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## What is IT Governance?

In the context of this guide: IT Governance is defined as specific, hands-on IT management best practices and software solutions that deliver:

- Better management of IT priorities, processes and people – so that IT activities are aligned with strategic business needs
- Advanced IT process automation for more cost effective IT operations and more successful software development efforts
- An efficient route to IT due diligence and full compliance under Sarbanes-Oxley, Basel II, IFRS/IAS, etc.



# OVERVIEW AND DEFINITIONS

## OVERVIEW AND DEFINITIONS

### ↳ SCOPE OF THE GUIDE

DEFINITION OF IT GOVERNANCE

CORPORATE GOVERNANCE AND COMPLIANCE

WHY IT GOVERNANCE IS IMPORTANT

HOW IT GOVERNANCE IS ACHIEVED

## SCOPE OF THE GUIDE

From the boardroom to the back office, IT Governance (ITG) has the ability to put the right practices, decision-making powers and accountability just where they are needed. This guide examines leading ITG methods and technologies that are now helping companies improve the quality of IT services and compliance across Europe and around the globe.

ITG is viewed differently from one organisation to the next. For some people, ITG is little more than high level “management consultant speak” that defines a requirement for more aligned IT – without saying what actually needs to be done. But in this guide, ITG represents a set of specific, field-proven IT management principles that are supported by hands-on tools and granular methodologies. With the resources discussed in this guide:

- IT managers can deliver “quick wins” through a combination of governance best practices and automation of IT processes
- Business managers can align IT with strategic business goals and performance improvement efforts
- Company executives and auditors can move rapidly towards Sarbanes-Oxley, Basel II, IFRS/IAS and other related compliance requirements

### Who should care about IT Governance?

The list of stakeholders who can benefit from ITG extends well beyond the executive team to include the board of directors, the business units and many other IT and non-IT managers throughout the enterprise:

→ Board members and major investors

→ Senior level executives

→ CIO and IT managers

→ Business unit managers

→ Core business process owners

→ IT managers throughout the enterprise

→ Audit and compliance committees

IT Governance can deliver measurable improvements in competitive performance, risk management, compliance and return on investment for a very wide range of companies and organisations.

## DEFINITION OF IT GOVERNANCE

ITG can be thought of as a framework for intelligent IT decision-making, IT organisation and IT control. ITG improves the way that companies internally share information and make decisions about IT resources. When IT decisions are well informed and linked directly to top level business goals, IT services are both more efficient and more strategic. To achieve its goals, ITG should include these elements:

- The creation of formal, efficient IT decision-making processes
- Clear principles and policies that guide IT decision-making
- Improved visibility and measurement of all IT activities
- Better budgetary and financial control of IT resources
- Clear cut accountability for IT operations and projects
- Automation and continual quality improvement of IT processes

IT Governance provides a framework in which the decisions made about IT issues are aligned with the overall business strategy and culture of the enterprise.

Susan Dallas & Michael Bell, Gartner

ITG is strongly interrelated with day to day IT management and corporate management, but it typically has some formal processes and resources of its own. ITG can take place within the existing company organisational structure, but in many cases ITG is often facilitated with specially created decision-making bodies, IT steering committees, IT architecture advisory boards, joint review panels, etc.

### Cross-functional decision-making

ITG helps companies achieve business and financial goals and it can also play an important role in corporate governance efforts. ITG delivers these benefits because it crosses traditional functional boundaries and vertical hierarchies. ITG policies and practices unite different types of thinkers from various business units, departments and central corporate offices – which makes for a smarter organisation.

## CORPORATE GOVERNANCE AND COMPLIANCE

Now that IT is integrated into nearly all key business processes, it's clear that corporate governance teams and auditors must have clear visibility into IT projects and operations. ITG provides the IT visibility and IT controls that today's corporate governance efforts require. ITG also helps financial and audit managers achieve the coveted goal of real-time financial reporting across a diversity of departments and business units.

### Getting compliance on track

Basel II is costing companies millions to comply. International Financial Reporting Standards (IFRS/IAS) has deployment implications that have not been seen since Y2K. For large multi-business unit enterprises, the self assessment initiatives associated with Sarbanes-Oxley are massive.

A well organised, executive-led ITG programme is invaluable for companies that need to comply with recent changes in corporate regulatory requirements, including Sarbanes-Oxley and Basel II. ITG is in many cases a fast-track to better financial reporting controls and procedures because it:

- Creates more transparent, repeatable, financial reporting
- Speeds up transition from batch to real-time reporting capabilities.
- Safeguards financial data with data protection and higher security
- Addresses disaster recovery aspects of compliance.

In cases where compliance requires the faster reporting of events that materially affect a company's value, the ITG team can set up reporting and asset tracking systems that notify senior management immediately if major IT costs overrun or project failures loom on the horizon.

IT Governance provides IT visibility and IT controls so that today's corporate governance efforts can reduce risk, achieve compliance, and protect investor value.

