

Using IT Portfolio Management to Increase IT ROI

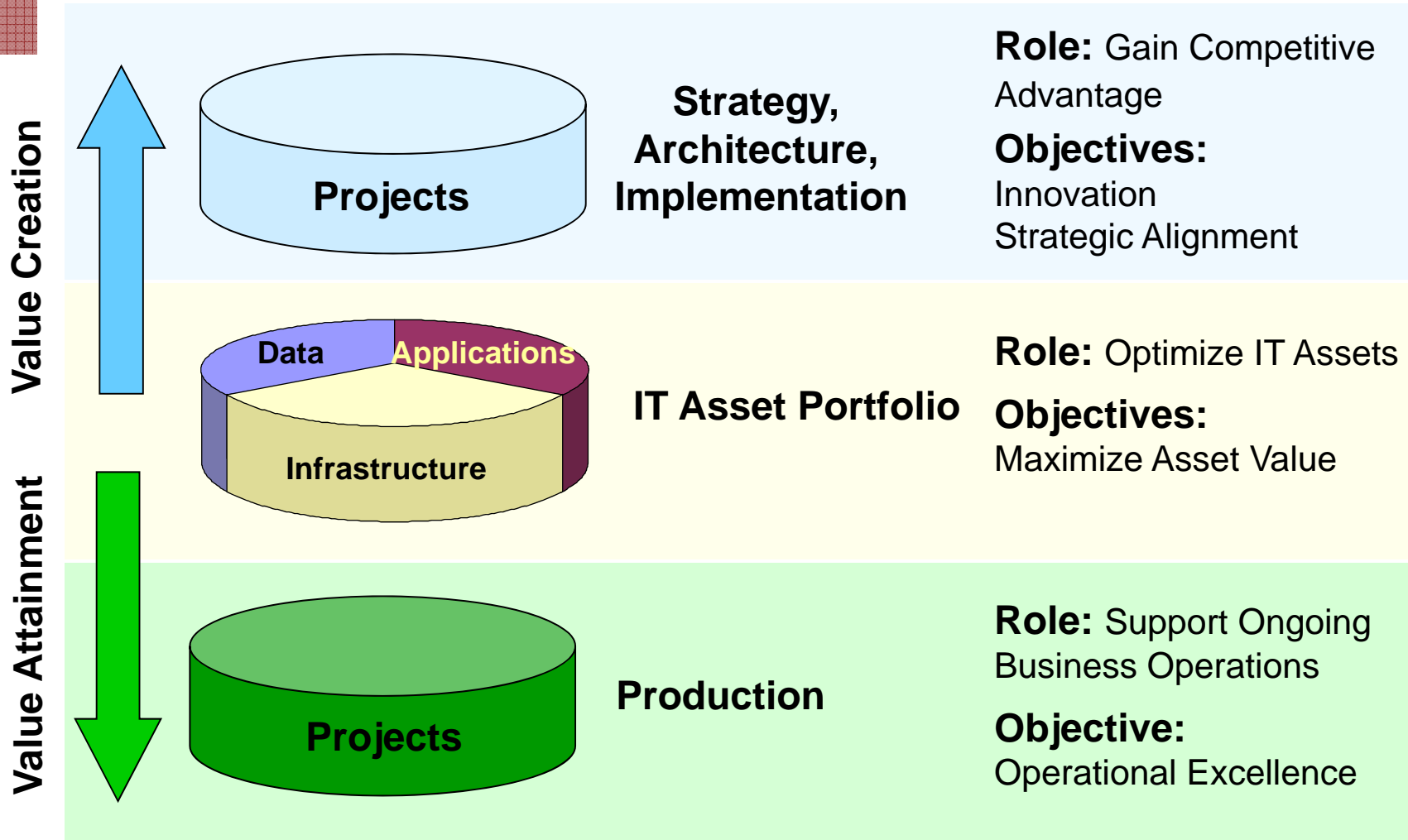
Ian S. Hayes
Clarity Consulting, Inc.

CLARITY CONSULTING, INC.

Contents

- **Changing Role of IT**
- **Overview**
- **Project Portfolio Management**
- **Application Portfolio Management**
- **IT Portfolio Management**
- **Conclusion**

