

IT Business Management: The Value of the Integrated Suite

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Introduction

Spend a week in the IT shop of most any mid-sized or large enterprise, and you can't help but notice the irony. You'll find that IT has deployed sophisticated software and systems that have helped the business improve performance and profitability by squeezing maximum efficiency from all its moving parts—finance, customer management, supply chain, and other areas.

But ironically, from a business perspective, IT itself tends to function at suboptimal efficiency.

IT has no enterprise software system for running its own business. It's not uncommon for IT to rely on a plethora of spreadsheets, homegrown databases, and even paper-based record-keeping to manage demand planning, vendor management, finance, governance and compliance, and HR. These functional disciplines tend to be treated individually, and the result is that the CIO and other IT managers lack a holistic view of what's called the *business of IT*.



IT has become a business unto itself. Many CIOs and IT buyers spend millions of dollars a year with hundreds of vendors; financial reporting and reconciliation processes have grown in complexity, commensurate with the complexity of IT infrastructure; heightened pressures for governance and compliance are challenging IT to capture and manage critical information—too frequently from disparate and unintegrated systems; tight controls over staff and contractor access to applications and data are crucial to enterprise security.

Managing the business of IT has outgrown the capabilities of homegrown and point solutions. Today, we find more and more IT leaders sizing up the potential of a new class of integrated business solutions, known as IT business management (ITBM). The market has responded accordingly, and we've seen offerings emerge from HP, CA, Planview, and ITM Software.

This white paper is designed to help IT managers consider key questions about ITBM, including:

- Does our organization need an ITBM solution?
- How does an integrated ITBM suite compare to homegrown or point solutions?
- How does ITBM drive improved IT efficiency and business alignment?
- How do ITBM solutions from leading vendors compare?

The CIO Challenge: A Top-Down Approach to ITBM

A decade ago, most CIOs were focused strictly on deploying and maintaining IT software and systems. Today, CIOs are increasingly expected to serve as strategic partners in business planning and execution. From the CEO and CFO on down, business unit managers are looking to the CIO to contribute his or her unique, IT-savvy perspective on improving business performance and efficiency. It's a natural progression, as CIOs typically enjoy a holistic view across the full business landscape.

JCC Executive Partners has seen what Gartner has corroborated—expectations are rising for CIOs to act as business managers. A Gartner survey of 1,500 CIOs found that 85 percent of them “see business expectations of IT taking a big leap in 2008 ... CIOs are now expected to deliver the solutions that make the enterprise different in a way that matters to company performance and customer satisfaction,” Gartner said in January 2008.¹

¹ Gartner, “Gartner EXP Worldwide Survey of 1,500 CIOs Shows 85 Percent of CIOs Expect ‘Significant Change’ Over Next Three Years,” news release, January 23, 2008.

The CIO needs to continue building greater business credibility and accountability. The CIO needs the ability to respond quickly and accurately to such common business inquiries as “Why is our IT spend so high for North America?” or “Why is our manufacturing efficiency down after we spent \$1 million on a new ERP implementation?”

If the CIO is to be seen as a business manager, that CIO needs his or her own house in order, with a firm, precise, and integrated grip on all aspects of IT operations. If a CIO’s management of project portfolios, finances, vendors, HR, and governance and compliance is based on spreadsheets and unintegrated data sets, establishing baseline credibility will be difficult, if not impossible.

However, if the CIO is equipped with an integrated ITBM platform that extends across key areas of IT business management, the entire enterprise benefits. ITBM provides a framework from which the CIO can incorporate business-like discipline throughout the IT organization. From my experience at JCC Executive Partners, the CIO cannot demonstrate business credibility without the following:

- Ability to precisely monitor and reduce costs
- On-demand and accurate responsiveness to business inquiries
- Enhanced insight and control over interrelated IT business management areas
- Greater control over systems and processes to improve operational efficiency
- Better alignment of IT resources with strategic business objectives

About JCC Executive Partners

JCC Executive Partners provides consulting to C-level and upper management executives in deriving and sustaining greater returns from their business, IT, operational, and strategic investments. Via a trust-based and collaborative approach to assessing a firm’s environment and IT strategy, JCC Executive Partners streamlines teams and operations and promotes technology alignment to drive sustained returns.