## STEPS TOWARDS IT GOVERNANCE

- An IT and business decision-making framework
- A set of simple high level goals and priorities that will guide all IT decisions
- Portfolio management and reporting systems for IT visibility
- Measurements and metrics to track IT activities, including projects, people, costs and value realised
- Accountability for all IT projects and processes
- Sound financial management processes for all IT assets
- Automation of governance practices, as well as routine operational, change management and reporting processes



## WHY IT GOVERNANCE IS IMPORTANT

ITG allows IT to deliver more business value and a sustainable competitive advantage. To deliver greater business value, ITG enables better IT decisions, which leads to better performance of IT investments, which means:

- IT is more agile, efficient and cost effective
- IT is less risky and more of a “known factor”
- IT actively supports strategic business goals
- IT is a sustainable competitive advantage

With the IT Governance best practices described in this guide, companies can *run IT like a business*, ensuring that IT assets are quickly mobilised to support strategic business initiatives.

Effective IT governance is an essential part of achieving Business Technology Optimization (BTO), which transforms IT into a strategic business tool and a differentiator against your company’s competition

### More IT control, less IT risk

ITG moves companies towards a consistent set of well-defined IT standards and services and it is greatly facilitated by business process improvement and process control frameworks, including Six-Sigma, CMMI (Capability Maturity Model Integration), ITIL (IT Infrastructure Library), ISO-9000, Balanced Scorecards, COBIT (Control objectives for information) and related methods.

ITG also combats failure and reduces risk by setting up an IT monitoring and control framework that includes the input of managers from finance, operations, line of business and executive teams. The unique collaborative aspects of ITG increase the quality of IT decisions creating better control and reduced risk exposure.

## HOW IT GOVERNANCE IS ACHIEVED

The path to advanced ITG is somewhat different for every company but a good first step is to create an **IT decision-making process** that reaches from the board of directors all the way down to the business unit and departmental levels. ITG decisions can take place in newly created governance committees, or within existing organisation structures. But either way decision-making must involve a wide range of disciplines and corporate roles that cut across traditional departmental and management hierarchy boundaries.

Once governance decision-making bodies are in place, the next step is to create a set of high level **governance goals and priorities** that will guide IT decision-making activities throughout the company. IT goals might include things like support for a unified enterprise-wide view of customer data, or a goal to outsource non-core IT functions (once they are well-defined). After ITG goals are in place, next steps can include:

Automation allows a shift of budget resources from routine “keep the lights on” expenses to strategic activities, which unlocks the power of the new governance decision-making teams who now have the resources to create new business value from IT.

- New organisation structures for key IT services (e.g. centres of excellence, project management offices)
- Demand management, portfolio management and other reporting systems that will make IT fully visible and controllable
- Measurements and metrics that link IT performance to business goals as well as monitoring projects, people, costs and value realised
- Sound financial management of all IT assets (see ‘Financial management strategies...’ right)
- Process automation for routine IT operations and change management tasks

### Financial management strategies for IT Governance teams

IT Governance initiatives will move faster if ITG teams adopt the existing language and thinking of finance and operations managers. If the CFO thinks about investments in terms of payback periods and internal rate of return (IRR), then the IT governance team should use break even and rate of return metrics as well. To win hearts and minds of executives, ITG teams should enhance basic return on investment and total cost of ownership calculations with more advanced methods that include the effects of capital costs, discount rates and the risk factors associated with investments (e.g. Value at Risk (VaR) opportunity costs, etc.) ITG advocates can smooth the path towards acceptance by showing how IT governance can help achieve financial management goals like moving from fixed to variable costs, and capital assets to virtual assets.



# ITG

## STAKEHOLDERS



ITG STAKEHOLDERS:  
↳ **BOARD OF DIRECTORS AND INVESTORS**  
CEO AND BUSINESS STRATEGISTS  
CIO AND IT LEADERS  
COO AND CFO  
LINE OF BUSINESS MANAGERS

## BOARD OF DIRECTORS AND INVESTORS

Today's company directors and auditors are under growing pressure to monitor and analyse company investments, projects and operations. IT is an important part of the activities that corporate governance watches. IT success can make the board look good but IT failures can be directly attributed to lack of oversight by the board and its audit committees. To avoid unwanted surprises, ITG should be included whenever possible in the mix of issues addressed by the board and its committees.

For the board of directors and major investors, ITG can:

- Increase a company's market value and return on investment
- Bridge the gap between business and IT
- Give the board more visibility into important IT projects
- Provide accurate financial information on IT assets
- Create an "early warning system" to track major IT projects
- Reduce risk of major IT failures
- Encourage discussion of strategic and competitive benefits of IT

We conclude that effective IT governance is the single most important predictor of the value an organisation generates from IT.

Peter Weill and Jeanne W. Ross, MIT Sloan School of Management, Center for Information Systems Research

With strong ITG, the board will have a much better understanding of the risk and financial implications of large business projects being implemented by IT organisations. Once good ITG reporting, accountability and control policies are in place, board members can be regularly educated about IT technologies, applications and possible competitive advantages from IT.

Board members and major investors should encourage the appointment of a "C-level" IT leader to the executive team, as well as ongoing IT participation in executive committee and board level activities. When ITG is a priority from the board level downwards, there is a better chance that IT will create business value for investors, employees and other stakeholders. With board-level support, ITG will reduce risk of major failures and ensure that IT is used as a strategic tool, not a low-level commodity.

## CEO AND BUSINESS STRATEGISTS

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Perhaps one of the most important benefits of ITG for CEOs is the definition of clear goals. In many companies, IT is a very large cost area that is not directly linked to top level business goals. ITG sets up a discussion, review and decision framework that allows non-IT executives to participate fully in the planning and allocating of IT resources. In many cases, ITG initiatives represent the first major attempt for a company to make its IT resources clearly visible and accountable to company directors.

