forced to focus on managing one or the other. There are many IT departments where bonus structures and recognition are based on customer service ratings or meeting project deadlines. This concept insures a high level of service delivery, but it only addresses the supply side of the equation. At the other extreme, IT departments that are focused on delivering applications and services only to the most profitable departments find themselves managing exclusively to business demand. In this alternate scenario, IT supply becomes overloaded—creating conflict within the organization.

In order to manage IT as a business investment, IT supply and business demand must be accurately measured and balanced against each other. How do you explain to business leaders that they need more than IT can reasonably provide without being perceived as negative? I have been in numerous meetings where CEOs roll their eyes as the CIO explains his goals can't be met without more money or people. When asked why that is the case, most CIOs will list the projects, deadlines, and personnel that are assigned to complete the work. This discussion frequently spirals downward into comments and observations on the particular skills of the IT staff. The only way to avoid these discussions is to focus on objective metrics.

With an ITPM solution, you can manage both supply and demand effectively. ITPM provides the CIO with an objective view of the situation, avoiding subjective resource discussions. A central repository for supply and demand data allows you to quickly illustrate what IT can reasonably provide in a format of the viewer's choosing.

Strategic and Operational Demand

Previously, I wrote about innovation capacity, which is the comparison between the amount of resources working on operational demand versus the amount of resources working on strategic initiatives. Although this metric may have some value to a project manager, it will be much more important to an executive who is concerned with remaining competitive or even dominant in the market. If you can clearly see both operational demand and strategic initiatives, and allocate the right resources to the right strategic initiatives, you have a much better chance of dominating your industry.

The demand for IT services can originate from many sources. Imagine that you are the CIO of a major retail chain that sells blended coffee beverages. Last month, you were told by the legal department to comply with new PCI security regulations. Business objectives such as increasing margins and customer satisfaction are executive priorities. Data connectivity to each location is being examined, and the corporate training division has been asked to cut travel costs. In order to figure out which projects have priority, you will need to gather hard data for each demand into a single view, and weigh the costs and consequences.

Many CIOs are capable of managing a scenario like this with standard front-office applications such as the Microsoft Office suite. The personnel hours involved in gathering requirements, setting metrics, and providing data to your peers for this many projects would normally require a large team. However, much of this process can be automated with an ITPM solution. Figure 2.2 offers a diagram that illustrates how this situation might look.

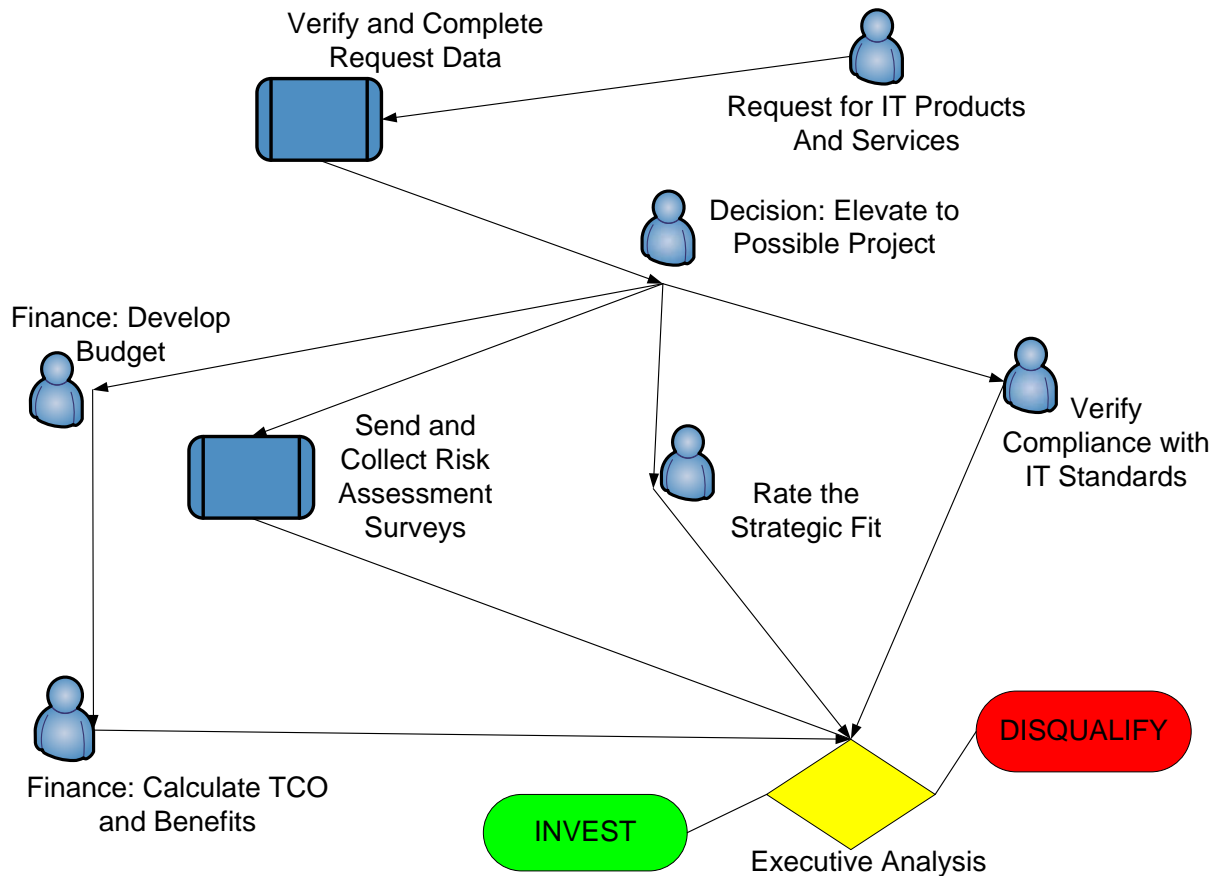


Figure 2.2: Automated workflow diagram.

A comprehensive method for evaluating demand is to implement an automated workflow. Once a request for services has been submitted, an automated system can apply certain business rules that move the request through the appropriate people in an organization. An effective ITPM solution will allow you to create workflow rules and apply them to any business element. The example tracks a basic request for services through the corporate process.

Remember that automated workflow can be customized to fit the business processes of any organization. Figure 2.2 shows a user request being routed through the system. Based on workflow rules, the request is checked against an internal template to make sure all the required data has been entered. Then the request moves on to a decision maker who can determine whether the request is relevant to the business and promote the request into a candidate project.

If a request looks like a viable candidate, the system will forward the request to the appropriate departments to collect data. As a part of the approval process, automated tasks such as risk assessment surveys can be collected from the parts of the business that will be impacted by the project. The main focus of automated workflow is to accurately gather and store relevant data for the business leaders with minimal human intervention. After all the data has been collected, an ITPM solution will allow executives to quickly determine whether the candidate project is relevant to the business and should be pursued.

Turning Demand into Information

Once you have data in a centralized system, how will you view it? The exact same data sets will convey different information to different roles. What if you could track business and technology objectives in an ITPM system and map them to each other? A mid-level manager may not be interested in which of his or her projects are tied to specific objectives but the executives will be.

Every organization has different processes for approving purchases and managing resources. If an ITPM solution is going to fit your organization, it has to be flexible enough to incorporate processes that already exist. You should be able to enter information about your business processes and use ITPM to create and illustrate automated workflow. Once IT has this system in place, you can customize the views into your IT investments. Custom views not only provide the relevant investment data but also actually illustrate IT's business processes to other departments. As a result, anyone who needs to know the status of a particular request can click on a few links to access the information they need.

Executive-Level Views

Corporate executives are always faced with time limitations. There is rarely enough time to collect all the relevant data for any specific project and determine whether it aligns with the corporate vision. As a result, most department heads are constantly scrambling to gather disparate information and reformat the data into something a CIO can quickly interpret.

Utilizing an ITPM solution allows you to input your corporate objectives and use them as a sorting mechanism. For example, suppose you have been told to implement a new logging application that tracks which users accessed which applications. A project such as this would usually be associated with Sarbanes-Oxley (SOX) compliance. With an ITPM solution, your CIO can open a simple browser listing the corporate objectives. By expanding the list under "SOX," he can see the allocated budget, the amount spent so far, and whether the project is on time. This information is usually coded with a red/yellow/green indicator, giving the CIO the needed data at a glance.

Table 2.1 is a basic table that is similar to an executive-level view from an ITPM solution. Keep in mind that by its nature, ITPM allows for complete customization to fit your business. Any view can be created for any role within the company. So, while you examine this chart, think about what data might be useful to the executives in your organization. Chances are, no matter what information you come up with, it can be delivered through an integrated ITPM solution.

Description	Priority	Strategic Score	Corporate Objective	Potential Return	Org.	CIO Input	CFO Input
Email Application Consolidation	Medium	5-Critical	IT: Standardize on fewer technologies	\$3,350,000	IT	INVEST	INVEST
Implement Taxware Software	High	4-Strongly Aligned	IT: Decrease costs	\$30,000	Finance	HOLD	INVEST
Great Plains Bolt-on for ADP	High	4-Strongly Aligned	Corp: Regulatory compliance	-\$11,000	Finance	INVEST	HOLD
Implement Great Plains Fixed Asset Module	Medium	3-Supports Objectives	Corp: Regulatory compliance	\$265,200	Finance	HOLD	INVEST
Finger Print Scanners for SAP Access	Low	4-Strongly Aligned	Corp: Regulatory compliance	\$90,000	Security	INVEST	INVEST
Salesforce.com/ Outlook sync Is Extremely Slow	Low	3-Supports Objectives	IT: Improve accessibility	\$105,000	Sales	HOLD	HOLD

Table 2.1: Executive view.

Although this table may look like a standard spreadsheet, its data has been collected electronically from various users and departments throughout the organization. The automated workflow process has taken the data and built a table that is relevant to the role of the CIO. As you can see, it contains financial return data as well as business objectives and recommendations from other executives. Furthermore, all these fields are active data, enabling the viewer to “drill down” to see additional details if needed.

CEOs are usually concerned with how technology projects are tied to reaching corporate goals and how close those projects are to completion. They use this information to maneuver the company to a specific position in the market and provide stakeholders with the data they need. But a solution that served only the executives would not be nearly as valuable as one that could assist the entire organization.

Project-Management Views

For an ITPM solution to provide value throughout the business, it must be useful to people who fill many different roles. It makes little sense to offer the business leaders a tool to enhance productivity that requires a separate system to track and manage projects. By integrating these functions into a single package, everyone in the business has instant visibility into the projects that are relevant to their own success.

Project managers are task oriented and interested in tracking and assigning corporate resources. Gantt charts, timelines, and requirements documents are the tools these managers use to do their jobs. Traditionally, charts and timelines are created with Microsoft Project or Visio. Requirements documents are often stored in separate Word documents or Excel spreadsheets. Project managers would be much more productive if they had a central “window” into these different tools that would allow them to view and alter them without opening multiple applications.

Storing documents in multiple applications inevitably leads to version-control issues. It is difficult to remember if new project data has been entered into every relevant document. For example, a lead implementer suddenly needs a few days off. The project manager can update the project timeline and task orders, but what if the objectives in the next project scope include a deadline that is now unattainable? This problem might be solved by implementing a document management system with version control and tracking. More efficient is a single management solution that includes internal version-control capabilities. This functionality allows staffing adjustments to be viewed in real time and their impacts reflected across the entire organization.

Centralized data collection and analysis also allows for the creation of simple but very powerful visual aids. Earlier, I mentioned the executive meeting where the CIO and CEO are at odds because the demand for new projects is constantly exceeding IT’s ability to supply resources. If all your supply and demand data are in an ITPM solution, you can create a simple graph to clearly illustrate the situation with just a few mouse clicks.

