

IT Portfolio Management 2009: In Search of Business Value

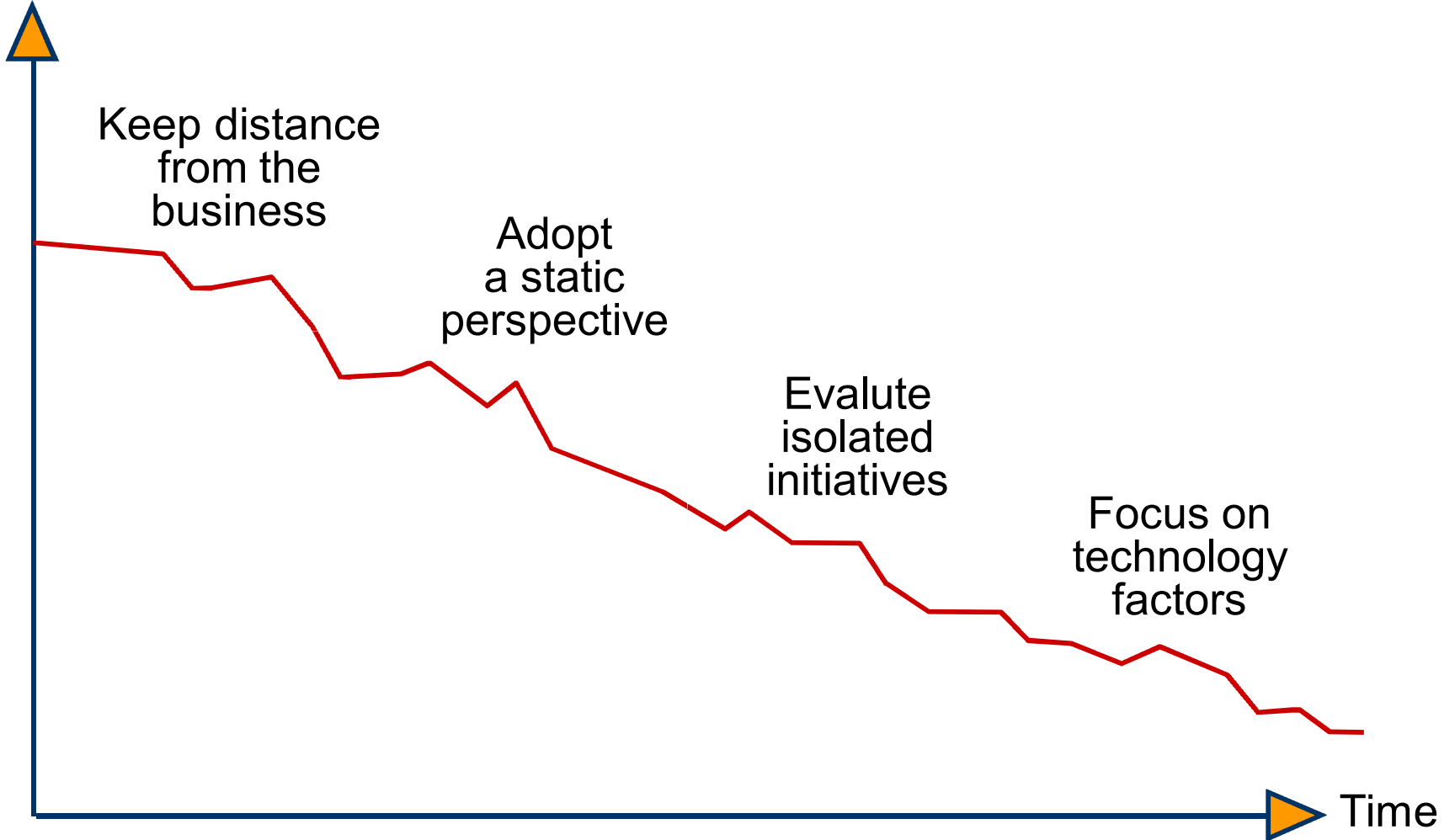
Cassio Dreyfuss

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Four Common Mistakes

Portfolio Value



Four Common Mistakes You Can Solve with Portfolio Management

Portfolio Value



Align with the business

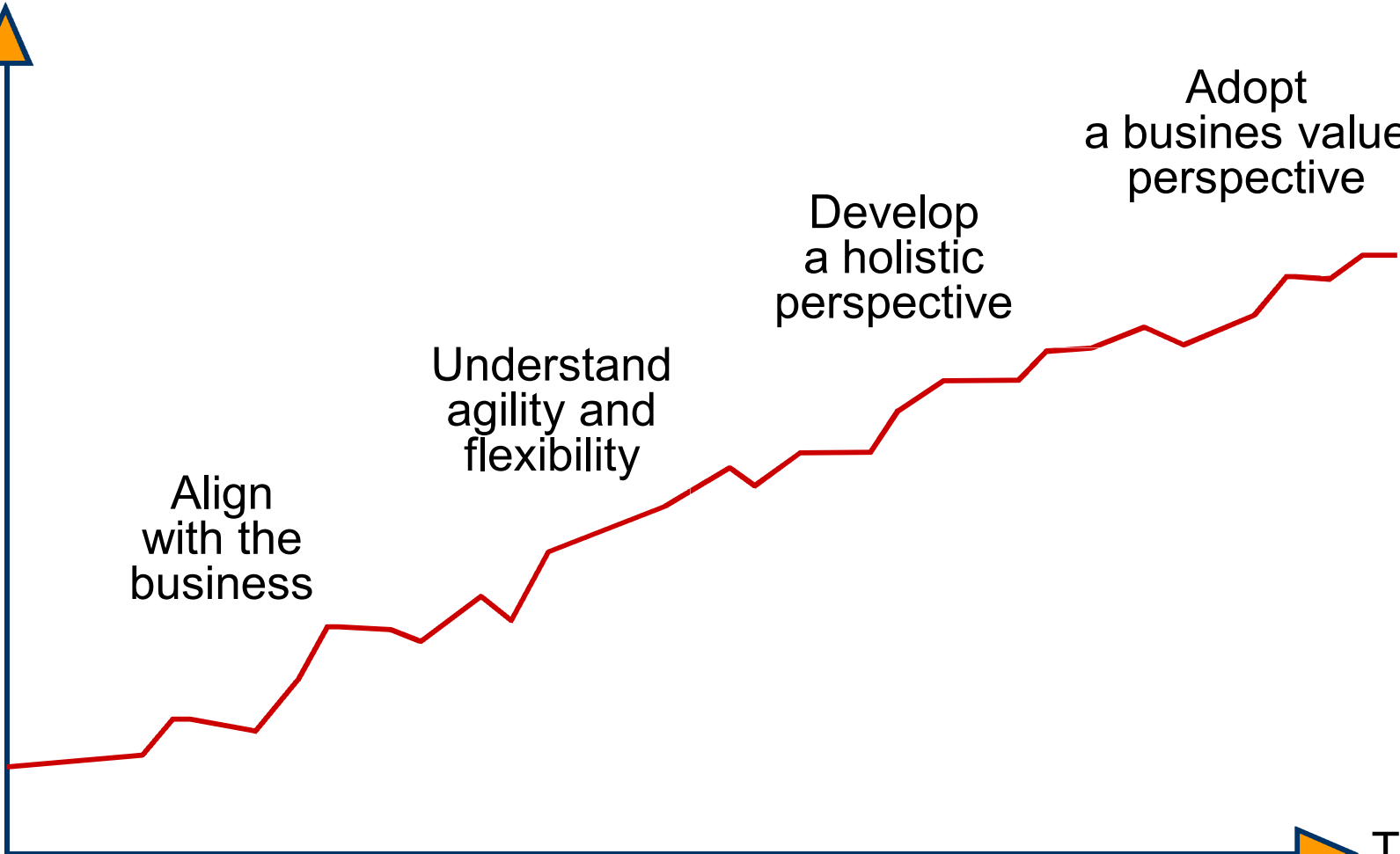
Understand agility and flexibility

Develop a holistic perspective

Adopt a business value perspective

Time

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Key Issues

The Business Value of IT Initiatives

- What is business value of IT?
- How can business value be assessed?

Managing a Portfolio of IT Initiatives

- How can you optimize IT initiatives?
- What is the process you should follow?

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What is Business Value of IT?

Label

Expectation and Focus

Sample Project

Transform the Business

