

# De-Mystifying the IT Portfolio

(<http://www.ciupdate.com/insights/article.php/3432721>)

Much has been written on the topic of IT Portfolio Management. Vendors tout their project portfolio tools and talk about, "... eliminating under-performing assets in a portfolio..." by following a "rationalization" process. What does all this mean? The answer to this question is hidden in the fact of understanding all the areas that comprise an IT portfolio and the management disciplines needed to maintain the different areas of the portfolio.

## The Big Picture

Let's start by looking at the two most common terms of 'project portfolio management' and 'asset portfolio management' used by software vendors. The subjects of these terms represent the two sides that make-up the IT portfolio; new investments (projects) and existing investments (assets). Each of these groupings should be considered sub-portfolios making-up the entire IT portfolio. Both of these portfolios are closely connected, are dependent on each other and need to be managed in an integrated fashion.

## Defining the IT Project Portfolio

At the most basic level, the objective of managing an IT project portfolio is performing a business case and return on investment analysis for all proposed projects. Because the focus is on investment and return the project portfolio governs and includes current and requested IT projects intended to improve or grow the business. Similar to investigating the critical information of a company's stock before making a purchase decision, the IT project portfolio process evaluates the critical aspects of a project before making the decision to invest company funds.

The desired result of maintaining a project portfolio is to align the technology investment funds, the IT resources, and the IT project work with organizational business priorities. Each project is scrutinized for the potential return on investment (ROI) it can bring to the organization, how it supports the current priorities of the company, and how much potential risk of failure is inherently associated to the project.

In a simplified view the evaluation process is structured in a manner something like this:

1. ROI is commonly defined in terms of revenue increase, revenue retention, or expense reduction.
2. Alignment to company goals is assessed by knowing if the current company objectives are near-term or strategic in nature, then determining if, and how, the results of the project will support that priority.

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3. Risk is slightly more difficult to define, but is typically assessed in the following three categories of business/organizational risk, technology risk, and external constraints.

An important concept to realize is that once a project is completed and the associated technology is fully implemented it is considered a technology asset and the responsibility of its life cycle governance is transferred to the other side of the IT portfolio, the Asset Portfolio.

## Defining the IT Asset Portfolio

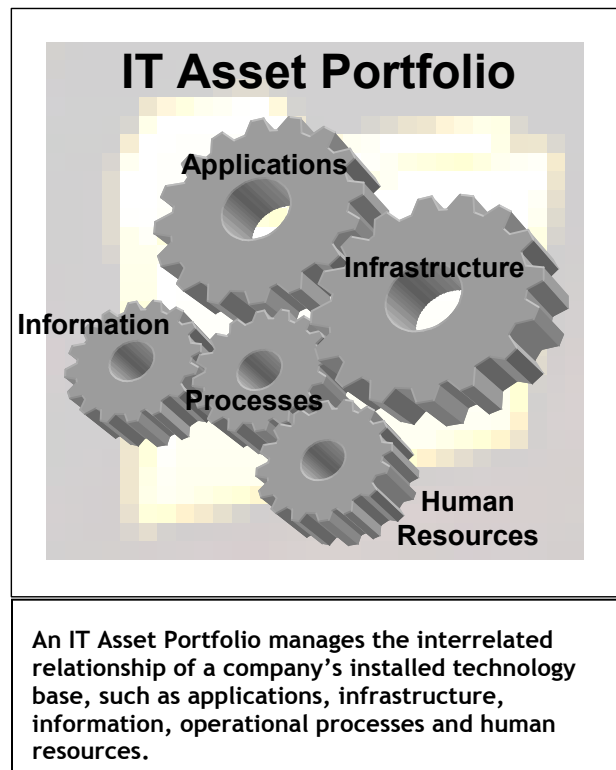
The asset portfolio is comprised of a company's installed technology base, such as software applications, information, infrastructure, IT processes and IT human resources. With IT asset portfolio management a company's technology environment is proactively evaluated, upgraded, replaced or eliminated based on the value that it provides. Let's take a look at each of these asset classifications.