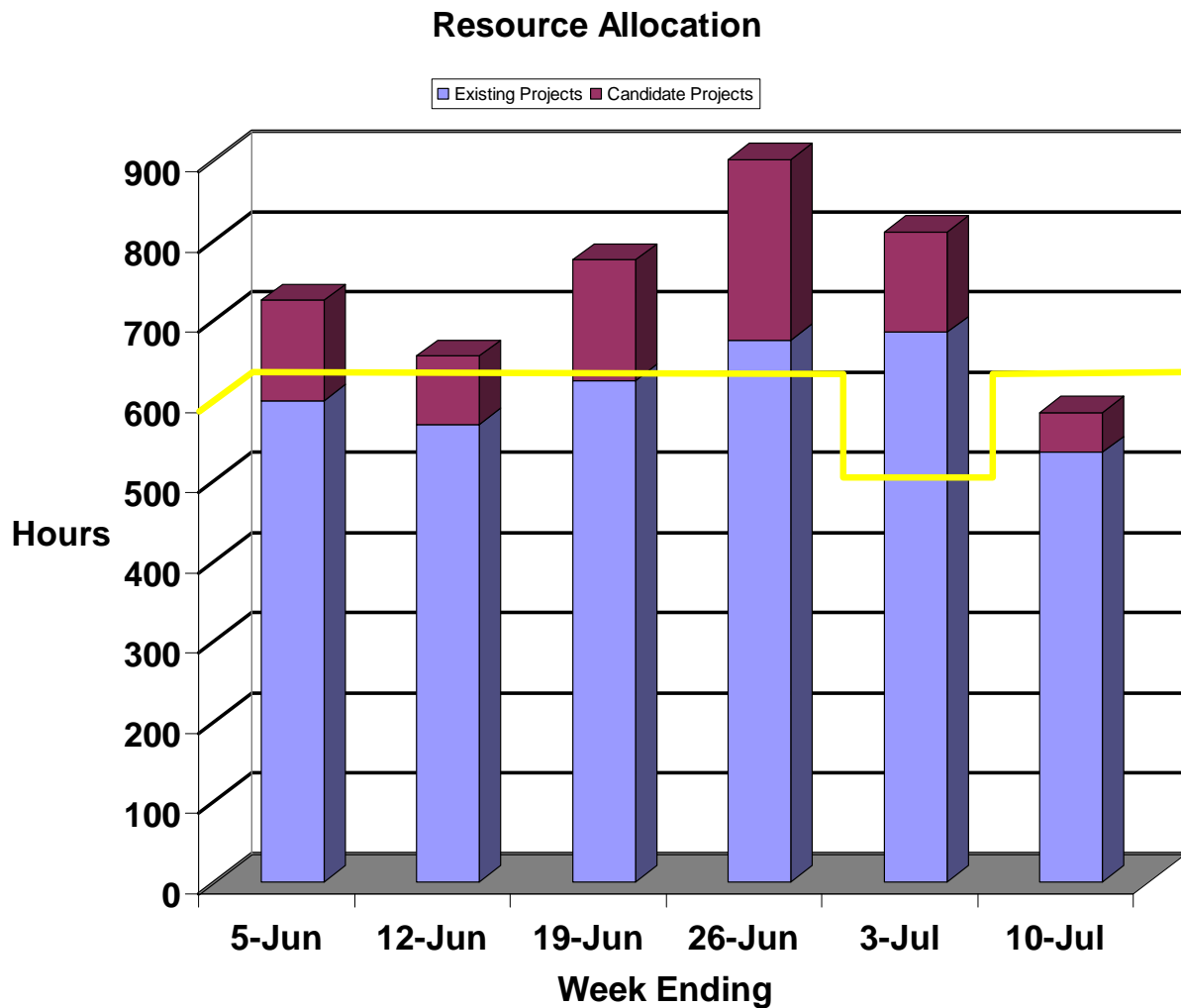


Figure 2.3: Resource allocation graph.

This graph is a simplified version of what an effective ITPM solution can offer. If you are employing 15 implementers, you will incur 100% utilization at 600 personnel hours per week. This is represented by the solid yellow line, which even illustrates the hours lost during the 4th of July holiday. This basic data provides your peers with an overall view into the balance of supply and demand in your organization.

Most solutions will also offer a Gantt chart that is tied directly to the graph. With this functionality, you can examine “what if” scenarios, showing other departments the current utilization of your resources. ITPM software will also let you drill-down to the data behind the graph so that you can examine which specific projects are taking the most time, and determine whether their business goals are in-line with the resources they are consuming.

Like everything else in a business, one of the main reasons to implement ITPM is the financial benefit of working on the investment that offers the greatest return. You can reduce the number of applications you are currently using and phase out poor performers that cost your organization more money than they generate. A view into the financial health and viability of projects and applications is a compelling reason to implement ITPM.

Finance Views

The role of the CFO is to track corporate capital through an organization and maximize the financial return. Unfortunately, IT is frequently considered a cost center to the finance department because technology ROI and TCO are difficult to calculate. Further complicating the CFO's job is the fact that software applications rarely function as advertised, making it difficult to determine the financial benefits they provide. Linking applications and projects directly to corporate goals and providing a simple assessment is easy with ITPM.

If you were able to gather and track IT demands from every aspect of the organization, and centrally manage that data, it would be a simple matter to provide a customized "window" into the financial portion of IT demand data. Most ITPM solutions will offer many more predefined fields that can be used as part of the tracking systems. Advanced solutions will also give you the ability to add custom fields and assign them to any element within the system. Table 2.2 provides a basic example of IT data that could be valuable to a CFO.

Description	Priority	Strategic Score	Corporate Objective	Estimated Benefit	Total Charge	Funding
Email Application Consolidation	Med	5-Critical	IT: Standardize on fewer technologies	\$4,500,000	\$1,150,000	IT: Communication Budget
Implement Taxware Software	High	4-Strongly Aligned	IT: Decrease costs	\$300,000	\$270,000	Finance: Technology Budget
Great Plains Bolt-on for ADP	High	4-Strongly Aligned	Corp: Regulatory compliance	\$250,000	\$261,000	Business: Compliance Funds
Implement Great Plains Fixed Asset Module	Med	3-Supports Objectives	Corp: Regulatory compliance	\$450,000	\$184,800	Business: Compliance Funds
Finger Print Scanners for SAP Access	Low	4-Strongly Aligned	Corp: Regulatory compliance	\$250,000	\$160,000	Leased: IT Compliance Charge
Salesforce.com/ Outlook Sync Is Extremely Slow	Low	3-Supports Objectives	IT: Improve accessibility	\$250,000	\$145,000	Leased: IT Slush

Table 2.2: Financial view.

For both CFOs and CIOs, ITPM's ability to align the demand for IT with the appropriate funds is an important feature. Table 2.2 illustrates both corporate objectives and funding sources. Additional columns that might be useful to a CFO include budget totals, budget spent, and cost of capital. All this data can be used to clearly map demand for IT to the appropriate funds, and change those funding sources as needed.

We Have the Data, Now What?

Chapter 2 illustrates the shortcomings of current demand collection and management of IT. By limiting the number of data entry points, collecting relevant data, and supplying role-based views into the IT organization, an ITPM solution can enable the CIO to move from reactive to proactive management. Furthermore, once the demand for IT resources is balanced with IT supply, an accurate measure can be taken of your innovation capacity, and you can move IT away from being a cost center.

In Chapter 3, we will further explore the balance between resource supply and business demand as well as how to prioritize IT investments. Eliminating decision-making silos, incorporating data from previously untapped departments, and maintaining consistency and transparency will be a primary focus. Chapter 3 will also illustrate how to increase the value of IT by becoming a business collaboration department as opposed to a technology delivery service.

Chapter 3: Prioritizing Projects and Investment Decision Making

If you are going to elevate the IT organization to the level of a business partner, you must transform IT data into investment data. By identifying where the strategic and operational demands lie, you can focus IT on the projects that align to corporate goals. CIOs must be able to shift resources from operations to strategic investing in order to be a business partner instead of a technical advisor. This balancing act is an excellent first step; however CIOs must use the role of a business advisor to ensure that your organization's technology investments yield the highest possible returns.

Many CIOs can be intimidated by the world of finance. The challenges associated with moving money around from one investment to another, and the use of esoteric financial terms can place people well outside of their comfort zone. However, most CIOs take their own knowledge for granted when it comes to IT investing. For example, I recall working with the director of a budgeting office for state government. There had been a recent surge in media coverage of a conference that took place in an upscale resort town, and many of the taxpayers were expressing outrage at "how we are spending our tax dollars". As a result of the media coverage, the budgeting director decided to implement video conferencing. After researching the topic, he decided that everyone in the office was going to be provided with a webcam and would start using a free Web-conferencing service to collaborate with other divisions. The idea was to "use video conferencing" but keep the cost below \$25,000. At this price level, the requisition could go straight to the purchasing office, with no formal RFP process.

Any CIO who has been in a similar situation can see a large number of potential implementation issues with this video conferencing plan, including bandwidth, video quality, and what equipment (if any) would be on the other end of the call. In this instance, the role of the CIO was to illustrate to that director that the proposed solution would not work, and then make sure the State CxOs were aware of the need for video conferencing. By simply understanding the complexity of IT, and applying your understanding to typical situations, your knowledge is ideally situated to play a role in guiding company investments.

There are many things an IT department can do to guide the investment process. However, the process begins with accurate data. An IT department needs to reach into the business processes and technology demands of every division, and deliver the services and information required in a timely fashion. The use of an ITPM solution will provide the needed flexibility to present the data your customers require and the information the business decision makers need to hold their departments accountable. When you reach this point, your business will begin to look at IT in an entirely different way.

Accuracy = Time + Money

The amount of work required to manually review every technology purchase in an organization is simply overwhelming. For most state governments, procurements of \$25,000 and below require so much work that it's cheaper to "take the risk." A better way to address this problem is to make it cheaper and easier to assess technology demand, prioritize your projects, and manage your IT implementations so that smaller and smaller projects can be easily aligned with the business. This setup allows IT investments of any size to be tailored to the business.

Most organizations have a dollar value attached to resources that can be spent by any given position. By granting signing authority to managers and directors, company executives are able to focus on more pressing business matters. Regardless of the level of your signing authority, it is assumed that you have enough knowledge to either align the project to corporate objectives, or that the expense will be low enough that partial success will prove sufficient to meet company needs. All companies invest time and money into planning IT solutions, and it is generally accepted that the more time and money invested, the more accurate or successful a project will be.

However, technology experts will apply a slightly different approach to this equation. What if you could lower the amount of time and money required while maintaining, or even increasing, the accuracy (or success rate) of your investments? An efficient decision-making process will deliver the right data to the right people at the right time. ITPM enables this process. It will allow end users to enter and track demand into a central system with a consistent, transparent set of decision-making criteria. Then, IT demand can be aligned against corporate objectives and IT funds. This setup allows executives to elevate the projects with the highest return to the business to candidate projects. By elevating specific projects to this status, you can ensure that any time invested is focused on planning, testing, and implementing projects that can have a positive impact on the business.

In the previous example, a state budgeting director wanted to implement video conferencing. His department spent several hours researching webcams and various software packages that would allow two or more cameras to connect over the Web. No doubt he was extremely pleased to discover that there are free programs available that will allow you to communicate with voice and video over the Internet. However, that particular solution was unworkable and couldn't handle professional, business-class communications. As a result, the time invested in the equipment research was written off. Thankfully, the equipment was not actually purchased before the flaws in the system were recognized. Many times, purchases like this simply run through a procurement system with no real checks or balances. If those devices had been purchased, the agency would have had \$25,000 worth of hardware sitting, unused, in the office, several days of wasted time, and strained relationships between IT and the director's department because "IT couldn't make it work." As is often the case, small purchases can get through the system with little or no input from IT. With ITPM, you can make it much easier to regulate purchases of any size and ensure that they align with corporate goals. This saves time and money and ensures the maximum return on your IT investment.

Providing IT services to an organization is a very complex endeavor. The physical layer of the network will always be a part of the equation, and things like data security and corporate compliance issues will touch every aspect of every project.

Technology can easily be thought of as a web. Any time you pull on a single thread, the effects are visible throughout the entire structure. Upgrading your ERP application might mean publishing financial reports in a new format. Older applications that don't support the new format must also be upgraded. This chain reaction continues all the way down to the users, who must learn new applications to do their jobs. With a system that can track user feedback and system changes all the way through a project, you increase your chance of success.

Suppose your company decides to migrate from Microsoft Exchange to a Web-based collaboration system such as Google. Although this migration may sound far fetched, I worked with a global company who recently made this change. During the process, several email forms had to be converted to a Web-based entry system. The original plan was to use the existing Web servers to manage this content. The project was more than halfway done before the project manager was told that the new Web servers couldn't support the old forms. There wound up being an easy fix to this problem, but what if there wasn't? There was no system in place to collect the required feedback from the Web developers and track their responses. This company could have easily completed their migration and discovered they now had to replace their Web infrastructure to make things work. Collecting and addressing demand manually from so many entry points without a consistent set of criteria always causes problems. Users' needs can be overlooked, requests cannot be prioritized, and the impact of change on people and systems is inconsistent. Without a consistent process that spans multiple projects, results will be varied at best. If you can assess and track IT demand, and the associated costs, you will produce consistent results and predictable outcomes.

Visibility

As a CIO, it is nearly impossible to collect demand data from every department in your organization. If you rely on traditional communication methods, the IT team will receive scattered requests for resources and technology and spend a lot of time assembling those requests into some type of document or report for business decision makers. Under such a process, requests can be misinterpreted, lost, or simply ignored because there is no system in place to ensure they are addressed. To increase customer service and attempt to address every request, many IT departments will incentivize staff members for eliminating multiple requests for the same service or reducing the number of customer complaints. However, this solution merely treats the symptoms without addressing their underlying causes.