To ensure that ITG works to its fullest potential, CEOs should ensure that the IT department gives itself the same technology benefits that it gives to the business units and production applications. This means that the IT department should have its own demand management, portfolio management, change management and other similar systems that allow IT projects and operations to be efficient, accountable and controllable.

If IT is to move from a cost centre to a centre for business value creation, the CEO must demand that IT deploy the same continual business process improvement methods that are practiced in manufacturing and production areas of the business units. With the ITG methods that are discussed later in this guide, it is possible to run IT like a business, not a black hole.

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CEOs back ITG initiatives because they deliver:

- Better alignment of IT with business goals
  - Better visibility and control of IT systems
  - Better IT agility for strategic initiatives
  - Better accountability for IT projects and processes
  - Better financial reporting and investment analysis for IT
- 

## IT Governance and Six Sigma success at Birlasoft

"We saved about a million dollars in just six months, but to my mind that's just the tip of the iceberg. Our focus is better quality, higher productivity, and greater customer satisfaction. Mercury IT Governance Center is giving us all of that and more. It is transforming how we serve our customers and how we run our business."  
**Kamal Mansharamani,**  
Chief Executive Officer, Birlasoft

Birlasoft, a leading Indian outsourcing provider, counts GE as one of its major customers. GE has also made a strategic investment in the outsourcing company. As part of its on-going quality orientation, Birlasoft set a goal to further improve efficiency of service delivery while raising quality to unprecedented levels through Six Sigma practices. Using Mercury IT Governance solutions, Birlasoft has:

- Digitised and aligned business processes with service delivery processes
- Slashed manual data collection/analysis and speeded project pace via automation
- Greatly reduced costs, risks, and defects
- Significantly increased customer satisfaction

## IT Governance at Cisco

"Since we began using Mercury ITG, we have increased the number of requests to the [Cisco e-Commerce] site 3-4 times, yet we've reduced the staffing required by 75%."  
**Andy Starr, Cisco IT Director,**  
Quoted by Business Now (on ABC-TV)

Cisco uses Mercury ITG solutions to manage critical business systems deployments, including the e-Commerce site that handles 92% of customer orders. Cisco IT must deal with 35,000 content deployments per quarter while managing over 500 applications.

### Results:

- Dramatic outage reduction keeps revenues flowing
- 90+% reduction in manual deployment-related outages
- 95% reduction in outage duration
- Starting with IT Project Portfolio Management
- End-to-end project management to follow

## CIO AND IT LEADERS

Leading CIOs and other business leaders can no longer accept an IT function that is disorganised and without accountability. The trend is towards running IT like a “business within a business.” The ITG methods discussed throughout this guide allow CIOs to achieve “quick wins” with short term IT process improvement projects, while they establish a long term strategy to align IT with business goals. For both short and long term ITG initiatives, equal emphasis must be placed in two key areas: advanced IT management best practices and automation of key IT processes.

**IT best practices** give IT better decision-making capabilities, improved process quality and an organisational structure that encourages good governance. Some best practices are developed internally; others are derived from formal management frameworks (e.g. COBIT, ITIL, ISO).

**IT process automation** solutions are used to deploy best practices, including: IT performance dashboards, IT finance software and a wide range of specialised programmes for demand management, change management, portfolio management, and automation of routine ongoing IT operations

A CIO’s survival requires intuitive financial acumen and a strong, analytical understanding of business processes, in addition to technology expertise and vision.

Ralph Szygenda CIO, General Motors

When ITG best practices and process automation are deployed together CIOs can move from traditional IT metrics (bandwidth, memory size, CPU power) to business metrics like productivity, profitability, opportunity costs, virtual asset management, value at risk, and other advanced yardsticks. Well-governed IT is better organised and better informed so it can act to reduce operational costs while at the same time optimising complex task streams for strategic applications that use a diverse set of resources.

### IT Governance committees are taking charge

Today’s CIOs are at the centre of an important trend towards a consistent set of enterprise-wide integrated processes that unite diverse production, supply chain and customer-facing systems. IT can greatly facilitate the task of enterprise resource integration, web services, customer-oriented e-commerce and supply chain extension by creating consistent and standardised services. ITG committees such as those listed below:

- **IT steering committee:** set high level principles and goals for enterprise-wide IT operation and strategic projects
- **IT architecture committee:** create enterprise architecture that serves as a foundation for shared services and applications across various departments and business units
- **IT infrastructure committee:** specify IT and network standards that will allow a cost effective, high performance infrastructure; can include specification for company wide WAN, data centre, LAN and wireless technologies
- **IT finance committee:** high level budgeting for centralised projects that affect multiple business units and cross-functional business processes



## COO AND CFO

Today's COO and financial directors are acutely aware of the need to cut expenditure on routine operations (lights, furniture, etc.) and move budget resources to more strategic activities that will provide a competitive advantage. The same principle should be applied to IT, where automation and outsourcing of routine IT tasks can free up precious capital for strategic IT projects. But the goal of IT operations optimisation will not be realised if ITG efforts only focus on the most strategic IT projects in the portfolio. Consequently, ITG efforts must be applied to ALL facets of IT, not just the 20% that constitute the most strategic projects.

