KEEPING PACE WITH THE BUSINESS TRANSFORMATION AGENDA

Accelerating IT delivery with integrated IT portfolio management

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"We're still delivering projects that don't deliver 'value' to the business—and squandering all of our resources in the process."

"We can't articulate the value of investments in meaningful KPIs to vet them against each other. The result? Redundant and sometimes useless deliverables to business."

"Business won't work with us to prioritize investments and road maps. It's still a lot of guess work."

"Waste is still a big part of our IT budget. But 'what part?' is the question."

Business and IT: still at odds?

Do those laments sound familiar? It may be hard to imagine but these "old" laments are from IT leaders living in the digital age. Old wine in new bottles? Maybe, but in the context of today's business world, the "new bottles" are a whole new mode of delivery for IT solutions.

Business still expects IT to deliver on key initiatives to support core business strategies—initiatives such as integration of company acquisitions, globalization of operations, transformation of business models and compliance with regulations. On top of that, digitization has added a new dimension and stepped up the pace of change. Business still demands high-quality, low-cost IT services at a minimum level of risk. Meanwhile, digitization challenges IT with new technologies to understand, new business channels to figure into the architecture, and new security threats to ward off.

The failure of IT to meet business expectations doesn't have one single cause but rather several that need to be addressed—that is, if IT is going to help business win in the digital age.

"The business imperatives that Forrester groups together under the age of the customer—customer experience, greater focus on data for business insights, mobility, and digitizing products and business operating models—are lapping at the thresholds of EA programs. These imperatives are increasing demand for architecture services, driving greater maturity in EA practices, becoming more data driven, and changing the EA team's whole approach to EA. What these imperatives are not doing is lessening the importance of EA, and, unfortunately, they're not translating into more resources.

"The State of EA 2015: Some Transformation, But Too Much Business-As-Usual," Forrester Research, Inc., Alex Cullen, February 19, 2015

First of all, management of the relationship between business and IT commonly lacks consistency and process. Communication fails as business management doesn't adequately communicate its strategies and priorities and doesn't understand where IT strategy has originated. Often business and IT don't even have a common terminology for and view of IT support. Failure to use the business architecture—business capabilities, business processes, business and operating models—sustains the chasm between the business and IT sides of the house. Road mapping to synchronize business and IT activities to fulfill IT-enabled business strategies is still a concept that confounds many enterprise architects and IT planners—in fact, it is still one of the most popular topics for analyst webinars today.

Another problem is within IT itself: the lack of transparency of the IT landscape and how it supports business—which processes, capabilities, locations and organizations are supported by which parts of IT. This leads to a "don't-change-a-working-system" attitude causing:

- A lack of flexibility in IT to meet business demands
- Bloating application and technology portfolios and their associated costs
- Project failures due to conflicts and impacts not seen during planning

The same lack of transparency means IT cannot provide the business with clear KPIs on the costs of and risks to IT services, which frustrates business leaders and leaves them to decide on instinct, not on fact.

Lastly, few organizations have integrated IT planning processes that ensure business and IT communicate regularly, clearly and with responsibility. These processes also provide transparency for stakeholders on strategy, demand status, project status and investment decisions. They ensure road maps as well as information on the application landscape and IT infrastructure are always up-to-date so business and IT are synchronized and informed for better decision-making. The importance of integrated IT planning processes should not be underestimated; these processes are crucial for strategic advancement of the business.

These insufficiencies aren't surprising to IT organizations. Most understand what needs to be done. The problem often lies in finding and establishing a holistic, methodological approach for managing business and IT transformation. In the face of still-constrained resources, IT organizations will need to work smartly and follow proven best practices.

Three practices enabling transformation

Enterprise Architecture (EA), IT planning and portfolio management—these three practices should be in any IT organization serious about change. And they should be highly integrated for maximum effectiveness. Together they provide a set of core capabilities to proactively drive smart investment and sustainably manage and ensure IT's contribution to the business value:

- Well-founded and sustainable decisions on IT transformation due to accurate, current and complete information on the IT landscape
- IT structures aligned with business objectives and processes to ensure that IT transformation goes hand-in-hand with business transformation
- Streamlined IT portfolios that increase IT's agility in implementing business initiatives faster, thus improving time-to-market for new business products
- Lowered project, application and data risk to safeguard IT project investment, ensure business continuity, and increase compliance with regulatory requirements
- Improved IT governance across federated environments through definition and enforcement of standard EA processes and components for projects

Spanning these three practices, Software AG has identified what every business and IT transformation program needs:

- Business strategic planning
- Business-IT relationship management
- IT planning
- Enterprise Architecture Management (EAM)
- IT financial management
- IT risk management

Let's look at these six capabilities to see how they ensure effective business and IT transformation.