ITPM provides an automated process that offers you complete visibility into every aspect of your company's technology investments. The process will vary, depending on your company's needs and the ITPM products you choose, but there are basic elements that need to be addressed:

- Electronic request forms let you track and manage demand from every department. This ensures that business demands are being met while prioritizing investments and matching them to corporate goals.
- Automated workflow can track demand through your business decision-making process and illustrate potential bottlenecks.
- Resource management tools give you visibility into changing deadlines and delivery issues; including their impact on the business.
- Application scorecards allow you to monitor an application's value to the business and clearly illustrate when that value starts to decrease. One of the most difficult decisions to make is when to replace an application because it has a negative return.

Once implemented, the executive team has an aggregated view into IT and the services that the department provides. Essentially, you are creating a diagram of the complex web of IT supply and demand, which will illustrate key dependencies and allow you to improve the process of demand fulfillment. This will allow you to create, apply, and track to repeatable business criteria as the primary driver of the IT investment process.

A common reason for not investing in ITPM is that it is possible to obtain all this information without it. However, without ITPM, much of the company's time and effort goes into maintaining disparate systems instead of addressing the needs of the business and the customer. Tracking this data in separate applications leads to more work as your team constantly updates multiple reports and diagrams for any single change to a project; it's easy to get caught in a cycle of "constant updating," which has a very negative impact on productivity. Having a central repository for your IT information makes integration seamless and truly illustrates the complexity of technology. Any single change in your IT environment can automatically be assessed from a demand management, ROI, corporate goals, and a host of other metrics that you can customize. Having both broad and deep visibility into your organization can be accomplished in many ways, but ITPM will allow you to consolidate this data and view it through a single, focusable lens.

Prioritizing Resources

Within most organizations, IT personnel are rarely dedicated to a single project. Even in large implementations that specifically support business objectives, team members are being constantly pulled off projects to deal with situations as they arise. Frequently, this leads to missed deadlines and lowers morale. Furthermore, high-end IT experts can find themselves working on trivial problems. Although a highly trained staff member may be the only person available to fix an urgent issue, both executives and managers need to understand the associated costs. If you have the ability to track staffing levels against IT demand, you can create a defensible argument for prioritization and suggest changes in corporate priority.

Logic dictates that the highly trained technical experts who demand the highest salaries should be focused on projects that yield the highest returns. But in situations where IT support is needed immediately to fix an urgent problem, that highly trained person may be the only one available for a low-level task. I recall one of my hospital customers who were implementing a security device that would track employee access to private patient information. The device required a full week of work to ensure it was tracking relevant data. Less than halfway through the project, this security expert was directed to address an urgent issue: one of the hospital's top doctors complained about cell phone coverage in elevators. The next six working days were spent designing and implementing a series of cell signal boosters at strategic points throughout the hospital. From a business perspective, this was something that had to be done to provide top-notch service to hospital staff. The cell booster project focused directly on the hospital's mission of providing top-quality service. However, the compliance project was delayed for a full week, which delayed the audit process and ended up costing the hospital a significant amount of money.

If an ITPM solution had been in place, the demand for increased cell service would have been entered into the automated workflow system. Due to the urgent nature of the request, an executive could expedite the process and immediately perform a cost/benefit analysis on how to proceed. Was there someone else available who was qualified to handle installing the boosters and was working on a less-critical project? Could outside consultants and installers be brought in for less than what was lost by delaying the audit? Could this problem have been solved by purchasing a new cell phone contract for the doctor with a different provider or did the ITPM solution illustrate a trend of lost coverage in specific areas regardless of the carrier? By instantly comparing IT demand information, finances, resource allocation, compliance, and a host of other factors, executives can quickly make informed decisions. This will increase both business agility and efficiency.

This same principle can be applied to larger projects with multiple people assigned to them. Because an ITPM solution ties IT demand, investments, and resources together, a change in any variable will immediately be reflected in the others. You will be able to see the business impact of a delayed project and how it affects ROI and even the other projects being worked on. Executive dashboards will display the data that is most important to the viewer. In the previous example, ITPM would have alerted the CFO that his audit deadline was in jeopardy as soon as the security project upon which it was dependent fell behind schedule. Figures 3.1 and 3.2 help illustrate the impact scheduling changes can have on multiple projects.

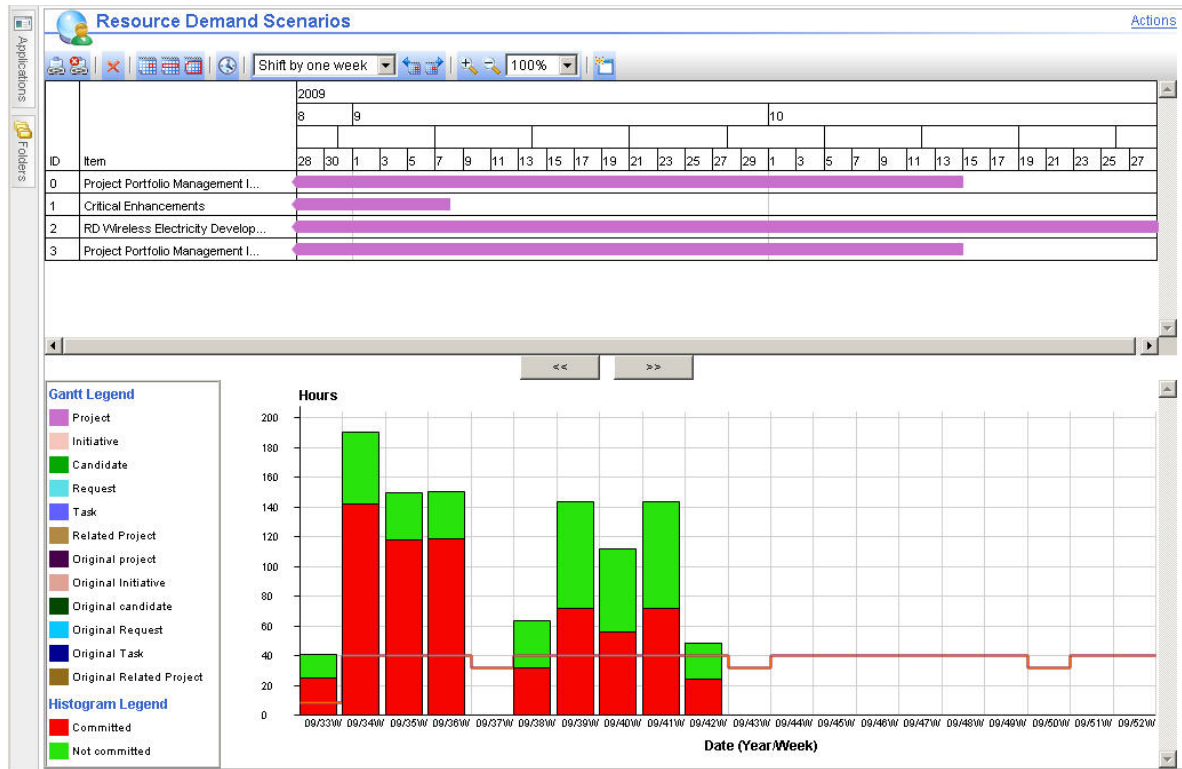


Figure 3.1: The project schedule.

As you can see from the changes in the Gantt chart at the top of the figures, ITPM allows you to compare the original project timelines and schedules, and produces a graph that illustrates the level of demand and the resources available. In Figure 3.2, project changes have been entered, allowing you to compare a second scenario that updates the graph and illustrates the impacts of your changes.

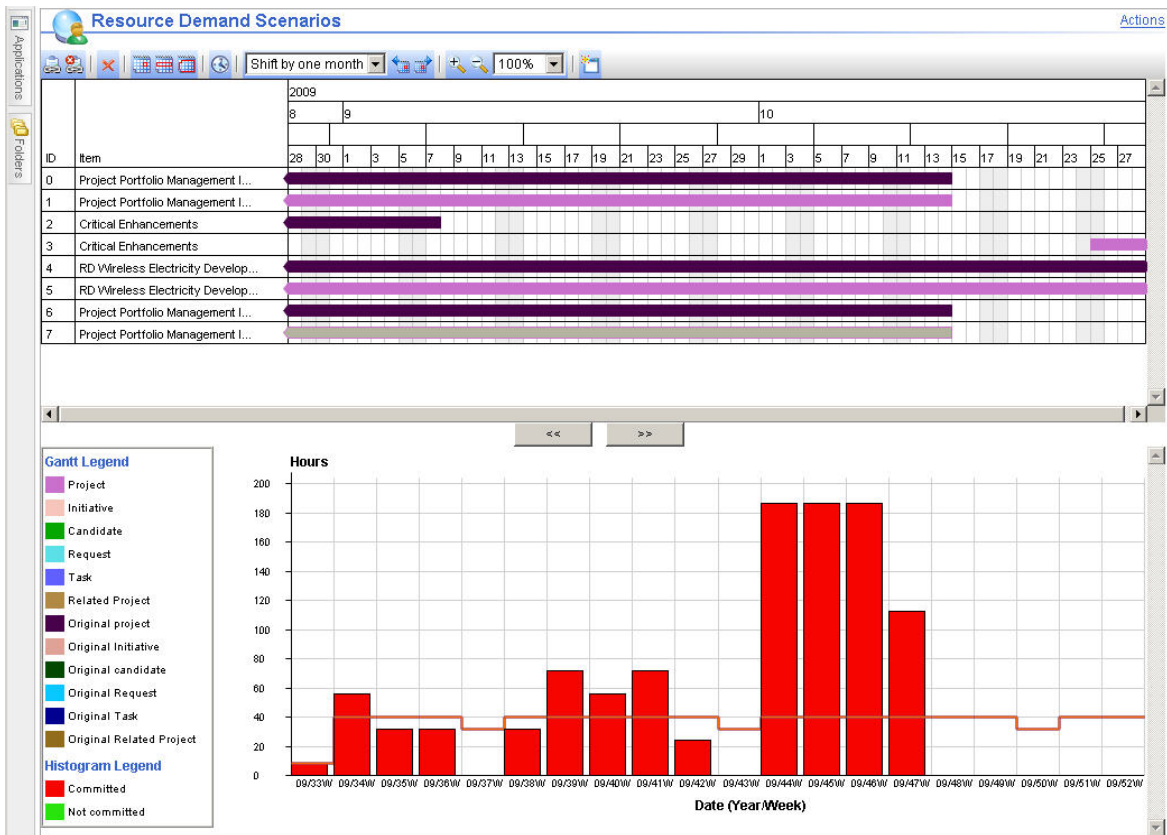


Figure 3.2: Project schedule scenarios.

Communicating Risks and Rewards Across Departments

There are definitely days when it seems like every department is upset with IT for one reason or another. In many organizations, there exists a constant state of conflict between IT and their internal customers. Most of the time, these adversarial relationships are caused by a lack of communication, even when IT and those specific divisions speak or meet on a daily basis. Frequently, this is due to mismanaged expectations, which spring from inaccurate information. The fact that IT demand and available technology can change on almost a daily basis only makes this situation worse.

An area where CIOs seem to frequently struggle is with managing customer expectations. Most IT departments view themselves as a service department for the entire organization, which leads to the cliché of “the customer is always right.” Although this may be an excellent mentality to have, and will certainly increase the morale across the organization, it is also a way to avoid responsibility. Yes, IT is responsible for providing the best service possible. Yes, technology should be transparent at worst and a positive experience at best. However, just like any other service provider, IT is responsible for communicating the true costs and benefits of specific initiatives and projects. Would the CFO really insist on installing an application that provides total tracking of every corporate resource and its depreciation rate for \$500,000 if he could get 98% accuracy for \$50,000? CIOs frequently submit to the demands of their customers and peers because there is no time or data available to make a recommendation. A department wants to use a specific product, so IT procures and implements it. ITPM can change this paradigm, and it is the responsibility of the CIO to transition the organization to this more efficient model.

To manage the expectations of multiple departments, you must be able to present clear, concise information about the impacts of specific projects. Line of business managers may only be concerned with the issues in their departments, and executives are too busy running the business to dive into details on specific projects. As a CIO, you must be able to supply business leaders with an IT overview, and at the same time track project progress for specific divisions. This can be accomplished when you have all your data in a single repository, which allows custom, role-based views into your investments.

ITPM offers the benefit of providing objective data to anyone who needs it. People at every level can become emotionally attached to “pet projects” and will reflexively focus on the issues that are important to them. A controller may see an upgrade for the accounting package as absolutely essential to moving the business forward, while the CEO is focused on improving market share by customer hold times. In a situation like this, the assumption is that the CEO is guiding the company and his lead must be followed. But what if the accounting system is so outdated that payables data is frequently misplaced? The only way you can manage expectations up the corporate chain is to present clear, objective data that decouples investment decisions from the emotions that often drive them forward, enabling everyone to focus on business objectives. The CIO is ultimately responsible for insuring that employees throughout the organization understand the consequences of their decisions, and spelling out prior to project implementation what the results should be. With hard data and a defensible argument, you will be able to proactively guide your peers.