### The CFO and IT Governance

ITG gives CFOs better visibility into IT decision-making and IT operations, which makes IT a known quantity within the overall business model. After years of 'out of control IT' there's finally a discipline that can make IT more fiscally responsible and more accountable for

**Today, top executives support the view that IT plays a vital role in value creation.**

Phillip Everson, Partner, Accenture

### For the CFO and COO, ITG can:

- ➔ Shift budget resources from routine to strategic projects
- ➔ Establish financial and operational metrics for IT projects
- ➔ Create an IT infrastructure with more accountability and stability
- ➔ Help realise corporate governance goals
- ➔ Move from "sunk" costs and capitalised assets to variable costs and virtual assets

the business value it creates. ITG only works as it should if there are rigorous IT financial procedures and IT budget approval policies in place. Some of this happens via better IT policies; another key aspect is ITG software solutions. CFOs are used to getting accurate reports on production and supply chain finances on a nearly real-time basis. With ITG "dashboards" and other advanced ITG reporting programmes, a similar level of timely accurate information can be achieved for IT as well.

## LINE OF BUSINESS MANAGERS

Line of business (LOB) and core business process owners stand to benefit just as much from ITG as the board of directors or senior executive team. Business unit managers today are faced with the conflicting situation of increasing budget and P&L responsibilities along with increasing demands to integrate with central services and unified IT architectures. The well-defined cross-functional decision-making and reporting aspects of ITG are just what business managers need to ensure their key processes get just the right amount of IT support.

As part of the major trend towards enterprise-wide standardisation of IT services and recentralisation of business and IT controls, ITG allows business units to have a high level of autonomy for the decision-making, while ensuring that decision-making is connected to the overall company vision and the goals of the boards of directors and executive committee.

For instance, central IT services can offer business unit (LOB) applications contractually-defined service levels that guarantee (with penalties) certain minimal levels of network and computing performance. With centralised services and chargeback systems, business unit managers can have high levels of independence while still taking advantage of the cost effective central services.

## IT Governance at gedas UK

"From the CEO down, ITG provides precise measurement of financial performance while enhancing customer service and cementing a culture based on sound governance principles."  
Kev Roberts, Chief Information Officer, gedas UK

The gedas Group, a wholly-owned subsidiary of the Volkswagen Group, is a global information technology service provider; developing, implementing and operating IT solutions that create value-adding potential for its customers. gedas UK has deployed Mercury ITG Center solutions that enable a standard framework with which to assess, prioritise and measure all IT projects.

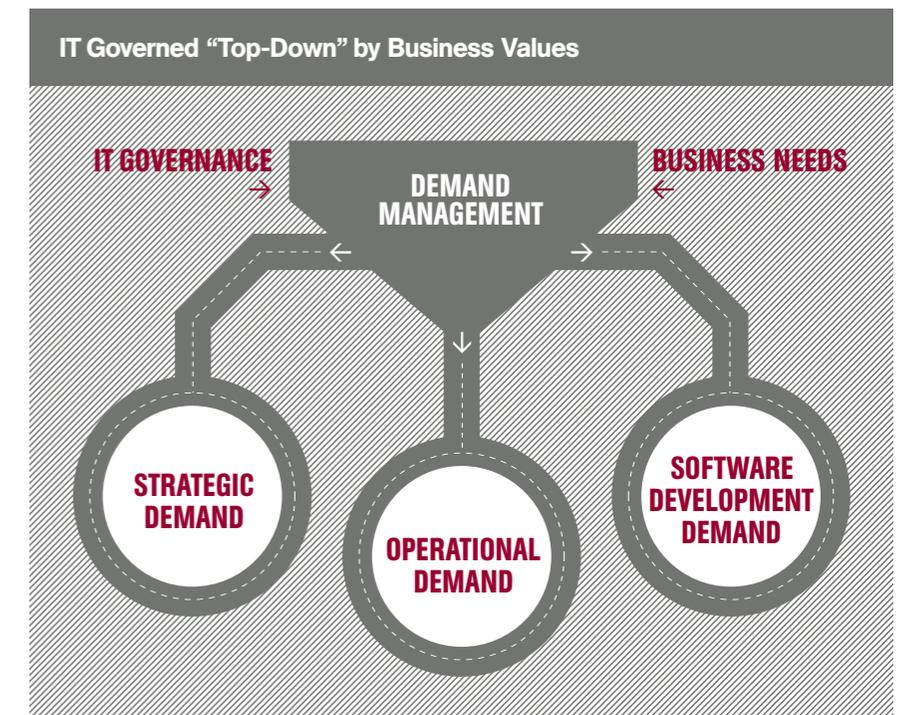
### Key benefits include:

- ➔ Reconciled financial data – intuitive dashboards enable gedas UK's management team to instantly reconcile income against projections
- ➔ Standard processes – gedas UK has implemented common processes to prioritise and report on project progress
- ➔ Improving strategic client advice – the data enables business relationship managers to identify when a project implemented for one brand could benefit another company within the VW Group
- ➔ Reduced administration – project teams update the system, reducing the central administration required to provide management reports

# ITG

## KEY CONCEPTS AND METHODOLOGIES

Over the last several decades, IT organisations have played a seminal role in optimising critical business processes across the enterprise. Now is the time for IT itself to get optimised.



