White Paper:
Effective Cost and Resource Management of IT

A primary goal of IT Service Management is to enable IT to position itself as a strategic partner to the business. A primary means to accomplish this goal is to ensure IT aligns to business objectives. This alignment can be realized through establishment of an IT Strategy and Steering Group (ISG). The ISG provides leadership across IT, Lines of Business (LOBs), Finance, and the Project Management Office (PMO) to jointly make, sponsor and enforce the right IT investment decisions. ISG governance responsibility includes the specification and management of decision rights, decision making procedures, and responsibilities required to ensure that IT assets are used appropriately to further the goals of the enterprise.

To be effective, an ISG requires clear definition of accountabilities, responsibilities, and reporting lines of authority. The key participants involved with a successful ISG operation are:

- CIO
- CIO’s direct reports
- PMO
- Process Owners
- Key executive LOB IT Service stakeholders

Senior IT management provides the strategic business and technology direction for assigned projects and charters PMO operations. On an ongoing basis, senior IT management in conjunction with key business sponsors is responsible for prioritizing major project opportunities. Key accountabilities are:

- Align IT and the business
- Deliver IT value to the business
- Ensure cost effective allocation and use of IT resources
- Manage and mitigate IT risk
- Monitor and track IT organization and IT Service performance.

The mission of the ISG is to add value to the business and to mitigate IT risks. This focus is supported by ensuring the alignment of IT capabilities with the business and by embedding accountability for strategic alignment, resource management, and performance improvement within IT. IT governance is often referred to as a management process where IT strategy alignment with the business drives IT processes that allocate required resources to achieve expected IT organization performance levels. Key IT governance areas that support the ISG mission are:

**Strategic Alignment** - Focus on ensuring that IT strategy is aligned with business strategy to ensure cost effective use of technology and IT resources. Effective use of IT enables the business to break into new markets, enhance competitive capabilities, increase product and services revenue generation, and improve customer satisfaction to facilitate customer retention.

**Value Delivery** - IT delivery is translated into achieving promised benefits and performance levels via the ability of the business to realize market penetration, more competitive products and services, overall
increase in organization productivity, and the ability to more succinctly measure results for continued improvement and enhanced customer experience.

**Demand Management** – Categorize and prioritize project requests based on strategic imperatives such as cost savings, investment, operational necessity, revenue enhancement, and regulatory requirement. Forecasts of short and long term demand are balanced against current supply-side resources in the business and in IT to provide a ‘throttle’ for IT production activities, and to establish a basis for deciding on whether or not to scale the IT budget to meet demand that cannot be accommodated with existing resources.

**Resource Management** - Focus on optimal investment, use, and cost effective allocation of IT resources that include IT assets, facilities, IT service data, and personnel. Efficient use of IT resources begins with standard configuration specification supported by standard purchasing agreements to standard project management methods that promote ‘stage gate’ based project reviews to enable efficient resource allocation across the IT organization.

**Portfolio Management** – The ISG has an integral role in the approval of phased funding as a project moves through the Service Lifecycle, as well as the responsibility to insure that services are retired in a timely and cost effective manner, re-purposing those operating expenses for more strategic initiatives.

**Risk Management** – Identify and mitigate risks prior to IT service deployment by monitoring key operational metrics selected for review by the ISG to insure that projects are meeting their intended objectives. During the ISG standing review the ISG acts on process area controls and operational metrics to quickly identify operational situations that need attention and potential service improvements.

**Financial Management** – Establishment and usage of an activity or service-based cost model that supports the decision making capability of the ISG relative to portfolio management. The model also helps to facilitate financial planning relative to budgeting and allocation of funding based on strategic initiatives, as well as, ongoing operational requirements. The model will support either a charge-back or allocation scenario back to the respective lines of business for the services provided by IT.

**Performance Measurement** - Focus on tracking, reporting, and monitoring IT Service and overall IT organization performance to expected, targeted service levels that support the business. Key questions addressed are:

1. How does the business view IT capability and contribution to products and service operation?
2. How cost-effective and efficient are IT operational processes and practices?
3. How can IT be depended upon to meet future needs of the business as company products and services compete in an ever changing marketplace?
In order to be successful on a continuing basis, the ISG has several organizational responsibilities that require oversight. These key ISG ongoing responsibilities are summarized in the following illustration1.

