IT Management Checkpoint: The Next 5 Years

Optimising Mindset, Strategy and Capabilities

Martin Atherton, Freeform Dynamics Ltd, January 2008

Existing IT management strategies have enabled organisations to take control of their infrastructures. The game has moved on however and it is time to raise the sights of IT management strategy accordingly and to explore new ideas to address the operational challenges of the next 3 to 5 years.

KEY FINDINGS

An IT management checkpoint – so far so good – but the goalposts have moved

Most organisations have spent the last decade optimising their IT by establishing performance levels (SLAs) at a component or systems level. Broadly speaking, the majority of organisations today consider that their IT does a pretty good job of meeting the requirements of their organisations. However, they also acknowledge that *it could do better.* At the same time, the bar for IT to cross has been raised. Managing IT in context with business goals is the next level to address.

Now is the time to seek the next level of capability from IT management

Placing a higher degree of importance on the management of IT can have significant impact on both improving the alignment of IT to the business and communicating requirements and performance more effectively. What this implies for the majority of organisations is a need to marry performance of individual components to the business activities they support. For IT management environments which up to now have predominantly focused at a granular, technical level, raising the sights upwards requires an important change in mindset.

Addressing IT environment fragmentation marks a new strategic direction

Piecemeal investment in IT management over time has left many organisations with fragmented environments, which place counter-productive burdens on the IT department and limit the ability to manage IT in closer partnership with business activities. For IT to meet the new demands placed on it, an important first step is to address the level of fragmentation across IT management tools and systems. This provides a key departure point to link between existing IT management strategies and where the IT department needs to focus its strategy for the medium term.

A services lifecycle focus places the 'new' IT management strategy in the right context

'Defragmentation' of the IT management environment can provide a foundation of capabilities that enable IT to better support the operational and strategic goals of the business. However, any move away from disjointed investment in tools and systems should take place within an overarching strategy around a complete 'service lifecycle', so that organisations can achieve practical short-term gains within a medium-term strategic framework.

CONCLUSION

Sustaining a new strategy means revisiting organisational thinking and planning. Most organisations will seek to exploit best practice to assist their refocusing, and the notion of 'CMDB' is seen as a key enabler of superior service delivery capabilities. Taking operational requirements into account when designing systems, is also a vital component of a service lifecycle approach. More collaboration between business users, IT managers and IT developers is critical in a time where the performance of a business-aligned and agile IT environment can make an incremental difference to the business.

Introduction

Freeform Dynamics' business is built on addressing topical issues and trends by engaging in significant volumes of primary research – talking to IT practitioners, and IT and business leaders- and then feeding pragmatic and useful insight back into the mainstream market.

One of the most topical areas right now is IT service management. In the past it has sometimes been seen as slightly ironic that while the business-facing side of IT – incorporating supply chain, Enterprise Resource Planning (ERP), customer facing processes, security and so on – has enjoyed significant attention and improvement over the last decade, the part of IT responsible for making sure everything works properly has not enjoyed the same attention.

However, the growth of Information Technology Infrastructure Library (ITIL) and numerous other best practice approaches, increasing attention being paid to IT management technologies such as the Configuration Management Database (CMDB), and indeed the fact that many IT vendors are offering new IT management solutions, all show that interest in this area is high. This is not before time.

The purpose of this report is to establish near-future thinking at a strategic and 'thought leadership' level, and to offer practical guidance to organisations seeking to address the operational management challenges of IT. Most importantly, it demonstrates how real life organisations are both thinking and acting to address the next 3-5 years of IT management.

The following important questions are explored:

- I need to recognise where my own organisation sits in all this. What does a fair, *real life* view of the impact of IT and IT management today actually look like?

- Is better management of IT truly a justifiably place to seek improvement in terms of delivering *incremental value* to the organisation?

- What are the *strategic areas* where improvement can be found?

- What does my organisation *actually get* if we focus here?

- How might this *help me evolve* my existing IT management systems and tools capabilities in the medium term?

To accompany this higher-level view, a companion report **[1]** provides insight and practical guidance for IT leadership seeking to address the day to day challenges in the IT department. It focuses on the 'IT department burden', and offers ideas to explore for lifting the burden and allowing IT to get on with its real job – supporting the business.

Research Study Design

The intelligence upon which this report is based was gathered during a research study completed in 2007.

The study was designed by Freeform Dynamics and executed via 300 targeted, in-depth telephone interviews with the senior IT management community. See Appendix A for further details including study demographics.

