IT Portfolio Management
Week 6
Initiate Project Justification Process

- Understand project goals in the context of business objectives

- Gather input
  - Collect and organize ideas
  - Consider alternative solutions

- Create project business case
  - Value to business
  - Cost
  - Risks
  - Financial analysis
    - Return on investment
    - Payback period
    - Cash flow profile

- Output
  - Project proposal ready for consideration by decision makers (Governance)
What Makes a Good Business Case?

Executive Summary

Objectives
Scope
Deliverables
Value  Cost  Risk
Assumptions

SUPPORTING DETAILS
Hierarchy of Business Value Measures

Impact Sought
- Revenue growth
- Return on assets
- Revenue per employee

- Time to bring a new product to market
- Sales from new products
- Product or service quality

- Fewer handoffs
- Ability to cross-sell
- Supplier integration

Sample Value Measure
- Business financial values
- Business operational values
- Business process values
- IT application business value
- IT infrastructure business value

Value Delivery Responsibilities

Source: The New CIO Leader, Broadbent and Kitzis
Using COBIT 5 - APO05, Manage Portfolio

1. Establishing the target mix
2. Determining funding
3. Evaluating & selecting programs
4. Monitoring investment performance
5. Maintaining portfolios
6. Managing the achievement of benefits
MDCM, Inc. Case

What were MDCM’s business objectives?

1. Consolidate where possible
2. Increase overall scale efficiencies
3. Single global company
4. Focus on core competencies
5. Mend customer relationships
What might be MDCM’s IT objectives?

• Consolidate to capture scale efficiencies
  – Develop enterprise architecture
  – Unify technical standards
  – Standardize platforms
  – Combine IT facilities
  – Pool IT resources and capabilities

• Become one global company
  – Manage IT portfolio across the entire company
  – Integrate communication and data networks
  – Improve communication and collaborative tools

• Focus on core competencies
  – Outsource nonstrategic IT services

• Improve customer relationships
  – Develop applications for customer relationship management
MDCM, Inc. Case

What were the proposed IT projects?

1. Unify Methodology & Technical Standards
2. Consolidate Data Centers
3. Outsource Non-Strategic IT
4. Standardize Hardware
5. Implement ERP
6. Create Employee Portal
7. Manage Supply Chain
8. Streamline Design Systems
9. Improve Collaboration Systems
10. CRM/Data Warehouse
11. E-Procurement
12. Customer Self-Service Portal
MDCM, Inc. Case

What model would you use to determine balance?

- Informational
- Strategic
- Transactional
- Infrastructure
## MDMC Inc. Case

### How would you rank the projects?

<table>
<thead>
<tr>
<th>Project</th>
<th>BO1 (2X)</th>
<th>BO2 (1.5X)</th>
<th>BO3 (1X)</th>
<th>BO4 (1X)</th>
<th>BO5 (.5X)</th>
<th>Business Value</th>
<th>Ability to Succeed</th>
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<tbody>
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<td>Unify Methodology &amp; Technical Standards</td>
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</table>
MDCM, Inc. Case
Balancing Value and Ability to Succeed

Value

Ability to Succeed

0

30

50

100
MDMC Inc. Case

How would you schedule the projects?

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
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Implement

Implement with caution due to risk

Review for feasibility