The Changing Role of Enterprise IT



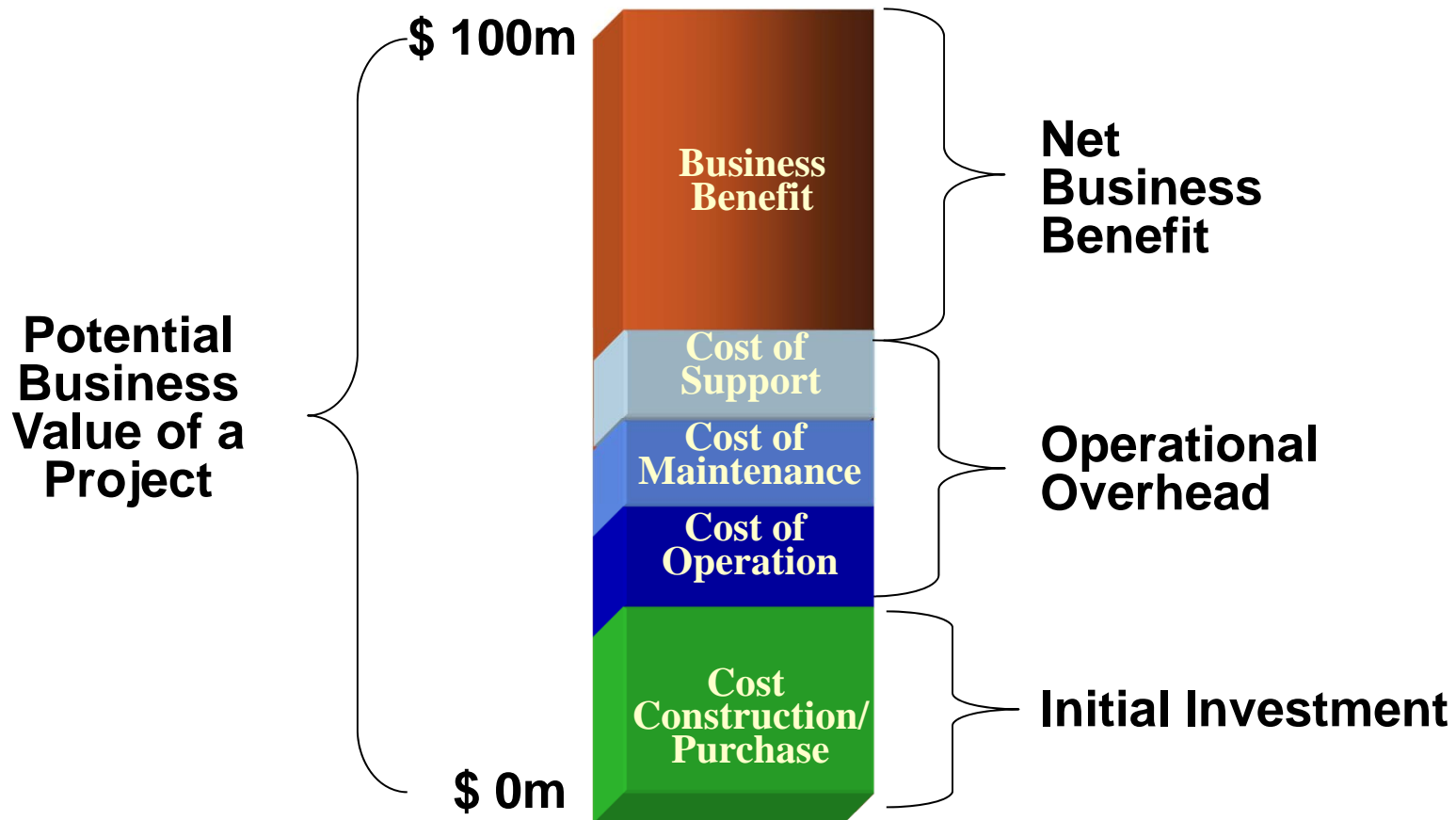
Overview: What is Portfolio Management?

- **Portfolio Management** – *An idea whose time has (finally) come?*

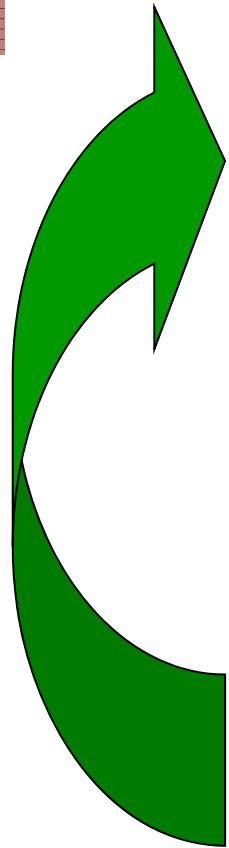
Goals: *Treat IT investments like other business investments*

- **Target new IT investments to gain highest business value**
- **Identify and improve underperforming assets**
- **Free funds by terminating questionable projects, consolidating underutilized assets, and eliminating obsolete technology**

Overview – An investment view of technology

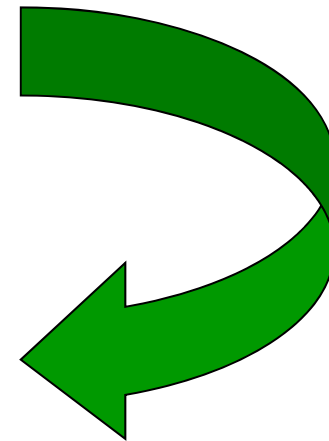


Overview – Options



Invest in high value opportunities

- **Increase business benefit (greatest value)**
 - Optimize asset/activity to provide greater value
- **Decrease costs (usual target)**
 - Reduce support needs
 - Cut maintenance/lease costs
 - Lower operating costs
 - Reduce the initial investment
- **Find better investments**