The companion study **[1]** *referenced throughout this report was designed by Freeform Dynamics and executed via an online study in conjunction with The Register (www.theregister.com), gaining over 1000 responses from IT practitioners and managers.*
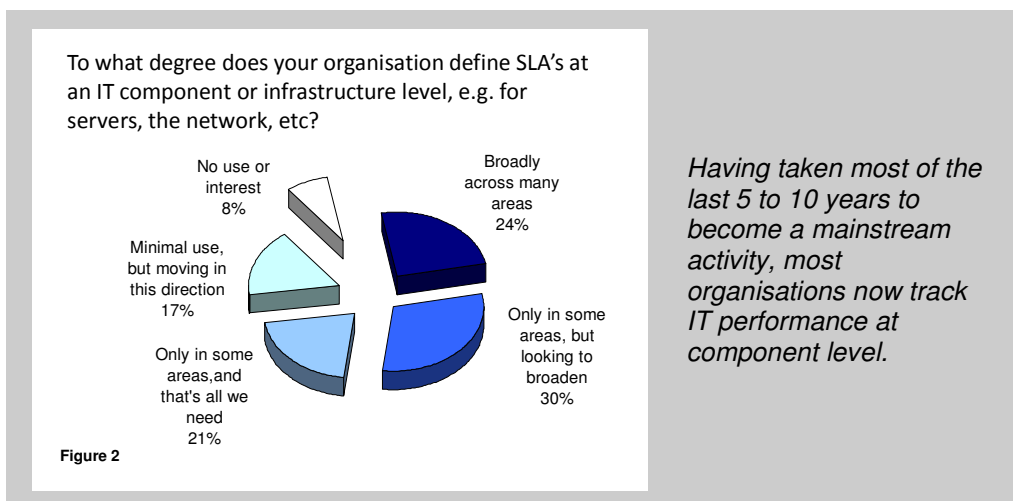
The baseline is that IT management is 'doing ok', not 'on fire'

The IT industry does a good job of painting depressing scenarios whenever there is a new technology or initiative designed to fix a predetermined problem. Talking to the people responsible for actually running IT departments paints a different picture however. Across a range of broad areas (Figure 1) that matter to organisations today, the majority of IT leaders do consider their IT provides a desirable level of value to the organisation. Of course, this view is perhaps unsurprising given the respondents. Interestingly though, the majority of organisations think that it could do much better if their IT management capabilities were improved. We shall explore this in more detail, but for now, it is important to acknowledge that the majority of organisations are not unhappy, but also know their IT capabilities could be stronger.

How well do you think IT helps the business achieve its strategic and operational goals in the following areas?

- Measuring & reporting business performance
- Enabling efficient operation of the business
- Enhancing customer satisfaction
- Supporting business growth and innovation
- Enabling business level risk management

Legend: 1 (Very well) | 3 | 2 | 1 (Not well)

Figure 1

Contrary to some opinion, IT today does a pretty good job. That's not to say it can't do better, but in the main, things are 'ok'

Most organisations are tracking IT performance at component level – but the game has moved on
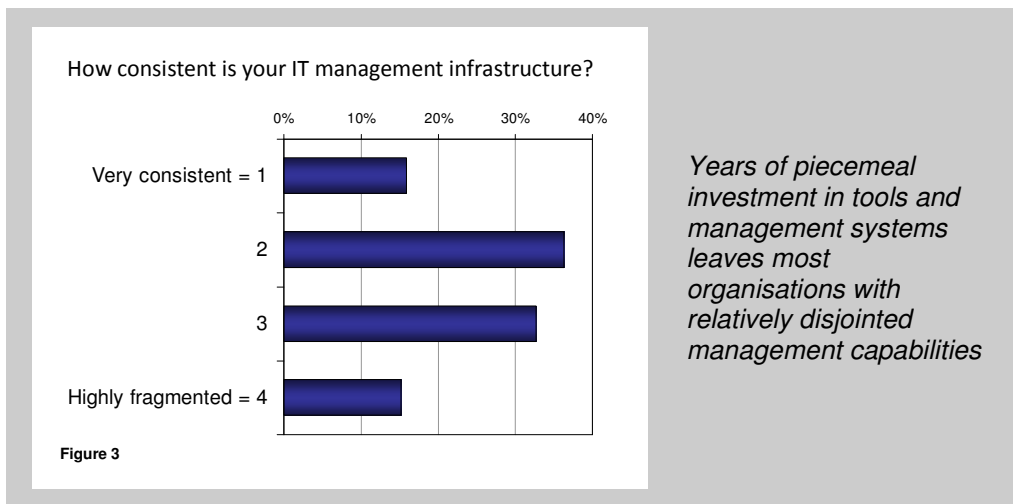
IT management has reached a 'checkpoint moment' though. IT management technologies over the last decade have focused on gaining ever more granular views of infrastructure and component level performance. However, even while IT departments have been taking such things on board and building their IT service levels around them (Figure 2), the goalposts have moved as the demand to align IT delivery with business need has increased. As a result, running IT in relation to 'business context' has emerged as the strategic goal. The majority of the IT operations market is now at a disadvantage because existing capabilities are geared towards detailed, granular performance of IT components with little or no reference or relationship to the people, processes and business they support. It is time to lift the sights and to aim at the next level.

To what degree does your organisation define SLA's at an IT component or infrastructure level, e.g. for servers, the network, etc?

