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Driving Business Value through IT INVESTMENT PORTFOLIO MANAGEMENT

By Vipin Jain

Irrespective of the business space your organization might be in, you will find that information technology has become an essential and critical component for the success of your organization. Understanding and implementing new solutions aligned with the overall business vision and strategic plans of your organization, while maximizing the return on new investments and fully leveraging existing assets, heavily depends on how well you understand your organization's entire IT investment portfolio in addition to strategic intents.

Generally, depending on the industry your company is in, the IT budget is one of your top ten investments and expenditures. Until recently, IT investments have been managed as a cost center leading to lower business value and satisfaction, rather than a strategic competitive enabler and value creator contributing toward higher revenue and market share.



Understand your organization's entire IT investment portfolio to successfully link approved investments with overall strategic business directives.

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DRIVING BUSINESS VALUE FROM IT INVESTMENT PORTFOLIO MANAGEMENT

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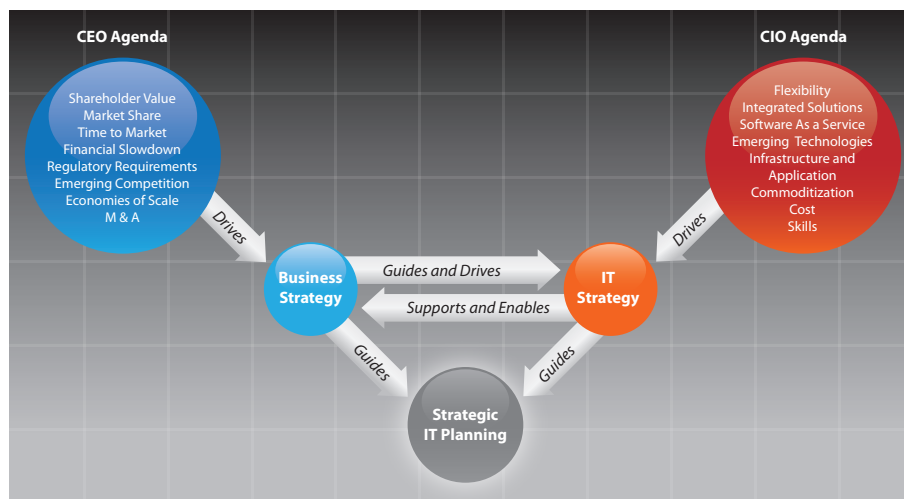
Senior business and IT executives are under tremendous pressure from their boards of directors, CIO team, and business unit managers who are demanding enhanced tangible business value from investments being made in the IT area. They need to clearly exhibit optimal use of IT investments and the value brought by these investments—delivering the changes and business capabilities that the business needs to achieve optimal and high performance. Current economic turbulence has certainly amplified the urgency. CIOs are putting elevated precedence on developing effectual IT investment portfolios that are aligned with business vision while reducing complexity and cost and increasing business value and client satisfaction.

BUSINESS CHALLENGES

Staying competitive in a continuously fast-changing business landscape requires an IT organization that anticipates and provides response to demands proactively, delivers flexible business solutions while leveraging both existing IT investments and emerging trends and technologies to create optimal results through innovative solutions. To be successful, these solutions must enable both the CEO and CIO to address their own agendas with limited funds in a timely manner by fully understanding the business priorities, carefully reviewing investments requests, and allocating resources appropriately. Given these challenges and today's financial difficulties, successful IT organizations need to leverage broad understanding of business strategy and technology environment to resolve complex C-level challenges. To continue to delivery value, you must broaden the business strategy and align IT investments with strategic directions.

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Figure 1: CEO and CIO agendas drives strategic plan.