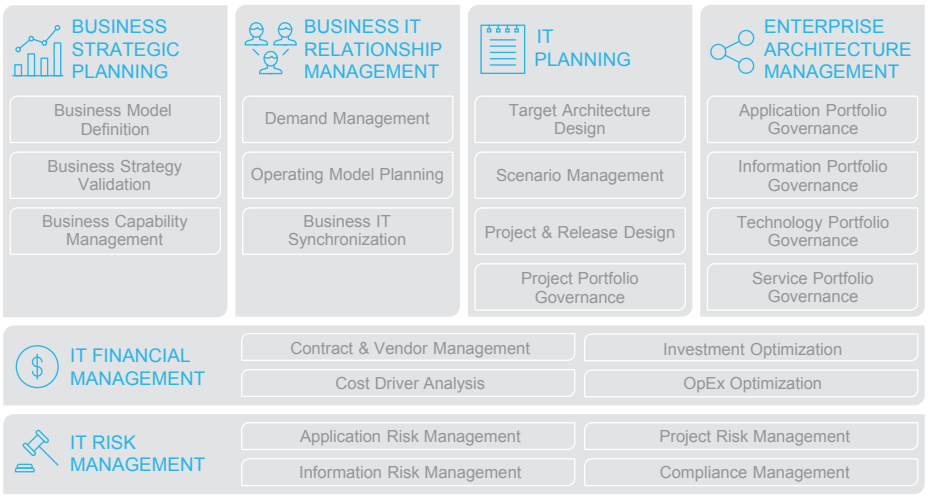


Figure 1: From Software AG: Capabilities needed for effective business and IT transformation

1. Business strategic planning

Collaborative planning of business strategy is essential if IT is to proactively advise the business on digital business issues and deliver solutions faster. There must be a mutual understanding of the business model, business strategy and the business capabilities needed for achieving strategy. Since IT is called on to support the various dimensions of the enterprise's business model—its market products, sales channels, customer segments, markets and brands, for example—being able to capture this and relate it to various IT portfolios enables planning that's better aligned to the needs of individual business operational units.

Business strategy validation provides a framework for systematically deriving IT initiatives from business strategies. It is used to define business strategy down to a level that can be translated into specific changes to the architecture and, thus, ensure business validity of EA actions.

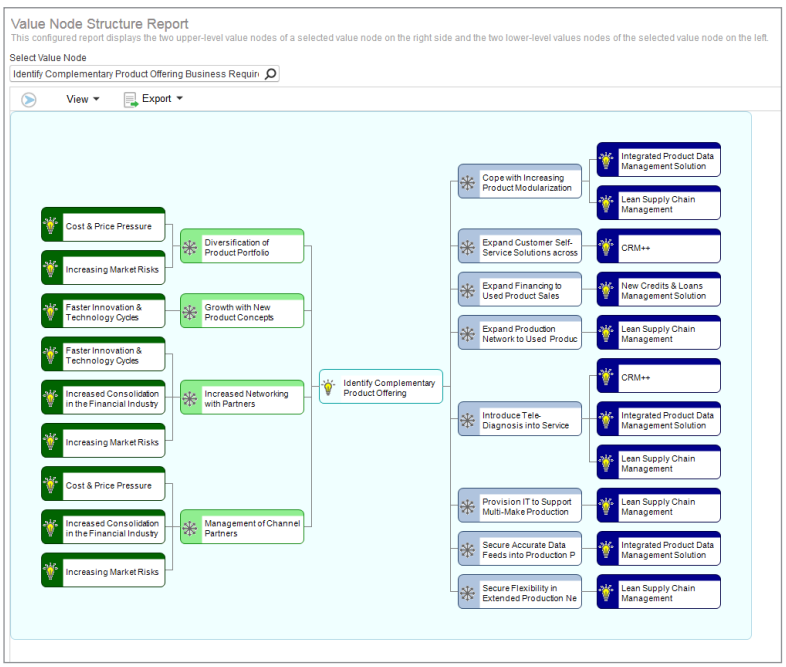


Figure 2: This strategy grid shows how EA requirements can be derived from business strategy. This particular view pivots on the business requirement "Identify Complementary Product Offering", with its related business drivers (left), external trends (far left), architecture requirements (right) and initiatives (far right).*