- No use or interest 8%
- Broadly across many areas 24%
- Minimal use, but moving in this direction 17%
- Only in some areas, but looking to broaden 30%
- Only in some areas, and that's all we need 21%

Figure 2

Having taken most of the last 5 to 10 years to become a mainstream activity, most organisations now track IT performance at component level.
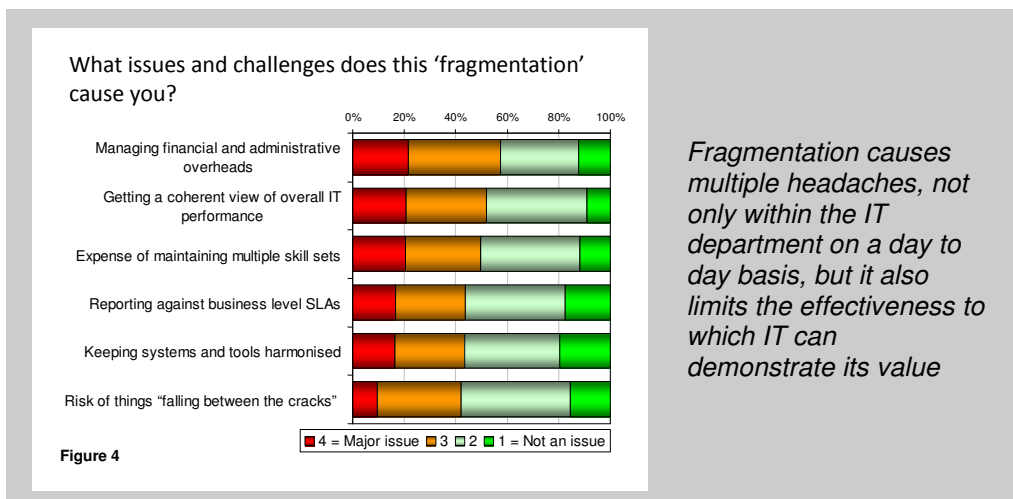
The focus on infrastructure control has created undesirable side effects

The majority of historical investment has given IT departments a fair degree of control over the IT environment, and positively, offers a significant basis for service improvement. However, there is a downside. Years of tactical investment in IT management, inheritance from merger and acquisition (M&A) activity, and the tendency to buy or build tools to address specific areas as they have emerged (e.g. mobile technology, web services, open source software, home working) has left most organisations with a highly fragmented IT management environment (Figure 3).

We've also determined **[1]** that too tight a reign on infrastructure control ('measurement for its own sake') simply increases the burden on the IT department while not achieving much in the way of incremental business benefit. Today, the balance of burden is not quite right.

How consistent is your IT management infrastructure?

Years of piecemeal investment in tools and management systems leaves most organisations with relatively disjointed management capabilities

Figure 3

For most organisations, the creation of fragmented IT management environments was practically unavoidable. Even organisations that followed relatively well organised investment patterns (using limited numbers of vendors, a focus on deploying suites or 'solutions' for IT management) actually find the level of 'desired internal integration' they ended up with was still not sufficient to drive out the inefficiencies and problems faced by less organised IT departments **[1]**.

What issues and challenges does this 'fragmentation' cause you?

Fragmentation causes multiple headaches, not only within the IT department on a day to day basis, but it also limits the effectiveness to which IT can demonstrate its value
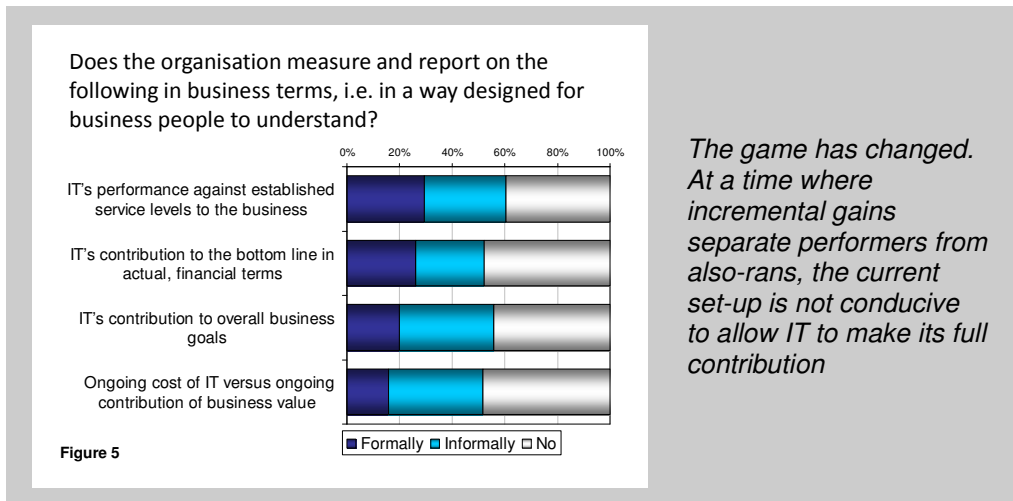
Figure 4

The challenges associated with such a fragmented IT management environment (Figure 4) speak for themselves. The costs, training, licensing and support associated with maintaining a highly disparate portfolio of IT management tools and systems are clearly a burden. Meanwhile, the ever-growing demand for discipline in IT-related fields, such as information management and risk

management, due to pressures of both corporate governance and industry regulation means that the IT department will always be on the back foot when it comes to addressing these areas unless it makes some strategic changes.