Free funds for strategic investments

Overview – Shared Approach

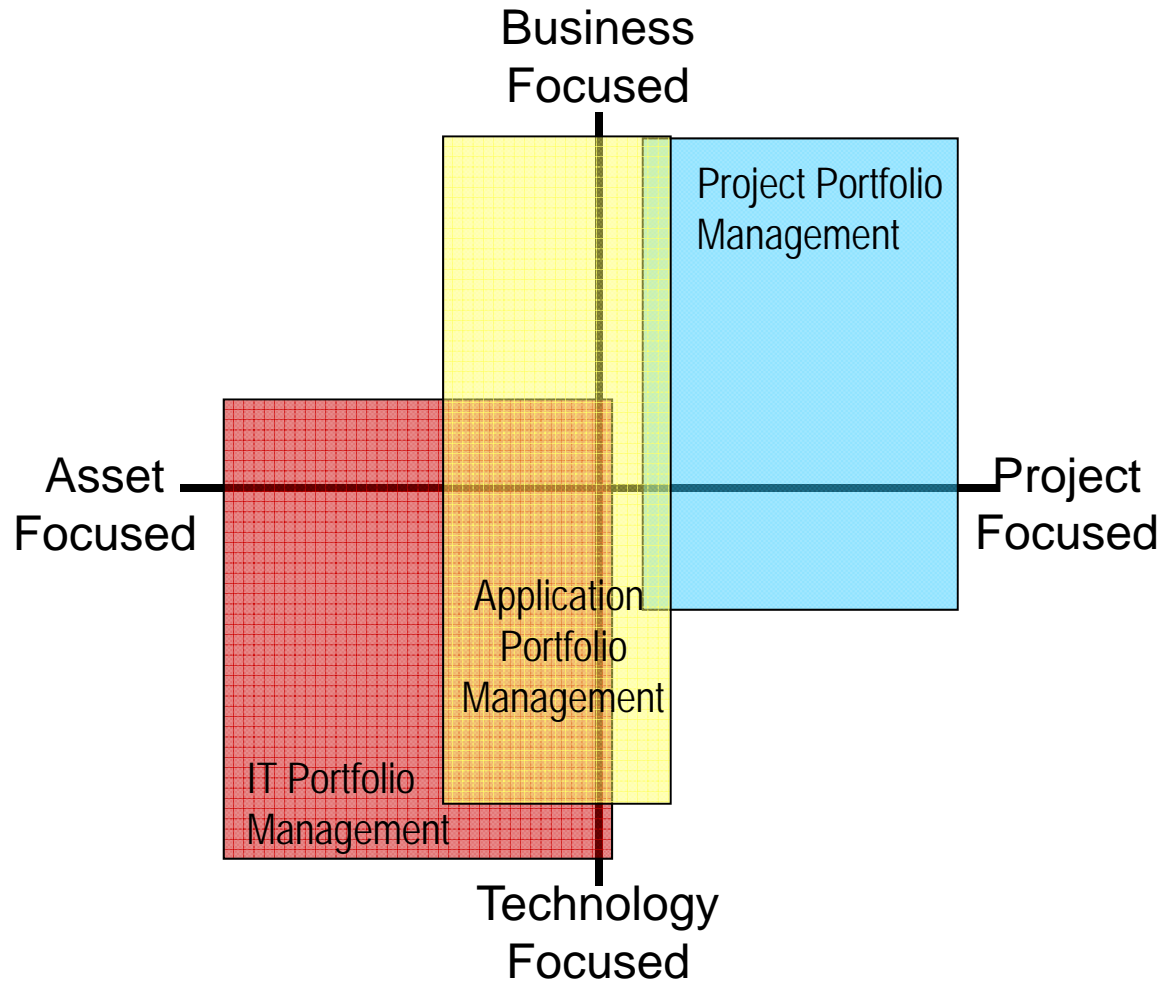
- **Identify portfolio and analyze components** (fitness to purpose)
- **Tie assets and activities to business value delivered** (benefit)
- **Understand the true cost of an asset or activity** (cost)
 - Initial investment
 - Ongoing investment
 - Opportunity value
- **Prioritize**
 - Fit with corporate & IT strategy (strategic value)
 - ROI
- **Develop asset/activity optimization strategy** (invest, hold, divest)

Overview –Types of Portfolio Management

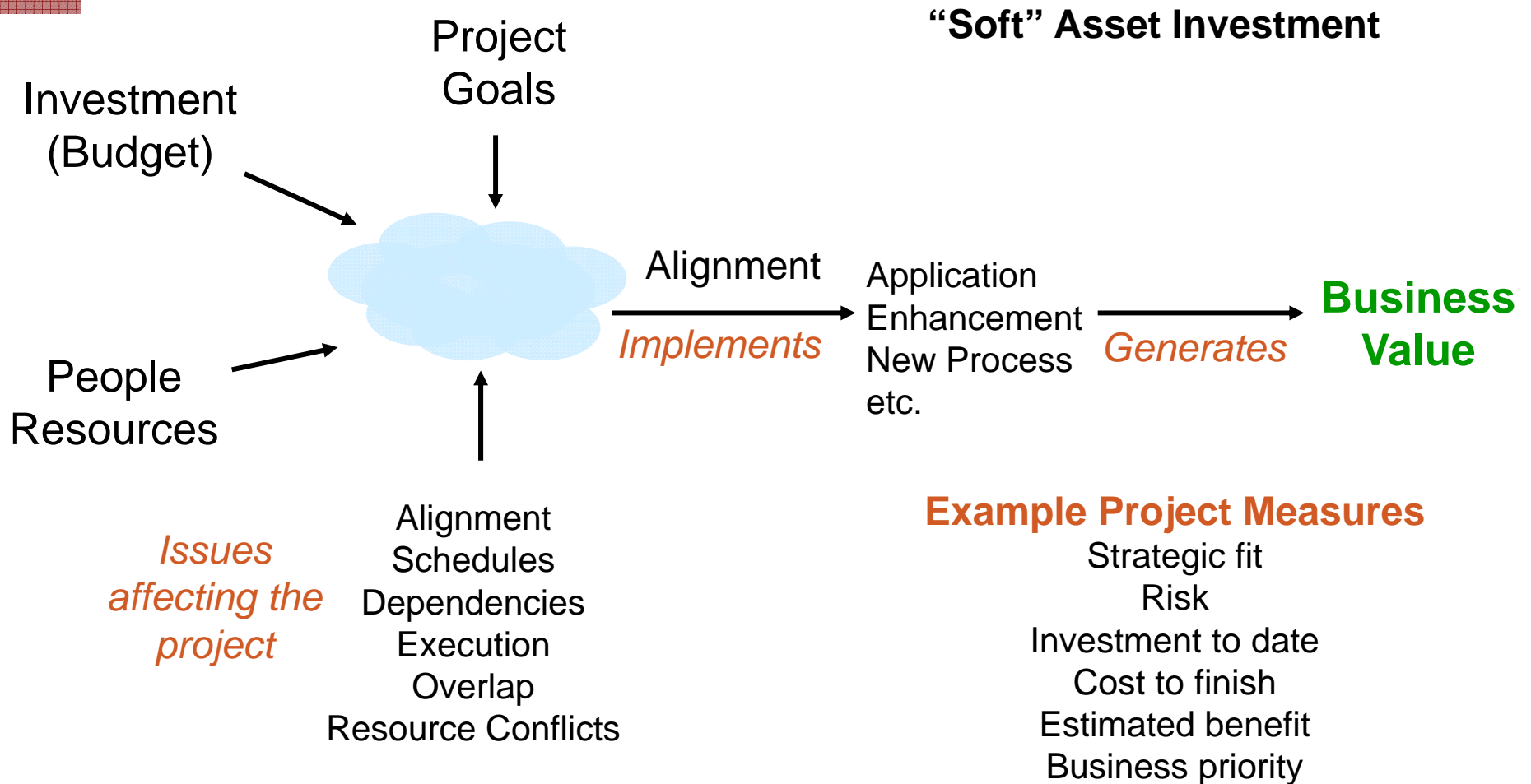
Many terms, but three basic categories:

- **Project Portfolio Management** – *People*
- **Application Portfolio Management** – *Business software*
- **IT Portfolio Management** – *Hardware and network infrastructure*

Overview: Types of Portfolio Management



Project Portfolio Management



Project Portfolio Management

- **Focuses on how to best allocate project investments and resources**
- **Goals:**
 - **Right mix of projects to maximize overall returns**
 - **Good balance of risks (conservative vs. speculative)**
 - **Optimum distribution of resources**
 - **Issue identification**
 - **Ensure continual alignment with business strategy**
 - **Gain sufficient oversight and support**

Project Portfolio Management

Typical Issues/Opportunities

- **Misalignment with business strategy**
- **Wasteful (zombie) projects**
- **Redundant and overlapping efforts**
- **Project interdependencies (ripple effect)**
 - **Resource conflicts**
 - **Deliverable impacts**
 - **Schedule impact**
- **Understaffed (or overstaffed) projects**

Project Portfolio Management

1. Cross-Organization

Program Management Office (PMO)

Governance Organization

Project Portfolio Management

Align, prioritize and monitor the execution of projects

2. Individual Project

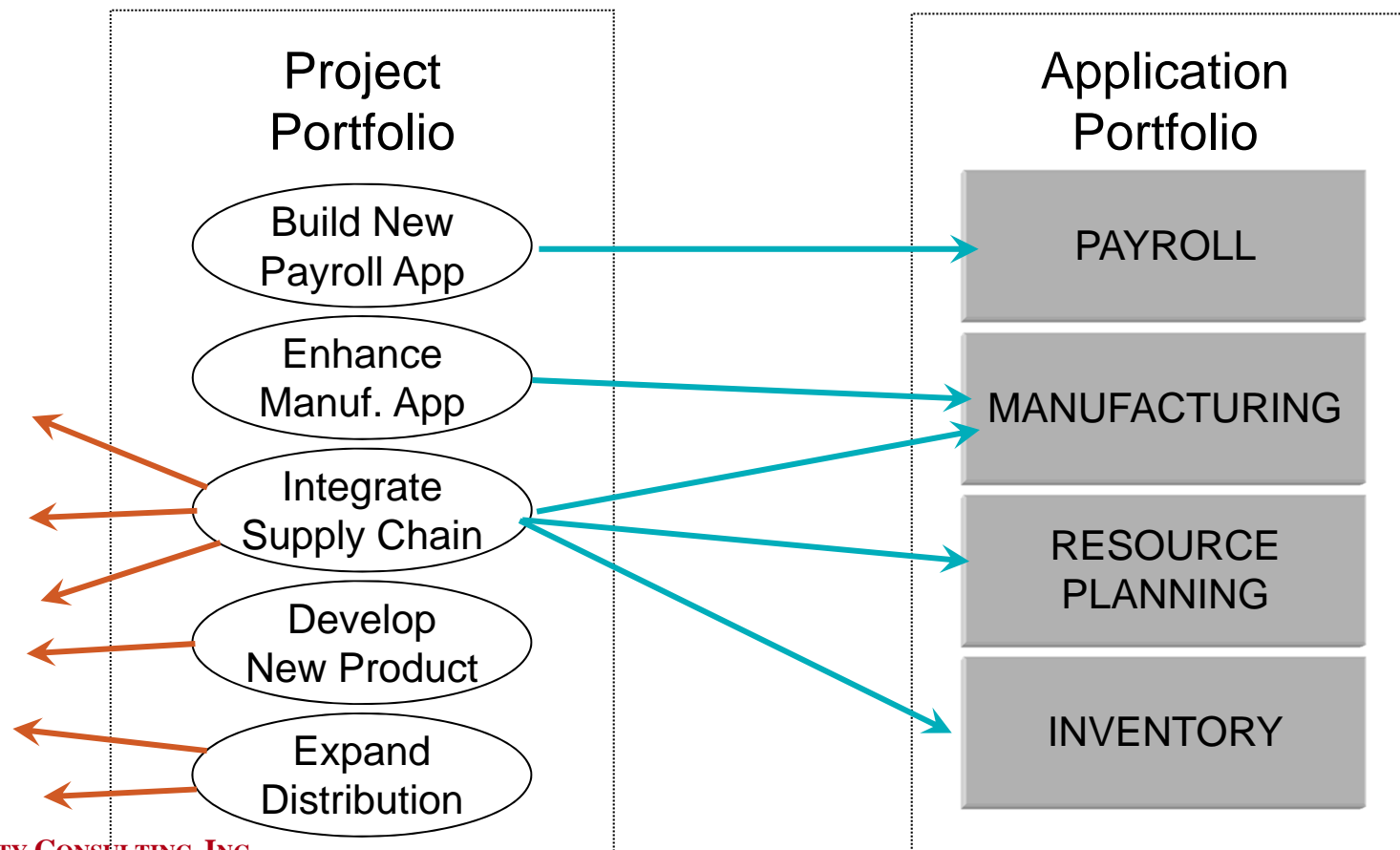
Project Management
Monitor schedules, assignments and deliverables

