



IT Strategies for Achieving Better Business Results

Managing Demand, Implementing IT Governance
and Optimizing IT Services

Peter McGarahan, McGarahan & Associates
Katherine Demacopoulos, Computer Associates International, Inc.
Peter Waterhouse, Computer Associates International, Inc.
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Introduction

Until IT organizations prove they can operate like a standalone business — delivering value from assets, services, people and projects — they will continue to struggle not just for dollars, but for respect and credibility. **Business Service OptimizationSM** is an approach to IT management that is characterized by creating a business-aligned strategy, managing and translating business demand into cost-effective IT services and measuring the results in terms of business value. By taking this approach, IT organizations can ensure they are aligned with and actively supporting business goals and objectives.

Today, the way the business perceives IT is often quite negative. The business may feel that IT is unresponsive or that projects are often delivered late and over-budget. There is also a general feeling that too much money is being spent on IT and that the business doesn't know where that money is going. Finally, a perception exists that IT is mired in technology and not able to understand and explain the critical role it plays in supporting business goals and objectives.

On the flip side, IT has much to complain about with regard to the business managers they are trying to support. Every request coming from the business is considered urgent. There is never enough notification about major business initiatives and the impact on IT is an afterthought, if it is considered at all. Often, business executives have no appreciation for how difficult it is to meet their requests. And they are constantly changing their minds.

Clearly, there is a long way to go from today's status quo to the ideal relationship, wherein IT executives are considered a valuable partner, working in tandem with the business executives to support common goals and objectives.

Where to Start?

How can you transform the nature of the relationship between the business and IT? As the leader of your IT organization, it's up to you to provide a level of service and value consistent with what your company delivers to its customers and shareholders. That means you must know what you have invested in, who is using it, and for what benefit or return. Start by asking these questions:

What are the business needs and expectations from IT?

- Begin by understanding and documenting the business priorities and strategy. Only then can you

formulate an IT strategy that will support and align well. Create a service culture where, "You measure to continuously improve." Build relationships with your customers and know their businesses, requirements, and concerns. In turn, help them understand your IT capabilities, and negotiate an aligned level of service, quality, and cost. Understanding and managing expectations from the outset is a fundamental success strategy.

What are your organization's greatest pain points?

- Different IT organizations will choose different paths toward the ultimate goal of achieving business and IT alignment. Here are some common pain points:
 - "I need to know all of the assets installed in my environment so I can better leverage the investments I've already made"
 - "Too many of our projects are running late and over-budget"
 - "We don't have effective processes for managing change and supporting regulatory compliance initiatives"
 - "I can't clearly demonstrate the value we're delivering in terms understandable by the business"

Once you determine your greatest need, you can choose your path to success.

Choosing Your On-Ramp

Choosing a path to success will depend on many factors and be influenced by cultural conditions and business drivers unique to particular organizations. Many organizations will be primarily focused on reducing costs and improving efficiencies, while others will be more embracing of technology innovation to drive business growth.

Consistent, however, across all IT organizations is the need to create a business-aligned strategy that manages and translates business demand into cost effective IT services and measures the results in terms of business value. Managing business demand is critical, since all IT organizations — whatever their cultural and organizational makeup — will be required to exhibit strong IT Governance principles based upon disciplined decision making when prioritizing a growing number of requests for IT services. There should be consistency in the way the IT organization presents its services to the business and how it delivers and

measures the performance of those services. Finally, cost optimization either by optimizing assets, people and projects or via improved process efficiencies is a must-have for any organization today, however well they believe they control both capital and operational expenditure. Today, it's a sad fact that many IT organizations lack the insight needed to optimize their IT assets both from a financial and risk perspective. Too often there is gross over-expenditure in terms of both software and hardware, and worse still, organizations are increasingly exposed to non-compliance from both legal and regulatory perspectives.

