



ACTIVATE BUSINESS WITH THE POWER OF I.T.™



## Managing the Business of IT

Maximizing the Power of Service Resource Planning,  
the Next Step in Business Service Management

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## Executive Summary

*Dealing with a complex supply chain ... Juggling a multitude of development projects ... Maintaining compliance with all pertinent regulatory requirements ... Getting maximum value from your financial and human resources ... Staying agile to adapt quickly to changing business conditions ... Developing and successfully executing strategic plans ...*

Does this sound like a job description for a CEO? It is. But this is also part of the job description of today's IT executives. As an IT executive, you manage a large and complex business-within-a-business that has all the characteristics of any other large, profit-driven enterprise. As you know, that makes you subject to the same pressures that other business executives face: to deliver more value to the business while reducing costs, and to maintain compliance with corporate policies and government regulations.

This increasing focus on managing IT as a business requires you to answer questions such as the following: What is the total cost of ownership for service delivery across your IT organization? What IT projects are you managing and how are they staffed? Which initiatives best support the strategic objectives of the business? Which ones generate the highest return on investment? Who are your vendors? Which vendors are the most strategic? How are they performing? How much are you spending with them? What is the status of your compliance with corporate IT policies and legal requirements?

Best-in-class IT organizations have established processes and controls for managing IT services by using best practices and have gained greater visibility and control of those services. Many of them manage IT based on business priorities and follow a Business Service Management (BSM) approach to achieve their objectives. BSM is a comprehensive approach and unified platform for running IT that reduces costs and maximizes business impact.

*Service resource planning* is an approach for managing the business functions of IT. This approach includes a suite of integrated applications that support these critical functions. You may be familiar with IT resource planning (ITRP), IT planning and control, or specific functions, such as project and portfolio management (PPM). Service resource planning is compatible with, and in many cases goes beyond, what these other approaches advocate.

By deploying service resource planning solutions as part of an overarching BSM strategy, you will gain the visibility and control to help you better leverage both human and financial IT resources. This capability will bring greater value to both IT and the business customers you serve.

This paper examines the following:

- > Why you need to manage IT as a business and how to do so
- > How to manage vendor contracts more efficiently to make better-informed decisions
- > What to look for in service resource planning solutions
- > How to reduce costs, improve service, and lower risk

## A New Approach Is Needed

Over the years, IT has provided executives with an increasing array of solutions to help them lead a successful enterprise. These solutions offer business executives centralized access to the information and applications they need to manage their businesses. IT executives, however, often do not have access to equivalent information and solutions to help them manage *the business of IT*. This situation is causing problems in many areas.

### Vendor Sprawl

Effective vendor management and control in most IT organizations are hampered by fragmented processes and disjointed and incomplete information. Many IT organizations typically manage vendors in a reactive mode. Vendor-related activities are mostly ad hoc, occurring only when contracts are about to expire or issues are escalated. Vendor tracking is a costly and inefficient manual process that can typically involve periodic manual data aggregation using spreadsheets.

One of the consequences of this fragmented approach is the vendor equivalent of server sprawl. It's not uncommon for IT organizations in Global 500 companies to have relationships with hundreds of vendors, and some even have relationships with thousands.

*Vendor sprawl is driving up costs, with a good portion of the IT budget going to vendors.* The problem is that it's difficult to track vendor performance, service, cost, and quality, and there's little or no alignment with business objectives and priorities. The result is a steady, slow leak of money throughout the vendor lifecycle.