Ultimately, historical investment hasn't made it easy for the IT department to communicate with the business

Most IT departments are not able to easily communicate their performance and contribution in a way the business can easily understand (Figure 5); this is largely because the effort required to do so using existing capabilities is significant.

Does the organisation measure and report on the following in business terms, i.e. in a way designed for business people to understand?

IT's performance against established service levels to the business

IT's contribution to the bottom line in actual, financial terms

IT's contribution to overall business goals

Ongoing cost of IT versus ongoing contribution of business value

Formally ◼ Informally ◼ No ☐

The game has changed. At a time where incremental gains separate performers from also-rans, the current set-up is not conducive to allow IT to make its full contribution

Figure 5

However, the ability for IT to express its capabilities and activities in an easily understood, business-oriented way is exactly what *is* needed in today's competitive environment. Furthermore, for reasons of practicality most organisations will need to improve in this area by exploiting pretty much the same tools and systems they already have. Investment in the IT management space is not falling, but neither is it exploding.

Incremental gains therefore, must form part of the wider strategy. So how can organisations start thinking about practical strategies for their IT management over the next 3 to 5 years? For that matter, are we even looking in the right place?

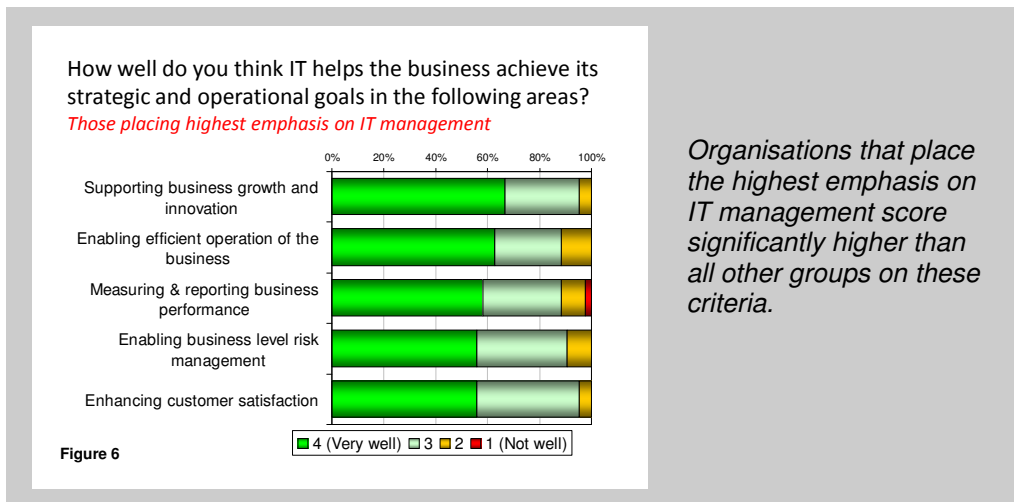## Can we justify seeking improvements from within the IT management domain?

We have established a baseline that states the following is true for most organisations today:

- IT does an adequate job at supporting the business across a range of important areas;

- The perception exists that IT could do a better job if managed more effectively;

- Focus on infrastructure monitoring forced piecemeal investment (filling gaps as technologies emerged);

- In turn this has left most organisations with fragmented management capabilities which make it difficult for the IT department to demonstrate its value and support to the business.
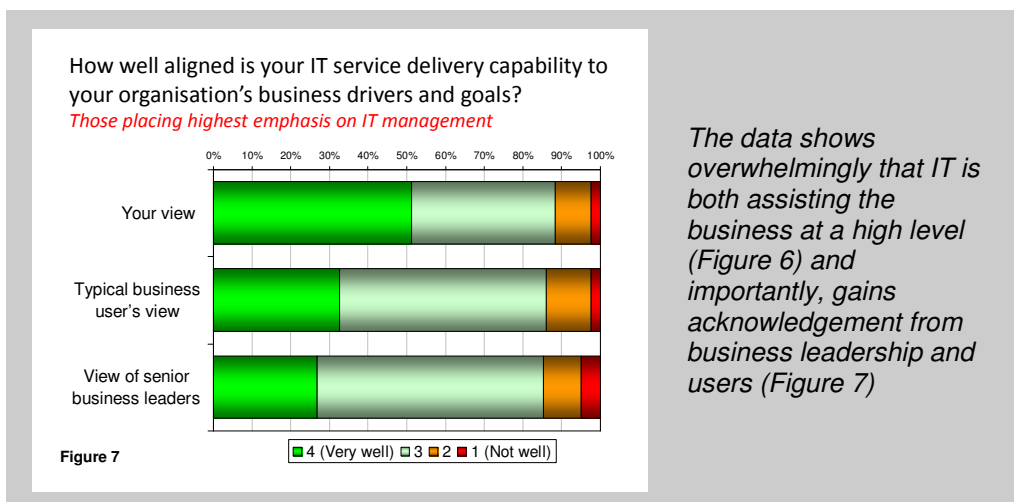
Given this baseline, is there any truth in the supposition that better management of IT is a source of value to the business?