Making Strategic Investment Decisions

Executive management is constantly focused on the objectives of the business. The need to maximize shareholder value and produce better results with fewer resources continues to grow. This forces IT to deploy their resources on projects that yield the highest results. At the same time, IT demand is pulling resources away from strategic projects to work on operational issues. Although the need to produce results that maximize IT investments can not be stressed enough, it is certainly possible to neglect operational demand and reduce customer service and IT credibility. In situations where there are simply not enough resources to do both, this deficiency needs to be illustrated to the executive team clearly, quickly, and in terms that they can understand.

In a previous chapter, I illustrated how ITPM solutions can quickly and clearly provide the executive team with the resource management data they need to make sound decisions. Once you embrace an ITPM solution, IT supply and demand issues become visible rather quickly. This is the point where the role of the CIO begins to evolve. Given that there are simply not enough resources to meet the demands placed on IT, the CIO can guide the executive team towards investments that will maximize returns. Furthermore, a CIO with accurate data can apply industry and technical knowledge to determine how and when to acquire additional resources to fulfill IT demand. This is the new skill set that CIOs will need to develop, and it all starts by learning about the business and IT needs of every department, not just a select few.

Decision-Making Silos

IT organizations are responsible for implementing and managing technology to improve operations across all departments. As a result, CIOs can find themselves lost in a series of back-to-back meetings that can run for weeks at a time. Understanding the needs of each department is essential to making good investment decisions, but if you are in meetings for 30 or more hours per week, how is it possible to act on any of this information? I know many CIOs who are perceived as ineffective or even negligent because the only people who can perceive their value are the people who attend their meetings. One way to increase the perceived value of IT and the CIO is to implement a system where all demand can be centrally managed and visible to anyone who needs it.

Implementing an ITPM solution will not only allow you to communicate the value of IT but also break down decision-making silos. Sometimes large organizations can make IT purchases and implement projects without the executive team really knowing why a particular department is choosing a certain solution. Although this may appear to increase efficiency by driving decisions downward, it is impossible to verify that a departmental solution will be in-line with corporate objectives. Departments can even implement solutions that are counter-productive to corporate mandates like choosing an inexpensive software package that solves a specific problem but has no means to verify whether it is compliant with corporate guidelines.

For example, the executive team may decide that customer service levels need to increase while the cost of customer contact has to be reduced. So, a customer service manager needs to implement a Web-portal that will allow customers to self-service. This manager will most likely research various products, talk to a few sales people, and initiate a Web portal project. Such being the case, how will the executive team know whether the solution is SOX compliant?

With an ITPM solution, a CIO will be able to quickly understand what the project IT is working on for the customer service department. As the project is directly tied to customer transactions, certain regulations such as SOX and PCI might apply. What if there were specific budgets set aside for compliance that have remained unspent? Even more appealing, what if all the projects currently tied to SOX or PCI have produced a negative return, which is troubling the CFO and pushing the internal perception of IT in the wrong direction? If you could illustrate that situation to your peers, then every department benefits; you have found additional implementation dollars and increased the ROI for a specific budget that has been an issue for the CFO. This is the best possible position for the CIO, creating situations where everyone benefits. ITPM will break down the barriers between departments and allow you to map your resources, budgets, and timelines to the business.

Obtaining All the Needed Information

How many departments are in your organization, and how long would it take you to understand the needs and issues facing each one? CIOs must understand the IT demands of each department and view their technology from an executive perspective. This view is often distorted because you have to depend on disparate systems and non-objective people. Many departments or divisions may seem to “run themselves” and require little or no attention from IT. However, IT is still responsible if the technology fails to perform.

Even with all the new collaboration tools available such as video, email, and telepresence, you have to trust that your peers are telling you what you need to know. You can manually track projects and progress through multiple applications or centralize your information using ITPM. If you have a clearer view into your data, you can remove the subjective perspective. Demand requests, workflow processes, and feedback forms provide an objective starting point for managing IT. They allow you to see the data without personal interpretation and can be both consistent and transparent. Having complete information from objective sources is the only way to ensure sound investment decisions.

Consistency and Transparency

In order to provide accurate investment data, IT must prioritize and select proposed IT projects and infrastructure investments that support strategic business objectives and balance risk and value. The easiest way to do so is to create business criteria that can be applied to multiple projects. The decision-making criteria should be consistent, standardized, and weighted according to the goals of the business. Furthermore, they should be agreed upon and communicated to all layers of the organization, including the executives and the governing board. Regardless of the criteria used, the ability to apply the same metrics to every project will increase the odds that IT will succeed.

The ability to apply consistent decision-making criteria to IT investing solves a number of issues that are prevalent in most IT environments. First, the problem of decibel management can be reduced or eliminated. It is much easier to make objective, unemotional decisions about investing when you have your data centralized and can apply specific criteria. No longer will you find yourself working on projects that have little or no value to the company, other than to “quiet someone down.” The consistency of IT investment criteria and the transparency of supply and demand data also increase efficiency by reducing the number of redundant projects.

ITPM allows any chosen role to view project and investment data across departments as well as how that data maps to business goals. By adopting this centralized approach, it becomes easy to quickly determine when projects or applications are providing redundant functions. Without this level of transparency, departments can develop “islands of automation” that not only drain corporate resources but can ultimately slow corporate growth. In some cases, two separate applications are deployed and maintained, yet they provide the same data to different groups of employees. Certain applications may not be certified for specific compliance regulations that are required company wide. Wouldn't it be preferable to know whether a specific department is adhering to corporate regulations before an audit occurs? ITPM and the consistent, transparent view it provides will allow you to effectively manage your IT investments and enforce specific business criteria for technology implementations across the entire organization.

Collaborating Across Departments

The best way for a CIO to promote and elevate IT while increasing communications and morale within all departments is to enable collaboration. One major reason we all use technology is to get the right information into the hands of the right people at the right time. As technology champions, it is crucial for IT to understand that although moving information between people is a primary responsibility, facilitating communications is actually a higher calling.

The corporate environment can foster internal conflict and competition. There is only so much money available to fund projects and grow separate business units. Instead of competing for resources with other departments such as accounting and sales, a CIO might be better off helping other departments increase their budgets or spend them in a way that increases their efficiency. With an ITPM solution, you will have all the objective data you need to assist your colleagues as they build their budgets and allocate their funding and resources.

To elevate IT to the role of a business partner, it is necessary to gain the support and respect of your peers at all levels of the corporate hierarchy. IT spans all departments in a way that no other division can, so a CIO is in a unique position to act as a bridge between the executives and their departments. In order for this to happen, IT can no longer be viewed as a corporate utility.

Thankfully, as technology advances, this role becomes easier and easier to fill because corporate objectives must leverage more and better technology for the business to grow and compete. However, the amount of risk to the CIO has also increased because regardless of the skills of the person, or the data collected, more exposure to the executive decision makers is inevitable. Without ITPM and the data and decision-making tools it provides, CIOs will find themselves being held accountable for results that they have no way of predicting. Utilizing ITPM as a tool to foster communication and collaboration and improve the quality of the business is essential to success in today's market.

Tracking Input

Twenty years ago, accounting departments used special calculators and maintained cabinets full of paper files and receipts. In sales, the term "rolodex" is still used, but I have not seen an actual physical device for sorting and storing business cards for a very long time. This is largely due to the fact that computers and IT have changed every aspect of the way we do business.

The idea that the cycle of advances has been accelerating is evident to any corporate executive. Software products are updated frequently, and many companies employ a full-time person just to keep up with the latest updates and patches. The result of this increasing pace is less and less time spent on planning, which usually results in even more work being done post-project to actually realize any benefit from new technology. Also, as there is little or no time to plan, communication and documentation are infrequent and inadequate.

The new speed of business has merely amplified the need for a single point of entry for all important data. If IT demand, management, fulfillment, and reporting all take place in a single repository, the time wasted as a result of redundant tools is reduced. Furthermore, historical data can be easily examined and manipulated. Technology trends and IT performance data can be leveraged to not only avoid past mistakes but also illustrate and eliminate future issues before they even arise. This creates value for IT within an organization by forming a "communications loop."

In the first chapter, I diagrammed the IT investment life cycle. This model can be used to manage IT investments and ensure positive results. Within the life cycle, there is another model that can be used to assist in the decision-making process and guide the organization towards sounds business decisions. The communication loop consists of eight steps, and is built into the ITPM model.

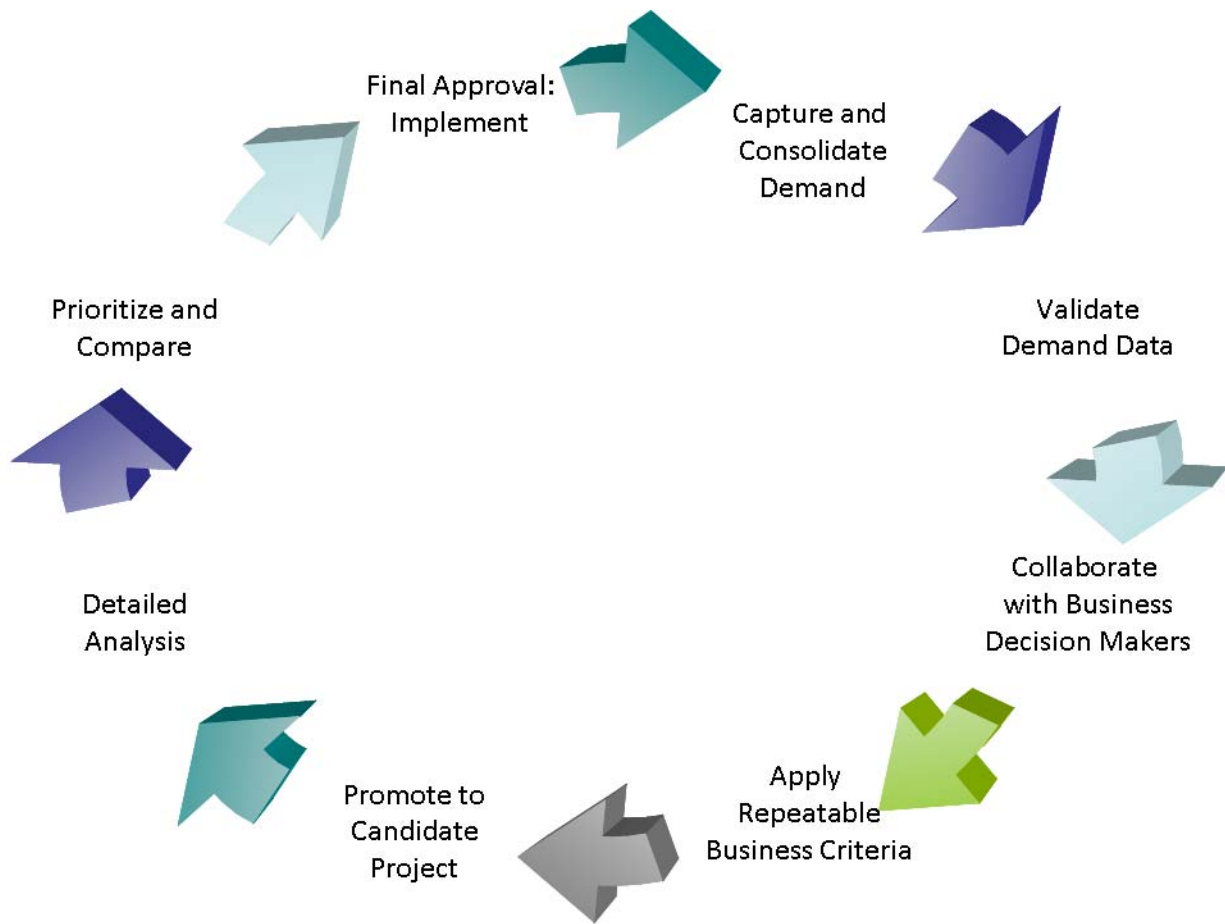


Figure 3.3: The communication loop.

Capture and Consolidate Demand

The opportunity for collaboration in this step is to acknowledge the input from employees and let them know they have been heard. When requests for IT products and services are lost, employees think that IT is simply ignoring their needs.

Validate Demand Data

With trending information and multiple demand requests, you can examine the existing systems and compare technology. This step validates that the problem can be solved with IT and tends to uncover if there is a need for more training. The systems may be in place, but users are struggling to understand them.

Collaborate with Business Decision Makers

If training is not the issue, you have an opportunity to go to the executives with demonstrable proof that you need new technology.

Apply Repeatable Business Criteria

Based on the goals of the business, you can evaluate how much benefit a new technology can deliver. By applying financial metrics and market data, the executive team can determine whether this investment is sound.