- Fundamental changes to the business or the introduction of new business models, creating new revenue streams

- Create process and infrastructure for new sales channel

Grow the Business

- Business (not IT) operations improvement; enhancing or adding new features (agility, flexibility, speed, etc.)

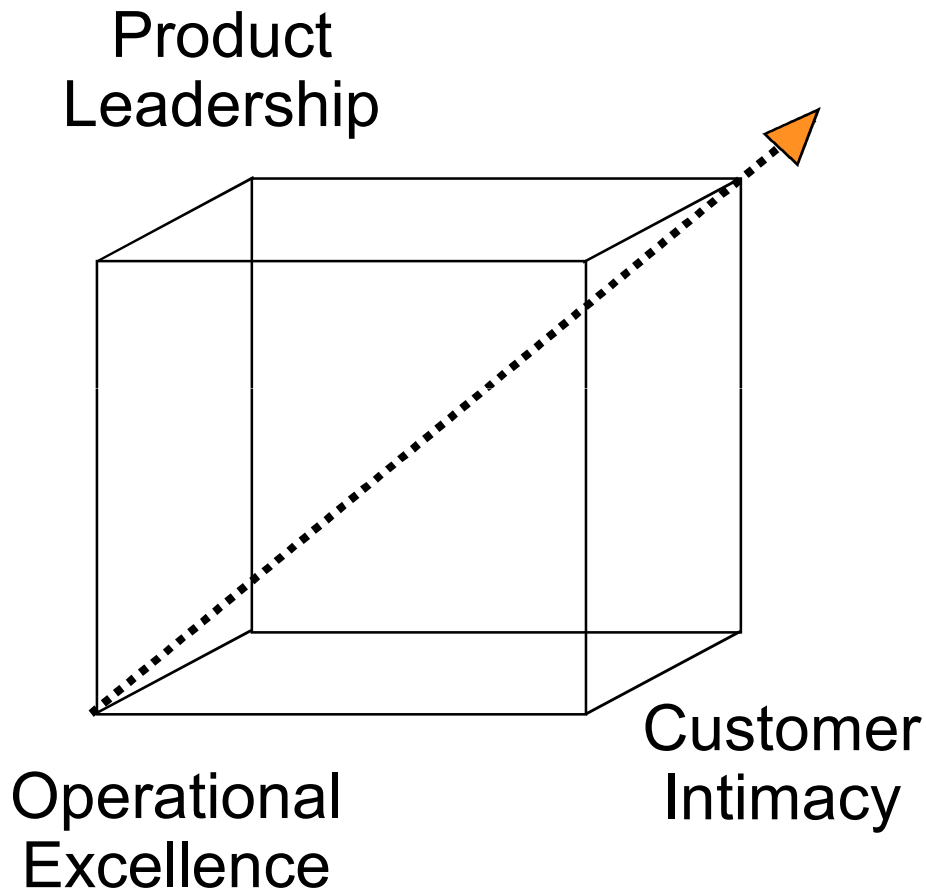
- Add new business process features

Run the Business

- Cost optimization. Services delivered must reach the expected levels of efficiency and quality or higher, but at lower costs.

- Consolidate different platforms

A Tool for Focusing IT Initiatives: Analysis of Business Value Disciplines



- Consider adding brand mastery as a discipline (depending on the industry you are in)
- Excel in one specific dimension of value
- Maintain threshold standards in the other two
- Improve value continuously
- Maintain a high-standard operational model that is agile and flexible
- Refresh your strategy periodically