Business Service Optimization (BSO), with its focus on managing and translating business demand into cost-effective IT services and measuring the results in terms of business value, provides CIOs and other IT leaders with critical insights into the true value of their assets, services, people, and projects, and how to balance and leverage them more effectively. BSO also enhances risk management and operational efficiencies by continually aligning IT with the business through a structured IT Governance process. It enables the IT organization to evolve from one with an IT-centric focus to one that entails more significant business responsibilities and delivers results in measurable business value — high-quality, high-value services, smarter investments that generate ROI, and greater cost savings.

A well-executed BSO strategy charts your course to success, by optimizing efficiency, improving quality and service and by supporting faster and better-informed business decisions. These principles provide three perfect on-ramps or paths to success.

1. **Managing the Service Lifecycle** to ensure that IT is supporting the business by delivering efficient, value-add services and processes for change and resolution management issues.
2. **Optimizing Assets**, by implementing processes to effectively manage, control and protect of all of your IT assets — hardware, software, and custom applications.
3. **Optimizing People, Processes and the Overall IT Portfolio** in order to provide an ongoing, 360° picture of all current and planned IT projects and resources, the business processes they support, and their related costs in order to prioritize investments and make sound fiscal decisions.

On-Ramp to Success — Manage the Service Lifecycle

The CIO often assumes that if the IT services that run the core business processes are available and no one is complaining, then all is well. But if the same CIO hasn't taken the time to identify these core business processes and systems, their IT service linkages and interdependencies, and end results (business value metrics), how do they really know? Are they leaving value on the table? Are they exposing the business to unnecessary risks?

A **Service Lifecycle Management** process effectively captures demands from the business and converts those demands into consistent, reliable, cost-effective, and valued services. Keys to success are:

- Creating a services catalog with predefined services, service levels, and associated costs
- Developing and adhering to a unified change management process in the production environment
- Tracking project-driven change orders
- Establishing service level objectives based on service level requirements (cost relative to business-critical)
- Automated mechanisms in place to report service level deviations and manage the process of incident and problem resolution
- Provide financial visibility into the cost of IT services delivered, with expected or actual cost allocation to continuously optimize demand and encourage more desirable usage of finite IT resources

Manage the Service Lifecycle: Issues and Opportunities

Managing Demand

- **Major Issue:** When the price is free, demand is infinite. Additionally, IT management often fails to take a planned investment management approach to purchasing IT resources. Instead, management is focused more on the supply side of the equation, where allocation of limited capital and human resources are not aligned with the highest business-value opportunities.
- **Major Opportunity:** Focus on the "demand side" of the equation while increasing IT efficiency and effectiveness. An effective method here involves building and publishing a catalog of services that IT provides to the business. Ensure that each service

provided includes service level agreements; together with a self-select mechanism whereby the business can choose the service they require, together with the service levels they need to support their objectives. This not only encourages closer collaboration and alignment between IT and the business, but also increases efficiencies by encouraging more desirable use of limited IT resources.

Implementing a Unified Change Management Process

- **Major Issue:** Overcoming the cultural and political barriers in getting the IT organization and customers to accept an Enterprise Change Management system. This takes significant educational, marketing, and communication efforts to convince the various constituencies of the value of this initiative. Procedures must be efficient, easy to follow, and not overly bureaucratic, which eliminates the typical excuses for not following them.
- **Major Opportunity:** Assurance that only changes that provide true business benefit are approved and scheduled based on business priority, infrastructure impact, and service risk. Additionally, unified change management helps support regulatory compliance control objectives through comprehensive auditing, and traceability of infrastructure and application changes.

Establishing and Meeting Service Level Agreements

- **Major Issue:** Ensuring enough seniority/authority given to Service Level Management to push through negotiations/improvements that hold all IT management accountable for the seamless, end-to-end delivery of the committed level of service.
- **Major Opportunity:** To manage and monitor Service Level Management from a vital business-function perspective involving both the customer (business requirements) and the IT organization in the development of SLAs. This ensures that requirements can be easily measured, mapped to the most appropriate, cost-effective level of service, and identifies opportunity areas most in need of continuous improvement.