Promote to Candidate Project

Once you know a positive return is possible, you can put in time and effort to investigate specific solutions. It is important to note that this qualification process saves time spent on researching projects that don't support business goals. This is an opportunity to reach out to all of your peers and get their input on a specific solution. During this process, you can re-iterate the goals of the business.

Detailed Analysis

Once you have collected data and created several implementation scenarios, you will have a clear picture of the return on your investment. This is the point where you know the project is valuable to the business and can show a positive return.

Prioritize and Compare

This step is where IT becomes part of the executive team. If you have accurate return data, you can discuss your candidate projects with the executive team. While you are working with your peers, remember to use the data you have spent so much time collecting. If you focus on hard numbers and investment returns, you won't be perceived as "playing favorites." If you have objective data for these discussions, you have a much better chance of true collaboration.

Final Approval: Implement

The implementation phase is another opportunity to foster cooperation. You can act as the bridge between the executive committee and the employees. If you encourage your users to constantly submit feedback, you can stay on track and eliminate roadblocks before they threaten the investment. If your users embrace the process, the cycle will automatically start again.

Every step of this process usually takes place in most organizations today. The problem is that there is usually no central system in place to foster collaboration. When you use manual processes, data is lost and IT becomes the scapegoat. If you can implement ITPM and automate your processes, business goals will be communicated throughout the company and your executive peers will have a flexible view that can be instantly refocused on the appropriate priorities.

The Executive Lens

Just like a microscope can view miniscule objects and telescopes can show entire galaxies, ITPM can provide focus on any level of your business. You will have the ability to examine the details of a given implementer's schedule and track the impact of that work all the way up to sweeping corporate initiatives. Although any CIO can do this to some degree without ITPM tools, only by implementing ITPM can you quantitatively change your focus quickly and easily.

I suggest the metaphor of a lens to make ITPM easier to discuss with your peers and colleagues. Explaining to a CEO that he or she will be able to "see anything and everything about IT" will certainly be met with skepticism. However, a central repository will allow you to open and manipulate windows into any level of your business. I strongly recommend that when you are evaluating ITPM solutions, extra attention is paid to the views and dashboards available and how easy they are to manipulate. Although the IT team will easily see the value of ITPM tools, executives and other line of business managers will focus on only what they can see and how easy it is to use. This means that the user interface (UI) and the ability to "change focus" when viewing your IT investments will make or break your implementation.

Chapter 4: Delivering and Assessing Your IT Portfolio

Many believe that delivering technology to support products and services is the only reason IT exists. Although that is important, CIOs should also focus on furthering corporate objectives by delivering the right technology at the right time. Equally important is knowing when something should *not* be delivered because it doesn't align with corporate goals.

Deliver

Many executives don't have the time to fully understand the details of the technology they invest in. As a result, CIOs find themselves filling the role of a technical advisor. As technical advisors, CIOs spend meeting after meeting explaining how specific technologies work and how they will increase productivity. Although such discussions are helpful, they are more suited to a technical director or program manager. As a CIO, you need to elevate yourself to an investment advisor to the executive team.

As an investment advisor, prioritizing the correct projects and ensuring you can deliver becomes your focus. However, CIOs also need to stay involved in the delivery process. There is always more demand for IT services than you can supply, so efficient delivery processes are a necessity. ITPM solutions provide the data you need to monitor performance and ensure alignment, which maximizes your return on investment (ROI).

The Existing Paradigm

Delivering projects on time and under budget has almost become “the grail” in IT. During delivery on any project, IT must adjust deadlines and submit requests for additional funding and approval to handle change requests. Projects that exceed their deadlines result in missed market opportunities and decreased ROI.

IT faces some inherent challenges to effective delivery. The existing delivery paradigm uses document-centric processes and has limited cross-project visibility—making it difficult to see how multiple projects can impact each other.

Trying to track projects in multiple applications leads to a spiral of work, and you can spend more time updating information in 10 to 12 different places than you spend on the project itself. Without the ability to acquire hard data, examine the impact of change on the financial aspects of a project, and make informed decisions, CIOs will always be “guessing” at what the impact of change will be. When you throw multiple projects with different inter-dependences into the mix, it only compounds the problem. Multiply this by the number of projects in the works, and CIOs will quickly become overwhelmed.

Rare is the CIO with only a single project to oversee. Usually, there are multiple projects going on, which need to utilize the same resources and often have dependencies. With finite resources available, you have to prioritize your projects and complete the most important one first. Delivery priorities can even change after a project has been kicked off. So, how can you manage multiple projects when business goals are in a constant flux? ITPM solutions allow you to alter delivery schedules on multiple projects and directly view the outcome. In a situation where resources are scarce, you may be able to find areas where bringing in outside help would allow you to meet all your deadlines. Even if you have to reprioritize your projects, you will have data available to objectively illustrate your decisions.

Eliminating Subjectivity

Regardless of a person’s role, they will always believe that their project has the highest priority. Staying focused on corporate objectives is difficult for everyone to remember when they are also held accountable for their department’s performance. In fact, many managers are actually compensated for performance and *are* watching their personal profits, sometimes to the detriment of the organization. In order to manage demand through the delivery process, you need a tool to create objective goals with the executive team. Allowing individual managers or directors to prioritize IT projects may seem the most efficient thing to do. However, it can have a very detrimental effect on the business as a whole. Providing business leaders with objective delivery priorities based on shifting business goals will deliver profitable results.

The only successful way to maximize your returns is to prioritize delivery so that it is relevant to the *business* as opposed to the *department*. For example, suppose you are implementing call center software designed to reduce hold times and allow your employees to process more orders. It’s a large project, requiring hundreds of personnel hours for your staff. The surveys and beta tests you and the CFO produce show a 5% increase in top-line revenue once the upgrade is completed.

Halfway through the project, the Controller comes to you and says “we really need one of your top people for two days because we are rolling out a new accounts receivable module.” You are already focused on a major project with known returns, and putting that project behind schedule for a new accounting module seems ridiculous. Using your current systems, how could you make the proper resource allocations? What if your receivables were in the millions of dollars with the majority in the “60 day” column because no invoice had been sent? Could you justify delaying your call center project? Without the tools to compare the financial impacts of shifting your resources, a CIO is forced to guess which project has a bigger impact. Even if you can guess correctly, how can you be sure that you are focuses on the business’ financial goals?

To manage to the business, you must know if the executives are focused on top-line revenue or bottom-line profits. With your data in a central repository, you can collaborate with your peers and deliver the right projects in the correct priority according to your current business goals. The CIO and other executives must be responsible for setting the corporate strategies and objectives, whether it is revenue or profit, and applying those criteria to each and every project. As the CIO, you need the right data to shift your resources as corporate goals change.

The rising importance of business agility is easily demonstrated by examining some of the large telecomm companies that once dominated the communications industry. During my employment with one of these vendors, I frequently heard the phrase “you can’t turn the QE2 on a dime.” I was even present when a brand-new analog phone system was internally rolled out in a 10-million-dollar data center, while just across the hall the salespeople were losing more than 40% of their existing pipeline to a Voice over IP (VoIP) vendor. When I asked my engineer why we were showcasing analog equipment, I was told “the VP of operations for the US has been working on getting this for years so that we can impress ACME Corporation and keep their global contract.”

While the analog system was being installed, another global company who was not a customer was testing our VoIP system. The tests were going poorly and the systems were failing because the top engineers in the country were installing the new analog switch. Adding to the irony, the company’s mission statement had recently changed to embrace VoIP. Because the VP in the US had no objective delivery data, he was measuring success by keeping an existing contract and the corporate goal was being ignored. As a result the wrong project was delivered, and while the customer was kept for another year, *both* customers wound up installing a VoIP solution from another vendor within 2 years.

With an ITPM solution, you can eliminate subjectivity and change how, when, and why your projects are delivered and align those being delivered with long-term corporate goals. But how does ITPM compare with and include the existing task-based project management systems? Most ITPM systems not only allow task-based management but also let you manage and deliver on your constantly-changing projects while continually aligning to the right priorities.

Delivery Management

I have yet to see a large IT implementation go from planning to acceptance without a major hitch. Resources are constantly shuffled from project to project, budgets are altered as the markets change, and communication gets more and more difficult. And, projects often take on a life of their own. For example, a project targeted at complying with SOX or PCI becomes a security project or implementing new call center software to increase the number of orders taken becomes an entire call center upgrade. Because of these issues, CIOs frequently take their eyes off the original value proposition, leading to late delivery and reduced ROI.

Delivering multiple projects on time and within budget can't be done without organizational efficiency. You must have the most qualified people working on projects that are aligned with their skills. I have written previously about highly-paid IT implementers fixing jammed printers and desktop workstations. ITPM can give you the tools to illustrate the real cost of those activities to the organization. What if the same top-level engineer could lead three projects as opposed to completing one? What if your project managers could each manage an additional project because they were no longer updating information in multiple locations? ITPM not only alleviates the problems with the current delivery paradigm but also can make your employees much more efficient and increase your ROI. This increase in efficiency is apparent in the delivery process more than anywhere else. Every employee involved in a project can view a single dashboard with customized windows that allow them to focus on the tasks with the highest priority.

For example, suppose that over the weekend, your competition issues a press release stating that their new customer service center will improve the quality of the customer experience. Seeing this, the CEO and CFO have decided that the deadline for your own implementation needs to be moved up. So they change the deadline and your customer service project now appears in red instead of green. With a quick phone call, you show them updated Gantt charts and resource graphs, and decide that the security audit can be delayed another 30 days. When the project manager sits down and looks at their scheduled activities, they immediately see that the customer service project is red, so they create alternative scenarios and send three possible schedules up the chain for approval. After another quick discussion with your peers, you select one of these options, and the project manager makes the appropriate changes. The implementing engineer sees the shift in priorities and begins working on the customer service project. At that point, it's time for all of you to go to lunch because you have just accomplished in a matter of hours something that would normally take 3 to 4 days. Better still, you increased the efficiency of your organization while aligning your delivery with business goals.

Assess

Like communication, the assessment process is something that must continue throughout the IT life cycle. Since the demand for IT services is constantly growing and changing, you need a real-time view into the value of your IT assets. What if you could view the demand and performance of your company's IT investment on a per-application basis? This view would make it much easier to understand which applications need your focus. You also need to see application performance and usage trends. A continuous assessment process will illustrate trending information and anticipate business demand for IT services.

The Value of Ongoing Assessments

A subset of ITPM functionality is Application Portfolio Management. APM allows you to gather a consolidated view of your users and applications and how they perform together. In most organizations, the way application performance is measured is by the number of trouble tickets or complaints received by IT. Just about every IT department I have worked with has an application that *everyone* knows about that is next on the list for upgrade or replacement. Unfortunately, when you wait for application performance to degrade to this point, you have already lost a significant amount of return on your IT investment. The data provided by APM allows you to continuously assess the application portfolio by collecting user and performance data, spot performance trends before they cause large losses, and make sound decisions about your IT investments.

Although the relationship between users and applications has many variables, it is possible to measure and track their interaction using ITPM. Surveys and feedback forms allow you to capture users' perception of whether the application is delivering business value. Application scorecards can give you a window into how well an application is running, allowing you to constantly re-assess its value. When you have the ability to compare user surveys and demand data with application performance, the true value of an application is easy to see. Combining this data on an application scorecard will give you an immediate rating that allows you to quickly make relevant decisions.

APM data collection is even more crucial to businesses that are supporting large numbers of legacy applications. Most of these older applications have no built-in methods to produce reports and performance statistics. Without these metrics, compiling performance data and linking it directly with user surveys and demand requests may be the only way to illustrate to your peers how much these applications are costing the business. Without this data, it is easy for business decision makers to put off an investment decision for yet another year, until the system collapses from the strain and the replacement becomes an emergency. Figure 4.1 offers an example application scorecard.