## ORGANISING IT FOR GOVERNANCE

Once company executives and managers have established a decision-making framework for IT Governance, it is often necessary to reorganise IT and its various service delivery groups. Too many of today's IT resources are deployed as "silos" or "stove pipes" of isolated IT resources that are not responsive to the changing needs of end-to-end business processes or business strategies.

Centres of excellence, project management offices and other cross-functional organisational methods allow IT services to directly support dynamic business processes and groups of users that aren't necessarily all in the same department or business unit.

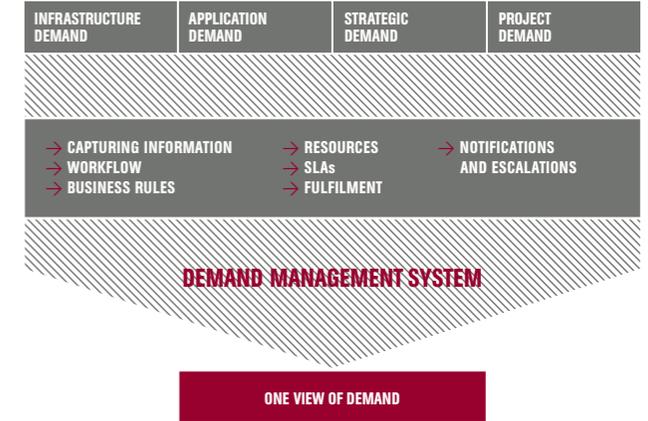
Centres of excellence (COE) are a good example of ITG organisation because they provide consistent project/programme management that concentrates best practices and specialised skills in a focused team that the whole enterprise can benefit from. A wide range of IT functions can be deployed as centres of excellence including data security, business continuity, application development, quality assurance, performance testing monitoring, decision support and many IT administrative functions, particularly when they cross departments or business units. Later in this guide, the advantages of a centre of excellence for ITG are investigated.



## DEMAND MANAGEMENT

As business processes of all kinds become highly dependent on IT, it's increasingly difficult to isolate and manage the IT demands that are created by various workgroups, applications and business units. It seems that nearly any department's budget can include an IT project of some sort. Needless to say, without a good picture of IT demand generation throughout the enterprise, it's nearly impossible for ITG teams to set priorities, goals and budgets.

Governance decision-making bodies, centres of excellence and other IT groups must be able to capture demand for IT services in a comprehensive



(Mercury's IT Governance solution)...  
It's one of the most complete environments that I've ever seen that covers multiple projects and the entire IT development lifecycle.

Dr. Alan Whitfield, CTO , The Yellow Team,  
Consultant to Inland Revenue

way throughout the enterprise. IT demand is ideally captured in a software based demand management system that is monitored by the senior managers and executives who can have access to rolled-up demand management reports, which facilitates a top-to-bottom decision-making process.

Advanced demand management methods let managers control the "front door" to IT resources – so that projects don't sneak through the backdoor and avoid the governance process. A good demand management model will track and manage both complex strategic projects and low-level operational IT services and systems.

## PORTFOLIO AND PROGRAMME MANAGEMENT

IT portfolio management is a discipline that allows governance teams to analyse and control existing and planned projects throughout the enterprise – before project prioritisation and budget decisions are made. Portfolio management works best when it gives decision makers a global, real-time view of the project mix. If portfolio information is comprehensive there is much greater likelihood that low value projects will be rejected and high value projects will be approved.

IT portfolio management should capture quantitative information for each project, including budget data, resources, schedules, stakeholders, etc., along with qualitative information including strategic fit, alignment, and complexity. With this information, the governance team can make efficient comparisons and rankings across the portfolio.

With a lifecycle approach to portfolio management, the planned benefits of each project can be compared to the actual received business value, as measured by a consistent set of metrics and measurements. Portfolio management can be used to efficiently enforce ITG by ensuring that all stakeholders are involved in the review process at the right time.

### Portfolio management in action

A typical chronological scenario of portfolio management working within the IT Governance framework:

- [1] An initial project or programme request is identified and registered by the **demand management** gatekeeper and then sent to the portfolio management system
- [2] The proposed project request is routed to a business analyst who creates or reviews the project's **business case**
- [3] Next there is further review by the **architectural standards** committee, looking at implications for existing shared applications, services and infrastructure
- [4] Final approval or rejection by **IT steering committee**, where proposed projects are ranked and rated within the total IT project portfolio mix
- [5] After approval, the project is sent to a **Programme Management Office (PMO)** function that handles the detailed project management chores after project approval.

## DEVELOPMENT AND OPERATIONS AUTOMATION

Once an IT resource has been passed through the portfolio management system and approved, it's ready to be developed and deployed. This is best accomplished with automated IT services application software throughout the development, delivery and production phases:

**Automated change management solutions** handle ongoing software migrations and consolidations, so applications can be maintained efficiently and tested against a set of quality and service level checks that are consistent with governance goals. Change management methods are applied across Oracle, PeopleSoft, SAP and Siebel environments, as well as custom and legacy systems.

I believe that, by their nature, IT investments are typically more interrelated in a digital, networked environment than in classic commodities such as stocks or real estate. Therefore, portfolio management may have a significant, positive, compounding effect.

