



Mastering IT Portfolio Management

Contents

	Executive summary	4
	Information technology portfolio management (ITPM) aims to effectively allocate IT resources across an enterprise. Its discipline matures through five stages, with each stage taking about 18 months to master.	
Section 1	ITPM benefits increase with maturity	8
	The benefits of ITPM increase with its maturity—from managing performance across an entire portfolio of IT projects and assets, to optimizing performance. The main benefits accrue at the Defined stage (3) and the Optimizing stage (5).	
Section 2	Master the Defined stage	24
	At the Defined stage, IT projects and assets are managed as an enterprisewide portfolio, improving performance across the entire portfolio.	
Section 3	Aim for the Optimizing stage	38
	At the Optimizing stage, the enterprise aims to optimize the performance of its IT project and asset portfolios, rebalancing in anticipation of changing business conditions, not just in response to them.	
Section 4	Sustaining business benefits	52
	Backsliding and bureaucracy are the two dangers facing CIOs trying to sustain the maturity of the enterprise's ITPM. Avoid both with a pragmatic approach to ITPM implementation.	
	Appendices	64
	Further reading	71

Layout/Production: Gartner Corporate Marketing

Entire contents © 2007 Gartner, Inc. and/or its affiliates. All rights reserved. Reproduction of this publication in any form without prior written permission is forbidden. The information contained herein has been obtained from sources believed to be reliable. Gartner disclaims all warranties as to the accuracy, completeness or adequacy of such information. Gartner shall have no liability for errors, omissions or inadequacies in the information contained herein or for interpretations thereof. The reader assumes sole responsibility for the selection of these materials to achieve its intended results. The opinions expressed herein are subject to change without notice.

© 2007 Gartner, Inc.

With 3,500 members worldwide, Gartner Executive Programs is the world's largest membership organization specifically for CIOs.

Designed to enhance senior-executive productivity and professional development, Gartner Executive Programs provides a single source of research expertise, one-to-one counsel and the shared intelligence of thousands of senior IT executives.

Gartner EXP Premier is the ultimate one-stop shop for CIOs of medium-to-large businesses—a comprehensive, definitive resource that provides you with exclusive analysis and reports, preferential access to Gartner research specialists, inspirational roundtables and a variety of networking events.

We know how difficult it is to keep up with technology. Gartner EXP Premier is the CIO's gateway into everything Gartner has to offer. A dedicated relationship manager finds the answers you need and tailors them to your own context.

The convenience of a single source of knowledge, one-to-one counsel, personalized service and the assurance of Gartner objectivity and insight—that's Gartner EXP Premier.

About Gartner

Gartner, Inc. (NYSE: IT) is the world's leading information technology research and advisory company. We deliver the technology-related insight necessary for our clients to make the right decisions, every day. From CIOs and senior IT leaders in corporations and government agencies, to business leaders in high-tech and telecom enterprises and professional services firms, to technology investors, we are the indispensable partner to 60,000 clients in 10,000 distinct organizations. Through the resources of Gartner Research, Gartner Consulting and Gartner Events, we work with every client to research, analyze and interpret the business of IT within the context of their individual role. Founded in 1979, Gartner is headquartered in Stamford, Connecticut, U.S.A., and has 3,800 associates, including 1,200 research analysts and consultants in 75 countries. For more information, e-mail info@gartner.com or visit gartner.com.

Foreword

Information technology portfolio management (ITPM) is a management discipline that CIOs can use to increase and ultimately optimize the return on their IT investments. Despite difficulties of implementation, ITPM is now becoming more widely adopted.

Information technology portfolio management (ITPM) is increasingly recognized as a management discipline to improve returns on IT investments. It is defined as the processes, organization, governance and tools used to plan, create, assess, balance and communicate the execution of the IT project and asset portfolios for achieving strategic goals.

Mastering IT Portfolio Management seeks to address the question, *How can CIOs successfully apply ITPM to create greater returns on their IT investments?*

This report was written by the Gartner EXP research team, led by Andy Rowsell-Jones (vice president and research director) and Chuck Tucker (vice president and research director).