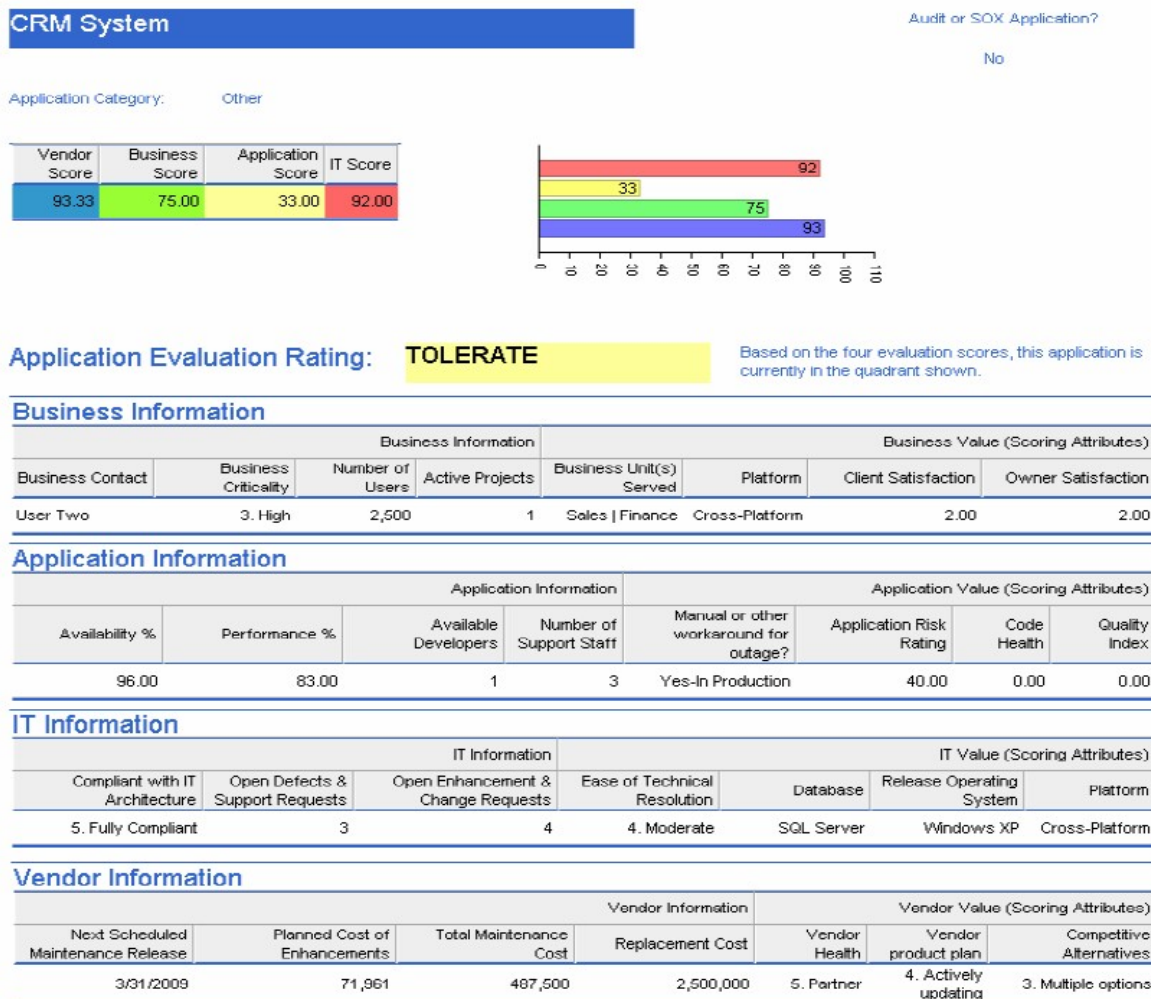


Figure 4.1: An application scorecard.

Application scorecards can make or break a company. One of my previous employers implemented a CRM system that integrated with the back-end accounting software. The pilot project went well, and all 20 of the salespeople were happy with the application. Once accounting figured out how to define what data was available to sales, everyone was pleased with the rollout. As a result, salespeople were more productive, and the accounting department closed months and quarters sooner because customer information only had to be entered once.

Two years later, accounting had hired four more employees, and the top three salespeople were no longer using the CRM tool. As the database for the CRM system grew, the time it took to open, view, and manipulate records increased exponentially. When the owner of the company saw performance start to slip, his attitude was “the salespeople can wait a few extra seconds to open a few windows.” Since upgrading or replacing the application was a serious investment, it was put off as long as possible. The sales force started using Outlook as a contact management system, and only placed contacts into the new system when orders came in. More data entry positions had to be filled because the data coming into accounting was often inaccurate or incomplete. Because no one was able to illustrate the impact of avoiding the upgrade, the company lost a significant amount of money. Now, 13 years later, it’s clear that an ITPM solution would have been able to see usage trends and “connect the dots.” If the owner had this data, he probably would have invested in the upgrade.

Sustainable Practices

Investing in ITPM can be a risky endeavor. Because portfolio management solutions provide views and analysis for every part of your business, they can require a lot of customization. To help organization hit the ground running, some ITPM solutions have modules that lay the groundwork to speed customization using best practices and pre-defined metrics. These modules accelerate the process of implementing ITPM, increase your ROI, and rapidly define consistent, repeatable processes.

These modules can help you improve your delivery by setting up best practices for your projects. Others make basic assumptions about your financial data and will have pre-written reports for your finance teams. Still others can help you deploy APM strategies such as identifying inventory, automating data collection, and capturing the right metrics in a single repository. These features let you get a head start on an ITPM implementation, sustain the practices, and ultimately change the view of IT from a service center to a financial investment.

Another standard practice for sustaining an IT portfolio discipline is by categorizing investments according to their traits. Technology investments can be broken down into three categories:

- Utility investments are investments in mission-critical systems and applications that don't provide an immediate performance increase.
- Enhancement investments are investments that improve immediate performance and have a clear ROI.
- Frontier investments are investments in future capabilities with a higher risk and potentially higher return.

Just like a financial portfolio, IT investors should have a balance of these three investment types. Unfortunately, a CIO doesn't have the option of picking up the phone and calling a "technology broker." Managing IT investments falls squarely on the CIO's shoulders. Additionally, investments in IT will migrate from one category to the next as fast as technology can change. Categorization approaches like the previous example are also available in accelerators provided by vendors.

Once you have classified your projects, you can focus on delivering the highest return. Does it make more sense to allocate your best resources to utility or frontier investments? The answer will most likely change with the competitive landscape. However, current methods for collecting and acting on this data are too slow. You need an ITPM tool to collect and illustrate your delivery data if you want this level of business agility. In order to speed the process, these tools need to be based on industry standard best practices.

Organizations such as the Project Management Institute constantly release standards and updates like the Project Management Body of Knowledge. PMBOK illustrates best practices and allows organizations to adopt processes that have already been used successfully. Based on standards such as PMBOK, modules exist that will assess your current project management methods and compare them with industry standards. You will be able to quickly see where your project management processes can be improved, and start to make changes. Figure 4.2 provides an example of a template based on PMBOK standards.

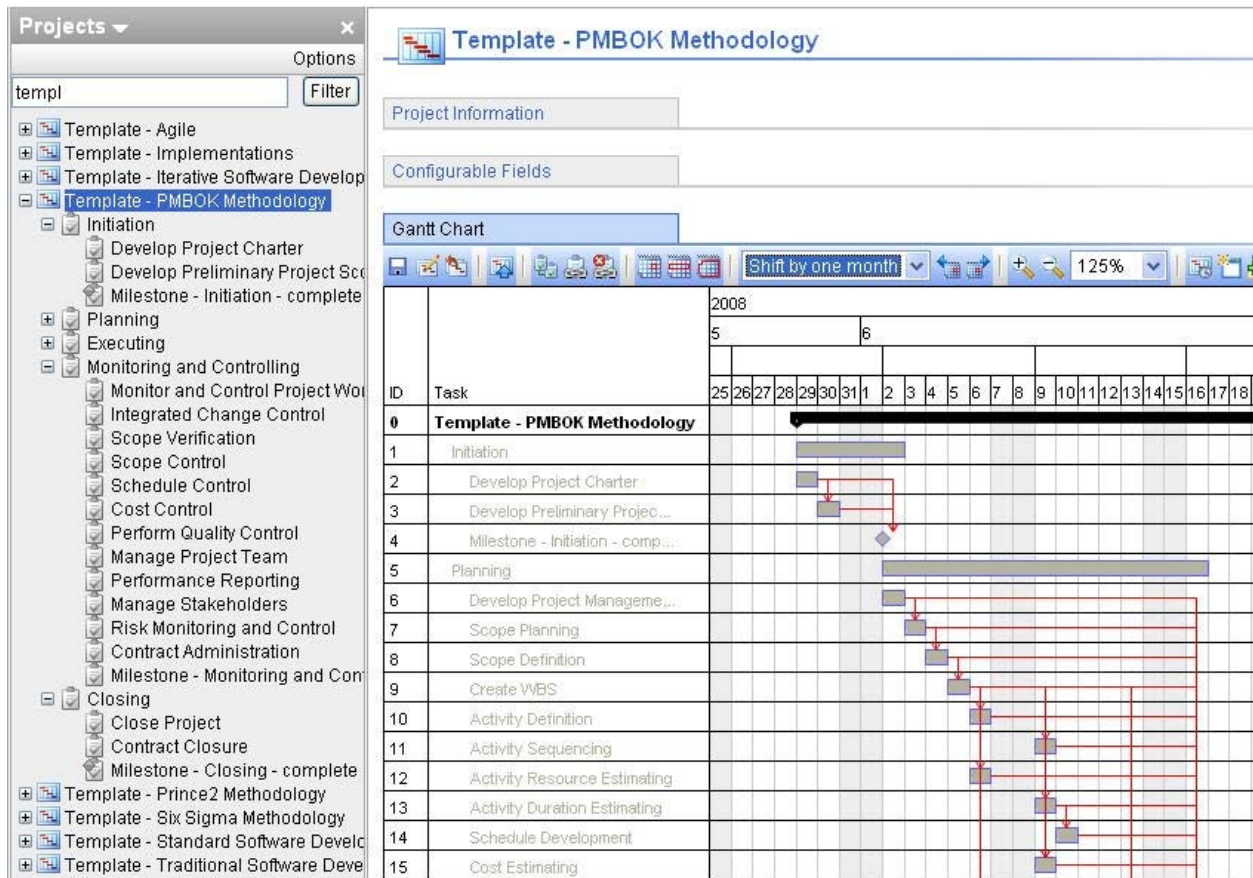


Figure 4.2: An ITPM view based on PMBOK.

Increasing Productivity

In large organizations, IT can be responsible for supporting hundreds of applications across departments. In an older, established business, productivity can be tied to legacy applications that are critical to the business but no longer supported. These legacy systems may not integrate with more modern platforms and can create more problems than they solve. Companies who have grown attached to these aging systems frequently become acquisition targets as their competition out-produces them.

Mergers and acquisitions increase the number of applications that must be managed. How do you justify investing in specific applications to keep your business running? All the problems of decibel management and people with personal investments apply to this situation as well. Constantly assessing the health and performance of your applications will reduce your capital investment and decrease your TCO. By tying the results back into an IT portfolio, it becomes easy to shift your focus from utility investing to technology enhancements or frontier investments.

Using ITPM and APM to manage your applications will give you a visual representation of application value and business objectives. This functionality will help you decide how to invest your resources. If certain applications begin performing poorly, their scores can be highlighted on an executive dashboard. Furthermore, this dashboard can link the application score directly to an objective or even a budget so that you can determine just how critical the issue is. With these illustrations, it is easy to invest in areas that are enhancing the business instead of acting as a utility. For example, a basic standalone CRM package may be running with a very low score while the accounting system is performing well. Since most accounting packages have a module to support salespeople and their need for access to specific information, you might eliminate the application with the lower score. Furthermore, accounting and financial packages are generally tied to utility investing. If that same software package was used by the sales force to generate revenue, it has just gained strategic value and decreased the TCO across your portfolio.

There has been a recent flurry of mergers and acquisitions in just about every industry due to the economic downturn. Companies are being acquired for pennies on the dollar, and IT departments are forced to integrate two disparate systems. How can a CIO possibly know which applications will be the best investment moving forward? With APM, it's possible to quickly assess the state of the new applications and determine which are worth keeping. Information such as business criticality ratings and architectural compliance can immediately disqualify some of the acquired applications, while client satisfaction ratings and application risk ratings may point to using the newly acquired software. Regardless of which choice you make, APM data will give you a clear, concise picture of your current portfolio and allow you to make sound business decisions.

Summary

In order to succeed and provide real value, CIOs must deliver the right projects at the right times. The easiest way to achieve this is to have the tools that can constantly assess the state of your IT investments, and make resource allocation decisions based on business criteria. If you have objective data, you can change course mid-project without guessing at the results. And ITPM accelerator modules let you assess the current maturity of your business, and quickly adopt industry standards and best practices.

In the final chapter of this guide, I will lay down guidelines for executive communication. I have watched over and over again while highly intelligent CIOs have lost all credibility with their executive teams. Just a few misplaced remarks can cause the dreaded "eye roll." By going back to basics, remembering to talk to your executive peers in *their* language and focusing on technology from *their* perspective, you will become a valued team member.

Chapter 5: Communicating the Hidden Value of IT

As technology workers, we all face the challenge of IT being perceived as a cost center. The work is done in other departments but IT provides the tools to make that work easier, faster, and more efficient. Communicating the results of any IT project back to the business should happen throughout the project life cycle, thereby transforming the role of IT into a trusted business partner.