3. Within Project Task Management

Assign, prioritize and monitor the execution of individual tasks

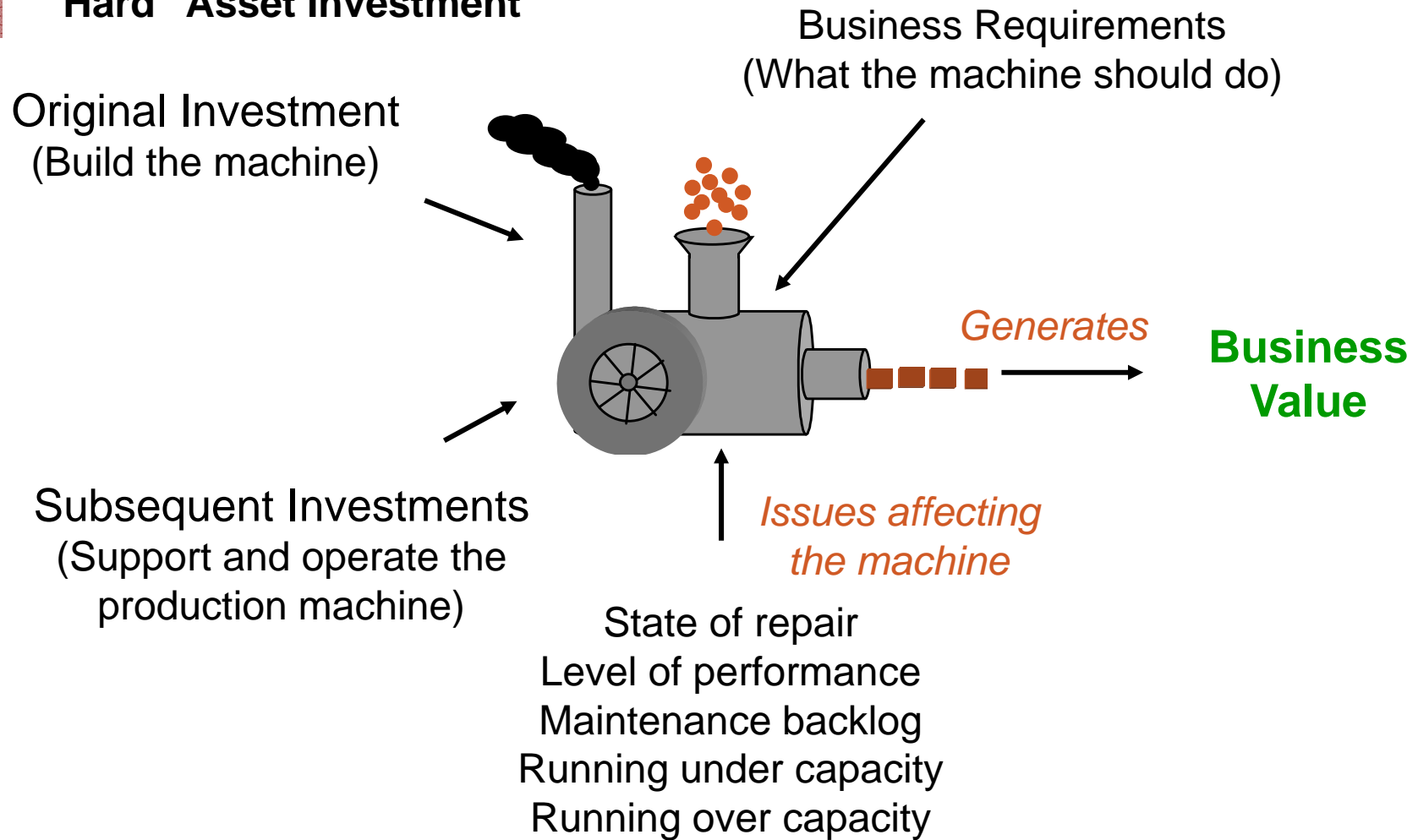
Application vs. Project Approaches

Application Portfolios and Project Portfolios are different, but can be closely related



