The CXO's Guide To IT Governance

A Roadmap To Driving Top-Down Alignment Between Business & IT Strategy

Presented by

INNOTAS™

Executive Summary

"Organizations that view IT Governance as a bottom-up inventory exercise, will greatly limit the impact of these solutions and will likely fail to see the business value from the increased visibility and measurability of their IT investments."

IT Governance solutions enable CXOs to align their business strategy with their IT strategy. However, in order for these solutions to realize their maximum impact, they require business stakeholders to be engaged in the transformation process. A **top-down approach** allows companies to assess the value and risk of each project, application, and ultimately **reallocate resources** where needed to mission-critical business initiatives.

This coordinated, cohesive approach also encourages business sponsors and stakeholders to contribute to the process and evaluation, and ultimately share in the success of these new processes. On the flip side, those organizations that view IT Governance as a bottom-up inventory exercise, will greatly limit the impact of these solutions and will likely fail to see the business value from the increased visibility and measurability of their IT investments.

The following e-book will provide a roadmap to driving top-down alignment between business strategy and IT strategy.

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Between Business & IT Strategy

What is IT Governance?

"IT Governance implies a system in which all stakeholders, including the board, internal customers, and departments such as finance have the necessary input into the decision process."

– Wikipedia

One common characteristic of today's high growth companies is the view that **technology is a competitive lever**, integral to each and every strategic initiative in the organization. These companies have used the power of networks, Web 2.0 technologies, and automation solutions to run their business more efficiently, bring innovative new products to market faster and provide better service to their customers.

In the age of lean enterprises, virtualization and cloud computing, companies can no longer afford to have their IT organizations functioning like outside service providers, or utilities who simply keep the systems running. Just as other key areas like sales and marketing are now being measured for their contribution to top and bottom-line performance measures, IT is now expected to **provide visibility and transparency** into the impact and ROI of its efforts and expenditures.

By employing IT Governance tools and processes, agile organizations are able to **reallocate IT resources and budget**, previously focused on maintenance, and apply those to more strategic initiatives which help drive growth or improve efficiency.

The latest generation of IT Governance solutions combines the best of **Project Portfolio Management** (PPM) and **Application Portfolio Management** (APM) tools to help IT operate more like a business. IT Governance solutions enable CEOs to align their business strategy with their IT strategy. These solutions also allow CIOs to respond quickly to their company's changing needs, **manage growth** and **improve speed to market**.

In order to effectively manage the complex world of IT initiatives, organizations need an up-to-date, accurate picture of the application portfolio. They also need to be able to measure the costs and contribution of those applications and prioritize resource assignments based on those metrics. Simply put, IT Governance provides that measurement and enables executives to quickly act on that intelligence.

Why You Need It?

Time, Budget, Resource Allocation

IT Investment
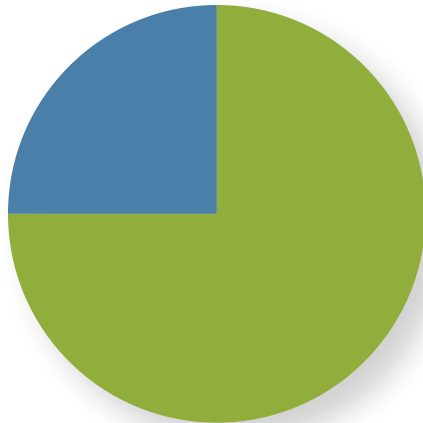
■ EXISTING APPS
■ NEW STRATEGIC WORK

According to Gartner's recent *IT Spending and Staffing Report*, IT spends 75% of its time, budget and resources maintaining existing applications and infrastructure and only 25% on new strategic project work. As the adage goes, "you can't measure what you can't see, and you can't manage what you can't measure."

This "flying blind" approach has historically led to IT departments being criticized for a lack of innovation and a failure to respond to the changing needs of the business.