** All of the screenshots in this white paper are from Software AG's Alfabet product for enterprise architecture, IT planning and portfolio management.*

Underlining this is business capability management that provides the common semantics needed for business-IT communication. A business capability map provides a stable platform for mapping IT support to business needs. Using the map, business can evaluate current IT support for each capability and strategize on which type of support is appropriate, e.g., is the priority low cost or high agility? Such evaluations and strategizing lead to a heat map to focus IT activity.

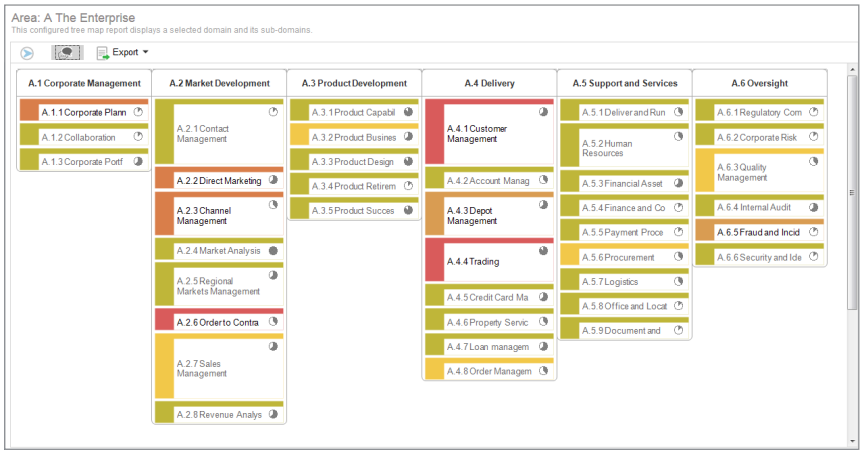


Figure 3: This business capability map depicts the company's capabilities according to mission-criticality (color), IT cost (size) and performance (icon).

2. Business-IT relationship management

BUSINESS IT RELATIONSHIP MANAGEMENT

Demand Management

Operating Model Planning

Business IT Synchronization

Business-IT relationship management promotes communication between business and IT, helping to manage business expectations on IT service delivery. Crucial to this is demand management to ensure that any business demand for IT services is documented and transparent by providing stakeholders up-to-date information on demand status and their responsibilities in fulfilling demand. Demand approval processes are critical to good governance of investment decisions.

Operating model planning is the business foundation for enterprise transformation. It is used to describe, evaluate and plan the company's business operating model and relate it to the IT architecture for planning the necessary changes to the enterprise landscape.

Synchronization of business and IT transformation activity is facilitated with IT road mapping that provides transparency of IT plans and activities from multiple dimensions—for example, IT support road maps for processes, organizations and capabilities. These road maps support impact analysis and plan changes while strategic road maps—or "master plans"—act as scenarios for discussing the IT strategy and, once chosen, for ensuring compliance of tactical road maps to business strategy. The master plan is very suitable for planning roll-outs of applications along organizational or business structures and to communicate such plans.

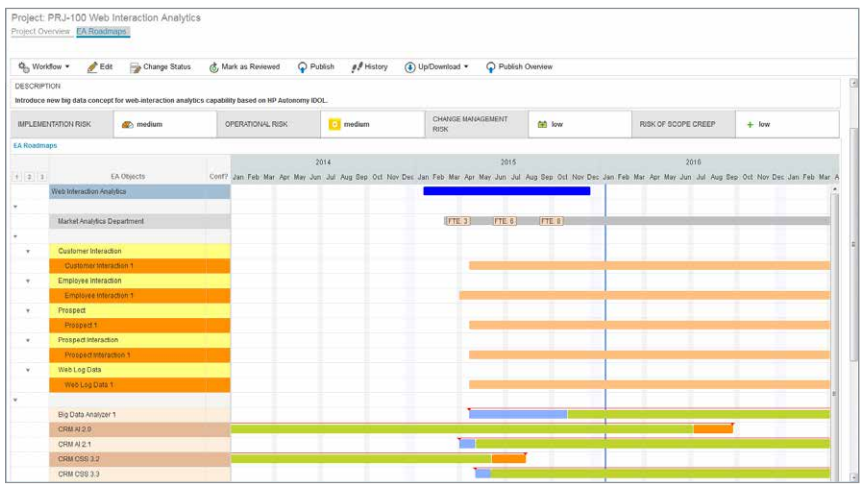
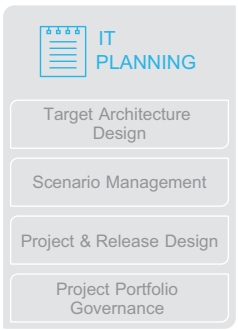


