

WHITE PAPER

How to Maximize the Business Value Of Your IT Operations

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MANAGING IT INFRASTRUCTURE & APPLICATIONS MORE EFFECTIVELY

During the coming years, both large- and medium-sized companies will find themselves managing and depending more on IT vendors, technologies and business models. As a result, IT roles and processes must become more formalized and bolstered with improved tools and methodologies. The key to success will hinge on the ability to effectively build and manage project teams in the traditional sense, and continually ensure that IT projects are aligned with business objectives.

Companies must therefore find ways to minimize initial and ongoing failures associated with IT projects. According to the Gartner Group, on average, companies cancel nearly 25 percent of their IT projects, and more than half of them exceed the expected cost of completed projects by 150 percent. There is a critical need to strengthen the ability to manage projects and the cost overruns and risks associated with them. Focusing on measuring and managing changing risk factors, and working more effectively with vendors, can achieve this.

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Gartner Group

Companies seeking success in projects related to IT infrastructure and business applications can mitigate failure and increase their success rate by implementing the following strategies:

1. Aligning Project Management with Business Objectives

Companies can create and monitor a portfolio of all IT initiatives in progress and proposed, and prioritize them according to strategic business goals. Each project can be evaluated at least quarterly to determine whether to start, continue, alter or stop the effort based on strategic objectives.

2. Implementing Risk Management for Every IT Project

Formal risk management plans are needed to understand the factors that may disrupt an IT project and cause it to fail. Planned corrective actions and responses to different outcomes should also be included. Examples of risk include:

- Business Diversity – *the complexity of the company and the project*
- Collaboration – *the level of business partner and customer interaction*
- Degree of Change – *the business transformation*
- Involvement – *the degree of executive sponsorship and resource commitment*
- Project Management – *the tools, skills and methods used to manage project teams*

3. Putting Skilled Project Teams and a Communications Process in Place

A project can succeed only if appropriate standards and metrics are set, timeframes established, and the interdependence of all IT components recognized. Companies must become particularly adept at bringing together a diverse group of people into a team, while also becoming skilled at using and managing external resources to supplement inhouse experience where needed.

IT SERVICES MANAGEMENT

Today, both IT and business executives are under pressure to expand profits while also keeping costs low. In the drive to meet these divergent demands, companies have made financial, time, and resource investments in information technology (IT) hardware and software assets. Yet many executives have discovered that despite their commitment to technology, they are wasting a significant portion of their IT budgets. Companies require a high return on investment (ROI) for their IT assets, but they often overlook two critical components: (1) accurately identifying their IT inventory and (2) monitoring its use.

These capabilities enable companies to capture, track, and analyze usage of a large number of diverse and often extensive software and hardware details (e.g., ownership and allocation data, licensing and service agreements). They also help organizations measure and map detailed data to the appropriate business-benefits context.

Most companies rely on manual IT asset management systems because of the perceived lack of asset tracking and software usage solutions that are easy to install and maintain. A manual system, however, is highly prone to errors and is difficult and expensive to scale. Consequently, companies hire and train more IT support staff and end up with an expensive, unwieldy asset management process that can quickly deplete IT resources and corporate bottom lines.

“Companies that effectively manage their IT resources can save up to 35% annually on their IT budgets.”

Aberdeen Group

Timely management of IT assets has assumed new and even more critical importance with the advent of the Sarbanes-Oxley Act. The act, which is aimed at giving investors a more thorough assessment of the financial condition of public companies, requires businesses to disclose “all material off-balance-sheet transactions” that may affect capital expenditures or other aspects of their finances.

With IT spending representing more than half of all capital expenditures for many companies, it is not surprising that CFOs are demanding a comprehensive accounting of current IT assets to ensure that they can update quarterly earnings reports with accurate information. Because both the CEO and the CFO are now required to attest to the accuracy of a company’s financial condition each quarter, the stakes for precise measurement of corporate IT assets are higher than ever. An IT resource is not an asset if its costs exceed the value that it delivers.

REDUCING IT SPEND

In reaction to constricting markets and increased competition, many companies have made cost control a strategic objective. Struggling to maintain or increase profitability, companies must develop aggressive strategies to cut spending and achieve a higher return on their IT assets. The key role of Senior IT and Business Executives should be to build and manage a high-performance IT environment that supports a company’s business strategy. This task is not always easy. It is made even more difficult when an IT organization lacks ongoing visibility into the actual usage of its internal and external IT resources. Consider how improved IT asset management and reporting could mitigate the following situations:

Organizations own and operate applications, software, and hardware at differing life-cycle stages. They also need to integrate new technology or acquired assets obtained from mergers and acquisitions. Asset tracking and metering provide companies with a full and timely inventory of their evolving IT assets, including where applications are physically installed on the network, which assets are being used and how often, and what equipment is more prone to problems or security attacks.

