

# Chapter XVII

## IT Portfolio Management: A Pragmatic Approach to Implement IT Governance

**Muralidharan Ramakrishnan**  
*Process Symphony, Australia*

### ABSTRACT

*This chapter is intended primarily for managers who are preparing to implement portfolio management concepts in an organization and students of IT Project Management courses at the Masters level, who wish to understand the difference between Project and Portfolio Management. As IT Governance is gaining importance, the IT department should not be surprised if they are given a mandate from the senior management to implement a Governance framework. Portfolio Management principles are the foundations of building an effective governance. While there is literature available discussing portfolio management at the conceptual level, there is not enough available which translates these concepts into tactical implementation. This could be because implementation differs between organizations and there is no one size fits all solution. However, practitioners can benefit from discussing implementation approaches that can be tailored to suit individual needs. This chapter shows one of the many ways to implement a portfolio management framework.*

### INTRODUCTION

The chapter is divided into four sections.

The chapter commences with a hypothetical case study designed to illustrate that perceptions and personal preferences dominate IT Investment decisions. The case study highlights the need for

structured decision making. This section also introduces IT Governance and portfolio management concepts.

The next section introduces a portfolio management life cycle consisting of three phases: *evaluation, monitoring, and benefits realization*. The section analyses the processes and

techniques in each phase. This section provides guidance in the application of portfolio management concepts.

The third section consists of a real life case study; an application of one phase in the portfolio management life cycle, viz, *evaluation*, in a cross-government environment. The study analyses the “investment evaluation framework” proposed by the office of chief information officer (OCIO) in the Government of South Australia. The purpose is to show the application of a portfolio management framework in an organization and the associated challenges.

The final section summarizes the chapter and analyses the future trends in IT Portfolio Management.

## IT PORTFOLIO MANAGEMENT CONCEPTS

### Opening Case

Robert Malcolm felt the need to make an important decision for IT Governance meeting the following day. Three different departments were fighting for already stretched funds to initiate new projects into their departments. The operations manager, Julie, wanted to replace an ageing infrastructure; Raj, the marketing manager, was arguing a case for a new CRM system; and Darren wanted to enhance a functionality of the pay-roll system.

Robert knew he could not fund all the three projects. He could empathize with Julie, as he had been performing her role previously, before he was promoted to CIO. But he also knew that Raj would put a very convincing case, which could impress the CEO. Robert did not know much about the payroll system, so it is out-of-question for now, he thought. Well, not really, as the CFO might throw his weight behind Darren.

Robert wished he had a clear evaluation process to decide between these competing projects. He knew that if one of the on-going projects were

stopped, that would free up some additional money. But, in his organization, once a project was approved, there was no way it could be terminated mid way.

It was not that Robert was facing issues only with the new projects. He was having some issues from previous projects also. The organization had developed a Website that would increase the online revenue from one of their products. But by monitoring the Web statistics he realized that it did not attract enough visitors. He was aware that the organization had changed its strategy and gave higher priority to another product. However, Robert still incurred expenditure to maintain the Website. Terminating the Website had been on his *to do* list for the past six months, but he did not have time to execute the decision.

Robert knew what to do as a short term *fix*. He would play the political game and give his support to the CEO's favourite project. At the same time, he decided to explore the available process methodologies that would help him to solve the *real* problem.

### Need for IT Governance

For many enterprises managing Information Technology (IT) has always been a challenge. It is critical to a business that the IT investments are managed effectively. Research shows that top-performing enterprises generate returns on their IT investments up to 40% greater than their competitors (Weill, 2004). IT Governance ensures that IT investments are prioritized and monitored throughout their life cycle.

Another driver for IT Governance in the wake of corporate scandals like Enron and Worldcom is the renewed interest in Corporate Governance. As IT cuts across all the organizational functions, Corporate Governance cannot be complete without IT Governance. The scandals also pushed regulators in the US to introduce the Sarbane-Oxely act requiring new levels of accountability and traceability (Maizlish & Handler, 2005)

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