We would like to thank the many organizations and individuals that generously contributed their insights and experiences, including:

- Our case-study interviewees: Mikhail Kolenkin, Alfa-Bank (Russia); FinanceCo (anonymous); Graeme Finlayson, Gold Coast City Council; GovAgency (anonymous); Michael Dines, OneSteel (Australia); PharmaCo (anonymous); Kathleen Paul, Port of Portland (United States); Neil Thelander and Warren Fraser, Queensland University of Technology (Australia); and Hervé Lauer, Renault Trucks (France).
- Other Gartner EXP research team members: Dave Aron, Richard Hunter, Mark McDonald, Patrick Meehan, Tina Nunno and adjunct researcher Barbara McNurlin.
- Other Gartner colleagues: Bob Akerley, Audrey Apfel, Linda Bastoni, Steve Bittinger, Anne Lapkin, Bart Mellink and Steve Weber.

How does ITPM relate to the March 2006 Gartner EXP Premier report *Taking Your PMO to the Next Stage?*

ITPM is the set of processes an enterprise uses to design the optimal mix of resources, risk and investments to achieve desired outcomes. This report complements the March 2006 Gartner EXP Premier report, which described the work of portfolio management offices (PMOs), the various processes they use and how they overcome challenges.

Executive summary

Information technology portfolio management (ITPM) provides significant business benefits. It helps enterprises overcome the communication disconnect between the business and IT by putting a value on IT and better aligning it with the business. To achieve these benefits, though, CIOs need to systematically increase the maturity of ITPM in their enterprise.

“IT portfolio management is not rocket science; it’s just good management discipline.”

— Hervé Lauer, CIO, Renault Trucks

ITPM benefits increase with maturity

Most CIOs face demand for projects that far outstrips their ability to deliver. Moreover, some of these projects duplicate systems already being used elsewhere in the enterprise; most enterprises are cluttered with IT assets, and some date back decades. The question is, *How many CIOs know what IT projects and assets they have enterprisewide and have brought order to this clutter?* Those who have are using information technology portfolio management (ITPM).

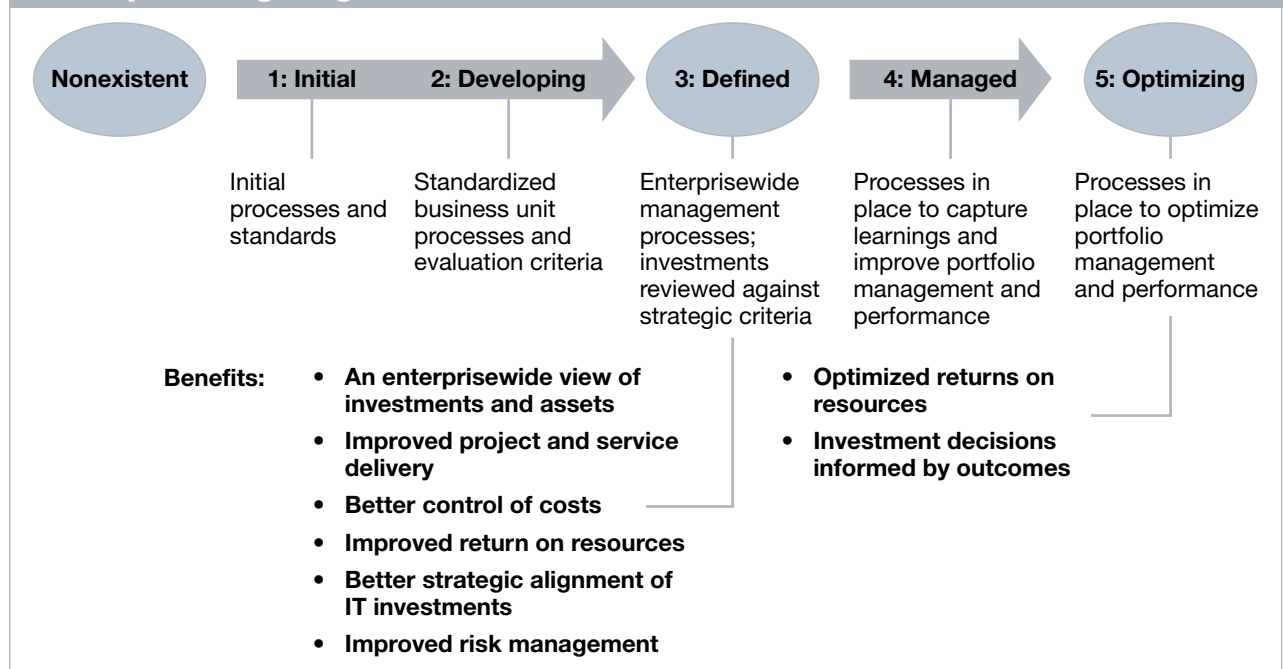
ITPM allows an enterprise to track and manage all facets of an IT investment—not just for development and post-evaluation, but also for the IT

resources used throughout the investment’s life cycle. ITPM also includes the processes, governance and tools to gain order for IT projects and assets enterprisewide. In essence, that’s the goal, and the enterprises represented in this report are making progress toward that goal.