The short answer is 'yes'. The stronger the focus on IT management capabilities, the better IT is at supporting and enabling the business achieve its operational and strategic goals (Figures 6 and 7).

Furthermore, the positive perception of IT held by business leaders and users in organisations which take IT management very seriously is far greater than the same audience in organisations which do not. From many angles, the business does indeed benefit significantly when the management of its IT portfolio is taken seriously.

How well do you think IT helps the business achieve its strategic and operational goals in the following areas?
Those placing highest emphasis on IT management

Figure 6

Organisations that place the highest emphasis on IT management score significantly higher than all other groups on these criteria.

How well aligned is your IT service delivery capability to your organisation's business drivers and goals?
Those placing highest emphasis on IT management

Figure 7

The data shows overwhelmingly that IT is both assisting the business at a high level (Figure 6) and importantly, gains acknowledgement from business leadership and users (Figure 7)

The obvious question from this point is, where can we go from here to start developing a practical strategy? Let's explore some of the areas that the leaders in this space have already started addressing.

Business needs context and accountability from IT – time to change the management mindset
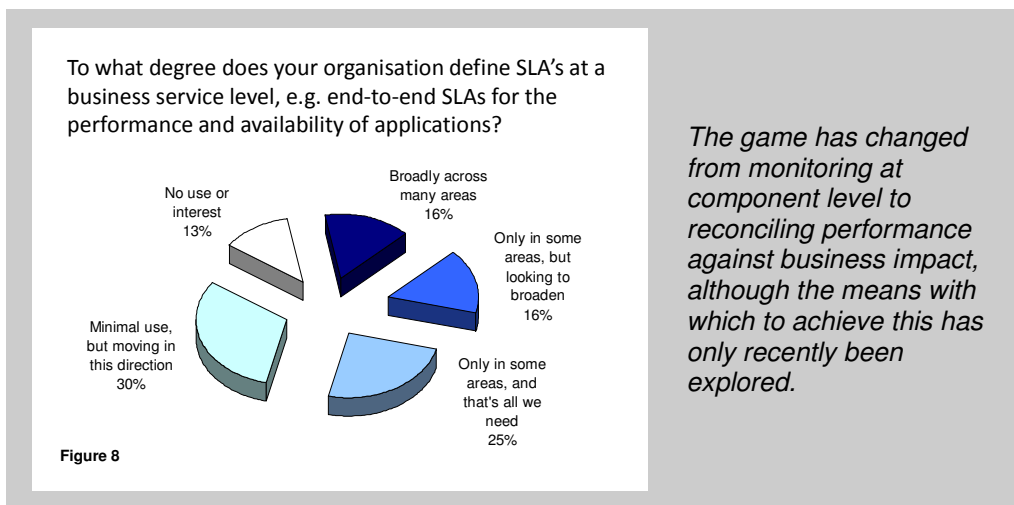
Associating performance of infrastructure components and elements to something which has tangible business relevance is the next rung on the ladder. While not nearly as widespread a practice as infrastructure-level management, the 'connection' of the IT infrastructure to business requirements and outcomes is on the cusp of mainstream acceptance as a major component of IT management strategy for the medium term. There is no need to explain this in terms of the tools which might help organisations get there, such as ITIL, business process management (BPM) and so on, because the fundamental reason for stepping up to the next level is easily explained in much more simple terms:

There is more value in understanding if the business is able to operate effectively with its designated technologies, than simply knowing if those technologies are working properly.
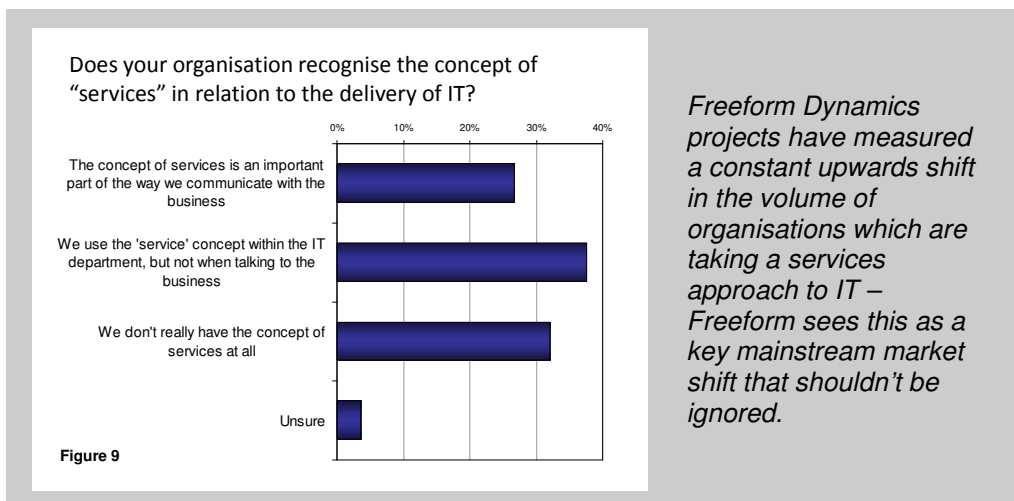
The need for business context challenges IT vendors to gain better knowledge of their customers businesses. This is no easy task for an outsider, and frankly, if organisations can take it upon themselves to address this, it places them in a much stronger position because it forces departments to prioritise their IT activities in terms of business value, defined in terms of:

- Customer impact;

- Revenue Impact;

- Cost impact;

- Personnel impact.