As companies look to recover from the "great recession," they can no longer afford to channel the majority of their IT investments into initiatives that simply "keep the lights on" and maintain the systems they have been running for years. The recent IDC report, "IDC MarketScape: IT Project and Portfolio Management," authored by program directors Melinda-Carol Ballou and Joseph C. Pucciarelli, stressed that companies "have little leeway for poor IT project and portfolio decision making in the worst economy in recent history" and that "**effective decision making** for IT projects and programs is a matter of survival."

Because application maintenance is often unpredictable, it is difficult for IT to get useful insight into the related **costs and resources** — and whether those costs are justified. As a result, IT continues to pour resources into maintaining everything — from duplicate systems to products no longer in use throughout the organization. These efforts take time and money away from more valuable strategic initiatives.

"Service value and cost management (doing more with less) suggest that, on top of what could be foreseen as a consequence of technology evolution, IT has or will become a fiscally responsible entity."

– Jean-Pierre Garbani, Forrester Research, "It's Time For IT Management Software 2.0"

Prioritizing IT Investments

Respond

Track

Measure

To take control over maintenance costs and redirect funds and resources to more strategic areas, IT Governance systems that include a comprehensive Application Portfolio Management (APM) component is a must-have for companies looking to make their IT organization as accountable and aligned as all other lines of business.

In the recent report from Forrester Research titled "It's Time For IT Management Software 2.0," the report author Jean-Pierre Garbani suggested that the recent downturn should serve as a "catalyst for change and an opportunity to mature," for IT departments. "The economic downturn of the past year puts a different spin on the role of IT: It is not only a matter of providing the right services at the right quality level and the right price, but also a matter of providing all of this with an ever-shrinking budget," Garbani wrote. "Service value and cost management (doing more with less) suggest that, on top of what could be foreseen as a consequence of technology evolution, IT has or will become a fiscally responsible entity."

Bottom Line Benefits of IT Governance

IT Governance and APM tools and process are seen as essential components to modernizing the role of IT within organizations. As Gartner analyst Jim Duggan wrote in his report titled, *"Planning for IT Modernization: Start From the Top With APM,"* APM processes help "flag opportunities to reduce total cost and risk; help identify and prioritize investment needs in the portfolio; and identify opportunities to simplify and consolidate data to improve margins and return on assets."

Within this guide, we will provide a look into the following three bottom line benefits these solutions have provided for companies in a variety of industries such as services, government, healthcare, retail, insurance, finance, education, and green energy:

1) **Simplifying the IT workload**
2) **Reducing IT costs**
3) **Prioritizing IT efforts to support core business strategies**

Simplifying the IT Workload

Once companies begin the process of managing their portfolios, they are often surprised by the breadth of applications their IT organizations are supporting. This unproductive time supporting older systems typically diminishes the IT team's ability to properly manage and control its workload and detracts from time that could be spent on more strategic initiatives.

A core benefit of an IT Governance solution is creating a single point of entry for capturing and managing internal requests, such as: enhancement requests, bug fix requests, application change requests and maintenance requests.

Other benefits in simplifying the IT workload include:

- Revealing application redundancies;

- Adding the ability to create simple, **custom scoring algorithms that prioritize** the application portfolio so resources can be assigned based on the importance of the task to the goals of the organization

- Instantly seeing **real-time resource capacity** and demand by initiative, role or other individually defined fields

- Accessing a **single view of resource allocation** and fulfilling resource assignments automatically

- Automating **planning for resource needs** and evaluating resource requirements

Reducing IT Costs

Once application redundancies are revealed and resources are properly prioritized, companies are typically able to reduce the number of applications they are supporting as well as the operational costs associated with them.

Other ways companies have utilized IT Governance solutions to reduce costs include:

- Understanding the true **total cost of ownership (TCO)** of applications;

- **Tracking time and expenses** for both billable and non-billable activities;

- Reporting on and exporting **data into ERP**;

- Integrating with existing financial systems, which supply required data such as labor cost rates for roles and individual resources, and seamlessly feed critical data, such as timesheets,

- Taking advantage of Cloud Computing delivery models to lower overhead, avoid CapEx costs for hardware and software, and capitalize on multi-tenancy models to share resources and costs across a pool of users.