Implementing ITIL Service Support Function/Processes

- **Major Issue:** Taken from the IT Infrastructure Library (ITIL), the activities of Service Support cover the Service Desk (Help Desk) function, as well as Incident, Problem, Change, Configuration, and

Release Management. IT organizations must assess their ITIL readiness to consider how their current culture, organizational structure, management support, resource availability, funding, and other constraints might inhibit or facilitate the truncation, support, and success of an ITIL implementation project.

- **Major Opportunity:** The Service Support function (Service Desk) and its supporting processes (Incident, Problem, Change, Configuration and Release Management) is a great starting point for IT organizations who are looking for continuous process improvements to be mapped and automated into the right ITIL-certified tools. When implemented correctly, short-term results are possible in improving customers' perception of IT, business impact, cost efficiency, and effectiveness.

Identifying the Total Cost of IT Service Delivery

- **Major Issue:** The requirement to understand the total cost of service delivery including assets, services and human resources, is a relatively new one for IT. As such, CIOs have to quickly establish financial competencies, processes, tools, skills, and accurate data sources, as well as a methodical customer/senior executive review process to provide an accurate picture of current and proposed spending/benefits/value.
- **Major Opportunity:** By running IT more like a business, utilizing accounting practices and financial disciplines, the department will be better positioned to justify further investment based upon business value creation, profitability, growth, and shareholder return.

On-Ramp to Success – Optimize Assets

According to Gartner, *fewer than 25% of companies worldwide have an enterprise lifecycle asset management program that can proactively address risk, minimize costs and improve the operational efficiency of their environment.*¹ This means that at least 75% of organizations today are highly exposed to risk, overspending and not optimizing IT operations'. In many cases, IT has poor financial insight, under-used technology, and maintains costly and unproductive assets. Asset Optimization should be a mandatory practice, whatever the characteristics of the IT organization, and be viewed as a long-term investment and a continuous improvement process for adding significant business value.

¹ Source: Gartner, Inc. "Management Update: Predicts 2005: IT Asset Management Adds Value, Lessens Risk," Francis O'Brien et al, November 2004.

A comprehensive inventory of all of your IT assets — hardware, software, and custom applications — is critical in order to optimize all that IT deploys in supporting the business. As well, pre-deployment knowledge of regulatory and client requirements, vendor license compliance, insurance organization stipulations, and internal audit requirements and standards compliance must be taken into account. It is critical then for IT to:

- Easily, quickly, and accurately identify what IT assets are currently being utilized; what their book value is; and which ones are delivering business value.
- Improve change control procedures to reduce the likelihood of errors, failures, and business disruption.
- Track and manage the IT Asset Lifecycle from procurement to retirement, including forecasting and budgeting what you have deployed versus what you are about to purchase, which is necessary in order to reduce operational costs while maintaining or improving service levels.
- Track and manage patches, software updates, and compliance with software license agreements to mitigate against overpaying, under-using or violating contractual stipulations.

An asset optimization strategy, in which you've catalogued all that you own, enables you to better utilize your existing assets to deliver measurable business value and identify and purchase new assets that will generate positive returns. Furthermore, you can manage the configuration of your hardware and assets and manage changes made to custom applications to increase efficiencies and reduce risk. This reduces overall operating expenses throughout the business and begins to truly brand your IT business? with a consistent, predictive delivery of high-quality, high-value, high-return services, training, and technology. You've now improved your external perception from cost center to indispensable business partner, thought leader, and execution specialist.

Optimize Assets: Issues and Opportunities

Configuration Management

- **Major Issue:** Capturing a “configuration baseline” snapshot of both the structure and details of all IT components at a specific point in time is near-impossible task without a Configuration Management Database (CMDB). To ensure a continually accurate configuration inventory over time, it is also necessary to automate the updates of all Installations, Moves, Adds and Changes (IMACs).

- **Major Opportunity:** Once a complete baseline snapshot is recorded and all ongoing IMACs are automatically updated within the CMDB, running historical audits for compliance and inventory purposes, deployment, redeployment and rebuilding efforts at a later date is effortless and always accurate.

