Managing IT portfolio costs

Aligning strategic technology priorities with business objectives is critical. And optimizing the entire IT investment portfolio—including operational and support work—is just as important. Doing so will allow IT to:

• Ensure all technology spend is aligned with business needs
• Optimize the funds available for strategic purposes

To achieve this, organizations must progress through five levels of IT portfolio management fitness.

Fitness Level 1: IT-driven execution

Level 1 organizations demonstrate some evolution of how IT functions are run. Leadership has gained visibility into work being done and money being spent. They’ve defined work as operational, support, or project, and understand the difference between strategic projects and local IT initiatives. Visibility into what has happened and what is happening doesn’t drive a change in IT operations, but does provide the foundation upon which further maturity is built.

Level 1 maturity organizations commonly demonstrate:

• A reactive perspective on what’s happening within their IT organization
• A lack of clarity on how and where money is being spent
• Misalignment between spend areas and priority areas of the business
• IT-driven prioritization rather than alignment with business needs

Fitness level 2: Identify IT and business demands

At level 2, IT departments start to become proactive, focusing on how work comes to them and seeking a single centralized demand channel for all work requests. That channel is the single source of truth—from large strategic projects to small support requests—and it considers ongoing operational resource demands. The centralized view illustrates mandatory and discretionary spends and is the first step in making more intelligent budget allocation decisions across the IT portfolio.

Level 2 maturity organizations commonly experience:

• Frustration and bottlenecks as the centralized intake process highlights the volume of IT requests
• Resource competition and attempts to bypass the process
• The ability to identify and approve or reject discretionary spend requests
• Business and IT awareness of the balance between IT resource supply and demand

SpiceWorks’ State of IT report forecasts that in 2020 more than a third of IT budgets will be spent on hosted or managed services. That means two thirds of budgets are still managed directly.

The 2019 Gartner CIO Agenda survey found that IT budgets will have grown 2.9%—a healthy amount, but not enough to optimize performance without total insight into where those funds are going.


**Fitness level 3: Prioritize on objectives**

At level 3, IT understands the business outcomes that result from every piece of work. IT departments manage their resources—both people and money—to ensure they’re optimally aligned with business needs. This requires an intake process that’s tied into business needs and recognizes that sometimes the best approach is to do nothing, because resources can achieve better returns elsewhere.

Level 3 organizations typically:
- Prioritize work at intake based on business needs and objectives
- Reject or delay any and all work that does not have a clear business purpose
- Establish business-focused criteria before work requests will even be accepted
- Begin to generate a better business return on IT money and resource investments

**Fitness level 4: Proactively adjusting IT portfolios**

Level 4 organizations recognize the value of aligning their work with business needs and continuously review operations to retain that alignment as priorities evolve. This requires a governance function managed by IT executives that considers daily business need and adjusts IT operations to support it. This shifts operational models, fueling the adoption of service-based models and outsourcing aspects of IT management.

Level 4 maturity organizations regularly demonstrate:
- Active and proactive governance of IT by senior executives to ensure all aspects of IT operations are always aligned with evolving business needs
- Frequent adjustments to the work being carried out in IT to maintain business alignment—encompassing operations and support as well as project work
- Continuous evolution of IT resource skills profiles through proactive training and development and forward-looking hiring practices

IT success is business success. In the CIO.com article 9 Key Metrics for IT Success, the time required to deliver defined business goals is emphasized, noting that “for IT to be true business enablers, the amount of time to deliver defined business goals metric can be key to the organization’s success or failure.”

In a 2018 CapGemini study, 35% of organizations thought they had the leadership capabilities to deliver a successful digital transformation—notably lower than the 45% who thought so in 2012 and suggesting IT organizations aren’t maturing fast enough.
Fitness level 5: Aligned IT and business outcomes

At level 5, IT becomes a fully integrated part of how the business operates, evolving to a thought leadership and subject matter expert function. Every element of how the business operates is optimized through technology. The CIO is a core part of business management. Technology management needs are a part of every business process.

Level 5 maturity organizations:

- Eliminate standalone IT, integrating technology management into the business
- Embrace cultural, leadership, and innovative revolution to better support customers and stakeholders through digital products, services, and business practices
- Use emerging technologies to continuously innovate while supporting existing products, services, and operations in the most effective and efficient way
- Manage their technology as a single integrated environment that continuously evolves and adapts to changing circumstances

The journey to fitness

To achieve optimal fitness, a fundamental shift in mindset is required. IT must:

- View itself as a driver of business success, not a manager of IT investments
- Recognize it can achieve more through thought leadership than through execution

This can be a lengthy adjustment for IT leaders as they must evolve into real partners, contributing to the identification and delivery of what is really needed and assuring the integration of technology into every element of how business gets done.

Wherever you are in your IT fitness journey, ServiceNow has a solution to support your IT organization.

Start by exploring IT Business Management to discover how business works better when IT is a strategic partner.

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