Figure 4: Here we see road maps for various areas of business and IT for synchronization purposes: business change road map, information capability road map, application road map, and technology road map.

3. IT planning

IT planning merges the demand from business relationship management with the understanding of strengths and weaknesses in the IT landscape from EAM to produce an approved set of projects and road maps or IT plans. To achieve results, IT planning has to be collaborative and process-oriented to coordinate the disparate stakeholders and ensure quality stage gates are defined and adhered to.



An indispensable stage in IT planning is target architecture design. This is the thorough analysis of business demand to understand its impact on the as-is architecture and the company and to design the target IT support to fulfill that demand along with corresponding migration plans. Scenario management ensures the optimal IT solution for attaining the target architecture is selected in a transparent process following governance guidelines. This enables companies to compare alternatives for implementing the target architecture, e.g., different vendor solutions and make or buy decisions. It involves comparing business plans, involved changes to the IT landscape, skill requirements and timelines to select the optimal solution in a way transparent for all stakeholders.

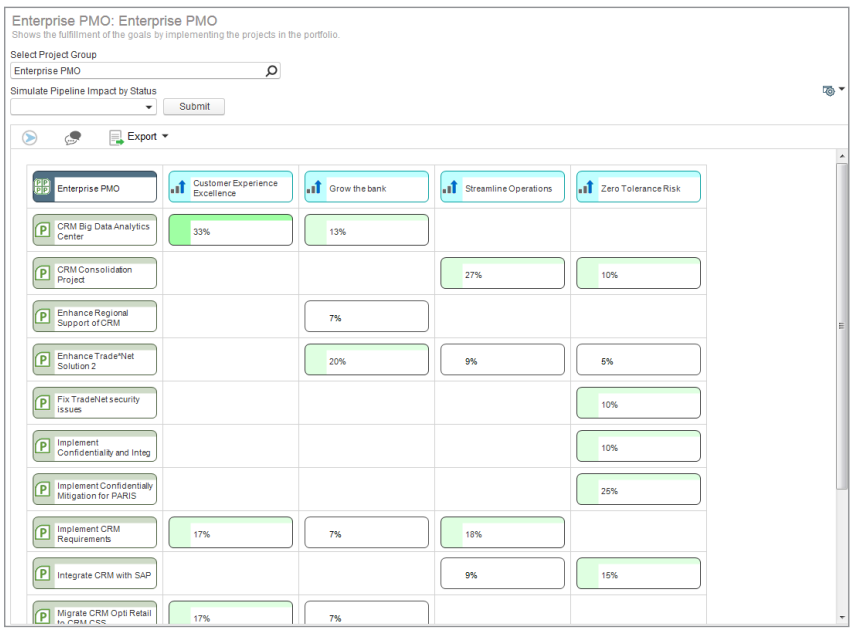


Figure 5: Enterprise portfolio managers use reports such as these to understand the contribution various projects make to the company's business drivers.

To create a sound basis for the road maps, project and release management breaks down the delivery of IT support into packages that form part of programs, projects and productive releases. By doing this at an early stage, possible project and release conflicts are avoided.

Finally, a project portfolio management process supports the selection of the optimal portfolio of projects to be executed considering the available budget. This is facilitated by defining portfolios, budgets and critical KPIs for assessing the alignment of projects to business and technology strategy. Once approved, the portfolio is then used to monitor project implementation.

4. EAM

EAM provides the IT organization with the tools for assessing and improving the performance of the IT landscape in terms of support for business, costs, risks, agility and future viability. EAM supports impact analysis for any planned changes and enforces technology strategy by creating and monitoring architecture principles and standards. It also ensures IT and business management understand how the IT landscape is performing. As running applications usually constitutes the lion's share of IT spending, application portfolio governance is crucial to containing costs while ensuring IT support to business is not impacted. Information on the organization's application landscape needs to be captured and maintained, including how the application supports business. Furthermore, to understand the strengths and weaknesses of the application landscape, KPIs such as cost, failure rates and risk are captured to provide the business intelligence needed to optimize the application portfolio.