Ensuring Compliance with Software Licenses

- **Major Issue:** The majority of IT organizations have no idea whether they are in compliance with their software license agreements and can't document compliance through the measurement of facts and reports. All software license agreements put the “burden of proof” on the organization. Failure to prove that the number of software licenses purchased match the number of licenses being utilized can result in sizable penalties.
- **Major Opportunity:** IT organizations must know at anytime what software licenses are being utilized on all IT assets. A true-up exercise is an opportunity to not only prove compliance and avoid penalties, but also to identify situations where too many software licenses have been purchased compared to actually being utilized. This situation is quite common because many companies lack retirement/ redeployment practices. IT organizations that purchase more licenses than they actually need pay for the both the one time license cost and reoccurring yearly maintenance fees.

Managing Vendor Contracts

- **Major Issue:** The vendor contract establishes an organization's formal channel for IT asset procurement, usage, maintenance, and disposal. Hard-earned monies and advantages won at the negotiating table are easily forfeited if the pursuant contract is poorly managed. This results in excessive and unseen business costs, unchecked vendor performance and legal liabilities that pose significant risks to the business.
- **Major Opportunity:** Organizations can exponentially reduce IT costs and regain controlling interest of the vendor-customer relationship by implementing strategies and solutions that manage vendor contracts. Such strategic implementations ensure that all assets are appropriately and cost-effectively deployed, maintained, and disposed. Just as important, a level of transparency is created through which outsourcers and service providers can be held accountable to performance levels contractually promised — and delivered.

On-Ramp to Success – Optimize People, Projects and the Overall IT Portfolio

With the drive to increase efficiencies and deliver more business value, the successful execution and management of IT projects is more critical than ever before. But do you know whether your organization has the right balance of IT projects to support business goals and objectives? And are you confident you have the right processes in place to ensure their successful execution? To be successful, you should combine top-down portfolio planning and analysis with bottom-up project, resource, financial and project management. In doing so, you'll provide senior management a real time view into organizational investments, initiatives and resources, and empower managers to deliver controlled and predictable execution of projects and programs. This strategy enables you to better:

- Improve the dialog and collaboration between IT and the business through fact based analysis
- Prioritize, manage and ensure the right mix of IT projects and application portfolios
- Improve the quality and speed of decision making for IT projects?
- Decrease project initiation time, increase project success rates and leverage Project Management Office (PMO) expertise
- Monitor progress, milestones and deliverables of approved projects
- Ensure the correct allocation on IT resources to critical projects and programs without compromising existing service quality
- Provide financial visibility, measure and report IT value and ROI

With formalized portfolio analysis in place, backed by superior project and people management, you can ensure that projects are approved and prioritized based on their business impact, and deliver projects on time and on budget. It will also give you that all-important insight you need to communicate with confidence that IT-enabled projects are meeting business needs and delivering measurable return on investment.

Optimize People, Projects and the Overall IT Portfolio: Issues and Opportunities

Delivering IT Projects with Control and Predictability

- **Major Issue:** No where is the role of tactical execution more critical than in IT, with its unusually large numbers of projects, cross functional delivery and sponsorship arrangements, and its role as a corporate change agent. However, most organizations fail to consistently deliver initiatives on time, on budget and on quality. The challenge for large organizations is to communicate strategy and optimize execution, and then at more than just the individual project level. Without integrated project, resource and time management, individual projects may be successful while more important programs stumble.
- **Major Opportunity:** World-class project execution means delivering projects on time, on budget, and on quality. An integrated solution enables IT organizations, to manage, track, and allocate people, assets, and projects and provides a foundation to achieve world-class performance. Best practices, templates, and methodologies are all designed to decrease project initiation time, increase project success rates, and empower the PMO.