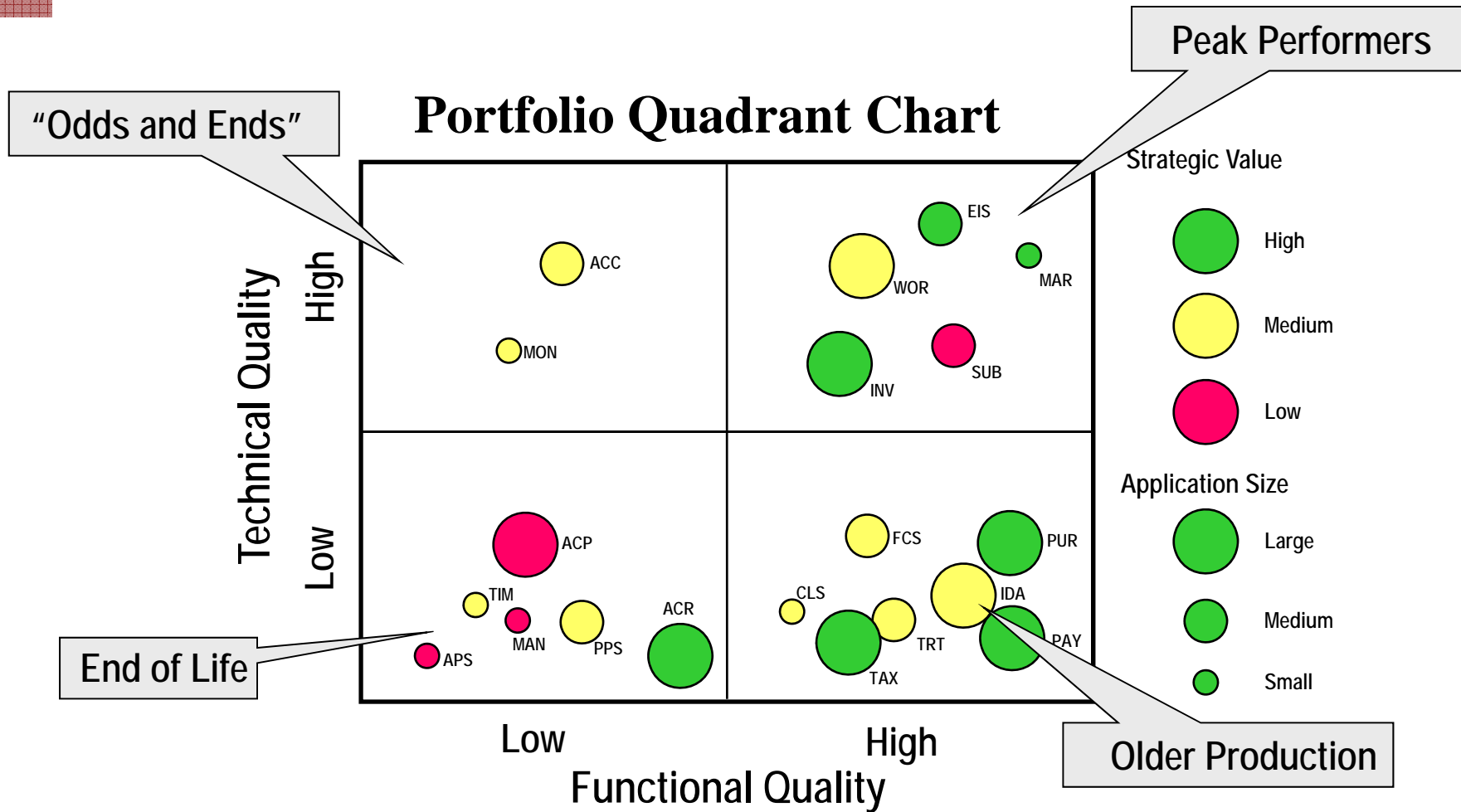
Application Portfolio Management

“Hard” Asset Investment



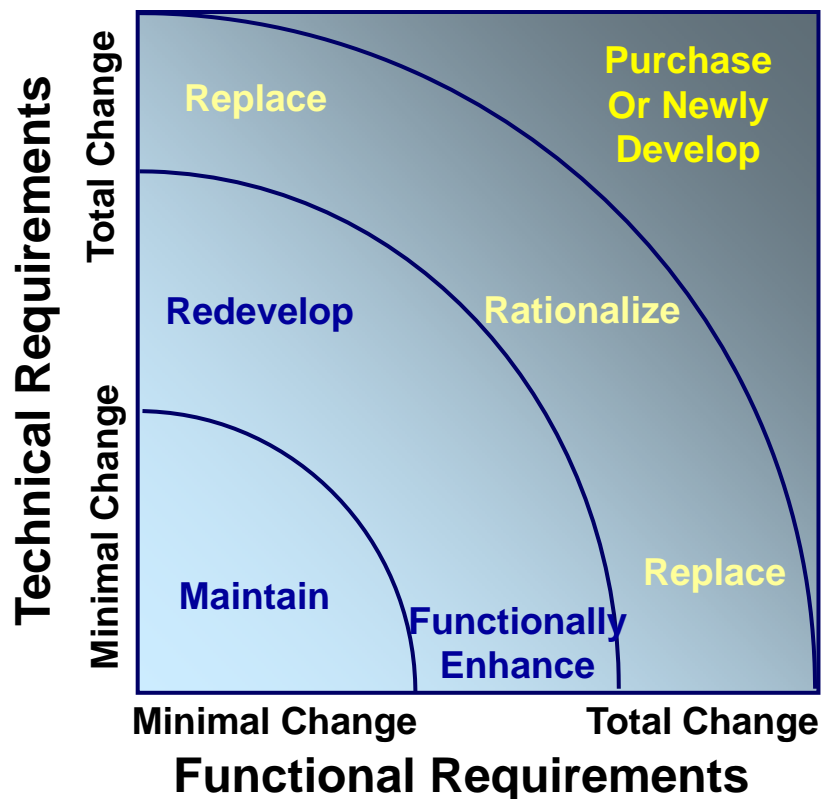
Application Portfolio Management

What is an Application Portfolio?



Application Portfolio Management

Strategy based on Functional and Technical Requirements

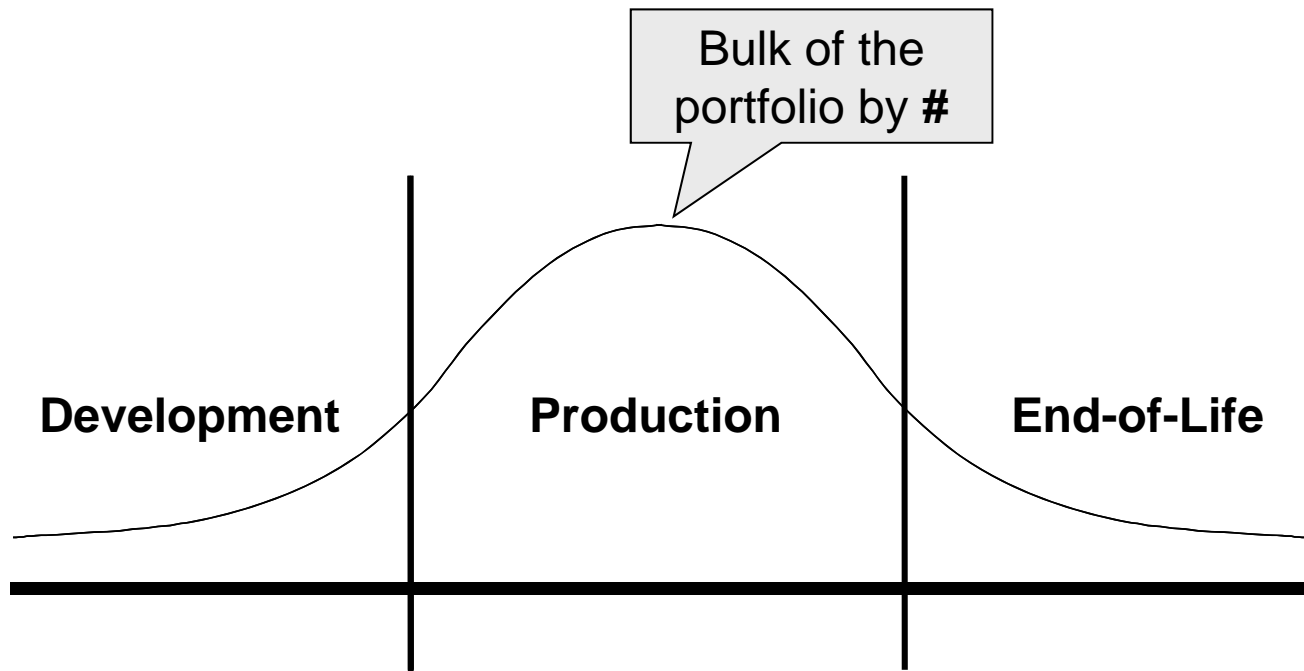


Determines optimization needs, but...