Similarly, large and uncontrolled technology portfolios cause complexity and increased costs for maintaining know-how and the help desk. Technology portfolio governance overcomes this by providing a catalog of technologies in use or planned to be used and which communicates technology standards. Processes ensure standards are adhered to and new technologies are evaluated properly before productive use. Technology portfolio governance also reduces the number of technology combinations to be supported, thereby lowering risks and costs.

Finally, information portfolio governance enables organizations to understand who owns and uses data and where this data is being processed. This provides valuable input into possible application or database consolidation scenarios.

Furthermore, information portfolio governance supports compliance with data protection regulations by providing a framework for classification of information and by defining clear business responsibility for information.

In a portfolio management concept, the service product portfolio can be optimized for greater performance, standardization and simplification, leading to higher agility in delivering on business demand. Additionally, users can analyze the impact of changes to application and technology portfolios on IT services in terms of availability and SLA conformity. They can better understand who consumes and who sponsors IT services. Further, users can coordinate the analysis and planning of changes to IT services with the projects delivering on those changes.

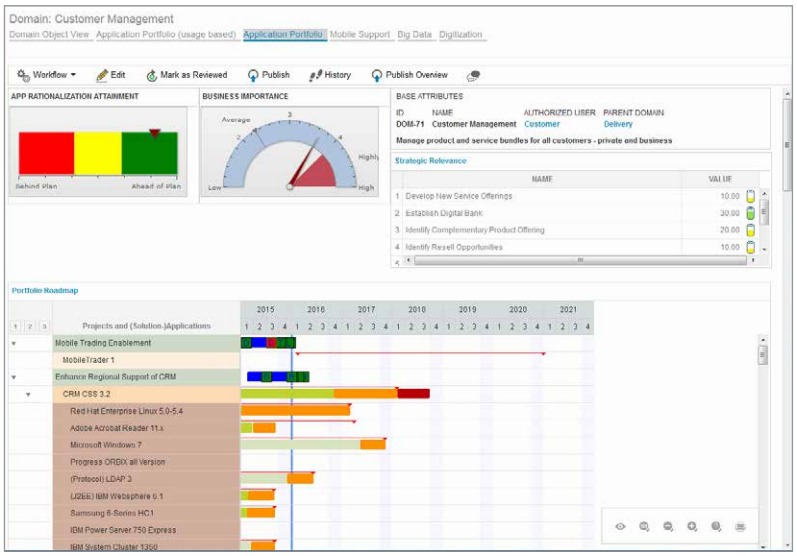


Figure 6: This cockpit for an application portfolio manager shows the top level portfolio information at a glance with the possibility to drill down into any of the individual reports.

5. IT financial management

IT FINANCIAL MANAGEMENT

- Contract & Vendor Management
- Investment Optimization
- Cost Driver Analysis
- OpEx Optimization

Business demands cost transparency in IT to be able to judge the business value of IT investments and make decisions on cost optimization. IT financial management provides the business with the desired transparency and the tools for optimizing IT spending. Also stage gates in the integrated planning processes ensure that financial governance is adhered to.

Cost-driver analysis takes into account the financial data available and maps it onto applications. This not only provides insight into which applications are driving costs, but also delivers abstraction of the financial data to process and capability levels; that is, it provides cost-driver information for business operations. This intelligence is crucial for making financially sound business decisions. Most importantly, the results yielded by cost-driver analysis represent a useful basis for improving the business support quality while optimizing IT spending.

OpEx optimization identifies the areas of the application landscape that are driving costs and makes them transparent. Analytics support comparison to business priorities, enabling alignment of costs to business needs. This is a starting point for consolidation of applications to reduce costs and for squeezing requirement budgets. Further, the OpEx optimization activity enables SLAs to be investigated to see if they are well-aligned with the business priorities providing input for cost optimization.

An essential prerequisite for knowing where to cut costs and what impacts this will have on the business is to have detailed knowledge on current and future business priorities and investment expenditure. CapEx optimization provides a methodology for inventorying and analyzing current and planned projects to investigate whether they are serving any business purpose, thus optimizing the project portfolio to give the best value for money. By removing low-value projects, CapEx can be reduced or optimized to provide better business support that reduces costs and brings sustainable value to the business.