JCC Executive Partners’ practice principal is John Chambers, whose 25 years of professional experience spans diverse IT systems and business management disciplines, project methodologies, quality management techniques, and technology development. Chambers has championed and steered multiple global programs and cross-cultural technology implementations for small and large enterprises.

Information for the Information Technology Leader

To enhance efficiency and better contribute to strategic business planning, the CIO must understand the interdependencies and impact of all process and technology decisions. Accurate answers and decision-making depends on information, but the nature of this information must include data interdependencies.

Only an ITBM platform that supplies visibility into the relationships among project portfolios, vendors, finances, services, and other vital areas can enable CIOs to meet this ideal. If information exists in silos and disparate formats, the CIO can misspend valuable time searching for and collating data. Worse, the CIO may be unable to answer critical questions—and lose some measure of credibility as a result.

A Tale from the IT Trenches

Some years ago, before the advent of integrated ITBM platforms, I was the head of IT at PAREXEL, a bio/pharmaceutical services firm. One day our program office director informed me that our IT portfolio stood at about \$15 million. My question back: “Is that a lot?”

The fact is I didn’t know. Was that a reasonable spend for our company? What did it mean for the future? Our homegrown portfolio management tools lacked capabilities to illustrate future financial implications. We couldn’t readily assess IT resource depreciation and its impact on profitability, nor analyze sustaining costs vs. project costs. We couldn’t quickly determine the impact of vendor relationships to the overall portfolio.

These were vexing questions. To answer them, we launched many individual projects for assessing project spend, vendor spend, and impacts to overall IT operations. These projects consumed years of FTE time in reconciling information and analyzing financials; because of siloed information stores, we spent the most time trying to understand data mart interdependencies. Looking back, ITBM software would have supplied the answers and spared us a costly and time-consuming effort.

IT has become a highly complex “business within a business,” but until recently few management tools have been specifically designed to help the CIO manage this dynamic web of business operations. While the rest of the business has comprehensive solutions for ERP, HR, and CRM, IT software solutions have typically addressed individual IT functions. Odd, considering how completely IT affects the enterprise. Clearly, this niche has needed filling, but it has taken a long time.

Evolving Beyond Homegrown Tools and Point Solutions

It’s not as if IT managers failed to recognize the need for IT business management. As IT grew in complexity, many IT organizations responded with basic spreadsheets and rudimentary databases to manage the business of IT. These homegrown tools were sufficient when IT ran a modest library of applications, systems, and services.



Soon enough, vendors responded to the growing need for IT business management with point solutions for such areas as financial management, vendor management, demand and capacity forecasting, project portfolio analysis, and IT governance. In the project portfolio management (PPM) space, for instance, Mercury/Kintana (purchased by HP) and Planview tools are two prominent examples of PPM point solutions that help supply an objective, business-oriented methodology to project management.

Point solutions are effective in providing detail and transactional specifics, yet they suffer limitations and pose challenges. While a point solution can help, for example, determine how well projects are managed, few tools *tie that information to other aspects of the IT business*. If a vendor was engaged, how many projects depend on that vendor? What’s the staff and contractor allocation to support this project—and how does that compare to other projects?

Lack of integration and isolated views of decision data generally limit the usefulness of point solutions.

The Emergence of Integrated ITBM Solutions

Like nature, technology abhors a vacuum. As recognition grew for IT's need to cohesively manage all interdependencies of IT's business, the marketplace responded. Limitations in point solutions spurred many vendors to expand their capabilities towards greater integration, with solutions far more effective in tying decisions to cross-enterprise impacts and ensuring that decisions may be made with understanding of all interdependencies.

And both vendors and IT managers had a good example of how application and process integration should work as a result of the enterprise resource planning (ERP) boom, during which IT spent many years implementing ERP applications to support sales, forecasting, inventory management, supply chain, customer resource management, and other functions. In many ways, the ERP integration phenomenon paved the way for integrated IT business management.

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A Comparative Analysis of Leading ITBM Suites

Today, ITBM suites are available from HP, CA, Planview, and ITM Software, among others. These suites vary in focus, breadth, and applicability to the CIO. Some emphasize certain capabilities at the expense of others—and ultimately, at the expense of comprehensive integration.