The order of importance is naturally dictated by the nature of the business, so simply tasking the IT department with this alignment without input from the business side is not the best way to proceed.

To what degree does your organisation define SLA's at a business service level, e.g. end-to-end SLAs for the performance and availability of applications?

No use or interest 13%

Broadly across many areas 16%

Only in some areas, but looking to broaden 16%

Minimal use, but moving in this direction 30%

Only in some areas, and that's all we need 25%

Figure 8

The game has changed from monitoring at component level to reconciling performance against business impact, although the means with which to achieve this has only recently been explored.

In order to give this alignment tangible meaning, an increasing number of organisations are now referring to such discrete lines of support in terms of services (Figures 8 and 9), rather than technical components. This is an important shift in mindset; it establishes priorities and asks questions concerning the focus of interaction between operational business and IT.

Does your organisation recognise the concept of "services" in relation to the delivery of IT?

The concept of services is an important part of the way we communicate with the business

We use the 'service' concept within the IT department, but not when talking to the business

We don't really have the concept of services at all

Unsure

Figure 9

Freeform Dynamics projects have measured a constant upwards shift in the volume of organisations which are taking a services approach to IT – Freeform sees this as a key mainstream market shift that shouldn't be ignored.

This way of thinking is no longer just a good idea in theory. Over the course of the last 10 months Freeform Dynamics has noted an upswing in the number of organisations that have adopted this sentiment. Getting serious about 'service delivery' is the right place to start addressing a medium term IT management improvement program.
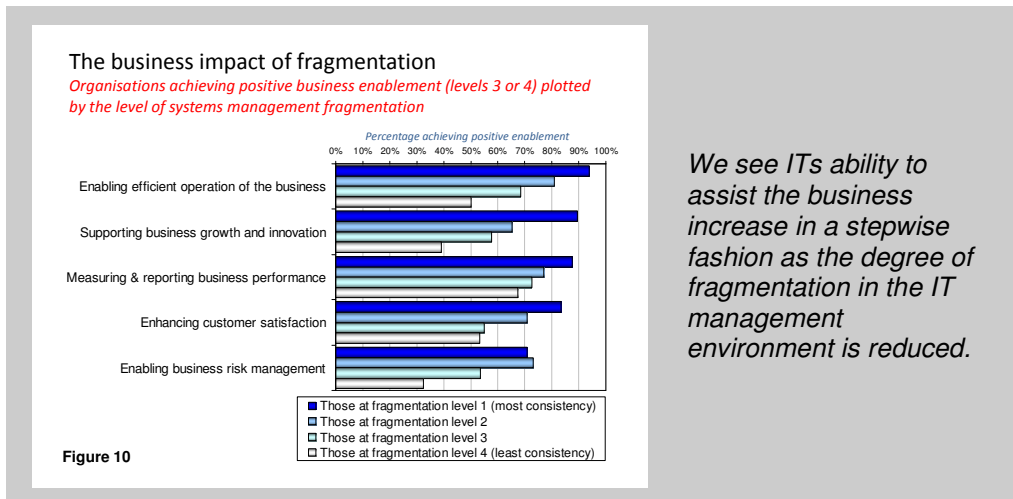
'De-fragging' IT management increases IT's ability to support the business

We have acknowledged that the majority of organisations do not currently manage their IT through association with business context, or are able to communicate their capabilities to the business in an easily understood fashion. Fragmentation of the management environment simply doesn't allow this to happen easily.

The reverse – defragmenting the IT management environment – can kick start organisations in a direction that can alleviate some of the unnecessary day to day burdens in the IT department, as well as enabling it to seek the benefits of slicker IT management enjoyed by leading organisations.

Most importantly, addressing this fragmentation aligns strongly with a strategy based on 'service delivery'. The former enables the latter, and is a natural consequence of seeking to marry IT's activities to business requirements.

As results are achieved, the justification of investing time and effort in both altering the mindset and kicking off a program of change becomes self-reinforcing over time. Meanwhile, there are gains to be made en route to lowering IT management fragmentation in addition to those that lie at the end of the process. Figure 10 demonstrates that a stepwise progress will yield incremental benefits, in terms of creating a framework within which a 'de-frag' program could be created and justified internally:

The business impact of fragmentation
Organisations achieving positive business enablement (levels 3 or 4) plotted by the level of systems management fragmentation

Percentage achieving positive enablement
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

- Enabling efficient operation of the business
- Supporting business growth and innovation
- Measuring & reporting business performance
- Enhancing customer satisfaction
- Enabling business risk management

Those at fragmentation level 1 (most consistency)
Those at fragmentation level 2
Those at fragmentation level 3
Those at fragmentation level 4 (least consistency)

Figure 10

We see ITs ability to assist the business increase in a stepwise fashion as the degree of fragmentation in the IT management environment is reduced.