Managing the Overall IT Portfolio

- **Major Issue:** The primary purpose of portfolio management is to provide the means for the CIO to have a fact-based discussion with business customers about where to spend the precious discretionary budget for biggest return, as well as to evaluate all ongoing IT asset and service investments in business terms. The evaluation consists of comparing attributes such as quality, value, and risk. Since portfolios and their IT and business environments are dynamic, CIOs must exhibit discipline in using all available best practice business management tools, processes, and communication plans to regularly review and update their portfolio throughout its lifecycle.
- **Major Opportunity:** Managing a portfolio means managing ROI. CIOs looking for ways to communicate business value can now regularly produce performance-based metrics/reports delivered by IT assets/services.

What Does Ultimate Success Look Like?

This is the chance of a business lifetime, a potential career-maker: The opportunity to seize on a perceived paradox — the imperative to reduce costs while maintaining, (or even increasing) service levels. The chance to completely rebuild your IT organization into a knowledge-based, fully aligned provider of high- quality, agreed-to services that consistently deliver business value through its portfolio of technology purchases, training, and development efforts.

What does success look like? It looks like an IT organization that:

- Significantly impacts the efficiency and cost structure of the company
- Creates process-improvement initiatives based on business need
- Makes investment decisions in concert with business partners and based on business impact
- Effectively manages demand on IT to the satisfaction of its customers
- Instills portfolio-management methods, with complete visibility into the cost and performance of IT assets, services and investments
- Demonstrates quantifiable business impact on key financial reporting measurements (e.g., Income Statement, Balance Sheet, Shareholder Value, Stock Price, Productivity Index, Return On Equity, Revenue per Employee, etc.)
- Has a structured IT governance process that involves business customers in a fact-based decision process for IT investments
- Demonstrates the value of IT in business terms, thereby creating greater respect and credibility across the entire enterprise

Computer Associates' Unique Approach

CIOs are using a variety of approaches to achieve Business Service Optimization. A robust BSO solution set should be flexible and broad enough to accommodate whichever path best suits a company's business objectives and addresses the company's greatest pain points first. Whether you prefer to start by managing the service lifecycle, focusing on optimizing your assets or optimizing your people, projects, and IT portfolio, Computer Associates BSO solutions and services can address your needs.

With CA BSO software and service solutions, you can optimize the performance of processes, services, people, and assets in support of business demands because you would have visibility and insight into:

- What you have
- How you are using it
- Who is using it
- How much business value it is delivering
- How to optimize it or retire it
- Who is working on improving it
- When the next improvement will be delivered

Computer Associates' Business Service Optimization Solutions are the most powerful means available to CIOs for aligning IT with the business, prioritizing new investments, advocating for technology-based innovation, and helping the business understand technology-enabled opportunities. Investing in a Business Service Optimization strategy provides CIOs something heretofore unavailable? a set of processes, tools and best practices needed to operate IT like a business, deliver value, drive controllable earnings growth, and improve productivity.

By bringing these BSO solutions together, organizations can now achieve the kind of operational and financial view of IT that has never been possible before, and optimize the performance of services, people, and assets and processes in support of ever-changing business demands.

To learn more about how CA can help you realize Business Service Optimization while attaining tangible ROI along the way, please call us at 1-866-576-9551 or visit us at ca.com/bso.

About the Authors

Peter McGarahan is the founder and president of McGarahan & Associates. As a practitioner, product manager and support industry analyst and expert, he has influenced the maturity of the service and support industry. His passions for customer service led the Taco Bell support organization to achieve the Help Desk Institute Team Excellence Award. IT Support News also named him one of the "Top 25 Professionals in the Service and Support Industry" in 1999.

Katherine Demacopoulos is a Director of Product Marketing at CA with responsibility for Business Service Optimization strategy and communication. She has been involved in a broad range of strategic initiatives during her tenure at CA, including driving the company's articulation of its on-demand computing and enterprise infrastructure management strategies. Prior to joining CA, she ran NetIQ's product marketing organization, specializing in systems management, VoIP management and network testing.

Peter Waterhouse is a Director of Product Marketing for Business Service Optimization at CA, and leads a team responsible for Enterprise Change Management and Business Process Management marketing and strategy. Peter has extensive experience in many aspects IT management, with specialization in IT Governance, Service Management, and IT best practices. He has held a number of senior consulting and management positions at CA.

