

Focus Under Pressure: Why IT Governance Becomes Mission-Critical in a Down Economy

The role of IT in successful companies today is to contribute strategies and solutions that improve the business' overall situation. When economic conditions get tough, IT is called on to do this successfully with less money and often fewer resources.

One way to cut costs is to rein in IT initiatives. But making blanket cut-backs, without insight into the full scope of what IT has on its plate, can do more harm than good. The solution is IT Governance.

IT Governance is a system in which all stakeholders, including the board, internal customers, and particular departments such as finance, have necessary input into the decision-making process. A comprehensive IT Governance system and strategy prevents IT from independently making, and later being held solely responsible for, poor decisions.

There are usually several initiatives in the pipe that lead directly to increased revenues. Some may increase efficiency and reduce costs. Economic forces drive the need to look at every individual IT responsibility as an aggregate collection of expense buckets and decide which ones are essential for IT to carry out its role in the company.

Governance gives IT and all stakeholders the information needed to strategically make the decisions that contribute to company success. Without IT Governance, cost-cutting and setting budget priorities become haphazard, uninformed guesswork.

Here are the five parts of a sound IT Governance system and strategy that can be used to accurately set priorities and cut costs:

1. Assess the overall portfolio of responsibilities, looking for obvious places to cut costs.
2. Compare high-value assignments against one another to decide on the right combination of investments to fund.
3. Look for ways to allocate limited resources to the most important strategic initiatives and sustaining operational activities.
4. Look for opportunities to merge activities to gain efficiencies.
5. Monitor the performance of IT initiatives closely to get better control of potential cost overruns.

This paper presents these five techniques in detail, then illustrates how on-demand IT Governance incorporating Project Portfolio Management (PPM) and Application Portfolio Management (APM) is the fastest, most effective, low-cost, low-risk way for IT and business leaders to cut costs and become more productive in these lean times.

Bottom Line: IT Governance gives leaders the tools and techniques to get lean in lean times.

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I. ASSESS THE OVERALL PORTFOLIO OF RESPONSIBILITIES, LOOKING FOR OBVIOUS PLACES TO CUT COSTS

In cases where IT Governance has not been implemented, it is common for a project-driven organization to have a greater project and service load than leadership realizes. It is, in fact, not uncommon to underestimate workloads by as much as 300%. A departmental manager at a large manufacturing firm discovered that his team had over 120 major initiatives, when they had originally thought they had 40.

Creating a catalog of major project and service initiatives is, therefore, the first important step in the process of intelligently making cost-cutting decisions. What constitutes a "major" initiative? The answer to this question tends to surface very quickly when IT Governance has been implemented.

Many IT leaders define a "major" initiative or service as one that takes more than 40, 80, 160 or other number of hours depending on the urgency of the task. But whatever the definition IT management chooses, it must be standardized with something quantifiable or the catalog won't present a correct picture of the real workload.

A comprehensive IT Governance software system that has a strong PPM and APM foundation, has proven to be the best path to gaining complete visibility necessary for making productive cost-cutting decisions. Here is generally what is meant by PPM and APM.

PPM manages the delivery of strategic initiatives that drive the business forward, and lets IT analyze and manage current and proposed projects. It should include:

- Project Request Management
- Project and Program Management
- Portfolio Management
- Resource Management
- Financial Management

APM is designed to analyze and manage IT tasks needed to sustain existing operations and should include:

- Service Request Management
- Application Management
- Application Portfolio Management
- Resource Management
- Financial Management

Once the catalog of strategic initiatives and sustaining operations is built, IT can then more easily identify the projects that just keep on going without an end in

sight that should have been, and can be, closed. Next they can identify redundant projects or services that can be consolidated as well as those that should never have been started in the first place. When there's urgency to rein in costs, priorities are seen in a very different light.

II. COMPARE HIGH-VALUE PROJECTS AND SERVICES AGAINST ONE ANOTHER TO DECIDE ON THE RIGHT COMBINATION OF INVESTMENTS TO FUND

Once the obviously unproductive and redundant activities have been identified and stopped, IT must confront the list of high-value projects. If the available resources can comfortably handle the projects remaining on the table, then teams can begin to focus on improving the delivery process to boost stakeholder confidence. If not, the IT team needs to make some tough tradeoff decisions.

In some cases, IT is able to preserve the full catalog of IT responsibilities by manufacturing bandwidth. This can be done by making scope or schedule adjustments which impact the perceived value of the overall portfolio. This approach requires team leaders to focus on managing stakeholder expectations and can take one of two directions:

1. IT can give stakeholders what they want but tell them it will take more time
2. IT can meet the stakeholder's deadline but will deliver less

The essential point of this approach is for IT team members to demonstrate that they have control over their available resources and to build credibility in trade-off discussions. This is the situation in which IT Governance becomes essential as it provides the visibility and insight necessary to make the right decisions.

III. LOOK FOR WAYS TO ALLOCATE LIMITED RESOURCES TO THE MOST IMPORTANT PROJECTS

Once the portfolio of projects and services has been tuned, and the key stakeholders agree on what's in and what's out, the leadership team can then begin to reallocate resources based on the best fit of team to the work.