HP Project and Portfolio Management Center

HP provides a workflow-driven demand and portfolio management solution that helps IT organizations automate their established demand management and project delivery processes. As part of managing the portfolio process, the solution helps ensure that resources are aligned with priorities, and that initiatives are objectively measured and tracked. Various aspects of detailed project execution can be managed in the tool, including budget, tasks, resources, and schedule. Groups of related projects can be logically organized into portfolios that meet specific needs, such as lights-on, growth, and regulatory compliance. The product supports what-if analysis to aid in project selection and planning.

HP's solution (based on the former Mercury/Kintana) focuses principally on PPM, with limited or no capabilities for IT financials and vendor and compliance management. The tool is workflow driven and assumes well-defined, mature processes prior to implementation. For this reason, customers often report that configuration can be complex and implementation times consequently long. While HP is known to be expanding its suite, for now it is primarily a point PPM solution.

CA Clarity

CA's ITBM solution is broader than HP's, with focus areas of demand and project portfolio management, IT governance, and financial management. CA also offers a separate solution for enterprise change and risk and control management. Based largely on CA's 2005 acquisition of Niku, a professional services automation solution provider, the CA Clarity suite provides service and IT management capability that links infrastructure, resources, and IT services.

CA's solution lacks a vendor management module, a rather conspicuous shortcoming given that industry experts have estimated that vendor spend amounts to roughly 50 percent of an IT budget, with the typical Global 500 organization doing business with 800 vendors. Other drawbacks include a somewhat dense and complex user interface, complex workflow engine, and inability to capture detailed business objectives and align these to new and existing IT activities.

Finally, as CA Clarity is built on PPM, the solution provides an awkward hierarchical model intended to illustrate relationships between projects, applications, services, and assets.

Planview

With its DNA in enterprise-wide PPM, Planview has expanded its offerings to encompass demand management, IT services management, application portfolio optimization, and resource capacity planning. With capabilities for scorecarding and what-if analysis, it is a sound choice for organizations that wish to emphasize the PPM aspect of IT business management and share the solution with the rest of the enterprise.

Deploying an enterprise PPM solution in IT has drawbacks. As Planview's solution is aimed at the enterprise, non-IT terminology and ill-fitting features are evident throughout the product (e.g., "organizational portfolios.") Users have reported difficulties with a dense and complex user interface. Like HP, Planview lacks capabilities for vendor management and compliance management, limiting its ability to deliver a comprehensive view of IT business. Financials management would profit from additional sophistication to, for instance, calculate depreciation and track costs by IT categories. Planview is built on Microsoft ASP technology and .NET, limiting its flexibility for UNIX and Linux shops.

ITM Software

Of all ITBM solutions, ITM Software takes the most holistic approach. A strength of the ITM suite is a foundational data mart, or knowledgebase, atop which ITM's application modules reside. This shared repository is key to the advanced integrative capacity that is found throughout the ITM Software suite. In contrast to competitors, ITM Software's solution is geared for the CIO (though not at the expense of lower-level IT users). Indeed, thorough integration and rich analytics mean that ITM's suite offers the greatest utility and value to the CIO.

ITM is not as mature as competitors in service management space; however, the firm recently partnered with BMC Software to round out its offering. Nevertheless, given its expansive integration, it's worth taking a closer look at the ITM solution, comprised of modules for financial resource management, vendor relationship management, human capital management, project portfolio management, and governance and compliance management.

Ultimately, ITBM is about understanding actions and how they affect the business. ITM Software tackles this challenge with a seven-pillar data mart that encompasses and interrelates clients, IT staff, business processes, applications, assets, vendors, and services. Each pillar houses characteristics and attributes that are not only specific to it, but also link to the others.

This view is significantly more "real-world" than a spreadsheet listing a hundred applications and their associated costs, or a table of assets that displays only hardware depreciation. For example, the information about vendors is relevant to both projects and applications. The financial cost of a project includes the costs of manpower, the applications involved and their associated service and support contracts, the operational costs for hardware depreciation and the network, as well as opportunity costs.