INFORMATION TECHNOLOGY INVESTMENT PORTFOLIO MANAGEMENT

CIOs are in ongoing pursuit of cost optimization opportunities that will help them to gain deeper understanding of the business and the competitive space, enhance the business value of IT investments by delivering business solutions providing a competitive edge, and be an effective player in a recently acquired seat in board rooms. Based on an individual's role and perspective, there may exist different definitions of IT investment portfolio management. For this article, let us agree that "information technology investment portfolio management" is proactive management and optimization of technology investments across the overall organization with the following strategic goals:

- Enhance the business value of IT investments through alignment between IT initiatives and business strategies.
- Develop an investment portfolio clearly allocating resources to highest business value opportunities.
- Achieve operational efficiencies and the competitive edge over peer organizations.



- Senior business and IT executives are under tremendous pressure from their boards of directors, CIO team, and business unit managers who are demanding enhanced tangible business value from investments being made in the IT area.

- Manage overall cost, deliver more, and enhance client satisfaction.
- Shift the IT organization's role from traditionally taking business needs for execution to becoming a business value creator.
- Simplify environment and leverage both emerging technologies and legacy investments as and where appropriate.
- Achieve a shift in IT spend toward adding new capabilities and strategic initiatives and reducing money spent on legacy.

Like anything else, an organization's ability to provide technology solutions is limited and bound by the rules of demand, supply, cost, and perceived business value. To compete and maximize the business value of IT spending, companies have to change how they approach IT investments and its management, as the stakes have changed considerably over the past decade, especially in the area of management and execution of IT.

It is critical to clearly link approved investments with overall strategic business directives, in addition with a focus on practical execution instead of theory and ideal processes. Over a period of time, it is critical to focus and achieve a shift in IT spending toward adding new capabilities and strategic initiatives and reducing money spent on legacy management. To achieve this shift in IT spending consider the following suggestions:

- It may sound easy, but it is a difficult, and at times grueling, time-consuming activity to fully understand the real IT spend as these costs might be shared across multiple programs and business units without proper accounting. Ensure that both IT and business management teams fully understand the key drivers for total IT spend across the company and not just point-in-time spend in the IT organization.
- Traditionally IT users did not focus on the differences between "must have," "need to have," and "nice to have," making it difficult to make priority decisions. If you do not already have a process of prioritization in place, develop one and have buy-in from both business and IT management, as you will face initial resistance in its adoption.

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Figure 2: Four pillars of best practices for IT investment portfolio management.

LEVERAGING BEST PRACTICES

IT investment portfolio management's success heavily depends on one's ability to leverage best practices from the industry and customize them to an organization's own environment. Here is a quick overview of some of the best practices one might want to consider (also see figure 2):

- Establish one or more investment boards to understand strategic plans, capture quality data, analyze risks and benefits, and prioritize investments at the organization level.
- Leverage enterprise architecture to help align IT investments with strategic objectives; group similar investments together and analyze the merit of investments in the context of the portfolio.

TOOLS

Even though having an appropriate tool is not a must to get started, it is highly recommended to help ensure that your IT investment portfolio management operates effectively. Numerous tools are available in the market, with varying capabilities and cost structure. These tools play a critical role in gathering and managing data, analyzing data and conducting what-if-analysis, developing recommendations, and communicating those recommendations effectively to stakeholders. These tools include a range of IT management applications such as project and portfolio management tools, enterprise architecture tools as well as tools to support IT service management. An

effective solution combines these tools with an experienced team leveraging best practices and sharing data as needed. The absence of any one of these elements can considerably weaken the effectiveness of overall IT investment portfolio management. Many organizations have gone down this road and wasted time and money before realizing that they need these missing elements.

CONCLUSION

Effective IT investment portfolio management brings many changes to the organization and requires strong and ongoing full support from both business and IT executives for it to be successful, as it will require making tough decisions through this journey. Even though it is generally a tough sell in the beginning, IT investment portfolio management brings so many positive changes and benefits to the organization that over a period of time it tends to become a welcome change. Faster solution development, shifting IT spend to add new business capability, tighter integration and coordination among projects, and increased business value by supporting organizational strategy makes it irresistible. Combined with optimal business-aligned decisions, IT investment portfolio management plays a critical role in delivering high performance IT. **A&G**

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