6. IT risk management

IT as a main pillar of every large business must be protected against possible risks to ensure smooth business operations and to avoid IT security incidents. The IT risk management capabilities in business and IT transformation management provide the necessary process support to integrate information and people for effective risk management of applications, data and projects.

The application risk, data risk and project risk management activities enable the definition of the IT scope for risk and compliance projects—the components, applications, processes supported and data objects, for example—to be assessed for risk and compliance purposes. Additionally, Key Risk Indicators (KRIs) can be defined and evaluated for any object in the IT scope and abstracted and aggregated to provide KRIs for the IT support for capabilities, processes and organizations. Using workflows and assignments the risk and compliance assessments can be managed and automated to reduce costs and efforts as well as to improve the quality of these assessments and to also make assessments repeatable.

Once the risks are identified and assessed, mitigation projects can be initiated and monitored to lower the risk's probability and damage potential and, thus, reduce the overall threat to the organization.

In addition to this, compliance controls can be defined and monitored to regularly check and ensure that all tasks related to risk mitigation are performed according to plan.

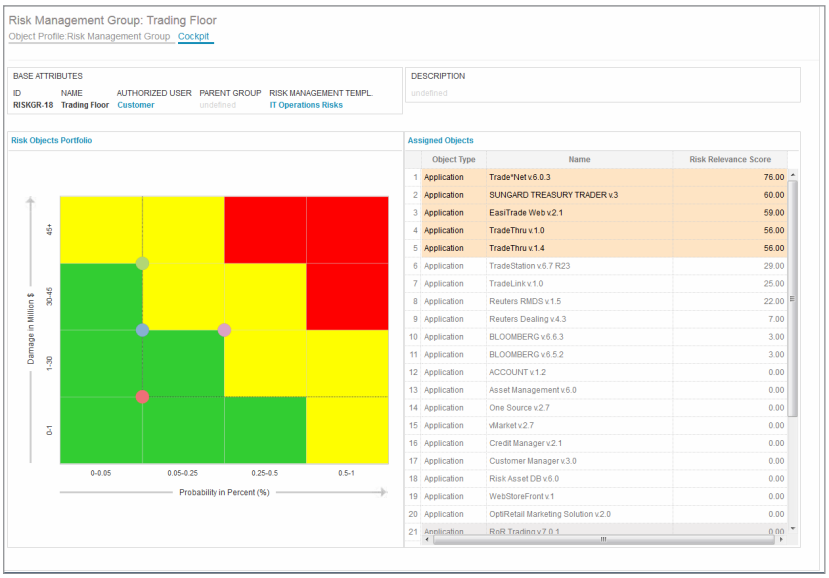


Figure 7: Risk exposure for risk relevant objects is analyzed in a portfolio charting damage potential vis-á-vis probability of occurrence. Objects in the risk management group are assessed for their risk relevance.

Making transformation a reality

Here's how each capability brings together people and information to ensure that set goals set are successfully achieved.

Business strategic planning:
- Business and IT goal alignment
- Identification of critical capabilities for IT investment
- Comprehensive coverage of business areas

Business-IT relationship management:
- Agreement on IT vs. non-IT business support
- Prioritized demands
- Business value of IT is ensured

EAM:
- Understanding IT performance
- Reduced IT costs
- Increased IT agility

IT planning:
- Aligned investment portfolio
- Reduced project risk
- Reduced project costs
- Increase in the effectiveness of IT project investments

IT financial management:
- Understanding IT financial performance
- Optimized IT spending

IT risk management:
- Understanding IT risk
- Reduced effort for risk/ compliance assessments
- Reduced IT risk and achieved IT compliance

Make your business and IT transformation with Alfabet

Alfabet is a collaborative IT planning and portfolio management platform for business and IT transformation. The platform helps manage a broad range of stakeholders with a set of integrated processes, defining clear responsibilities and guaranteeing good collaboration. This is important considering the large number of stakeholders involved and translates into good IT governance, alignment to strategy and IT agility.

Alfabet is a leading enterprise platform that meets the challenge of supporting effective business and IT transformation. Recognized by industry analysts and proven in practice at leading companies around the globe, Alfabet is the foundation for transformation to the digital business age.

See how Alfabet can align your IT and business operations—and accelerate your transformation into a Digital Enterprise. Talk to your Software AG representative and visit www.softwareag.com/alfabet for more details.

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