ITPM effectively matures through five stages: Initial, Developing, Defined, Managed and Optimizing. Most IT organizations are between stages zero (nonexistent) and 3 (Defined). Mastering each stage takes about 18 months.

The benefits of ITPM increase as its use matures, but the major business benefits are realized mainly during the Defined stage (3) and the Optimizing stage (5).

ITPM matures through five stages, with major benefits at the Defined and Optimizing stages



Master the Defined stage

At the Defined stage, the enterprise gains visibility of its entire portfolio of IT projects or IT assets, probably for the first time. This visibility allows the business and the IT organization to manage the portfolio as a single unit. They can finally see needless duplication of IT projects or assets across business units. They can see systems in one business unit that would be useful to other business units. And they can spot opportunities for collaboration on systems across the enterprise. Visibility of the portfolio is the lever for reaping these benefits of the Defined stage—and the stepping stone for higher maturity.

Reaching this stage requires the right people in the right roles. For portfolio management to be effective, the portfolio management office (PMO) needs to play three roles: relationship manager, investment manager and program manager.

Mastering this stage also relies on standard processes for documenting assets, making a new project proposal, evaluating proposals, approving proposals and evaluating the usefulness of an existing IT asset.

Aim for the Optimizing stage

The compelling benefit of the Optimizing stage is having an IT project or asset portfolio that provides the best possible return, given the business conditions.

Mastering this stage requires a mind-set change: Projects don't end when the system is delivered; they end when the benefits are harvested. IT governance requires benefits to be stated in the business case and then makes sure they are

realized. This stage also brings sufficient transparency and accountability, encouraging management to increase strategic investments. The project and asset portfolios are actively managed in anticipation of changing business conditions.

The Optimizing stage needs four new roles: an enforcer to harvest benefits, an accountable business sponsor to achieve the benefits, a learning manager to assess project outcomes and a strategic planner to help the enterprise anticipate future business needs and balance the IT portfolio accordingly.

Sustaining business benefits

Two dangers that face CIOs in maturing the enterprise's ITPM are backsliding and bureaucracy. ITPM also can become an exercise in paper shuffling if not managed. The evolutionary nature of ITPM helps minimize these dangers. As each stage matures, practices and common processes in the prior stage are replaced or enhanced, giving the organization a chance to digest ITPM a bit at a time.

Tools help increase maturity, too. The majority of CIOs in this study began by using Excel before moving to more specialized ITPM tools that yield greater insights.

But common sense works best of all. Don't try to implement everything all at once. Use judgment to implement just enough ITPM to optimize the performance of the IT portfolio performance of your enterprise and the processes used to manage it. And finally, don't be afraid to backtrack if you get it wrong.

Report toolkit—A reference to selected tools in this report

Figures

ITPM matures through five stages with major benefits at Defined and Optimizing

ITPM enables enterprises to make more effective IT resource allocation decisions

IT portfolio management maturity model

The Defined stage offers delivery, cost, returns, business alignment and risk benefits

The Optimizing stage offers additional learnings and returns benefits

Less mature mechanisms are replaced as ITPM matures

Case studies

Renault Trucks—Increasing IT spend on strategic priorities using IT portfolio management

Port of Portland—Portfolio management plays a role in changing the corporate culture

GovAgency (anonymous)—Creating more value by linking ITPM and enterprise architecture

PharmaCo (anonymous)—Leveraging IT portfolio management to deliver business value

Alfa-Bank—IT portfolio management has greatly improved IT-business relationships

Gold Coast City Council—Successfully selling the benefits of IT portfolio management

Queensland University of Technology—Creating a neutral portfolio management process in a political environment

OneSteel—Optimizing IT portfolio management with benefits realization

FinanceCo (anonymous)—Fixing the “wobbly wheels” of portfolio management

Tools

IT portfolio manager job description

Template for building the case for the Defined stage of ITPM

Sample IT decision committee charter

List of standard ITPM processes

Template for building the case for the Optimizing stage of ITPM