Vendor sprawl also increases the IT organization's exposure to risk, such as the risk of operational instability and non-compliance with government regulations. In addition, vendor sprawl limits the ability of the IT organization to adapt quickly to changes in the business environment. Consider this actual example:

*An IT organization in a large enterprise had engaged the services of a global consulting company on a variety of IT projects worldwide. The consulting company was then acquired by a major competitor of the IT organization's parent company. Consequently, the CEO directed the CIO to disengage from the consulting company in all projects worldwide — within 24 hours. The CIO ended up taking several months to finally clean house because he did not have the necessary vendor information at his fingertips.*

The magnitude of vendor costs and the major impact that vendors have on mission-critical initiatives make it clear that the success of *IT as a business* depends on how well IT can maximize the value of its vendors while reducing costs. IT

has provided manufacturing executives with sophisticated tools to enable them to effectively manage the manufacturing supply chain. As a result, manufacturing has been able to consolidate and maximize the efficiency of that supply chain. IT executives need the same kinds of tools to help them manage their vendors.

### Fragmented Financials

IT financial management processes often involve the manual collection of financial data that is scattered across the enterprise, as well as the manual updating of that data. This fragmented approach has several shortcomings. It does not deliver the *granularity* demanded by IT stakeholders, resulting in a proliferation of general ledger accounts and a lack of cost allocation transparency. It does not support the speed or the scale of the business. And this approach does not provide financial data in the context necessary to make fully informed business decisions because it lacks transparency regarding cost allocations of IT projects and operational sustainability.

As a result, it's difficult to get an enterprisewide view of IT finances. You can't easily roll up financial information — such as asset, staff, and vendor costs — from multiple sources to determine the total cost of ownership (TCO) to deliver services, applications, and projects to the business. This lack of insight can hinder your ability to allocate financial resources most efficiently to drive maximum business value. It's also difficult to present such financial information in a way that both IT and business users can understand. This problem makes it more difficult for IT to collaborate with business users and communicate the value of IT to the business. In addition, this situation makes cross charging for IT services less accurate and more time consuming.

### Inefficient Use of Human Resources

One of the keys to reducing costs and delivering more value to the business is to invest effectively in your human capital. To make more effective decisions, you need to know the following:

- > The makeup of the IT workforce with respect to experience and skills
- > The capacity of the IT workforce
- > How IT staffers are spending their time
- > How much capacity you have to sustain operations and take on new projects and initiatives
- > Whether you have the right staffing profile to meet the needs of the business

Like financial data, this type of information is scattered across different projects, operations, and other IT groups. Consequently, it's difficult to get holistic, enterprisewide visibility into IT resources, activities, and bandwidth, making

it difficult to determine how human capital is being spent. Some staff members may be overworked, while others are not being used to their fullest or are being assigned to the wrong tasks.

### Difficulty in Aligning Projects with Business Objectives

Project information is also scattered across the enterprise, so there is no easy way to get a holistic, enterprisewide view of your project portfolio. That makes it difficult to communicate efficiently to the executive team and line of business (LOB) managers about the project efforts being made on their behalf, the tradeoffs between new initiatives and ongoing sustaining operations, and the overall IT bandwidth available for new project work. This lack of visibility hampers the ability to clearly drive project priorities based on the most urgent needs of the business.

### Insufficient Visibility into Compliance

The responsibilities resulting from regulatory compliance add significantly to the IT business management challenge. Existing spreadsheet-based compliance management tools do not meet the demand for increased governance and reporting. Information is often out of date and no longer valid, and many processes are manual. As a result, you have to spend considerable time and resources tracking information and compiling compliance reports, which can make audits both grueling and expensive. Additionally, this lack of ongoing visibility can erode confidence in the health of your overall compliance program.

## Criteria for a Solution

Until recently, most IT organizations have focused on

achieving service stability. Many have deployed BSM solutions to help them successfully meet this objective. Now, solutions are available that support the next major step in BSM: service resource planning. With these solutions, you can *manage the business of IT more proactively, and with focus and efficiency*. You can also integrate IT more effectively with the business by focusing on objectives, processes, finances, and compliance requirements.