Delivering the Business Value

Companies who can integrate the right technology at the right time will have an edge on their competition. As IT delivers against objectives to increase efficiency and productivity company-wide, the real value of IT becomes apparent when your investments show a return while your competition is throwing money at problems. Measuring success starts with clear data measured against specific criteria. ITPM and its components will provide data back to the business and deliver it as information that is valuable to the viewer.

The Portfolio View: Elevating IT

IT departments collect, manage, and present data as well as maintain the tools and systems that increase the speed and efficiency of business transactions. Because of IT's daily interaction with vendors, help desks, and programmers, the language and perception of IT workers becomes technology-centric. I have even heard quips at social gatherings where IT people claim to speak two languages: English and IT.

The same thing is true for any other department, as every department develops its own specialized terms. However, IT permeates an organization more than most other departments. This may be caused by the unique position IT is in- they support every department within an organization and have a direct effect on everyone's ability to do their job. In order to create positive change, IT must provide information in a format their customers can understand. Many organizations use a "portfolio view" as a means to communicate. The concept is generally understood by business executives, and it provides a single view into the priorities that have been set by the business and the health of the work being done. This portfolio view applies equally to investment decisions, projects, and applications, all of which are relevant to the business user. By collecting user feedback, demonstrating positive action, presenting objective data, and fostering collaboration IT can be seen as a contributor to the organization.

I have worked with several program managers who were responsible for large federal contracts. The data these managers need to do their jobs is usually task-driven and deadline-oriented. Program managers report to a division manager who tracks cost and return across multiple contracts and reports to the CFO.

One program manager I was working with had an internally-developed ITPM system in place. This application gave the program manager and the division manager the same view into the data. There were multiple links and applications that showed similar data sets on different dashboards. I remember watching the program manager sitting at her desk and clicking through several links. Then she opened Microsoft Outlook and went through her tasks for the day. When I asked her “How do you keep track of all this stuff?” I got back a tight-lipped response of “poorly.” She was looking at Gantt charts, calendars, and progress reports from sections of the program she was managing. Using multiple systems and manual tracking gave her a very low opinion of IT. The only way to change her perspective was to give her the data she needed and reduce the effort required to organize her day.

As you can imagine, the developers and support personnel for this application knew an incredible amount about writing code and troubleshooting desktop problems. If they were asked why so many different applications were required, the response was always “that’s how it’s built.” This IT department was focused on delivering *all* the data instead of the *right* data. Here was an opportunity to elevate IT by providing specific data that can be consumed by the business while *at the same time* supporting a system that drives business goals. If this company’s IT department had been able to collect and compare feedback from the program managers, they would see an immediate need for change.

If you manually manage your application portfolio, the corporate-wide perception of IT will rapidly deteriorate. Even with an automated Help desk system, all you can view are trends related to specific systems. I have never seen a trouble ticket that reads “the user must open too many applications to effectively do his job.” What if your users suddenly discovered that they could contact IT with an idea that would make their jobs easier and *something positive happened*? Collecting and acting on user feedback as you drive your application investments will always elevate the perception of IT. You can use surveys, employ application scorecards, and track feedback trends to make a positive impact.

What’s more, using a portfolio view can show business executives the direct impact of IT on the issues that are important to them. If you can see where the money and resources are being spent, including what strategies are being advanced as a result of the investments, it is much easier to guide your business. If IT has a real-time view into resource allocation and can clearly see the impact of any change across the organization, then IT can be an enabler instead of a roadblock.

One goal of ITPM is to easily show the other executives what value is being delivered for their IT investment, rather than only seeing an expense. Executives have very little time to sort through data. The idea of creating a “bullet list” to present to decision makers is already a source of thousands of corporate jokes. Inevitably, one of the bullets is questioned by a CxO, and you schedule the next meeting to back up your findings. This becomes an endless cycle of creating arguments, presenting perceived facts, and backing up your claims.

In a centralized management system, the information on the screen is directly linked to the supporting data. This allows executives to drill down and see objective data used to make decisions, without personal agendas coming into play. In order to elevate IT in the eyes of the executive team, you have to avoid getting caught in the middle. There is no better way to do so than by making sure your peers have instant access to any level of information they need without attaching a personal interpretation.

Personal agendas are part of everyday human interactions. Unfortunately, this doesn't always result in decisions that are best for the business as a whole. To avoid this situation, you should present neutral data without personal interpretations. With ITPM, you can use the information from dashboards and reports to reduce the number of personal interpretations and subjective data from your decision-making process.

IT Costs

If technology is considered an obstacle in your organization, it is most likely due to inaccurate or incomplete information. Business leaders are concerned with market positioning, ROI, and financial returns. If you manufacture and sell widgets, how can technology be a profit center? Having an accurate view of the cost of IT services will illustrate the hidden value of IT.

What metrics are important to your CFO in terms of understanding the return on IT investment? Is your company managing your IT resources with a TCO model, or is the ROI across the board a more important measurement? Have you started investigating IT cost transparency solutions to uncover all your technology expenses? Regardless of the metric, CIOs and even some directors must have a deep understanding of how your company tracks and measures results. You have to match your IT metrics with the metrics used in the rest of the company's portfolio. Two very basic examples of these financial metrics are TCO and ROI.

TCO tries to illustrate the total cost of an asset based on its lifespan or on a fixed period of time. Companies who use TCO are trying to put solutions in place that require minimal re-investment and will last as long as possible. The idea is to add it all up and manage to the lowest number. In this environment, you should illustrate the costs associated with every aspect of your project: Installation, labor, equipment costs, support, and maintenance are just a few of the variables in this equation. Without an ITPM solution, many of the numbers you need are merely guesses.

ROI has been a model for measuring success for years. From a financial perspective, ROI is the money returned on any investment. When you are estimating ROI, there are two types of costs and returns: hard and soft. A hard cost or return is the term for actual dollars spent or revenue received. Soft costs and returns are measured by assigning a value to something non-monetary or difficult to track. An example of a soft cost is an increase in customer service time that reduces productivity. If you are managing to this metric, it is important to be as accurate as possible when determining benefits you gain from IT investments.

Regardless of how you measure your returns, it is important to remember that ITPM and the information it provides can influence corporate investment decisions.

IT Costs and Its Influence on Demand

Providing transparency into the cost of IT services will help to influence demand. “Customers” understand the budget they have available, and the concept of “choosing to buy” absolutely influences their behavior and interactions with IT and its services. Here, when services are perceived as “free,” demand becomes unlimited.

At a very high level, determining cost of resources sounds simple. Take the loaded salary of an employee, divide it by the number of hours in a year, and you know how much that employee costs per hour. If you use this basic equation, how do you account for actual productivity? Is there any way to tell when you have an employee who may be doing work that requires less training but is producing twice the results? Can you look at your available resources and determine whether it is economical to bring in a contractor?

The true cost of IT services will obviously vary. However, employees, applications, and support costs generally tend to trend in certain directions. Without ITPM, there is no objective way to determine these true costs.

For example, many large organizations have legacy applications that appear to be stable. Often, there are only one or two employees who support these applications and can keep them running. If this is the case in your organization, do you *know* how much this system is costing you? Do you have the means to view application performance, user productivity, and employee support costs over time? Most of these applications just keep running along under the “If it ain’t broke don’t fix it” policy. Over time, they become “money pits” because the executive team has no way of seeing the true cost of the system. When those costs are finally revealed, CIOs can find themselves in an untenable position, and in the worst case, looking for a new employer.

Communicating accurate returns on IT investments to executives is the role of the CIO. You can use ITPM to illustrate resource utilization and translate that information into dollars. Communicating the financial benefits of IT is how you can improve the business whether you manage to ROI, TCO, or some other model.

The Opportunity

Technology has significantly changed the business world in the past 10 years. If trends are any indication, changes will continue to accelerate and drive business ever faster. CIOs are in a unique position because their department is no longer just a cost center but a business enabler. As the role of technology in business changes, CIOs must also change. CIOs need to be responsible for managing IT investments, providing data to illustrate ROI, and providing useful information to drive business decisions. ITPM solutions can give you the tools to transform the CIO into this trusted advisor role, acting as more of a consultant to the business.

The word “consultant” can have a negative connotation. Some people think of them as experts you pay to tell you what you already know. However, professional consultants are aware that the way to maintain a profitable business is to provide value for every dollar spent. In the future, the only real difference between a CIO and a top-dollar consultant will be hourly billing. This change will take the focus off implementing technology for technology sake and move it to improving the business. In effect, IT spending will become an investment, and the CIO will be responsible for illustrating a return. CIOs must manage IT investment data and provide useful information to every aspect of the business.

Companies must find a way to increase productivity from constantly shrinking resources or tap into budgets in other areas. Professional consultants do this on a daily basis. One of my former customers was a boutique bank for the wealthy. Their business model combined top-notch customer service and investment banking. While I was meeting with the CIO to discuss server-based computing, the topic of IT security came up. The marketing director was sitting in on the meeting, and mentioned that she wanted their customers to feel like their bank was more secure than most. This particular CIO was a very savvy business person, and she picked up on the comment immediately. She turned to my team, and said “I have heard about second factor authentication, and I think I understand it. Could we put branded tokens in the hands of our customers and make them feel safer?” After a few minutes of discussion, she called the CFO and the bank President and asked them to join us for 5 minutes. With minimal information, she created an ROI for her peers. My team was stunned. We had met with her to start defining project criteria for server-based computing, and now that project was being placed on the back burner. However, after the 5-minute meeting with her peers, a new project was in the works.

When I asked later about how she was able to do this, I was amused by her answer. “I got lucky; all the pieces just fell into place. I just wish I had a way to find this stuff other than random chance.” I haven’t spoken to this CIO in 3 years, but she is still at the bank and they have continued to grow in a weak economy. I would be very surprised if ITPM is not already in place, or at least in the works. Her comment to me about “getting lucky” really drove home the point that in most organizations, success from IT depends on luck. This particular CIO was savvy enough to see an opportunity without hard data. I am sure that she would be the first to tell you that eliminating that moment when “all of the pieces (luckily) fell into place” and replacing it with proactive information to make informed decisions would change her entire approach.

Combining the knowledge of how technology and business work together is a rare trait. It's easy to get distracted and shift your focus to the functional details of specific projects. As the CIO, you are the person in your organization who should have a detailed understanding of *why*. I am not diminishing the role of other positions. Project managers and technology specialists have an in-depth understanding of their work, and they focus on those areas to be the best in their field. The role of the CIO is managing business investments, so you have to understand how your business works to be the best in your field. Earlier in this chapter, I wrote about financial metrics and how important it is to understand what is important to your peers.

Do you think a network infrastructure specialist or a programmer is concerned with the company's financial metrics? In the past, financial data, project schedules, and demand management were all tracked manually in separate applications. Now, CIOs can use ITPM data to increase collaboration and provide their companies with a competitive advantage.

Most of the time, business is about making profits and outperforming your competition. Installing new production equipment or targeting new growth markets are two simple ways to increase profits. However, if any investment is easy, your competition is probably already working on it. The opportunity in IT is simple to explain and difficult to complete. It is the CIO's job to collaborate with the executives to help transform the business using the power of IT. Fulfilling the role will be next to impossible without a portfolio management solution in place. Once you have centralized data and can manage to business and financial metrics, you can foster executive collaboration and steer the company to the profits.

The current workload has increased so much that without the right tools, executives simply can't keep up with all the work. Communication is becoming less frequent, and executives find themselves "on their own" when making critical decisions that can impact the entire organization. A single decision maker might be more efficient in terms of allocating executive resources, but can your company really afford to risk poor investment decisions? This is one of the best opportunities for the CIO to elevate IT. In order to illustrate increased efficiency, you must have—and use—the tools that make collaboration possible. If you can use the tools to make communicating easier, you will have a positive impact on every aspect of your company.

An ITPM solution provides benefit at all levels of the organization. It would benefit anyone to walk into the office and have visibility into the information that can help them perform better on that day. Most people use Outlook tasks, MS Project, or even pen and paper to outline daily activities. Everyone does their best to make sure they are focused on the correct activities. However, personal interpretation, emotion, and even physical well being can shift priorities.

One way to keep people focused on the right objectives is to tie them to the business and illustrate their benefits. If you had a tool that could highlight your priorities and outline your day, you can save time and be more effective regardless of your corporate role. If you are task driven, a list of tasks that are focused on the right activities would increase your productivity. If your role is maintaining portfolio health and maximizing ROI, you need to be directed to the issues that directly impact those metrics. Dashboards created for specific roles such as a project manager or a CIO will organize your day and help you stay focused. Figure 5.1 offers an example of a role-based dashboard that can accomplish exactly this.