IT hardware and software are constantly being updated to accommodate new business requirements, address changes in technology, and incorporate new software and hardware components. An IT asset management solution with highly precise discovery and metering capabilities can ensure that computing systems have the memory and processing speed to obtain full performance from new software upgrades.

Research by the Aberdeen Group indicates that business continuity and disaster recovery are two top IT priorities. Organizations with a solution in place that enables them to easily maintain a current inventory of their IT assets can rebound from an unexpected disaster significantly quicker and easier than organizations that have not yet implemented such a solution.

As handheld devices continue to permeate the corporate enterprise, businesses need to actively manage these assets. The total cost of ownership (TCO) for a device, such as a Pocket PC, has been estimated to exceed \$4,000 per year. By acting early to incorporate these devices into the overall asset management strategy, companies can curb costs and losses — and avoid the same management mistakes associated with the proliferation of laptops in the late 1990s.

The Aberdeen Group has also observed that IT asset management has taken on an expanded charter. It now encompasses issues of discovery and inventory tracking, both of which represent the ability to collect and record detailed information about the digital assets on computing systems across a network — including mobile and handheld devices — and also measuring, or “metering,” software usage patterns. It also includes the ability to capture and organize asset information into one digital repository for easy operational and compliance reporting. IT asset management also provides actionable data to improve asset utilization and upgrade decisions.

ENTERPRISE IT ASSET MANAGEMENT

A company’s goal should be to maximize ROI and lower TCO on software and hardware assets while aligning these assets with the strategic direction of the business. Costs related to maintaining these systems may include people, applications, hardware, software, inventory, licensing contracts, and budgets — any information resource that can improve a company’s overall IT asset performance.

ENTERPRISE IT METRICS

You cannot manage what you cannot measure. Precise discovery is the first and most critical step in any asset management program. A company cannot rationalize and manage its IT resources if it cannot accurately track and measure the deployment, use, and ultimately the value of software and hardware assets, including handheld and mobile devices.

A research study found that most large enterprises today own approximately 30% more IT-related software and equipment than they actually believe they do or can account for across the enterprise. This statistic strongly suggests that IT organizations lack precise information on what they own and operate on a regular basis. Additionally, studies indicate that most companies with 5,000 or more employees are over-licensed and/or also support isolated and incompatible applications. Application redundancy and underutilized assets waste resources, increase the risk of errors, and impede a company’s productivity. These factors are leading companies to seek better approaches to uncover and track IT data and intelligent feedback.

THE HUMAN FACTOR

Technology alone is not enough. Exploiting the full value of information is also about human performance—because what people do with information is as important as the technology they use to manage it.

Capturing the benefits of information takes more than massive investments in enabling technologies, something business leaders know all too well. Indeed, as far back as the 1980s they coined a term, "IT Productivity Paradox," to express their frustration with expensive systems and software that did not produce demonstrable business advantage or bottom-line impact. Today, their frustration is even greater. Business leaders face the prospect of ever-larger investments in technology—and still there is no assurance of any business benefit.

Human performance must be part of the equation for a company to have mature information capabilities.

In the new economy, what does it really take to get the full value of information? How can information use be accurately measured so that it can be managed successfully? When addressing these questions, managers often overlook the human element. What people do with information and how they take part in its gathering and dissemination is as important as the technology they work with.

STRATEGIC ADVANTAGE

Technology is essential to the effective use of information. But it is people who must develop the systems for collecting, organizing, processing and sharing information, and who must create an environment in which it can be used creatively and constructively. Human performance must be part of the equation for a company to have mature information capabilities—which is the prerequisite for success in advanced information applications.

What are information capabilities? Research by the International Institute for Management Development, has explored three interconnected requirements for getting full value from a company's use of information.

- **Information Technology Practices.** This is the technical component of a company's information use, the capability to manage investments in the IT hardware, software and networks that support operations, business processes, innovation and decision making.
- **Information Management Practices.** The human component of information use is reflected in a company's ability to recognize information that may be of value, and then to collect, organize, process and maintain that information.
- **Information Behaviors and Values.** The human component is also reflected in the extent to which a company's organizational culture encourages managers and employees to use and share information to carry out their work.

THE CFO-CIO PARTNERSHIP

“Many CIOs continue to report great difficulty in justifying IT investments internally,” says Jim Browning, Gartner Analyst. “It is therefore essential to illustrate the impact that IT can have on business processes and goals.”

It is important to remember that companies respond to IT investments just as they would to any other investment vehicle. Positive ROI attracts more investment; negative ROI chases capital away. IT investments need to justify future expenditures based on business rather than technical analyses in order to gain enterprise-wide support.

Many CIOs feel that CFOs often don't grasp the strategic importance of IT, that they use CIOs as scapegoats for cost overruns and failed IT projects, and thanks to their increased role in IT management, have so devalued the position that no quality CIO would take the job—at least if he or she had to report to a CFO.