The Imperative for Business Value – Operate Effectively, Innovate Strategically

Excel: Existing Revenue Sources

Enhance/Retire Products

Acquire/Retain/Release Customers

Penetrate/Abandon Markets

Exploit/Retire Channels

Exploit Current Business Model



Innovate: New Revenue Sources

New Products

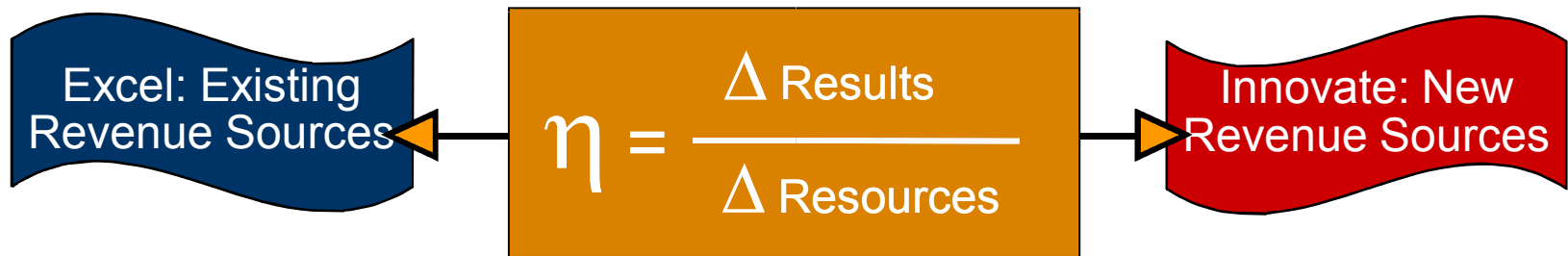
New Customers

New Markets

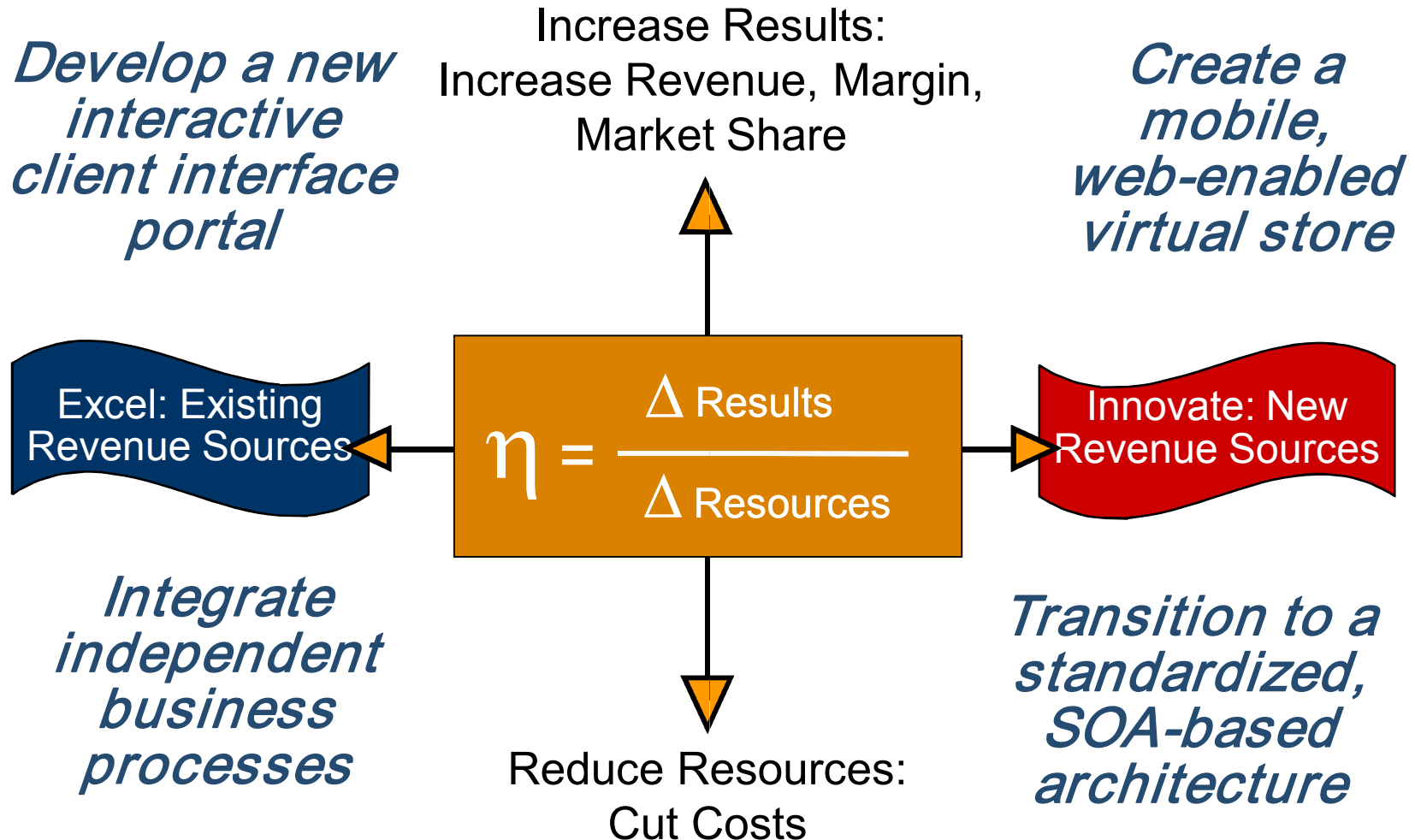
New Channels

New Ventures and Business Models

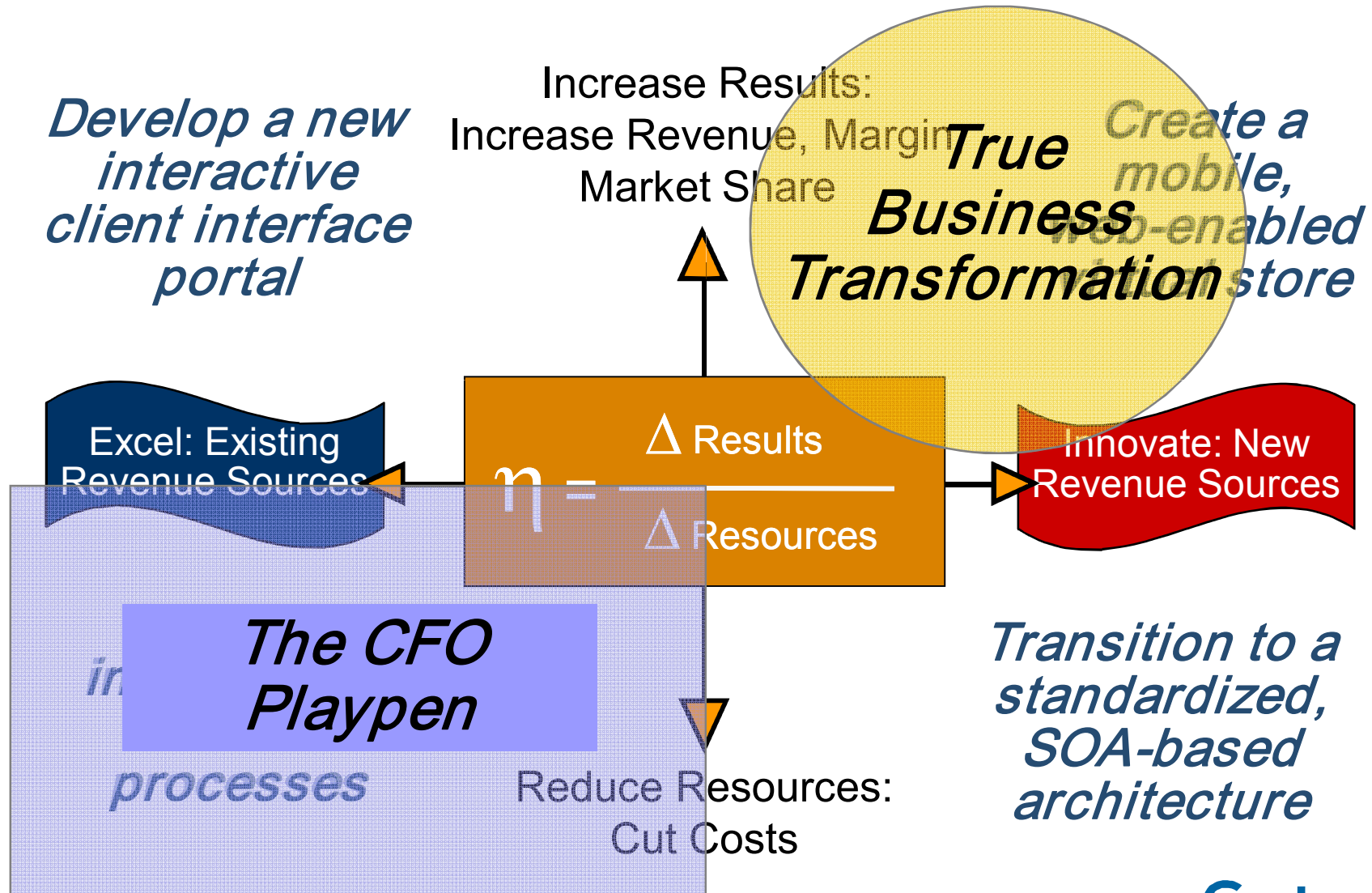
Projects and Programs Can Play in Different Spaces