In general, the solutions must provide two major capabilities:

- > A central repository for all required data
- > A suite of solutions for accessing, analyzing, and communicating the data

### Central Data Foundation

IT executives need centralized access to a variety of data, including data on services, clients, business processes, applications, assets, IT staff, and vendors. In most organizations, this data is scattered across the enterprise in a large number of silos. The solution must provide a centralized repository for consolidating this data and creating a record-keeping system that maintains the integrated IT inventory. The repository provides the informational foundation for the service resource planning solutions.

The repository must be built on a common data model that provides a common language for communication between IT and business managers. The repository should also be built on a federated architecture that permits the service resource planning solutions to access and share the data without having to move the data to or duplicate it in the centralized repository.

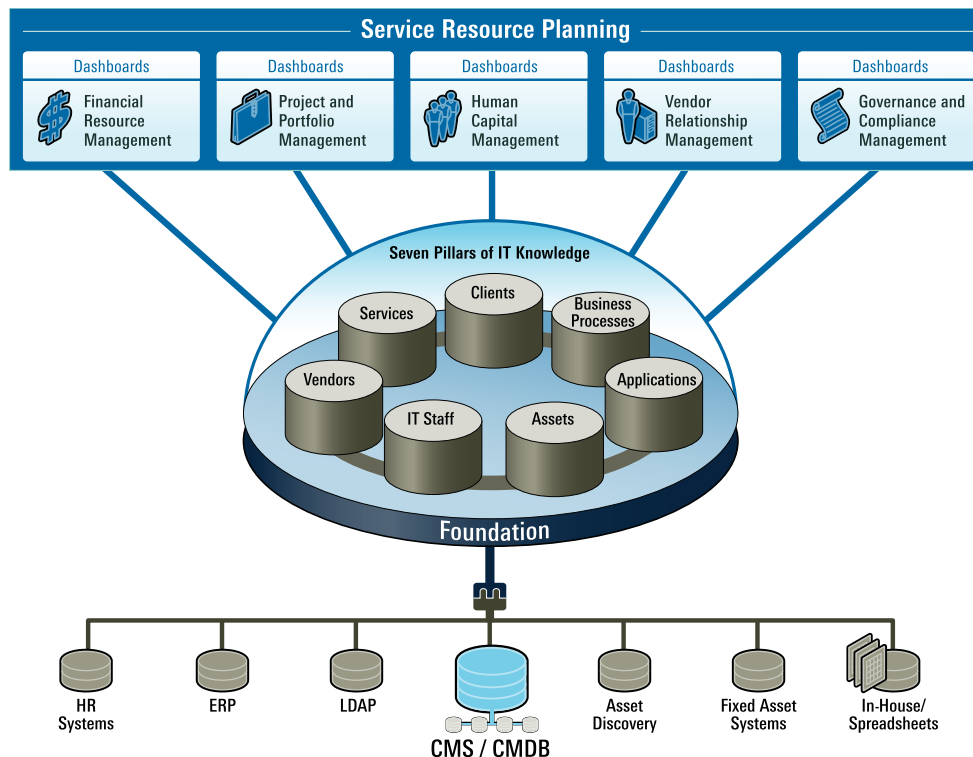


Figure 1. Service Resource Planning

## Integrated Solution Suite

IT executives need business management solutions similar to those they have provided to their business users. These solutions should cover five major areas:

- > Financial resource management
- > Project portfolio management
- > Vendor relationship management
- > Governance and compliance management
- > Human capital management

The solutions should be integrated through the central data repository. They should provide IT management with the visibility, control, and knowledge necessary to plan, manage, and optimize the application of IT service resources to deliver maximum business value.