Martin Curley, Director of IT Innovation, Information Services and Technology Group, Intel

**Automated operations management solutions** take care of monitoring, scheduling, and demand/capacity analysis for production IT resources. If governance is to have good visibility and control of production systems, then operations management needs to take place on the business process level, not the hardware or software element level.

**Automated resource management solutions** allow governance teams and IT workers to balance the needs of existing production systems and strategic development projects. These utilities provide a global view of IT capacity, utilisation, staffing resources, skill levels, software versions, project status, costs, and other operational details.

### Automation of development and operations activities achieves:

- A "global" catalogue of internal IT services with SLAs
- Consolidated view of all IT demand and resources
- Automation of routine IT operations tasks
- Rapid and effective software change management
- Visibility and collaboration for all concerned stakeholders in real-time
- Enforced governance rules and best practices



## BUDGETING AND FINANCE MANAGEMENT

A well designed governance programme is dependent on advanced IT finance management that extends from low-level “keep the lights on” operational costs to a high level project portfolio analysis. Advanced financial methods let ITG teams “drill down” into detailed project costs or “roll up” financial information for a large number of projects.

A good IT finance system can give governance and IT managers a wealth of granular and high level data, including:

- Resource costs by project, task, skill area, application, etc.
- Realised expenditures and savings to date
- Realised benefits and business value to date
- Risks and risk probabilities
- Chargeback tracking

It's not possible for governance to work on the basis of manually collated reports that take weeks to assemble. Whenever possible, advanced financial software should be used to give decision makers financial management reporting that includes visually colour coded status, priorities and alerts. Automated financial analysis and real-time status/exception alerts are a built in feature of many enterprise resource planning programmes, front office systems and supply chain applications. It's now possible to apply these same techniques to IT, so governance and IT management teams know immediately when projects are within budget or moving outside of acceptable parameters.

## IT Governance at Accenture

“Mercury lets us expand our customer base beyond what we could handle before, and it easily fits clients of all sizes. It's really a powerful solution for IT.”  
David Ehninger, Associate Partner, Accenture

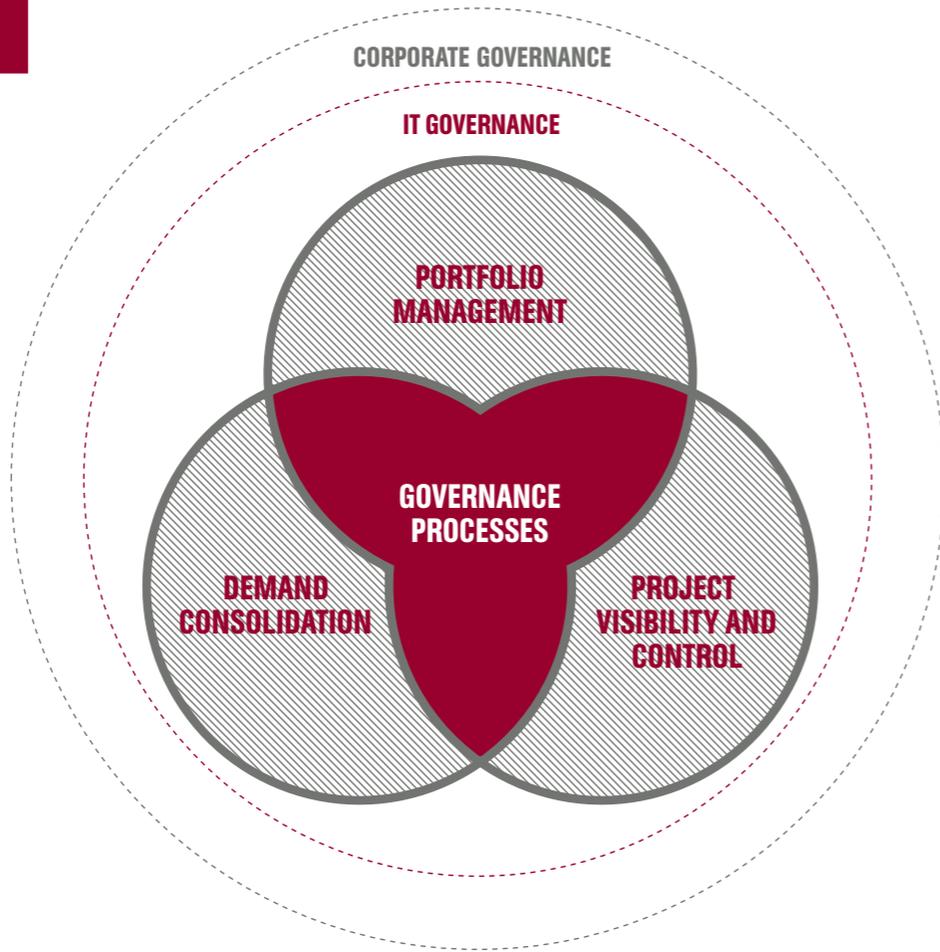
Accenture used Mercury ITG to support five major outsourcing clients that required complex IT systems to be deployed:

### Results:

- In some cases labour related to customer set up has been reduced by 54% to 77%
- SAP transport first time accuracy improved from 92% to 99%
- Integrates US centres with lower-cost global delivery centres
- New client set up cut from 6 months to 6 weeks

# ITG

## DEPLOYMENT STRATEGIES AND BEST PRACTICES





## WHICH GOVERNANCE INITIATIVE FIRST?

Increasingly, leading companies are using quality frameworks like COBIT and ITIL to drive major governance initiatives and deployment of new IT planning, budgeting and service delivery models. But ITG is by no means tied to any specific best practice or method. Some companies are able to use their in house expertise and existing IT organisation to achieve “quick win” governance successes that improve IT process transparency, control and cost efficiency.