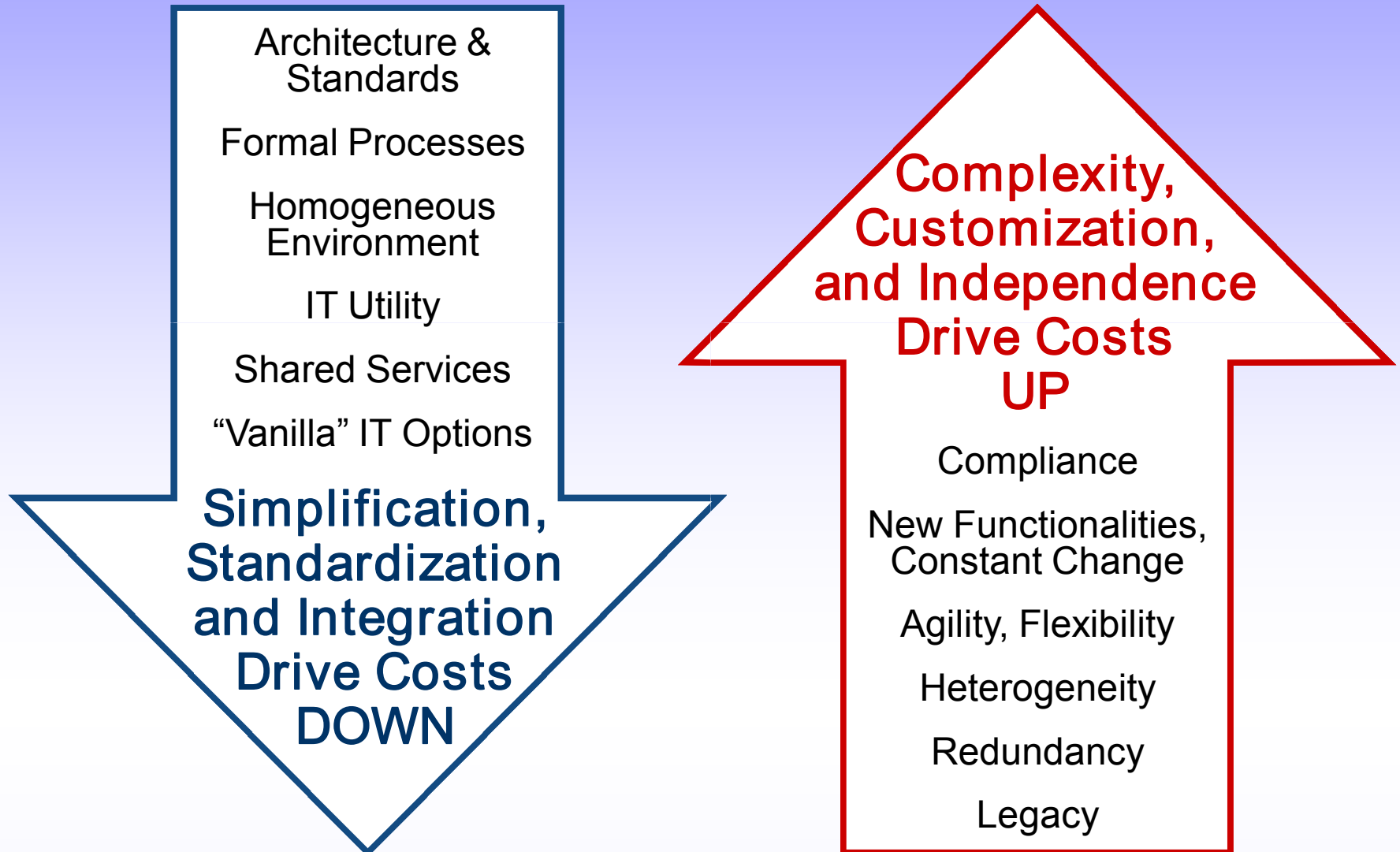
Projects and Programs Can Play in Different Spaces (with examples)