### Financial Resource Management

The financial resource management solution must give you the tools you need to manage financial resources efficiently and consistently, using common processes. This requires the capability to plan budgets, track costs, and analyze performance against the plan. To provide this capability, the solution must enable you to do the following:

- > Develop a budget strategy
- > Incur and record costs (i.e., costs of assets, vendor services, and IT staff)
- > Monitor expenditures through tracking of actual costs
- > Analyze costs in a variety of ways (i.e., by assets, services, and people; by IT department and function; by category or general ledger (GL); by vendor, application, project, and business process; and by sustainment costs)

With this information, you can achieve the following:

- > Determine IT functional costing and budgeting by application, data center, network, and desktop
- > Examine project versus sustainment costs
- > Break down costs by hardware, software, labor, and services
- > Obtain a full view of spending for any and all vendors
- > Capture and calculate the total cost of ownership (TCO) of IT delivery (services, applications, etc.)
- > Forecast the total cost of proposed project investments
- > Determine the total IT cost of supporting a business process
- > Improve line of business transparency

An important requirement is that the solution should be capable of presenting the financial data to each functional group in a form that each group can understand. Role-related views provide increased visibility into IT financial transactions and cost allocations. They give you the ability to easily and effectively communicate IT challenges, costs, opportunities, and successes with business clients and financial groups, as indicated in Figure 2.

### Project Portfolio Management

IT organizations have been using project portfolio management software and processes to improve the execution of IT projects. However, just executing well is no longer sufficient. You must also be able to select, plan, and manage the IT project portfolio to best address your organization's business environment. This means selecting initiatives that deliver maximum business value, and cancelling or deferring those that don't. In addition, you must make the portfolio visible to receive buy-in from the business.

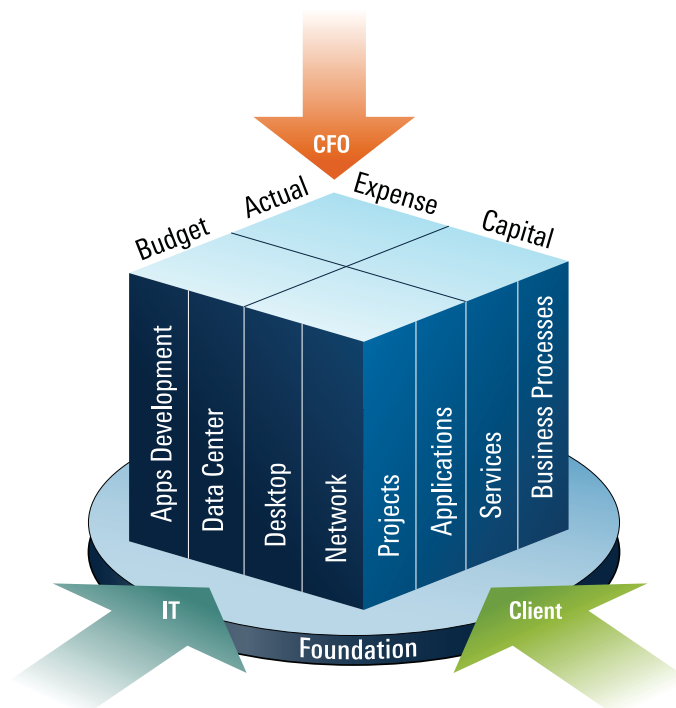


Figure 2. Role-oriented views of financial data

To meet the challenge, you need a project portfolio management solution that goes beyond project execution. It must help you plan projects, deliver them on time and on budget, and evaluate their execution. The solution should be comprehensive and support the following:

- > Inventory of IT demand
- > Project portfolio business value and risk analysis
- > Portfolio cost and resource planning analysis and tradeoffs
- > Project portfolio prioritization
- > Project lifecycle governance, with configurable processes and workflows to reflect the importance and characteristics of the initiative
- > Project financial management

This type of solution will enable you to choose the highest-value projects, execute projects as efficiently as possible using common processes, and create project visibility throughout the enterprise. As a result, you'll be able to collaborate and establish joint ownership of projects with the business stakeholders.