**ISG Charter:** Documents ISG accountabilities, responsibilities, and authority

**Project Proposals:** All IT work requests that are qualified as a major project are documented as a proposed Statement of Work (SOW). A standard SOW provides proposed project information consistency to enable IT and business reviews, comparisons, rankings, assessments relative to implementation funding and required company resources

**ISG Standing Review:** Represents an agreed upon ISG session where the business of overall IT organization, service, and project performance is reviewed, assessed, and service improvements are

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initiated to improve results. From time to time projects with green and yellow status may be quickly reviewed by the PMO and the current ISG chair to provide the authority to the project to proceed. While all project status is reviewed, 'red' projects must wait for the ISG review as wider IT and business organization decisions may need to be made relative to authorizing the project to continue.

**Project Management Office (PMO):** An ISG responsibility is to charter PMO operations relative to PMO responsibilities where the main focus of the PMO is to ensure that projects comply with established policies and practices for controlling project scope, risk, time, cost, and quality.

**Project / Release Managers:** IT PMO project / release managers may report directly to the PMO Director and have day-to-day responsibility for managing assigned projects and maintaining established PMO policies, standards, and operating practices. All other IT / business unit project / release managers who are assigned project responsibilities report indirectly to the PMO for project method use and overall IT resource oversight.

**Project Sponsors:** A project sponsor represents the business or IT area that typically benefits the most from the implementation of the proposed project and is accountable for project results. The project sponsor acts as the project's champion within the organization regarding the business case, approval, issue resolution, and implementation activities. The project sponsor works with the PMO to organize and initiate the proposed project. Once started, the project sponsor works with the assigned project manager throughout the execution of the project and meets with the ISG, as required, to review current progress and resources.

The PMO plays a key role in effective cost and resource management within IT in that this group is called upon to ensure investments approved by the ISG are realized in an effective, timely and cost effective manner.

A key responsibility of the ISG is to charter the organization's Project Management Office (PMO). The mission of the PMO is to assist the ISG, Sponsors, and Project Managers in achieving project success. Project success is accomplished by employing standard project management and IT Service Life Cycle techniques for achieving pre-determined objectives of scope, cost, time, and quality. The PMO acts as a corporate agent for the control of project approach, delivery, and solution quality through deployment of industry leading project management disciplines, processes, and supporting technology. The PMO mission is carried out by providing the following key functions:

- **Proposal assistance:** Assist sponsors and managers in completing project feasibility studies, Statements of Work, and cost benefit documentation for funding consideration and approval.
- **Issue Assistance:** Assist project sponsors, managers, and stakeholders to evaluate and resolve perceived project risks and issues. Provide help in the identification of mitigating actions and time frames to avoid project recovery problems.
- **Project Framework Availability:** Provide project management and IT Service life cycle standards, approaches, templates, and tools to effectively deliver and monitor successful projects.
• **Project Dependencies Management:** Proactively manage project deliverable overlaps and interrelationships to ensure consistency and degree of impact.

• **Quality Assurance:** Assist project sponsors and managers in establishing project scorecards to monitor and track key project results.

• **Project Skills:** Act as a major support structure for project management personnel to mentor and build critical skills and techniques for leading project initiatives.

• **Project Management:** Actively take on the project management role by being the project manager for assigned projects. In this role be responsible for day to day project management activities and practices from initiation, execution, through closure.

• **Centralized Time Recording:** Maintain policies, practices, and tools that facilitate the recording of all IT labor work efforts. All IT labor must be recorded for all maintenance, investigative, or development activity including any allowed time off from work.

To support the objectives of the PMO, a project management methodology is documented and maintained in a Project Management Users Guide or handbook (PMUG). The purpose of this PMUG is to document the functions of the project manager within the organization. Working forms are an integral part of the PMUG and provide structure to proposal and project management efforts. Forms are pre-designed formats that contain key information for a specific project action. These forms allow project personnel to focus on the project rather than spending precious time figuring what data to record and how to display the results. Working forms provide consistency and repeatability including critical status reporting that deploys a standard traffic light approach to track and report key project variances for sponsor, PMO, and ISG oversight.

The ISG, with the tactical support of the PMO, promotes effective cost and resource management throughout IT. At the same time, this organizational structure ensures strategic alignment of IT with business goals and objectives.

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**About Maryville Technologies:**

Maryville Technologies is a leading independent IT professional services firm. Maryville delivers integrated solutions in support of IT service provisioning and IT service management that facilitate IT operational excellence. Our technical prowess, process expertise, project management discipline and history of facilitating IT organizational change help businesses optimize IT service levels at the lowest operational cost. Maryville’s IT Resource Optimization ITRO® methodology combines detailed process understanding that maps to industry standards with a practical “how to” implementation approach. Our entility® IT service management utilities complement our service offerings and vendor alliances with cost effective, feature rich functionality. Maryville also has extensive experience designing, implementing, and managing the enabling
infrastructure for business applications. Every day, Maryville delivers the consulting services, processes and technology that others only talk about.

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