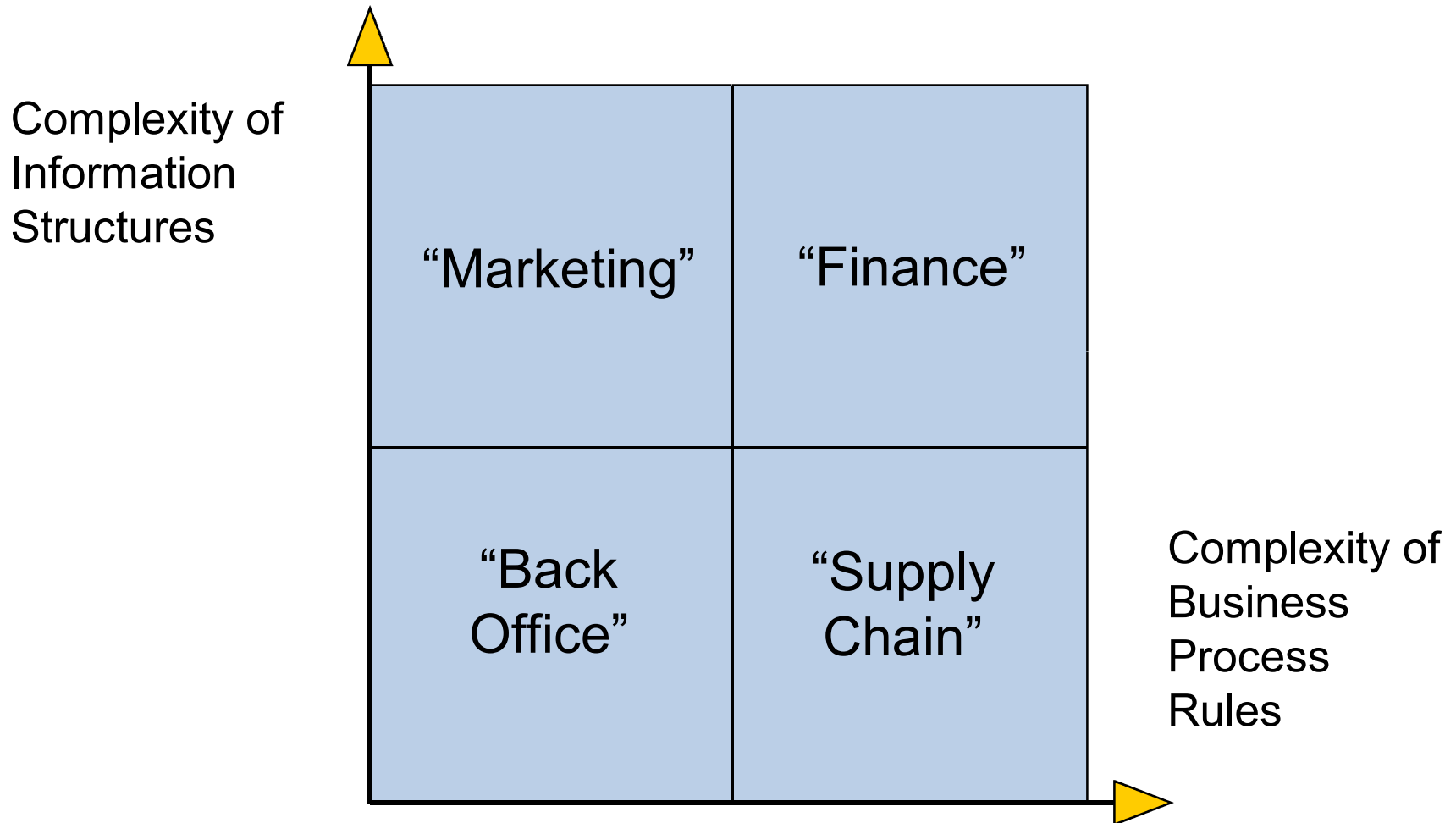
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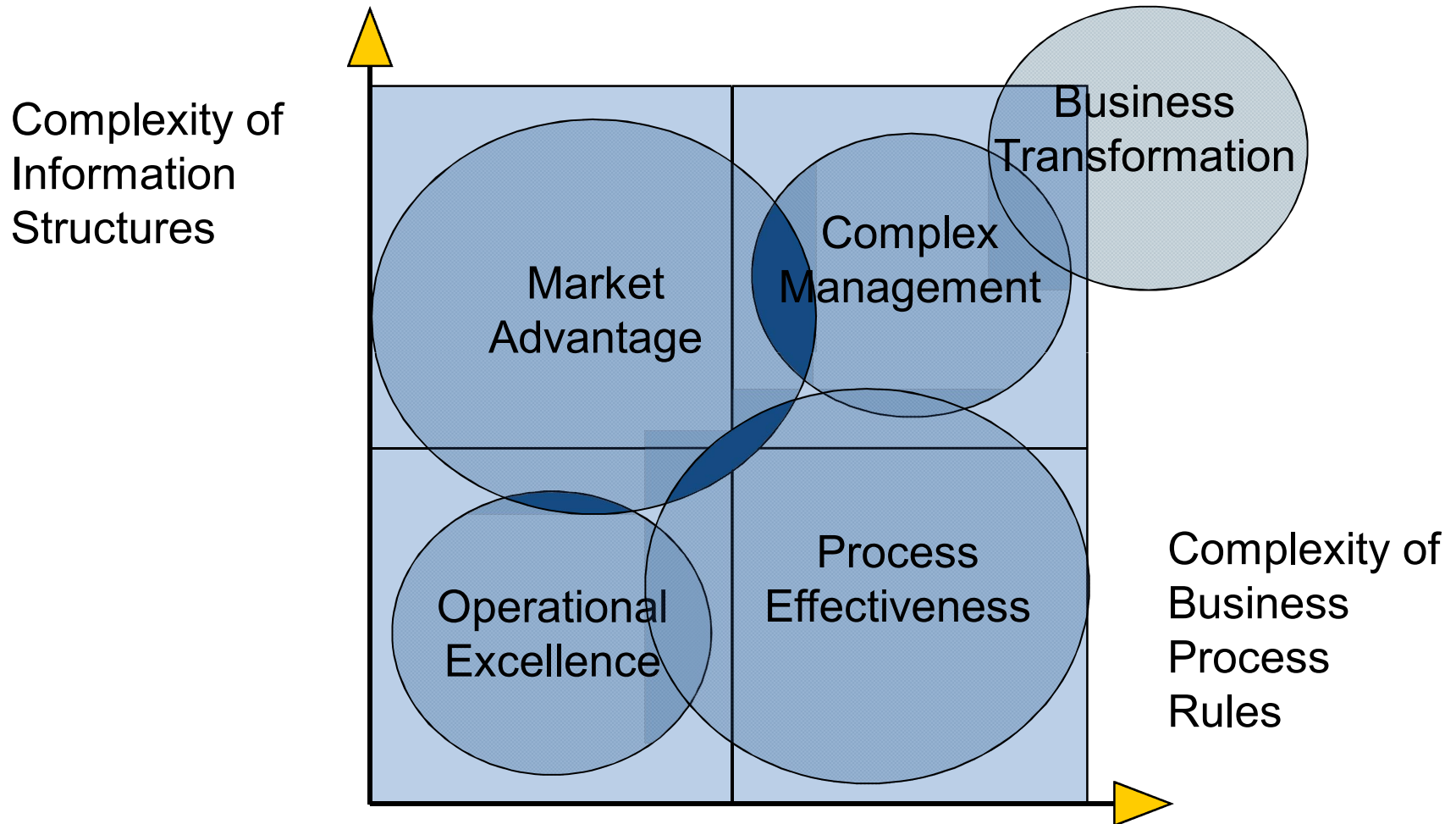
How to Optimize Δ Resources: Broad, Balanced Cost Management



How to Increase Δ Results: Focused, Targeted Business Value Initiatives



How to Increase Δ Results: Focused, Targeted Business Value Initiatives



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IT Portfolio Management Is a Tactical Approach to Projects and Programs...

... but it all starts with business-IT strategy ...

- CEO
- CXOs
- CIO



- Business Strategy
- Corporate Architecture
- IT Principles

- CIO
- COO
- BU Mgrs.