### Vendor Relationship Management

The vendor relationship management solution is especially important in that it will help you manage the single largest cost in sustaining IT operations: vendor expenditures. To meet the challenge, the solution must support management of the entire vendor lifecycle:

- > Vendor Selection
  - Govern the processes to evaluate and select new vendors, including evaluation, request for proposal, and vendor selection
- > Ongoing Vendor Management
  - Track vendor contracts, SLAs, and renewal schedules
  - Create and manage vendor portfolios, applying effort and resources commensurate with the strategic value, risk, cost, and type of vendor
  - Measure and monitor vendor management via scorecards and surveys; be able to compare results with the promised service levels

- Budget and track vendor spending
  - Proactively plan for vendor renewals
  - Assess vendor impact by relating vendors and contracts to the assets, applications, services, and projects that they support
- > Vendor Consolidation and End-of-Life
    - Periodically evaluate the vendor portfolio, identifying unused, underused, or redundant capabilities
    - Assess the business impact on discontinued products and services

The solution should help you select the highest-value vendors and enable you to track vendors by a number of attributes, such as business classification, number of employees, contacts, contracts and agreements, and status. It should also help you with the management of ongoing vendor activities, issues, obligations, and performance, and with the consolidation of vendors.

With the right vendor management solution, you can eliminate unnecessary vendor spending and reduce your cost of doing business substantially. You can consolidate your supply chain to eliminate vendor sprawl, negotiate more favorable contracts with vendors, and continually track and improve vendor performance to maximize vendor value to the business.

### Governance and Compliance Management

The governance and compliance management solution should provide the visibility you need to instill confidence that the processes and controls you have in place are correct and effective. The solution should provide the ability to consolidate and clearly communicate information, such as governance and compliance objectives, processes, the level of confidence in the compliance program, and the ongoing approach to testing for compliance with regulations, such as Sarbanes-Oxley (Sarbox) and Basel II. The solution should support effective management of the entire compliance lifecycle in collaboration with your legal and user groups. (See Figure 3.)

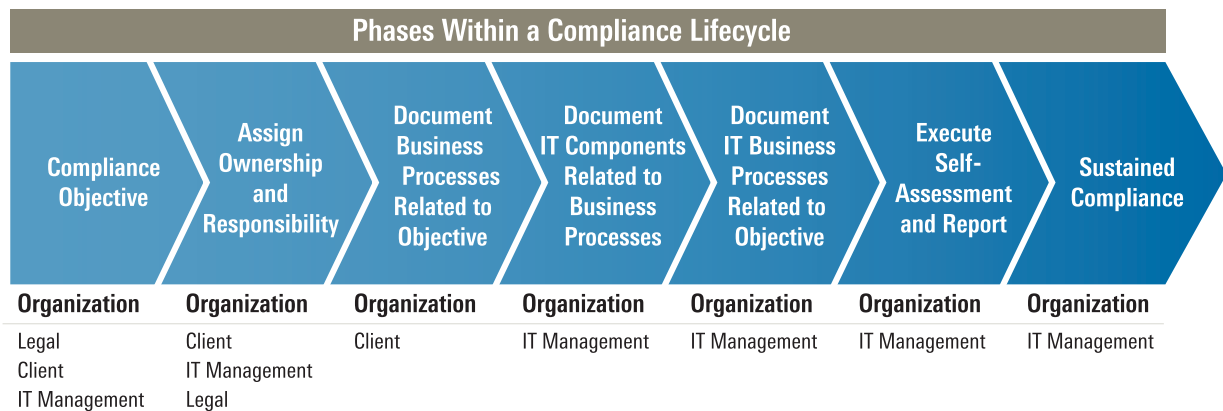


Figure 3. Compliance lifecycle

Maintaining compliance on an ongoing basis requires the adoption of proven IT performance frameworks and adequate automation. Consequently, the governance and compliance management solution should allow you to create and adopt governance frameworks and structures, and to manage and maintain the processes and activities required for meeting governance and compliance objectives. It should permit you to leverage industry-standard governance frameworks, such as the IT Infrastructure Library® (ITIL®) and Control Objectives for Information and related Technology (COBIT), in conjunction with in-house best practices.