No matter how governance is deployed, all companies must go through an evolutionary “capability maturity” process on the road to good governance. Although ITG capability maturity requires IT process quality throughout the enterprise, significant increases in IT cost efficiency, control and agility can be achieved early in the maturity process if the right best practices and software tools are combined.

### The IT portfolio audit

Early in any ITG effort, a comprehensive IT portfolio audit should be conducted to ask questions like:

- How many projects are underway at the present time?
- Do the top projects all have executive sponsors?
- Is there more spending on routine day-to-day operations or on new strategic projects?

Once the initial IT audit answers these questions, management teams can more easily prioritise governance initiatives and budget allocation. The panel on the right summarises a number of possible ITG “quick win” scenarios that may be included in the list of priorities, along with longer term governance goals.

### Quick ITG wins

Here are some possible “quick win” deployment scenarios for ITG. Note that all these scenarios involve both ITG best practices and supporting IT process automation software.

If you have a large number of **under-managed, non-prioritised, redundant projects** underway, your first goal should be a high-end portfolio management system that feeds granular IT project data to a proactive, executive-lead IT decision-making team.

If your **application development efforts are not performing** as they should, it may be that automated application development and delivery software coupled with a “quality assurance” centre of excellence should be first on your to-do list.

If production IT **systems are not meeting service level agreements**, then demand and change management software should be used as a catalyst for more productive dialogues between key business process owners and IT service provider teams.

If individual projects **are not delivering the needed business value**, then advanced program/project management applications software should be used by executive and IT steering committees to align IT with business strategies.

## CoBIT

Planning and  
organisationAcquisition and  
implementationDelivery and  
support

## ITIL Service Support

- Incident management
- Problem management
- Change management
- Configuration management
- Release management

## ITIL Service Delivery

- Availability management
- Capacity management
- Financial management
- IT continuity management
- Security management

## COBIT, ITIL AND OTHER IT BEST PRACTICES

IT groups are under tremendous pressure to make IT more controllable and transparent for decision makers and auditors. This pressure is coming from the current business climate, global competition, and from the need to conform to stringent governance and auditing requirements. Many of the principles and methods discussed throughout this ITG guide have been formalised into IT management and control frameworks such as COBIT and ITIL.

COBIT is probably as close as the industry has come to a comprehensive framework for IT governance and compliance. It covers such diverse areas as IT planning and organisation, IT resource acquisition and development, as well as IT delivery and support. ITIL is increasingly used in conjunction with the COBIT governance framework because of its strong service deployment and service support processes. When used in conjunction with a good overall IT organisation and decision-making framework, ITIL can make IT

service delivery and support more defined, controlled and reproducible, which allows IT to move more rapidly towards ITG capability maturity.

**Accelerating capability maturity**

There is also an ongoing trend for Six Sigma, ISO 9000, balanced scorecard, Total Quality Management (TQM) and other manufacturing or enterprise quality approaches to be integrated with software engineering and IT process improvement methods. For instance, some leading organisations are now combining mainstream quality frameworks (e.g. Six-Sigma) with such IT capability maturity methods as Capability Maturity Model Integration (CMMI). Research by the Carnegie Mellon's Software Engineering Institute found that CMMI in combination with Six-Sigma encourages effective change management procedures while better aligning IT with business. In general, capability maturity and Six-Sigma synergy can accelerate the move up the IT capability maturity ladder.

## A CAPABILITY MATURITY FRAMEWORK FOR IT GOVERNANCE

Whether your governance efforts focus initially on making the auditors happy with COBIT, improving service delivery with ITIL, or using a home-grown governance model to get more control of existing IT resources, it's generally desirable to take an incremental approach. Intel's Director of IT innovation, Information Services & Technology Group, Martin Curley, has developed a set of Capability Maturity Framework (CMF) models that help companies get more business value out of IT using a phased process. CMF models allow companies to assess many different aspects of IT from budgeting to service delivery to IT/business value alignment.

Two examples of Curley's 5-layered CMF models are:

### Managing the IT budget

- Level 1** Chaos
- Level 2** Predictable financial performance
- Level 3** Systematic cost reduction
- Level 4** Expanding funding options
- Level 5** Sustainable economic model