### The Applications Assets

Over time a large company may build or acquire hundreds, if not thousands, of software applications. As a whole, this portfolio of applications is invaluable to the company and its ability to carry out business. More likely than not, the portfolio contains a mix of high, medium, low and negative value applications. By objectively measuring the cost of maintaining an application against the value it provides a company can identify and eliminate the unhealthy assets from their applications portfolio.

### The Infrastructure Assets

Over time, maintaining an infrastructure asset, such as a server, may become prohibitively expensive. Because significant price-to-performance offerings will continue in the areas of storage, workstations and networking, the infrastructure portfolio management process should identify the best points to buy, upgrade, or retire the asset. This is accomplished by monitoring the



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performance of the existing asset against the required capabilities of the enterprise.

## The Information Assets

This class of assets includes the vast amounts of corporate data, product data, customer data, catalog data, process information, and documentation that reside in the systems of the company. Like the other assets of the portfolio, data and information has its own unique lifecycle that needs to be monitored actively managed to maintain the appropriate balance between such characteristics as availability, access, cost of storage and long term archiving.

## The Process Assets

These assets include the methodologies, processes and flows that govern the services that an IT organization provides, such as project prioritization, information security, help desk, technology procurement, software development, etc. With proper supervision an IT organization can proactively upgrade or streamline its processes to improve efficiencies, increase throughput, and maintain a positive relationship with its clients

## The Human Resource Assets

More than just the people that comprise the IT organization, these assets include the skill sets, experience and knowledge of the IT staff. The best run IT departments are those that prepare its staff in concert with the changes that are occurring in other technology areas, such as applications and infrastructure.

## Take Away

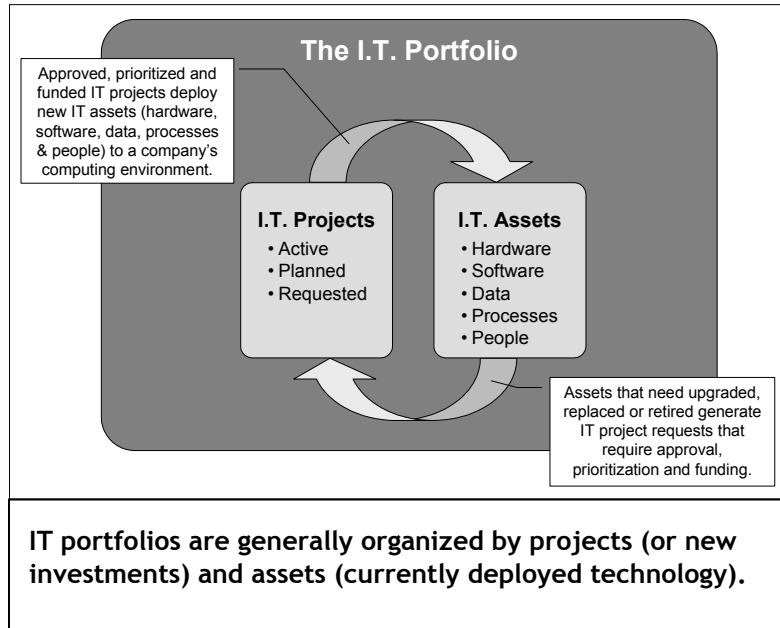
IT Portfolio Management should be a comprehensive approach for organizations to define, manage and invest in technology. Understanding what comprises a technology portfolio can be difficult, because technology comes in many forms, such as software, information, hardware, and methodologies. To complicate matters further, an IT investment may be required whether its for the deployment of a new technology solution, a replacement of old server hardware, the training of staff on a new development language or the retirement of an old system.

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The most straightforward way to understanding and managing all the aspects of a vast IT portfolio is to categorize the portfolio items into two general portfolios; one portfolio focuses on new technology investments in the form of “projects” and the other portfolio focuses on the currently owned technology, data,

processes and staff of a company or the “technology assets”.



Each portfolio class requires a different discipline for proactive management, but the resulting actions of each IT portfolio has an impact on the other. It is through understanding this interdependent relationship of IT components that ensures that the most valued technology is delivered to a company through the projects that implement it.

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