The solution should enable you to answer questions such as the following:

- > How many and what controls do we have in place?
- > How many and what tests are we executing against these controls?
- > How many and what tests have passed successfully?
- > How many and what tests failed?
- > Of the tests that failed, how many are material and how many of those are in remediation?
- > What remediation steps are being followed?

A solution that meets these requirements empowers you to attest regularly to the maturity of IT processes and controls, and to demonstrate that maturity to executive management.

### Human Capital Management

The human capital management solution should help you to maximize the contribution of people. It should enable you to determine overall IT human resource demand and match it to the supply — by people, job category, and IT group.

To meet this requirement, the solution must provide deep analytical capabilities to do the following:

- > Assess IT staff capacity, which requires the ability to characterize each employee's job function and track staff capacity by organization
- > Assess contractor capacity, which requires the ability to track contractors by function and organization, while linking the contractor back to his or her firm and the associated contracts and related terms for the engagement
- > Track current and planned work assignments, including project, IT services, application, administrative efforts, and time off
- > Compare how workers are actually spending time according to their plan — across projects, applications, IT services, and administrative efforts (This requires comprehensive time tracking.)
- > Identify available capacity to commit to new IT projects
- > Identify today's staffing problems and shortcomings and assess and plan for future staff requirements

Through this analysis, you can assess your resource constraints; gain visibility into new, committed, and active project work; assess project load by department and job function; and determine sustainment and overhead workload by IT employee. As a result, you'll be able to achieve the following:

- > Maintain the right staffing profile for the business
- > Gain insight into staff capacity and confidently make commitments to the business, without overconsuming your resources
- > Minimize hidden, low-value work
- > Assign the right people to the highest-value work for the business

## The Importance of Integration

It is important that the solution be built on a modular, integrated architecture. This includes the integration of the individual service resource planning solutions with each other. It also includes integration of these solutions with other BSM solutions. A modular solution permits you to address the most pressing pain points first, and then build your solution incrementally, adding value every step of the way. Integration breaks down the silos between functions and allows managers to understand the impact of actions and decisions across the organization. The following sections describe the importance of integration.

### Integration of Service Resource Planning Solutions

Integration permits the service resource planning solutions to work together and share data from the centralized data repository to extend their capabilities. Here are some examples of the power of integration.

### Project Portfolio Management

Integration of the project portfolio management solution with the human capital management solution enables you to conduct effective project resource estimation, planning, and time carding. This permits you to best match your human resources to projects, such as by ensuring that the right people are assigned to the highest-value work. By integrating the project portfolio management solution with the financial resource management solution, you can plan, manage, and analyze project costs and automatically reflect these costs into an overall financial plan for IT. Finally, by integrating project portfolio management with governance and compliance management, you can continually assess the project impact on governance objectives, easing the burden of sustained compliance.

### Governance and Compliance Management

Through the integration of the governance and compliance management solution with the project portfolio management

solution, you gain visibility into the impact of every project on specific regulations, such as Sarbox and Basel II. With this visibility, you can minimize the risk of noncompliance. The integration of the governance and compliance management solution with the vendor relationship management solution gives you visibility into the impact of every vendor on every business process or application that is governed by a particular regulation.

### Integration with Other BSM Solutions

The service resource planning solutions also must integrate with other BSM solutions, such as those for service assurance, service automation, and service support. This integration permits all solutions in the BSM environment to interact and share data. The result is a single, centralized point of management across the enterprise that encompasses the management of the IT business as well as the management of IT services.

Asset management within BSM and vendor management activities within service resource planning provide a seamless way to manage vendors at a strategic level, as well as manage the individual assets they provide. In addition, there is an important relationship between project portfolio management and change, incident, and release management. For example, you may have a number of changes that, when combined, would be of sufficient weight to be managed as a project instead of individually. Moving groups of changes into a portfolio management solution helps make these changes easier to manage. Projects often drive the requirements for change to the infrastructure. The ability to coordinate the impact of those change requests across different projects will improve the overall coordination of changes and resources, while reducing risk.