Integrated ITBM as a Catalyst for IT Credibility

In assessing an ITBM solution, it is useful to benchmark its capabilities against the stages in the Gartner IT Credibility Curve. First published in 2002 and updated periodically, Gartner's framework remains the leading model for capturing what's required for IT to demonstrate credibility and position itself for business unit collaboration. According to Gartner's model,

business-side professionals view IT through one of five perspectives.² Using this framework as a foundation, the following suggests ITBM initiatives appropriate for each level of maturity:

Level 1 – Uncertainty: IT organizations are inconsistent and unknown. They do not meet commitments, they make meaningless promises, and they seem impenetrable to the business customers they serve.

Recommended ITBM Initiative: *Complete a basic IT inventory to understand commitments made, activities under way, and resources available to meet these commitments. Capture projects, people, vendors, applications, and assets.*

Level 2 – Skepticism: IT organizations deliver baseline performance and begin to add consistency to operations, services, and policies. Clients elsewhere in the business remain skeptical, however.

Recommended ITBM Initiative: *Implement standardized business processes and frameworks that support consistency and continuous improvement. You might standardize processes for managing projects, vendors, and governance activities, and for evaluating the operational portfolio.*

Level 3 – Acceptance: Professionalism is introduced to the picture, as IT organizations establish processes for responding to business needs and increase business awareness of IT capabilities.

Recommended ITBM Initiative: *Implement criteria for prioritizing IT investments and evaluating their ultimate business value.*

Level 4 – Trust: IT organizations define effective processes for planning, architecture, project management, funding, sourcing, and competency development. Businesses actively engage in joint planning and measurement.

Recommended ITBM Initiative: *Establish a process that enables a robust dialog between the business units and IT that ensures IT is fully leveraged in establishing and achieving the business strategy.*

Level 5 – Respect: Business leaders actively seek advice, counsel and innovation from IT, which has gained the respect of its clients.

Recommended ITBM Initiative: *Achieve the position of responsibility for driving the process for establishing and measuring the business strategy for the CEO and the board of directors.*

As shown in Figure 1, higher levels in the Gartner IT Credibility Curve require progressively more mature, sophisticated, and comprehensive capabilities in the “IT Management Toolbox.” Those capabilities (governance, finance, portfolio management, etc.) are embodied in a genuinely integrated ITBM suite. And while they may be internally built or purchased, the optimal solution is to encapsulate them within one ITBM suite that provides workflows and functionality to elevate IT performance and bring IT and business executives closer together.

² Gartner, “Raising IT’s Credibility: The Gartner IT Management Competency Framework,” December 2007.

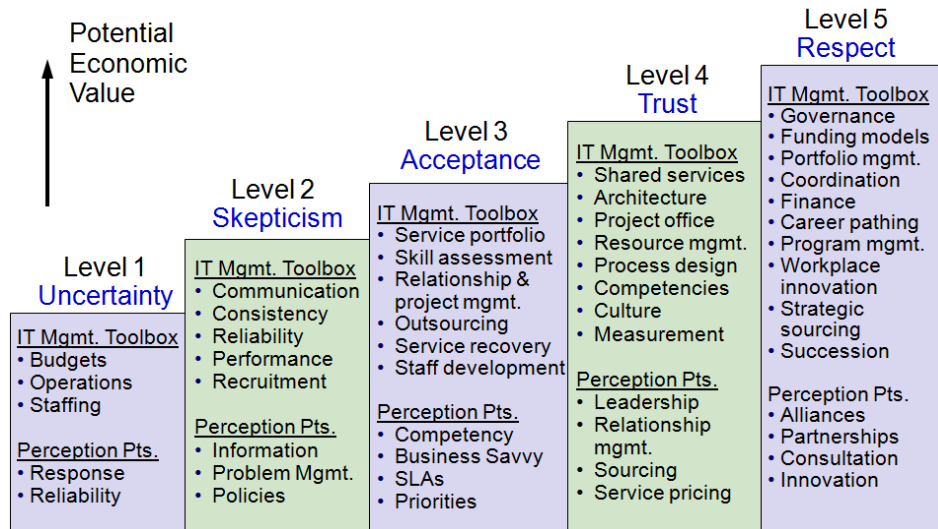
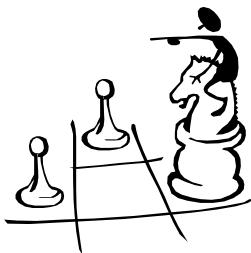