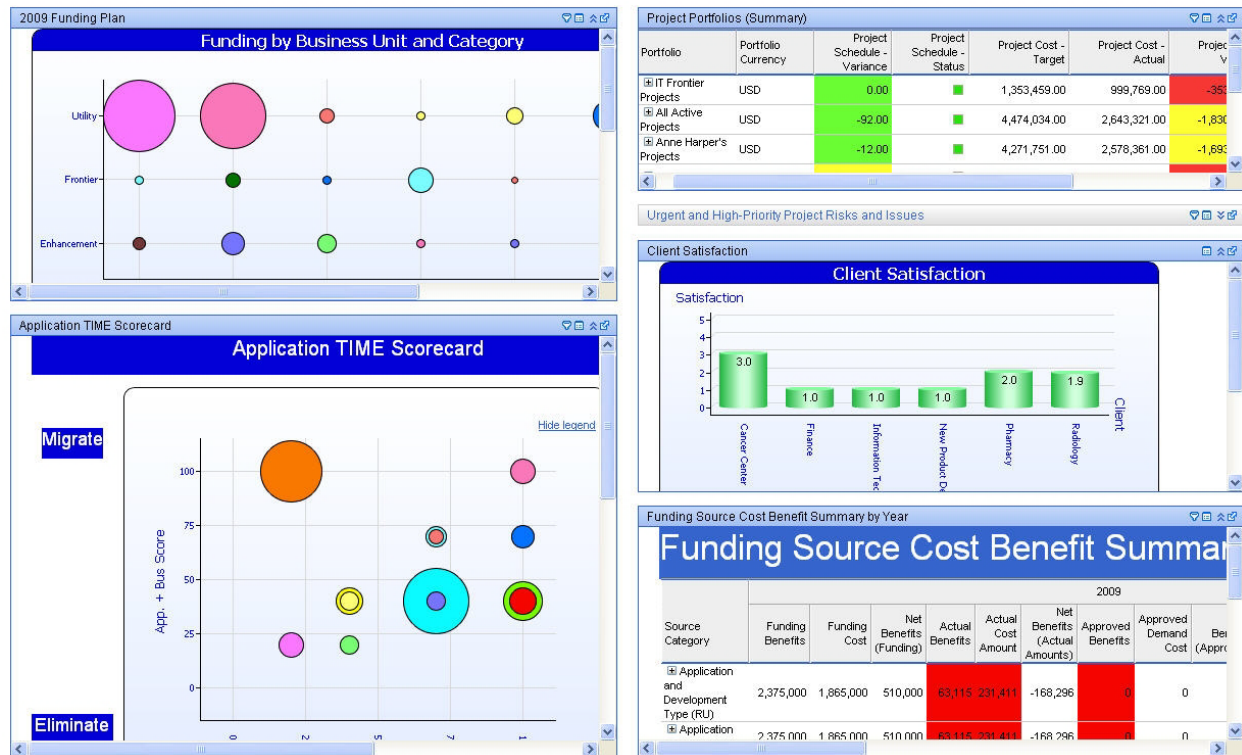


Figure 5.1: Examples of a project manager's desktop and a CIO's desktop.

Tracking your day automatically and focusing on the correct objectives reduces the workload and increases productivity. Communicating this positive impact of ITPM is key to getting buy-in from your peers.

For example, one of my customers who had been using ITPM for about two years called me in for a meeting. It was only scheduled for 30 minutes, and he wanted to discuss a single sign-on solution. As I was driving in, I was trying to figure out how I was going to ask the right questions to uncover his pain points, get the information I needed, and set the next meeting.

When I made it to the conference room, the HR manager was there, along with the CIO. After I had asked my second question about the difficulty they were having, the CIO held up his hand, signaling me to stop. He handed me a stack of papers and started talking, “We’ve noticed that when we terminate an employee, it takes about a week to track down every system that employee had access to and lock them out. What you have in your hand is a list of technical criteria for what we need, and a workflow diagram. I highlighted the steps in the process that we have to go through for this, and having worked with your company before, I understand what you do. You have a checklist for the documents we need from you, and contact information for the people on the workflow diagram. My CFO needs costing and lease options; the security specialist needs to know how the system works and if it’s certified. You can send your references to Linda the HR manager. Do you have any questions?”

I had hoped to meet with this person, and spend time extracting his pain points and learning the process. Usually those discussions end with a second meeting scheduled to dig into the solution. The process takes about 4 hours, spread across two meetings. Instead, when I walked in, I had 90% of all the information I needed handed to me in a folder. I could go back to my office and go straight to work. It saved an immense amount of time for everyone involved, including the HR manager, who later told me how this meeting came about.

The following week, I took the HR manager to lunch. She explained that the CIO had approached her a month ago with specific questions. Apparently, too much time was spent tracking down the credentials of former employees. Also, two of the systems related to HR had slowed considerably and were crashing on a regular basis. The CIO was able to drill down into the application scores, and correlate the scores with multiple requests for new server hardware. He then contacted all the departments involved and showed the other executives his performance metrics and how they were impacting the bottom line. From this point, it was an easy decision to invest in new systems and replace multiple servers with virtual machines. In essence, this company used ITPM data to solve a specific business issue and to invest in a new technology that would save even more money. In less than a month, the CIO had everything he needed for every decision maker in every department. All because the vendors who walked in the door left with a clear, concise picture of what they had to provide. Ask yourself if you could do the same with the systems and processes you have today.

There is no better time to start tracking and managing your IT portfolio. The economic downturn is bottoming out, and companies are starting the growth cycle again. If you can position IT as a business contributor and clearly illustrate a positive return, you can be ready to help your company take advantage of the next economic cycle.

Uncovering Hidden Value

IT departments without ITPM in place have been providing value by stretching resources to the limit and cutting costs. Still, they have managed to keep technology operational. With all of the effort focused on technology and operations, communication with the business stakeholders has been sorely neglected. By design, a CIO's executive peers are strong-willed individuals who quickly understand any situation and take immediate action. When executives view technology as a utility, it is difficult for a CIO to be taken seriously. The only way to elevate IT in this environment is to communicate the value of IT to the business stakeholders. If you can show how to strategically invest resources, improve financial metrics, and accurately forecast IT supply and demand, you can become an integral part of the executive team.

CEOs are primarily concerned with guiding the company; thus, they are constantly looking for new ways to improve the business. Taking advantage of a market opportunity or responding to a competitive move is their primary focus. When you sit down with a CEO and start discussing productivity, you may have his attention, but only briefly. If you can change the conversation to a discussion of competitive advantage and strategic planning, you will have a much better chance at getting his support.

A basic way to illustrate how ITPM will benefit your organization is explaining to the CEO that this tool will help classify IT projects and make sound investment decisions. Simple graphs, like the one Figure 5.2 shows, will illustrate the value of ITPM to your executive peers.

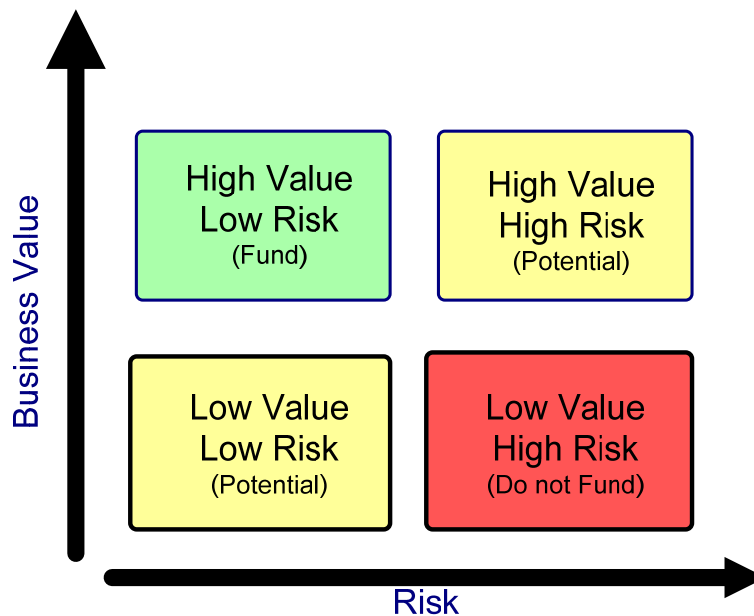


Figure 5.2: How ITPM classifies investments.

Strategy and market position are the focus of the CEO. The easiest way to communicate the value of IT is to show how innovation capacity contributes to these. If your CEO sees IT as an expense, you must show them how operational demand is consuming critical resources and how increasing innovation capacity gives the company a competitive advantage. ITPM can help you reduce unnecessary operation expenditures in favor of investing in innovation.

If you want to focus on outperforming your competition, you need to use technology to your advantage in the market. ITPM will allow you to focus on projects that are linked to strategic goals and explain how they will bring about positive change. If the discussion continues, you can move to the various aspects of demand management and point out how a comprehensive view of resources and work will allow you to intelligently shift IT supply to provide business agility. Eventually, it will become apparent that ITPM is one of the tools you need to empower IT for that strategic contribution. By sharing IT results in business terms, the hidden value will become apparent.

Every company is concerned with profitability. CFOs are perpetually moving money from one budget or investment to another to get the highest returns. Technology is usually viewed by CFOs as a tool to make employees more productive. When the technology doesn't work the way they expect it to, IT takes the blame and is usually asked, "What are you *doing* with all the money we give you?" The key to communicating with a CFO is to answer that exact question, in terms they can understand.

To illustrate IT's value to a CFO, you must show some type of return on the investment. If you answer the question about where the money went by pointing at his phone or computer, you are actually hurting your cause and enforcing the idea that IT is a cost center. What if you could answer that question by showing a graph illustrating a reduction in employee turnover since the new call center was installed? Or maybe a steep reduction in RMA processing after you implemented the new Web-based ordering system? These metrics are usually available *somewhere* in the corporate data pool, but how can you easily extract them?

If you want to show the CFO the value of IT, IT investments should be tied to expected benefits. The ITPM conversation with the CFO will usually begin with a CFO seeing just another request for more money. This is an open door to ask about the specific metrics and the expected returns from different business units. You may be surprised to learn what divisions are considered a cost or profit center. Once you have this information, you can point out how ITPM will allow you to establish direct relationships between money invested in technology and financial returns. It is crucial to have buy-in from the CFO for an ITPM project to ensure that the tools you are investing in will provide the correct data. This discussion can lead right into the topic of accurate forecasting.

Investments such as those in the stock market have a fairly large risk factor. Stock markets have many elements that are beyond the investors' control. Millions are spent each year by brokers, entrepreneurs, and analysts to forecast which way the market will go. For this type of investor, minor changes in the market can have huge repercussions.

Although this is true for any type of investment, the risk involved in an IT project is much easier to predict and control. Unlike stock markets, IT investments can be tracked and measured, and executives can focus directly on producing results. Using what-if scenarios and constantly re-working schedules can tell you when you need to invest in more people. The tools provided in an ITPM solution can turn IT into a much safer investment area for your organization.

Illustrating the value of IT is at the core of the CIO position. Once you and your colleagues understand how crucial IT investment is to the overall health of the company, you can make positive changes. IT has grown from a utility into an enabler, so many executives have preconceived notions of what IT really does. If you can use the tools to extract and illustrate the right data, you will become a high-level business partner, guiding your company to financial success.

The Next Step Is Yours

An IT Portfolio Management solution is one of the most valuable investments a CIO can make. I have watched technology evolve over 15 years, and still, IT is viewed as a utility. Successful companies continually invest in technology that supports their business goals. ITPM will reduce the risks associated with technology investments. The role of the new CIO is to challenge the existing paradigm, enable collaboration amongst your peers, and take responsibility for improving your organization.

IT budgets and technology resources are continually shrinking. IT departments are losing skilled employees due to increased stress and unreasonable workloads. The only person in a position to change this and move away from IT as a utility is you. If you allow yourself to be forced into the role of a technical advisor, investment decisions will continue to be made by people with no visibility into the business impact. Implement the tools you need to collect and compare investment data. Present yourself as the business consultant who is guiding your technology investments and focus on the *business of technology*. You have to turn technology data into corporate information to show value to the business and collaborate effectively with the executive team.

CEOs and CFOs are busy, dynamic people who are focused on their roles. If you are lucky, you can get 15 minutes on their schedule to have a discussion about what *you* need. To collaborate with executives, the discussion must be about what *they* need. The clearest path to altering the discussion is through ITPM. You can avoid conflict and steer investments with objective data. You can put information into a format that can be understood at a glance, and save time for your peers. If you can get your business to understand the strategic role of IT, you are creating a win-win scenario for everyone involved.

Project managers, program managers, and implementation personnel are so overloaded that they must focus on the task at hand to succeed. These roles frequently have no access to executive decision makers, other than the CIO. If CIOs don't act as conduit for positive change in IT, who will? You have to understand the business impacts of your investments and move IT into the decision-making process. If you don't, the competition will find a way to use technology to surpass you. The guidance of a strong CIO with the right tools can be the most valuable asset in any organization.

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