- Priorities for IT Initiatives
- Resource Allocations
- Portfolio Decisions

... to arrive at business value

IT Portfolio Management - Characteristics



A management discipline aimed at **optimizing** overall business value of IT investments

- Aims at yielding more overall results with less risks and fewer projects.
- Drives forward a business-aligned, phased approach to investment decisions
- Requires business case comparability at board level
- Requires well-developed project management competencies

The Core of Portfolio Management: Balancing Δ Results and Δ Resources

There's more to results than money

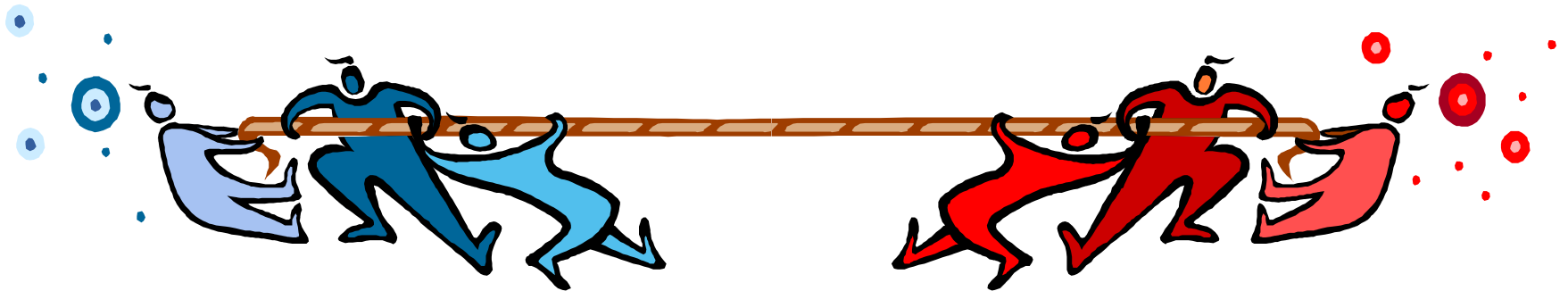
- Business value
- Economic-Financial Results
- Alignment

There's more to resources than money

- Costs, Cash Flow & On-going Costs
- Resources
- Timeline & Time to results
- Organizational Impact
- Business Risks, Operational Risks

Balance Goes Beyond IT

Consider Business' Conflicting Objectives



Organizations need to...

- Manage costs
- Manage the risk in their actions
- Support business priorities
- Strive for the ultimate efficiency levels
- Streamline IT
- Preserve stability

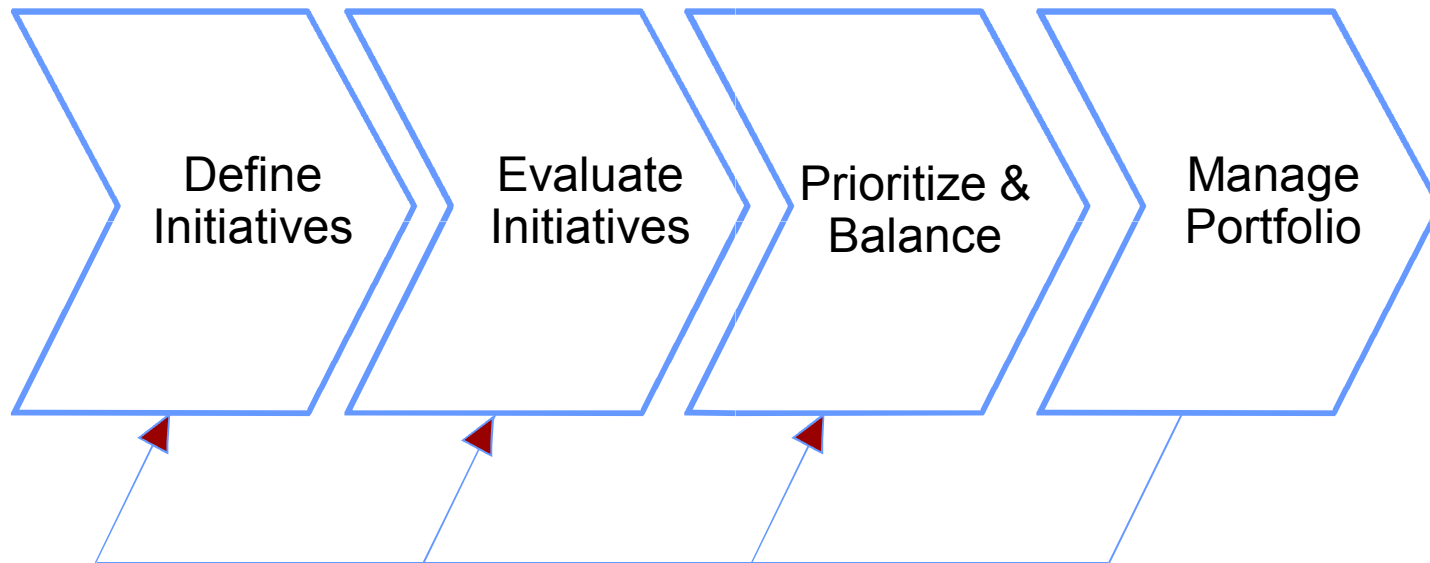
But also need to...

- Maintain competitiveness
- Manage the risk of inaction
- Consider technology implications
- Develop and innovate the business
- Transform the business

Manage change
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The Phased Portfolio Management Process

A four-step process goes from idea to the end of the project life cycle



The process is sequential,
but admits intense feedback loops

Define Initiatives – Build Business Cases: Be Thorough, But Don't Overdo It



- Assumptions, scenarios and probabilities
- Alternatives, results, business value, recommendations
- Business Alignment (links to strategy and business drivers)
- Phases (small, value-yielding chunks), plan and timelines
- Transition, change requirements, implementation strategy
- Organization and resources
- Constraints (business, financial, organizational, etc.)
- Risks (environment, organization, technology, execution)
- Economic-financial plan, costs, cashflow and payback
- Business-driven, value metrics (not technology-driven)

Use Objective Criteria for Evaluation, Allow comparison at Board Level



Focus	Evaluation criteria	Concept
Δ Results	Business value	Concrete business value (hard & soft)
	Econ-Fin Results	Economic-financial metrics
	Alignment	Connection with business-IT strategy
Δ Resources	Costs	Total life cycle costs
	Resources	Resources, IT “fit”, interdependencies
	Time & Timeline	Total time, results milestones
	Org Impact	Disruption, change
	Biz & Oper Risks	Failure, overspend, reduced benefits