For example, the three 'big targets' can be improved in a stepwise fashion over time:

- Enabling efficient operation of the business;

- Supporting business growth and innovation;

- Measuring & reporting business performance;

There is a logical and linear relationship between reducing fragmentation of the IT management environment and the uplift in IT's ability to support the business .

The impact of reduced IT management fragmentation on enabling business risk management and enhancing customer satisfaction follows a non-linear but altogether logical profile. The former benefits from a 'just enough' approach – too little and there is no benefit, whereas too much falls foul of the law of diminishing returns, and could become obstructive to operational capabilities. The latter (enhancing customer satisfaction) shows a more organic profile, where there is a threshold to be reached beyond which improvement is seen.

This insight allows expectations to be set as to the impact and benefits – *not only of where, but in what order* – to be gained from addressing fragmentation within the IT management environment.
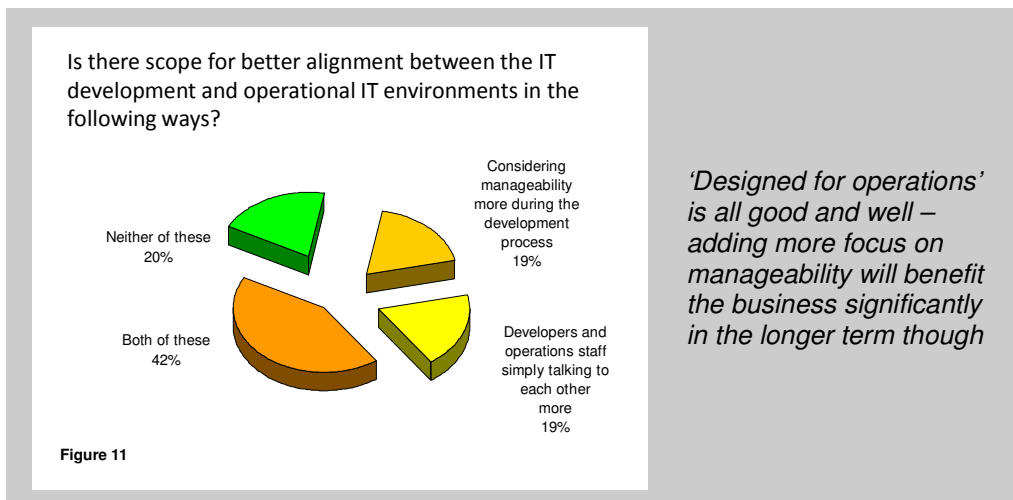
Importantly, business impact can be immediate. For the IT department, the benefits are significant in terms of reduction in specific burdens they face, but staggered, in that there remains a load placed on it which will be reduced in time. Importantly, both the business and the IT department can be satisfied that the burden the IT department faces is *the right one,* which is in stark contrast to today's status quo.

Aligning people and tools to services = lifecycle management

A critical consideration when addressing any strategic overhaul concerns the roles which different groups play and the levels of interaction that exist. When it comes to the IT that supports a business, it is most probable that business groups will take the lead in defining / requesting specific capabilities to support a new initiative, and ultimately, it will be these groups which end up using the service.

If developers and users represent the 'design' and 'use' points respectively of IT then the operational side of the IT department is tasked with maintenance of the service throughout its life span. Yet it appears that the development side does not talk to the operations side of the IT department adequately (Figure 11).

There is an obvious benefit to broadening the scope of influence when it comes to designing and running applications and systems which allow the business to operate – so obvious that it is almost insulting to raise – yet 80% of organisations think there is scope for better alignment between the development and operational sides of the IT department.

Figure 11

Is there scope for better alignment between the IT development and operational IT environments in the following ways?

- Considering manageability more during the development process 19%
- Developers and operations staff simply talking to each other more 19%
- Both of these 42%
- Neither of these 20%

'Designed for operations' is all good and well – adding more focus on manageability will benefit the business significantly in the longer term though