Strategic Value
+
Potential ROI
= Priority for Investing

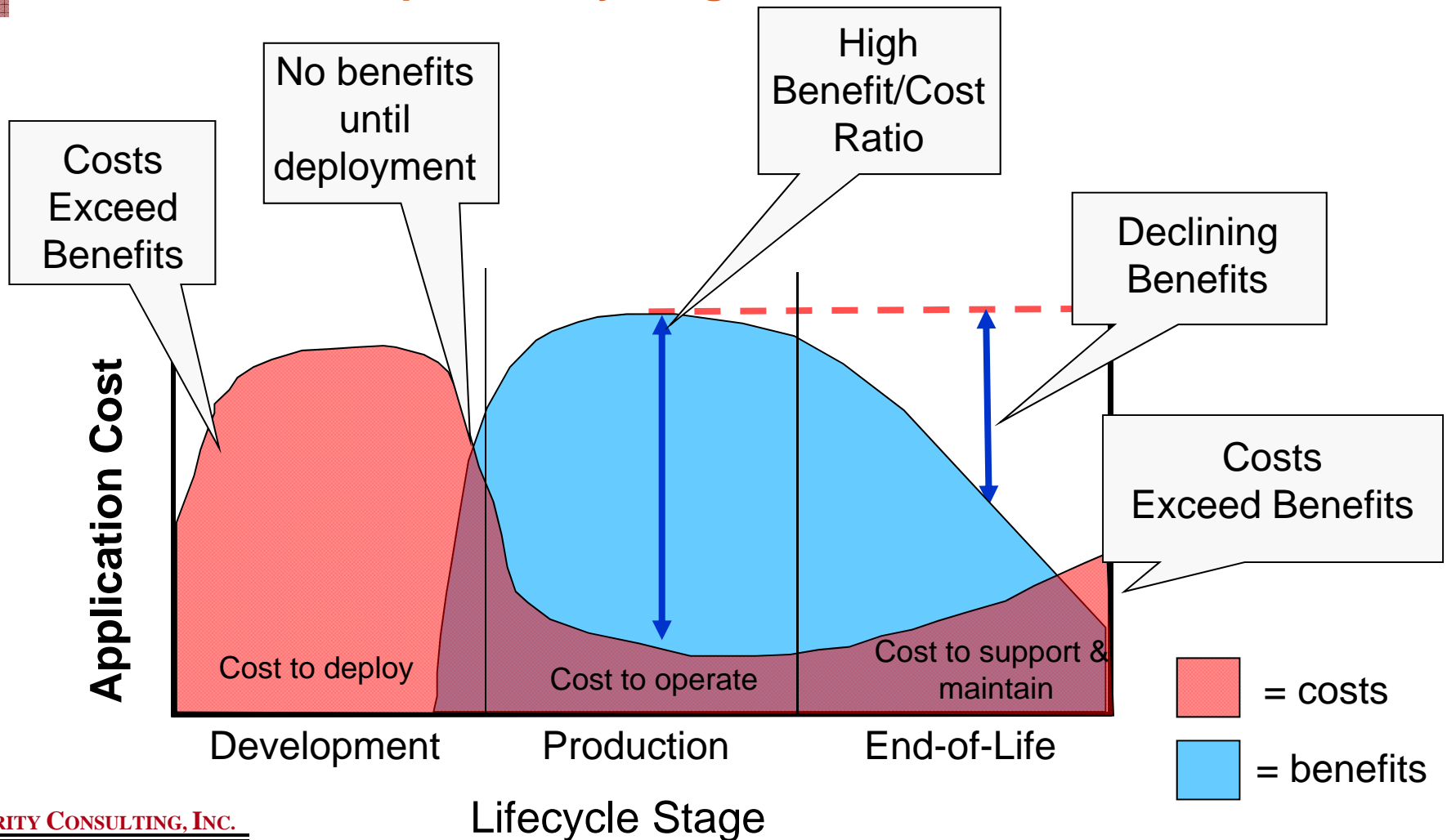
Application Portfolio Management

Application Lifecycle View



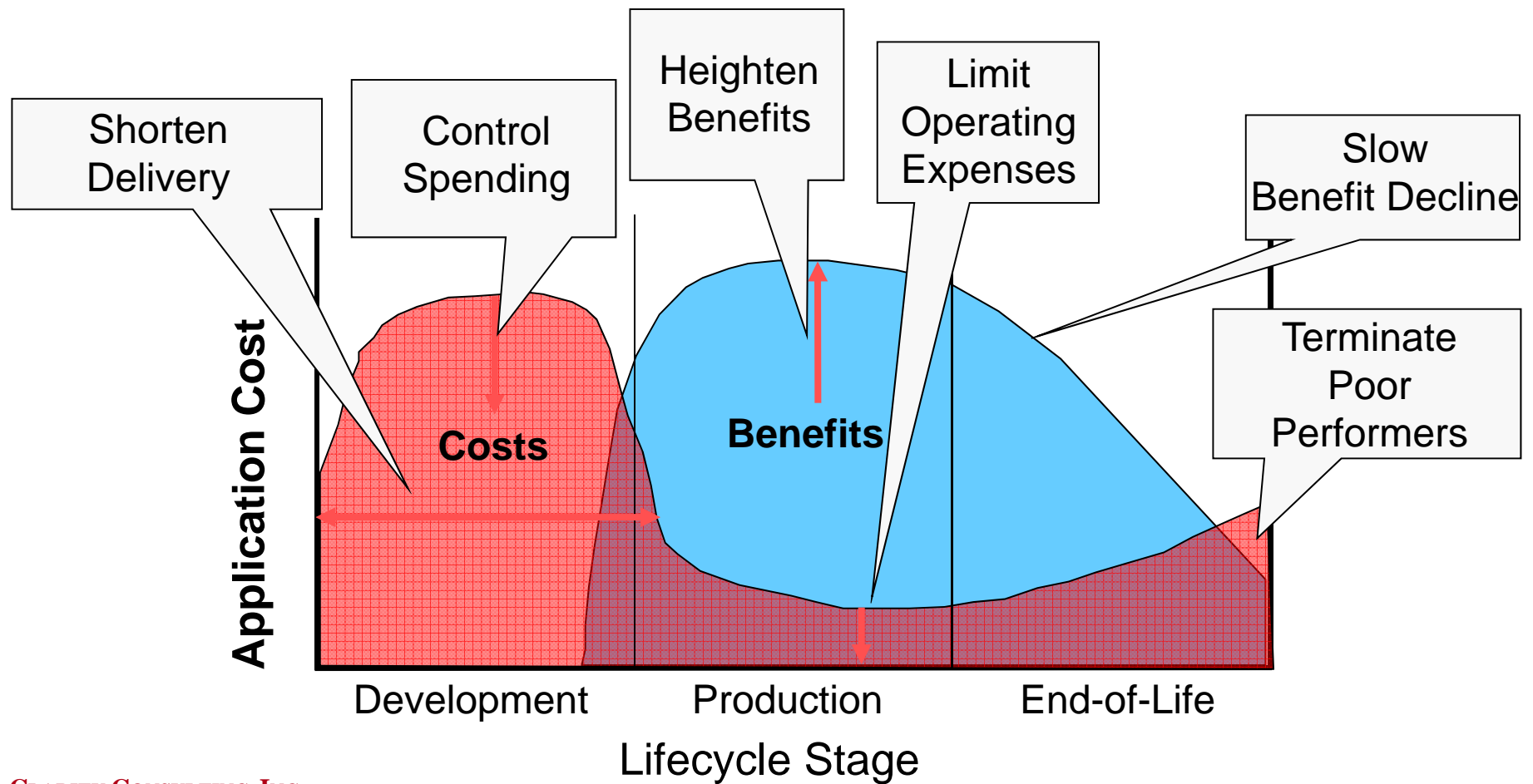
Application Portfolio Management

Cost/Benefit Comparison by Stage



Application Portfolio Management

Improvement Strategy by Lifecycle Stage



IT Portfolio Management – What is it?

- **Focuses on IT infrastructure**
 - Servers
 - Networks
 - Storage
 - Operating software
 - Middleware
 - Desktops
- **Goals**
 - Reduce support and operating costs
 - Better utilize existing capacity
 - Increase operating flexibility
- **First step – Get an accurate inventory!**

IT Portfolio Management – Analysis Factors

- **Relative cost of equipment (Total Cost of Ownership)**
 - Purchase price / monthly lease
 - Support & operating costs
 - Maintenance fees
 - Downtime costs (**reliability**)
- **IT impact**
 - Peripheral, core or future strategic?
 - Relative level of support required
 - Availability of support resources
 - Quality of vendor relationship
 - Opportunity for economies of scale
- **Business impact**
 - Is it the right technology to support current needs?
 - Can it respond to business change? (**flexibility**)
 - Will it support anticipated growth? (**scalability**)

IT Portfolio Management – Example Issues

- **Technology obsolescence (core)**
 - New capabilities offer new value
 - Caught with existing leases, un-depreciated assets
 - Increasing maintenance and support costs
 - **Example analysis:** Do benefits warrant a lease buy-out?
- **Infrastructure redundancy**
 - Mergers and acquisitions, departmental purchases, pets
 - Extra support overhead, unnecessary maintenance fees
 - Tied up capital
 - **Example analysis:** Server consolidation
- **Non-core technologies**
 - Old databases, languages, software packages, hardware platforms
 - Expense of maintaining extra platforms, skill sets and development/support environments