Use Objective Criteria for Evaluation, Allow comparison at Board Level



Focus	Evaluation criteria	Concept
Δ Results	Business value	Run, Grow, Transform
	Econ-Fin Results	Monetary metrics
	Alignment	Business-IT Strategy, Business Case
Δ Resources	Costs	From design to retirement
	Resources	HW, SW, telecom, services, etc., etc.
	Time & Timeline	Schedule of deliverables
	Org Impact	New roles, skills, processes, principles
	Biz & Oper Risks	Parallel operations, business immobility

Prioritize through Interaction – Obtain Input Representing All Perspectives



Stakeholders
Evaluation

Corporate
Objectives

Comparison
among
Business
Areas

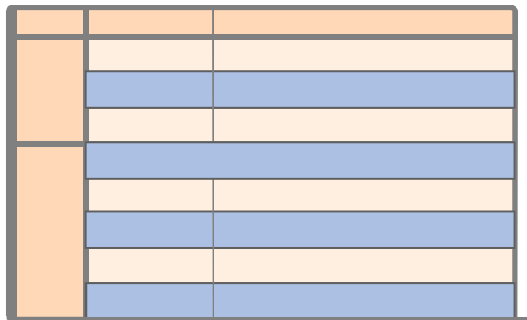
Values
Mission
Strategy
Constraints

Value

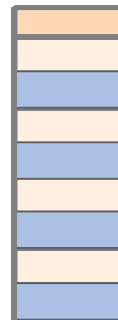
Score

Weight

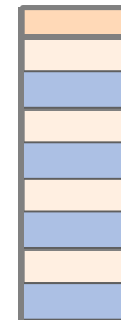
Rank



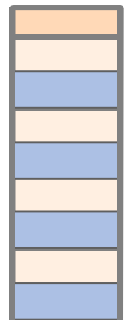
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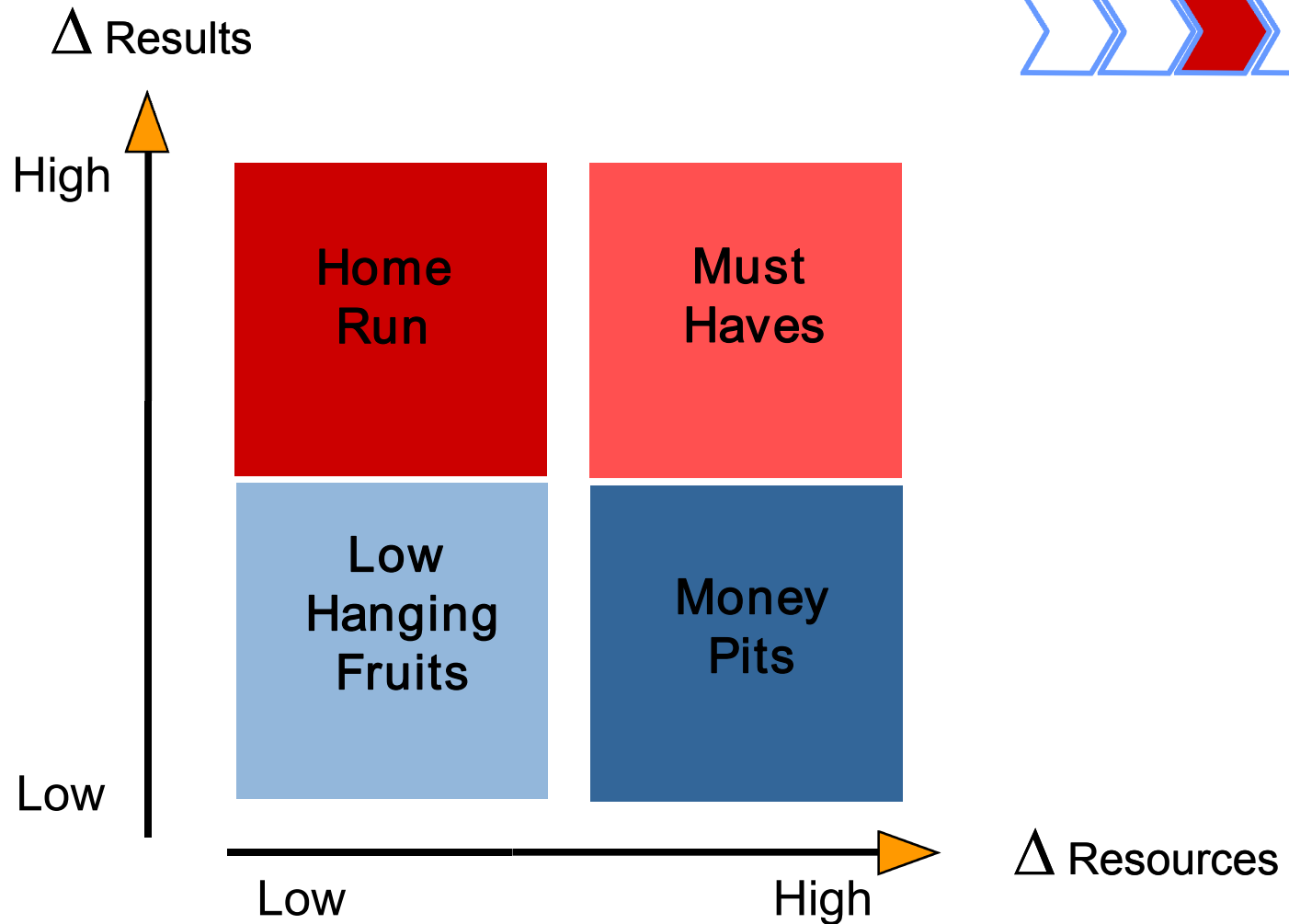
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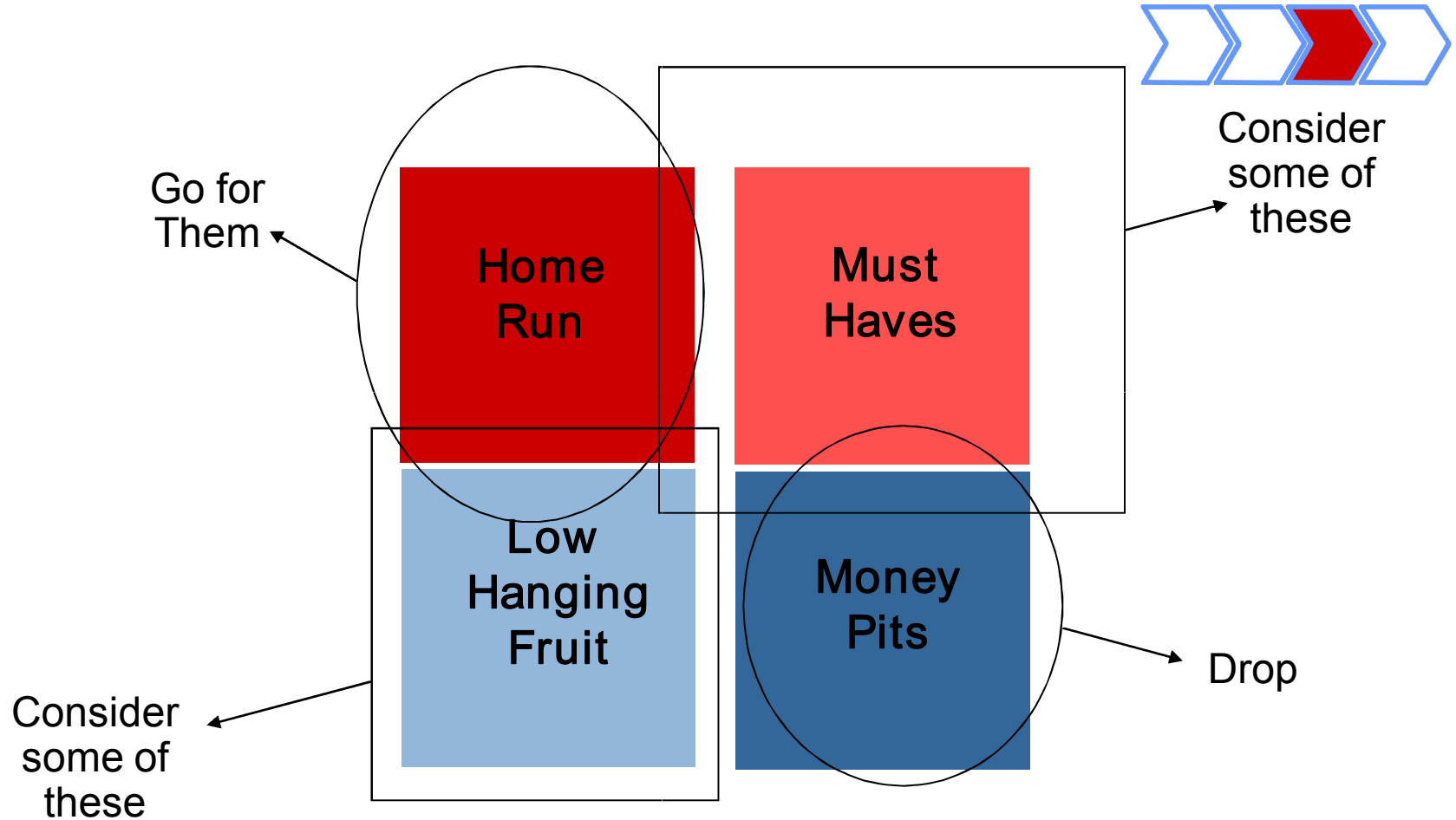
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... and Balance – Consider the Different Project and Program Characteristics

