



Interview: Valuing IT Projects

Portfolio Management of Projects

Question: IT projects are often another level removed from traditional sales and profit metrics. What important criteria do you consider for proposed IT projects?

Tom Dubay, Director of Central Operations Information Services, Tektronix Inc.

First, IT portfolio management is concerned with both managing the existing infrastructure and applications and building new functionality as needed by the business. In a mature business as much as 80% of the IS budget is spend on managing the existing environment (application upgrades and maintenance fees, LAN/WAN/Telephony fees and upgrades, etc) AND on expanding the use of this existing environment (building a new production plant or service center, integrating acquisitions, finding new uses for existing applications).

That leaves about 20% for "Transformational" types of projects. That is, projects that will transform HOW a company does business. An example of what I mean would be a company investing in the creation of a "web store front" when previously all business had been done via catalog sales. This sort of change would require a significant investment in tools and applications that the company does not already own. It also requires the creation of new business processes, SOME of which may directly conflict with existing processes and organizations. These sorts of projects are, therefore, high risk.

My point is that the criteria for determining where to spend your money are different for the "run the business/grow the business" part of the portfolio than they are for the "transform the business" part.

Run the business criteria

- Reduce operational costs
- Improve operational efficiencies
- Stay on a supported release of an application
- Reduce risk to the business (replace dated technology)
- Expand the "footprint" of existing applications portfolio

Transform the business criteria

- Strategic fit with business objectives - there's really no other reason to do an IT project. If you want to write really cool code, go to work for an applications developer (Oracle, SAP, Siebel, etc).
- Fit within the existing technical architecture
- Ability of IS to manage a new technology
- Ability of the business to embrace change

For these reasons transformational projects are high risk - most of them fail to achieve their stated objectives. But the ones that succeed can bring huge benefits to the business.



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Matt Haynos, Grid Computing, IBM Corporation, Somers, NY

Financial ROI is certainly important and a firm foundation upon which to build, but many companies have "followed the numbers" and ended up in a bad position. I spend a lot of time in my current job developing tools for valuing Grid Computing; one of the significant benefits of this technology is the ability to do things which were not fathomable before. New applications and new business designs are unleashed by the significant acceleration of application processing time. Things that used to take months, now take days - unlocking significant business value add. It's a challenge to move client thinking from pure ROI to a new way of thinking about new possibilities.

1. *Simplification*. IT projects should simplify the operating environment around them. We're mired a mess of complexity, so it's important that new IT projects not add to this, and hopefully, reduce the complexity. This is why server consolidation has been popular on the infrastructure front. IT projects should go a long way to reducing complexity and making things more manageable.
2. *Metrics*. Pick a few key metrics, aligned with business goals, and optimize them to the maximum, while reducing costs. I always try to pick a few key metrics, drive them significantly higher, and at the same time reduce costs. Value = UP, Costs = DOWN. Doing things for cost reasons alone, while sometimes absolutely required, is usually a mistake.
3. *User satisfaction* should always be an important goal, but it's never formally tracked. Why would you implement an IT project which did not satisfy the users of the product? Pretty basic, but often overlooked. This is similar to what Tom alludes to in the ability of the business to embrace change.
4. *Alignment* with strategic business objectives is important, but I kind of feel it's stating the obvious. Why would you implement an IT project which wasn't strategic? That's the whole point of information technology! A corollary to this is that all projects need to be transformational in nature. Tom makes a great point about 80% of budgets being spent on managing the existing environment ... a way to address this is to start to think of every project as being transformational.
5. *Faster time to market*. In our world of compression of everything, giving your business the ability to reduce cycle time is a given. IT projects need to result in what gets translated into productivity improvements.
6. *Constant innovation* within a change framework. Businesses have to constantly innovate and improve, try to new things so to speak. This can be a challenge given a production and user environment, but IT projects always need to be seeking to do things better, cheaper, and faster.