### Gaining Business Value

Many IT organizations have added service resource planning solutions to their BSM solution deployment, and the benefits are compelling. These include the strengthening of the relationships of CIOs with CEOs, CFOs, and line-of-business managers. Executives have the information they need to make better-informed, more strategically aligned decisions and eliminate redundant and misaligned projects. This approach also has helped reduce overall IT spending and spending on annual IT compliance audits. Here are some examples:

> Dresdner Kleinwort is a global investment bank that has offices in 16 countries and 1,200 IT employees. The company wanted to provide a single, central system that supported a federated model of IT management — where every functional manager could truly have responsibility

and accountability for their resources, activities, and associated budgets. Dresdner Kleinwort rapidly implemented solutions for project portfolio management, vendor relationship management, human capital management, and governance and compliance management in four incremental stages.

In just the first year, Dresdner Kleinwort gained visibility and the ability to communicate IT priorities, accomplishments, and challenges with the various stakeholders more effectively, improving IT's credibility as a business partner. In labor efforts alone, the initiative has saved 20 full-time equivalents, who can now be directed to higher-value activities.

Additional benefits include an improvement in contracts management, which eliminated redundant vendor contracts. Other benefits include having a more efficient overview of regulatory compliance, which can help to reduce compliance costs as workflows are automated. The bank also experienced improved management of its project portfolio and now has a better financial management system. The system ensures that project selection and resource allocation are more closely aligned with the bank's business objectives.

- > The IT organization of a global high technology manufacturer has gained a unified view of its vendor contract obligations and decision history. With this view, IT has improved visibility into vendor management activities and obligations and has eliminated duplicate payments and lapses in support contracts. As a result, IT has reduced vendor negotiation prep time by 70 percent. IT has also lowered vendor costs substantially through contract consolidation, improved support contract maintenance, and has made better-informed contract negotiations.
- > The IT director of a major medical device manufacturer has improved the accessibility, validity, and timeliness of compliance data. This company has been able to reduce the time and resources spent tracking information and compiling compliance reports. This has resulted in dramatically improved documentation, automation, and management of more than 4,000 controls and testing activities. It has also resulted in consolidated management reporting across five globally decentralized operating units and in the creation of a sustained compliance framework that enables monthly assessment. These improvements have enabled IT to consistently meet the sustained compliance demands of Sarbox and related government regulations.

## Conclusion

Up until now, IT executives have focused much effort on achieving IT operational stability. IT organizations have deployed BSM solutions to help them in this goal. As a result, they have raised the level of service quality and have increased their agility in adapting the IT infrastructure to changing business conditions. They have also ensured that they are meeting regulatory requirements. At the same time, these organizations have reduced the costs of service delivery.

Now you can take that focus to the next level by concentrating on the management of the IT resources that support the services. By adding service resource planning solutions to your BSM solution portfolio, you can better plan and manage these resources. As a result, you can leverage these resources for maximum business value — both for your IT business and the wider business that IT serves.

BMC offers service resource planning solutions to help executives manage IT like a business. For more information, please visit [www.bmc.com/srp](http://www.bmc.com/srp).



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Prior to joining BMC, Steve O'Connor was a founder of ITM Software and was responsible for product management, product development, marketing, and professional services and support. He also served as Chief Information Officer and Vice President of Information Services for Silicon Graphics, Inc., (SGI) and held various IT leadership and management positions within Sun Microsystems and Cullinet Software. Over the span of his IT career, he has managed all major IT disciplines, including applications development, applications support, desktop computing, data centers, networks, and telecommunications. O'Connor earned a B.S. from Boston College, School of Management, where he majored in computer science. He also holds a J.D. from Suffolk University, School of Law.

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