If the portfolio of activities has changed substantially, there may be some ruffled feathers among team members, so it remains important for IT decision-makers to pay close attention to individuals and to understand their needs and concerns. Quite often, individual contributors have invested themselves in the activities on which they are working and may need some coaching through the transition process. This is to be expected, and in fact, desired. The goal is to assign individuals who invest themselves in their work. Therefore, transitions require excellent communication from the leadership team.

The opportunity to reallocate people to other initiatives should be treated as a time to focus on individuals and their needs, talents and weaknesses. People have unique talents and character traits. Great leaders never lose sight of the importance of focusing on the needs of their teams.

IV. LOOK FOR OPPORTUNITIES TO MERGE INITIATIVES TO GAIN EFFICIENCIES

Once an analysis process is begun, most IT organizations are surprised at the opportunities they find to combine individual projects into joint initiatives.

Projects emerge from many different places, and it is not uncommon for different projects to share fundamental goals and objectives. Even if they don't

An on-demand solution is faster, cheaper and carries a much lower risk burden than installed IT Governance solutions.

immediately appear to share goals, they may rely on quite similar fundamentals. There may be some initial effort required to convince stakeholders that a joint initiative represents an improvement, but IT often finds that stakeholders are receptive to any creative ideas that keep the process moving toward the original goals.

Project teams always benefit from stepping back and looking at the bigger picture. From a distance they might ask, "How do all these projects relate to each other? Do we have a holistic view of our strategy?" From that viewpoint they discover, for example, that they have several different marketing initiatives developing to provide more value to the customer base. Some initiatives might be related to communication, some to support, some to product enhancements. But it's likely that these efforts can be combined into one integrated initiative.

V. MONITOR PERFORMANCE CLOSELY TO GET BETTER CONTROL OF COST OVERRUNS

Finally, the performance of initiatives and sustaining activities has a significant impact on the business' economic conditions, and adjusting their scope provides an effective opportunity to control costs. With an IT Governance system in place, IT teams gain a new level of visibility into status and progress. This visibility forms the foundation for improved execution in terms of the basics: scope, schedule, and financial performance.

By implementing a standard set of dashboards to report on the execution of the now highly optimized IT portfolio, the team can demonstrate a level of control that not only improves the perceived value of the IT teams, but has a tangible impact on the basic command and control aspects of initiative and operations execution.

In some initiatives, cost overruns can be disastrous. In a resource-constrained environment, these overruns have a collateral damage effect that can ripple through the entire portfolio. With IT Governance in place as a centralized, visible management framework, these kinds of unforeseen meltdowns can more easily be avoided. IT Governance itself won't do the work, but is a process or system that reveals problems in time so the impact can be mitigated or prevented. Effective IT Governance can be achieved most quickly if implemented using a system designed specifically to be a repository of all IT project, service, and resource data.

CONCLUSION

Tough economic conditions place extreme pressures on those individuals who are responsible for the financial viability of an organization. Those pressures are real and they generally lead to tough decisions. It has been said that "a business can't cost-cut its way to greatness." But it is also true that businesses cannot endure losses for very long.

The question then becomes, "How can a business cut costs while retaining its competitive advantages?" That begins with a well-conceived and well-executed portfolio of initiatives and sustaining activities that allows organizations to engineer change through the appropriate initiatives. IT Governance over the entire IT portfolio plays a huge part in keeping the organization on stable ground.

IT Governance that is built on a foundation of PPM and SM is the one tool that allows companies to have vital visibility into and control over its projects, services, and resources. Many companies have found that the fastest way to implement a comprehensive IT Governance solution is choosing one that is available on-demand.

On-demand — also called Software as a Service (SaaS) — is a solution through which users access a platform that is hosted by the provider, eliminating the need for the time-consuming, complex, and costly installation of an in-house software solution. On-demand solutions are more frequently enhanced to keep up with the rapidly changing technology environment and allow companies to achieve IT Governance faster, cheaper, and at a much lower risk than installed IT Governance software.

ABOUT INNOTAS

Full functionality, lower cost, fast implementation, and more frequent product enhancements are the key elements behind the Innotas on-demand IT Governance solution.

This award-winning solution eliminates the painful elements of installed software to deliver advantages quickly:

- No capital investment in software
- No additional outlays in consulting services
- No months of complex integration and customization
- No far-off promise of efficiency and ROI

Innotas delivers the solution that today's IT leaders need to use to conduct the five techniques presented in this white paper and quickly and effectively achieve IT Governance.

IT professionals and organizations in a wide range of industries, including financial services, healthcare, retail, high technology, telecommunications, and energy, have turned to Innotas to help them focus on the right initiatives, and effectively manage projects, resources, and applications all in one place.

For more information, visit <http://www.innotas.com> or call 866.692.7362 or +1 415.814.7700.

About Innotas: Innotas provides the only on-demand IT Governance solution.

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