### Managing IT like a business

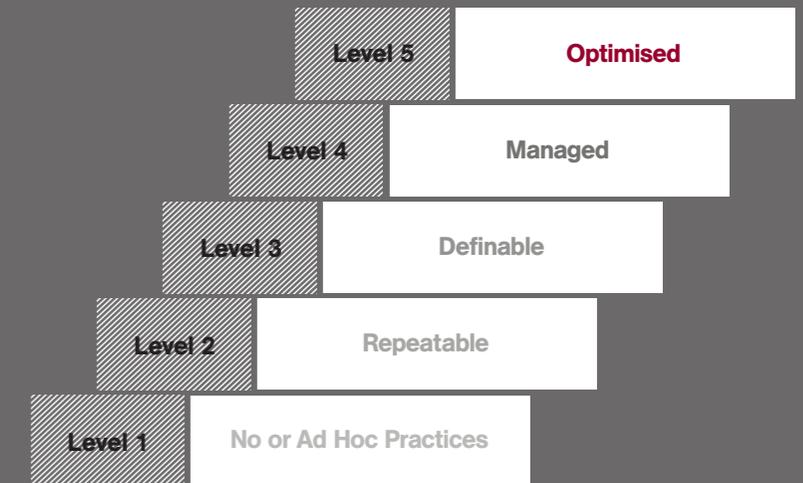
- Level 1** Ad hoc
- Level 2** Cost/technology orientation
- Level 3** Customer/service orientation
- Level 4** Customer/service focus
- Level 5** IT/business alignment

Rapid Level 2 CMF capabilities can be acquired via IT process automation using demand management and change management software (to make IT projects and resources more visible and deterministic). Level 3 CMF can be achieved using methods like COBIT and ITIL for rapid definition and organisation of the key processes. Portfolio management software can benefit process definition and management in Levels 2 through 4. Six-Sigma, balanced scorecards or various other TQM methods may be used to reach Level 5 CMF.

## Capability maturity frameworks in action

CMF ensures that there is an orderly, efficient process applied to complex business and technology efforts, which avoids many types of project failure. For example, if there is an attempt to outsource an IT task before it is repeatable and well-defined, then the chances of outsourcing success are minimal. Generally, attempts to short circuit the capability maturity process are doomed to failure, particularly in the IT Governance realm.

Basic Capability Maturity Framework Model



## IT Governance at Xcel Energy

“In the first eight months of using Mercury IT Governance Center, we saved \$10 million in repurposed capital investment, \$3.7 million by avoiding investments in non-viable projects, and increased the number of healthy IT projects by 70 percent, by using Mercury to facilitate business and IT working together.”

Mike Carlson, Vice President of Business Transformation and Customer Value, Xcel Energy

Xcel, the fourth largest US utility had disparate IT systems and needed better business-IT alignment. To address this situation, Xcel adopted an integrated IT service delivery model and a Mercury Programme Management Office solution, to improve business ROI from IT initiatives.

### Results

- Isolated IT “silos” replaced with integrated operations
- \$10M in cost avoidance
- \$3.7M in non-essential project cuts
- \$4.4M in Ops savings/EPS contribution
- 70% increase in “healthy” projects



## AN IT GOVERNANCE CENTRE OF EXCELLENCE

Although ITG is not a form of day-to-day IT management, it does have many reusable processes, best practices and resources of its own. Consequently, ITG benefits from a “Centre of Excellence” approach.

### Key elements of an ITG Centre of Excellence:

- Management of governance organisational and decision-making structures
- Creation of governance principles and procedures
- Enterprise-wide Portfolio Management
- Advanced Programme Management Office (PMO) for IT projects
- Automation of applications development and operations management tasks
- Business value justification for projects
- Architectural and infrastructure standards
- Dashboards, measurement and feedback mechanisms

With advanced governance software, an ITG centre can digitise governance workflow into a set of well-defined transactions that form a transparent and enforceable “system of record” complete with automated audit trail and compliance metrics. In many cases a number of different Centres of Excellence will co-exist within the same enterprise. Centres of Excellence within a company are interconnected and they can own different aspects of the same end-to-end process. For instance an ITG Centre can set target IT quality levels while a Quality Centre of Excellence that actually makes quality improvement adjustments to IT resources. Other potential complementary Centres of Excellence include Performance Centres and Business Availability Centres.

## ITG GUIDE SUMMARY

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Many companies are now engaged in an effort to recentralise and consolidate IT resources that were previously dispersed, fragmented, redundant and poorly managed. The enforcement of company wide standards, services and architectures can reduce costs and increase productivity and agility, but it can also tie the hands of technology renegades and visionaries within business units and functional departments. When properly deployed, ITG best practices and process automation creates a framework for “borderless” collaboration and control, counteracting the tendency for IT resources to subsist in isolated pockets and antagonistic local camps.

### **In Conclusion**

All over the world the ITG methods discussed in this guide are being deployed by leading companies. Mercury IT Governance Center™ is a leading example of this trend. Mercury IT Governance Center provides the first integrated and comprehensive transaction system for IT. It enables IT executives and CIOs to digitise and automate IT business processes from demand through production. Mercury IT Governance Center is designed so that it adapts continuously to the latest in process control and quality best

practices. It helps companies comply with regulations such as Sarbanes-Oxley. And it supports quality programmes and process control frameworks such as Six-Sigma, CMMI (Capability Maturity Model Integration), ITIL (IT Infrastructure Library), ISO-9000, and CobiT (Control objectives for information and related Technologies). Mercury IT Governance Center puts companies in the best possible position to align IT strategy and execution with business goals.

### **Key points about Mercury:**

- Strong financial performance
- Top 15 enterprise software company
- Top 5 fastest growing
- S&P 500
- NASDAQ 100
- Customers include 75% of Fortune 100
- 55% of distributed ASQ market share
- Triple winner of SAP members' choice
- Three time SSPA Service Award winner