CFOs have their own gripes, which can be largely summarized as: "IT is expensive, complex, and often fails to deliver, so let's do something about it." CFOs answer to either senior management or investors on a quarterly basis, and with IT now accounting for more than half of all capital spending, it is not only a logical but also an essential place to look for savings.

CFOs who refuse to look beyond the bottom line tend to characterize IT as strictly a cost center. In these situations, the CIO serves essentially as a project manager with a mandate to get maximum ROI on every initiative, spending most of his or her time supervising vendors and outsourcers. However, because of the critical role IT can now play in enhancing a company's competitive advantage, forward-looking CFOs need to have a broad lens when assessing IT investments.

Regardless of which way the lines fall on the organization chart, a successful partnership between the CIO and CFO is key if the elusive goal of IT/business alignment is to become a reality. That goal is further advanced when CIOs have the ability, through their own skill sets and the mandate that's given to them by their companies to approach their jobs strategically.

Equally important, “Today's CEOs are far more interested in how information affects the strategy of an organization than in the past,” says Stephen P. Mader, president and CEO of executive search firm Christian & Timbers. “They want IT woven throughout the organization, and they are showing more sensitivity to CIOs, to having them work with CFOs and other senior managers.”

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Christian & Timbers

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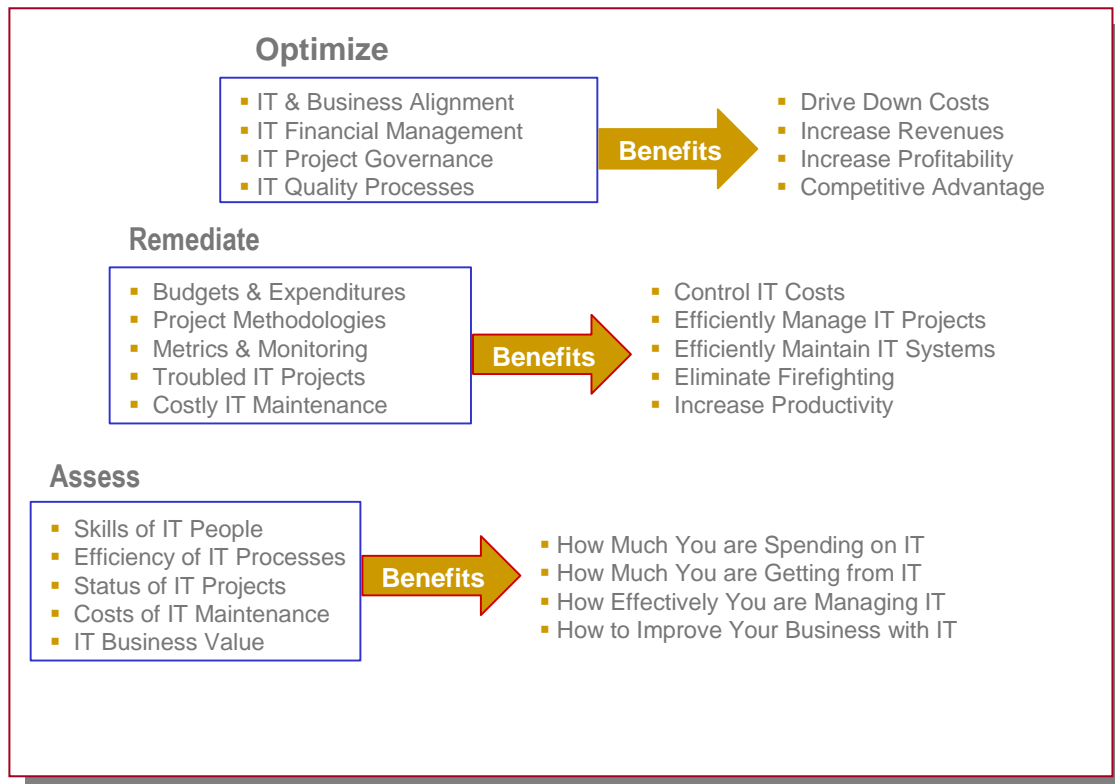
Optimizing People, Processes & Technologies

IT Evolution specializes in helping companies enhance the performance and efficiency of their IT organization. IT Evolution is able to achieve this success by bringing together an experienced team of senior professionals with technology, operations, and business expertise. By integrating this broad range of knowledge, IT Evolution has been able to help build proactive IT organizations for companies that have been unable to generate either sustained or significant business value from their IT operations.

To achieve this goal, IT Evolution conducts an initial gap analysis of the client company’s IT processes, procedures, personnel and technologies. This assessment identifies the organization’s current state then maps it against desired outcomes.

These outcomes are based on the **Capability Maturity Model (CMM)** developed by the Software Engineering Institute. CMM is the *de facto* standard for improving both technical and business-related processes involved in the management, development, implementation and maintenance of information technology.

IT Evolution’s customized CMM approach integrates proven techniques and best practices into an ascending structure of competency that enables a company to appraise its IT organization’s maturity and process capabilities, establish priorities, and implement improvements.



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