 - Can be a significant problem in large organizations
 - **Example analysis:** Replace, phase-out, or migrate

IT Portfolio Management – Example Issues

Example of the Impact of IT Portfolio Management on a 500 Server IT Organization

	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Net Benefit
Current Utilization							
Number of Servers	500	575	661.25	760	875		
New Purchases	\$0	\$300,000	\$345,000	\$396,750	\$456,263	\$1,498,013	
Annual Support Cost	\$1,000,000	\$1,150,000	\$1,322,500	\$1,520,875	\$1,749,006	\$6,742,381	
						\$8,240,394	\$0
Cost Avoidance							
Number of Servers	500	500	500	500	500		
New Purchases	\$0	\$0	\$0	\$0	\$0	\$0	
Annual Support Cost	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$5,000,000	
						\$5,000,000	\$3,240,394
Cost Reduction							
Number of Servers	250	288	331	380	437		
New Purchases	\$0	\$0	\$0	\$0	\$0	\$0	
Annual Support Cost	\$500,000	\$576,000	\$662,000	\$760,000	\$874,000	\$3,372,000	
						\$3,372,000	\$4,868,394

Assumptions

Annual Growth Rate	15%
Server Purchase Cost	\$4,000
Annual Support	\$2,000
Current Utilization	20%
Projected Utilization	40%

“Intel servers running at 10 to 15% utilization are common” - Gartner

In Conclusion

- **All three categories of portfolio management offer significant value to an IT organization**
 - Closer alignment with business
 - Free money for more strategic investments
 - Improve performance
 - Objective rather than subjective approach to decision-making
- **Challenges**
 - Linking IT to business results
 - Willingness to invest effort in analysis
 - Discipline to follow results
 - Attention as the economy improves
- **Bottom-line** – Portfolio Management generates business value and provides its own proof of results



Thank You!

Ian S. Hayes

Clarity Consulting, Inc.

100 Cummings Center

Beverly, MA 01915

(978) 927-0313

ihayes@clarity-consulting.com

www.clarity-consulting.com

CLARITY CONSULTING, INC.