SHORT-TERM BENEFITS

- ☐ Reduce workload with the retirement of low-value or duplicate systems
- ☐ Reduce application maintenance costs
- ☐ Reduce the resources necessary for application maintenance and fixes
- ☐ Assign more available resources to initiatives with more strategic value

LONG-TERM BENEFITS

- ☐ Reduce risk
- ☐ Align all applications to support business performance
- ☐ Consolidate enterprise platforms and architectures
- ☐ Build long-term staffing efficiencies
- ☐ Achieve alignment with business strategies
- ☐ Improve decision-making based on real-time data of application spending

Prioritizing Core Business Strategies

The biggest payoff from IT Governance for the executive brand is the alignment between IT and the company's defined business goals. With a unified approach in place that aligns with key strategic initiatives, both IT and business executives are forced to build a business case for each application, which clearly shows the cost as well as resource requirements and availability to add a new project.

Other ways IT Governance helps prioritize IT efforts to support core business strategies, include:

- ○ Demonstrating IT application activities and providing transparency to the business to justify expenditures;

- ○ Providing reports outlining utilization, capacity and availability, as well as throughput and churn of resource requests churn of resource requests;

- ○ Increasing the ability to make sound decisions based on accurate, real-time information

Factors For Success

"IT Governance implementations can focus on the most expensive applications in your inventory as measured by hardware demands, licenses, staff assignments or other maintenance metrics, as well as chargeback costs, average annual enhancements requested or similar measures."

For a C-level executive considering the rollout of an IT Governance solution, there are a few key factors that should be considered first. Since the solution is ultimately expected to drive efficiency and reduce overall IT spends, two of the obvious factors to be addressed are:

1) Speed of Implementation, and
2) Managing Costs/Time to Value

➤ **Need for Speed:** Next generation Software as a Service (SaaS) IT Governance systems have been implemented in less than four weeks, allowing companies to quickly achieve success and return-on-investment. Companies can accelerate their rollout and proof of concept by beginning their implementation with a focus on a specific challenge.

➤ **Multi-Tenancy:** Allowing each client to work with a customized, virtual application instance, multi-tenant architecture simplifies the release model by avoiding installation on servers or individual desktops.

➤ **Time to Value:** Installing IT Governance solutions has traditionally been a costly undertaking that involves licensing and customizing software, purchasing additional hardware, hiring new support staff, waiting for months for the system to be functional, and then dealing with periodic upgrades and fixes. Multi-tenant, SasS environments greatly reduce those costs and, in turn, speed up time to value by eliminating the costs of network storage and individual implementations on desktops.

IT Governance implementations can focus on the most expensive applications in your inventory as measured by hardware demands, licenses, staff assignments or other maintenance metrics, as well as chargeback costs, average annual enhancements requested or similar measures. This choice focuses efforts where your savings opportunities may be the greatest.

Other factors executives should plan for and address during the research and development phase include:

■ Identifying the Barriers to IT Governance Success

Because most organizations currently manage their applications manually with spreadsheets, point tools and homegrown tools, internal departments are often resistant to automating these processes. With a top-down approach, an organization should focus on the strategic view necessary to improve decision-making and enhance productivity and efficiency, and quickly adapt to changing business conditions.

■ Managing Risk

Rather than starting an IT Governance initiative with the applications that are the most costly, some companies have had success by focusing on those areas that involve the most risk. Risk applications include those impacting business continuity, disaster recovery, compliance, high rates of change requests or performance problems, or those requiring a high number of service tickets per year.

High-risk applications can also be chosen by transaction volume or business impact, vendor viability, product viability, cost of internal or contract resources, or suitability to business needs and regulatory requirements.

Best Practices For IT Governance Deployment

Deciding how and where to begin using an IT Governance solution can be a daunting task. In order to avoid implementation mistakes which will ultimately dilute the impact of the solution, it is critical to employ a structured, but still adaptable methodology to create an environment that balances the technical, organizational and cultural objectives resulting in sustainable, cultural adoption.

A common best practices approach is to take a 3-phased approach to deployment built around the following steps:

➤ Plan

The **project planning phase** sets mutually agreed upon expectations, builds project foundation, defines organizational and reporting hierarchies, determines the project scope, and creates the organization and structure necessary for success.