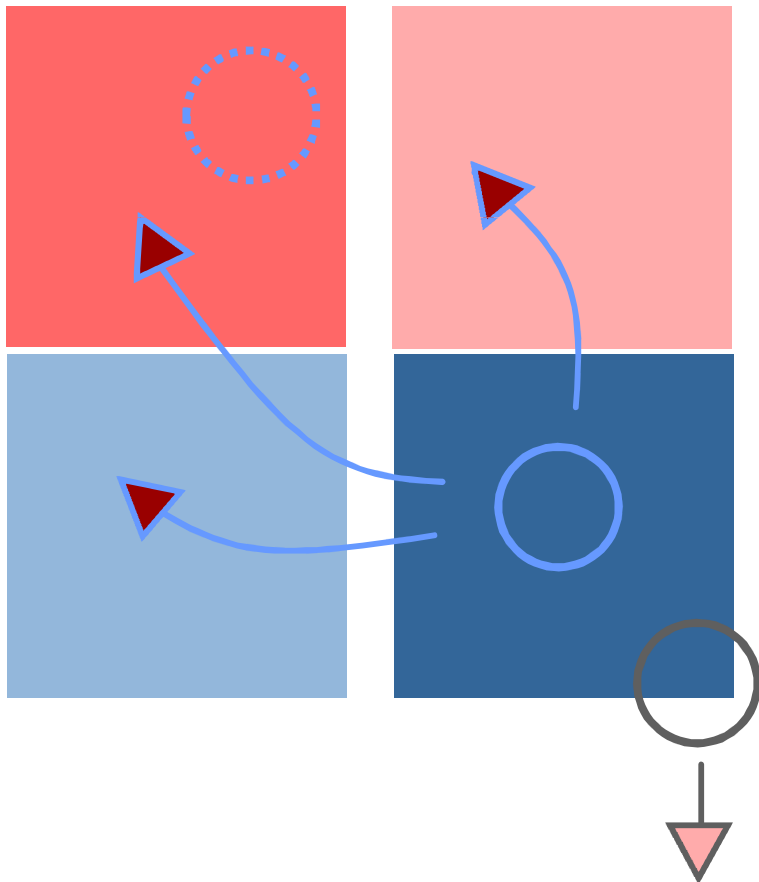


... and Balance – Select a Manageable Set



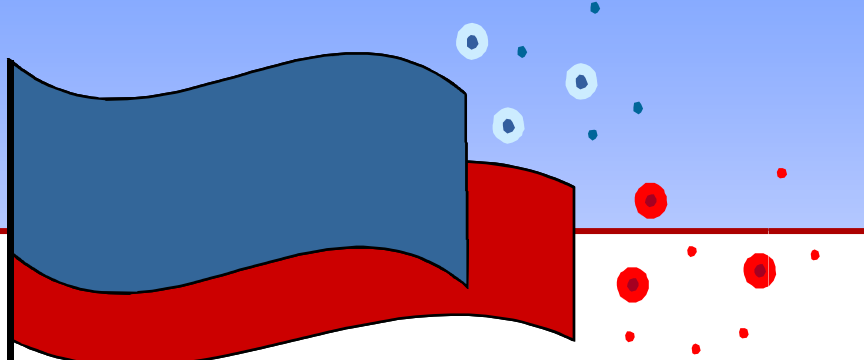
Manage the Portfolio: Implement Feedback and Drive Continuous Improvement

Formally review proposed and current initiatives periodically



- Incorporate new initiatives
- Improve current portfolio
 - Improve value
 - Reduce length
 - Reduce complexity
 - Reduce risk
- Drop losers
 - Replace troubled initiatives
 - Retire old process
 - Cut losses (act early)

Recommendations

- 
- Adopt a business value approach to IT and IT-intensive initiatives
 - Adopt a portfolio approach to managing those initiatives
 - Adopt a life cycle approach to the portfolio, with continuous feedback and improvement

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