Figure 1. The IT Credibility Curve
Attributes within each stage should be represented by integrated solutions and tools for the CIO

Ultimately, as is seen in the “Perceptions Points” of Level 5, those capabilities translate into alliances, partnerships, consultation, and innovation between IT and business. “Where the IT organization is viewed as credible and effective, it has more opportunity to influence the business, and the business measurably benefits,” as Gartner put it in its December 2007 report, “Raising IT’s Credibility: The Gartner IT Management Competency Framework.”

Does Your Organization Need an ITBM Solution?

IT has needed a truly integrated ITBM solution for years. This situation is unfortunate because, in many respects, IT *is* the business. Like a chess game, each IT move and IT solution affects all pieces on the board—both IT pieces and business pieces. And each move ultimately depends on the first. Viewing each piece and its movements in isolation undermines future decisions and opportunities. In fact, movement without understanding widespread effects can result in disaster. The strength of a top-notch executive lies in understanding the *extended impact of decisions*.



Ultimately, every IT solution is a business solution embedded in operations, strategy, and customer relations. IT and its processes are more than the backbone of a firm’s global footprint. They are its business assets, business processes, and business drivers. They are the management fiber of the enterprise.

Does your IT organization need an ITBM solution? If you’re leading IT for a mid-sized to large enterprise organization, the answer is, “Absolutely.” ITBM isn’t just about your ability to respond quickly to questions about where IT resources are deployed or why costs are so high. That’s a side benefit.

The real reason to adopt ITBM tools and processes is to have key data and insights at your fingertips so that you can plan, forecast, and govern IT processes, just as the heads of lines of business analyze and plan for upcoming initiatives. The key question you should be seeking to

answer is, “What areas are in most urgent need of an ITBM approach?” In addressing this question, it can be helpful for senior IT managers to collaboratively assess the organization’s need to:

- Build stronger client relationships by translating IT costs and investments into business benefits
- Improve the speed and fidelity of IT financial planning and analysis
- Achieve IT financial transparency for fully informed investment decisions
- Drive organizational efficiency by institutionalizing IT business management processes
- Save money by eliminating unnecessary and underperforming vendors and ensuring vendors fulfill their obligations
- Manage vendors and projects based on risk and strategic value
- Measure vendor performance against key criteria
- Gain visibility and confidence regarding any governance or compliance initiative
- Regularly attest to the maturity of IT processes
- Maximize visibility into staff capacity and confidently make commitments to the business

The Future of IT Management

Integrated ITBM is the future of IT management. If your organization isn’t making the transition, chances are good that your competitors are, and positioning themselves for competitive advantage.

In the industry as a whole, “IT for IT” spending is on the rise as business-side professionals increasingly recognize IT’s value as the collaborator and agent for business performance improvement. AMR Research, for instance, predicts a 9.3 percent increase in “IT for IT” spending in 2008, based on a survey of 405 IT buyers.³

Maybe a few years down the road, you’ll be able to walk into an IT shop and find that the ironic gap in management capabilities between the business side and IT side has diminished, if not disappeared. IT will enjoy on-demand and analytic access to its business data, on a par with the data management capabilities that business managers have had for sales, supply chain, CRM, and so forth. The CIO’s role will have evolved from cost center controller to strategic planner alongside the CEO, CFO, and the board of directors.

About John Chambers

Prior to creating JCC Executive Partners, John Chambers was Corporate Vice President Information Systems with PAREXEL International, a leading global bio/pharmaceutical services firm, where he led the transformation of IT into a valued and global, cohesive business partner, reducing IT costs while simultaneously optimizing customer service, development, delivery and IT revenue streams. Chambers was also GM Business Administration for the company’s Northeast regional facility, overseeing cross-SBU corporate governance, client relations, and regulatory oversight.

Prior to PAREXEL, Chambers held senior management positions in engineering and customer service at Summa Four, Digital Equipment, and Lockheed Martin. He can be reached at John.Chambers@jcc-exec-partners.com

³ AMR Research, “The IT Management Spending Report, 2007-2008,” January 2008.