➤ Model/Refine

The **model/refine phase** results in the project team's recommended solution, plus customer management's acceptance of key business processes and supporting technology that best meet the overall project objectives.

These business processes are typically implemented during the "Go Live" phase and will become the framework of users' day-to-day procedures. The model/refine phase also includes a checklist addressing all the activities required to be completed prior to deploying.

IT Governance Roadmap
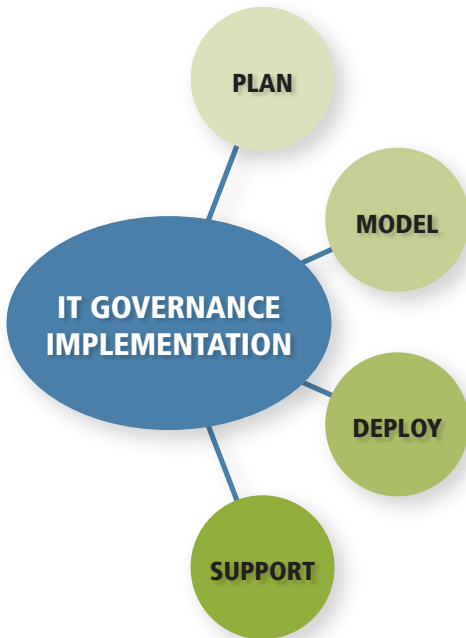
➤ Deploy

The **deployment phase** commences upon daily use for the operations of the business the software in the day-to-day operations of the business. This requires that all of the software and hardware components be in place to ensure success. The advantages of a multi-tenant, SaaS solution are underscored during the deployment phase as solution providers are closely involved in the process from the first day a user logs in through the building of internal processes and the ongoing use of the solution. SaaS architectures also accelerate deployment phases by eliminating the need for additional hardware and software acquisition.

➤ Incorporate Ongoing Support

A critical component for long-term success with IT Governance is to avoid a "cut and run" scenario where the solution provider establishes a price per user, hands over the software and leaves you to manage adoption and ongoing deployment. IT Governance is an iterative process and partnering with a vendor who follows you from onboarding to ongoing adoption will help you fine tune your internal practices.

Preparing for Change

Introducing a transformational concept such as IT Governance is an iterative process for many companies. The tools and processes introduced will likely uncover internal **breakdowns in communication**, application redundancies and inefficiencies that will likely need to be reworked.

In addition to defining the goals and establishing key metrics for the transformation, one of the most important areas of parts of the journey is planning for **change management**.

The **cultural change** brought about by IT Governance will require deeper collaboration and communication between IT and all critical lines of business. IT departments are often only viewed internally as problem solvers and mechanics, but a top-down change management plan will **integrate them into the planning process** for key initiatives and establish metrics and timelines for all key deliverables.

Before deploying an IT Governance solution, the executive team should create a formal change management process, which includes the following components:

○ A feedback loop;

○ A Change Management Committee

○ An administrative process

○ An educational plan for all areas of the business

○ A review of the common mistakes made by other adopters

Conclusion

A lack of strategic vision is one of the biggest obstacles in creating alignment between business strategy and IT strategy. Without the **ability to measure** the cost and value of legacy systems and applications versus new innovations, it is nearly impossible to develop a modernized IT infrastructure.

The odds of an IT Governance solution achieving **quick time to value** and shifting budget and resources to core business initiatives also greatly increase when the transformation initiative is supported by a C-level executive. This top-down approach fosters **cross-functional collaboration** between IT and line-of-business managers, and supports the fact that IT modernization is vital to a company's competitive differentiation.

About Innotas

Thousands of users leverage the power of the Innotas on-demand IT Governance solution, spanning a wide range of industries including financial services, healthcare, retail, high technology, telecommunications, manufacturing, insurance, media, government, energy and more. Offering a sophisticated solution that includes all the key elements of Project Portfolio Management (PPM) and Application Portfolio Management (APM) — Innotas helps clients significantly reduce total IT costs while accelerating product evolution and streamlining workflows.

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