There is little in the way of evidence yet to suggest that organisations associate ideas such as 'lifecycle' to the business support IT provides. However, a good way of ensuring that optimal development and operational collaboration efficiencies are 'designed in' to the services that IT delivers – from the start – is to engender a lifecycle approach to the entire process because it obliges the very groups that do not collaborate effectively, to do so.
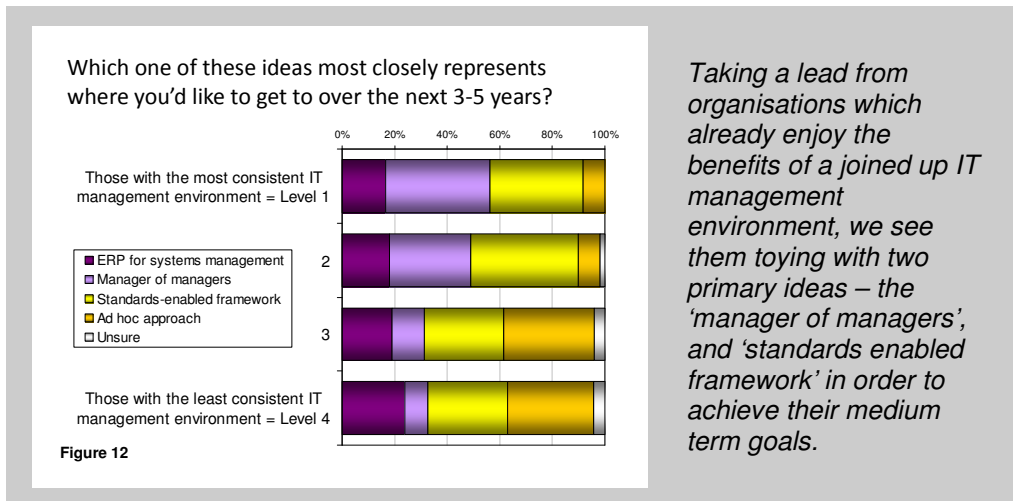
This is where internal strategy meets external influence and guidance. The latest version of ITIL (version 3) introduces the notion of 'service lifecycle management', and while it will make the 'destination' look attractive, and offer process guidance on how to get there, the practical challenges of combining people and tools will remain an organisation's own to address.

How could a systems and tools strategy mirror the overall IT management strategy?

It is one thing to have an idea of overarching strategy, but quite another to translate it into a practical plan for the IT department's array of management tools and systems. The key difference between the two most favoured visions of a near-future technical strategy for IT management (Figure 12) lies in their applicability first to the organisation's business, and then to the overall IT strategy and the existing portfolio of management tools and systems:

- Which would lift ITs ability to manage overall performance with respect to business needs (service delivery) in the least invasive way?

- Which would support the needs of different users (IT users tasked with running the services) most effectively?

- Which is practically and financially feasible given the existing degree of fragmentation in the organisation's IT management environment?

As discussed, the fact that reducing fragmentation within the management systems environment provides benefits right from the start (Figure 10) suggests that a more natural and measurable path to follow would be a 'standards enabled framework', given the relatively heterogeneous landscape that already exists in most organisations.

Which one of these ideas most closely represents where you'd like to get to over the next 3-5 years?

Those with the most consistent IT management environment = Level 1

- ERP for systems management
- Manager of managers
- Standards-enabled framework
- Ad hoc approach
- Unsure

Those with the least consistent IT management environment = Level 4

Figure 12

Taking a lead from organisations which already enjoy the benefits of a joined up IT management environment, we see them toying with two primary ideas – the 'manager of managers', and 'standards enabled framework' in order to achieve their medium term goals.

There is no generic answer however. As well as the two most popular 'grand designs' ('manager of managers' and 'standards enabled framework') the notion of 'ERP for IT management' has recently emerged, driven primarily by IT vendors seeking to consolidate aspects of IT management such as IT inventory and audit, service desk, change management, configuration and IT asset management.

Ideologically it is sound, but runs the risk of ignoring the fact that the very point of ERP was (deliberately) disruptive and to replace many existing systems because their time was up. It is not clear how applicable this approach is to the majority of the market (data suggests other avenues are more enticing). Ultimately, practical considerations will dictate which organisations choose to seek the benefits of a more cohesive IT management environment via this route.

Think and plan first – buy new kit later

We have demonstrated that the IT management environment as it stands now has a stifling effect on IT's ability to raise its game to the next level. By making changes to the way that IT management strategy is defined, organisations in the mainstream majority will be able to benefit from the same gains already made by the leaders in their peer group. Once the ideas are in place, making defragmentation of legacy management environments an early step can start delivering benefits:

- Ongoing benefits as the 'de-fragging' process moves forwards;

- A basis for stronger IT-business alignment – aka service delivery;

- An IT management tools and systems environment underpinning the strategy which is appropriate for the medium term requirements of the business.

Given the current buzz in the market right now around the IT service management space, it could indeed be tempting to simply look for more products to throw at the challenge. A glance backwards should be enough to remind organisations that this is the same thinking that got them here in the first place. Getting one's house in order, in terms of strategy and mindset, must come first.

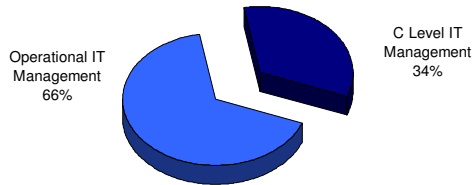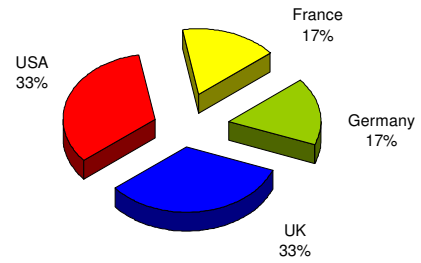# Appendix A – Study Sample

Respondents by Role

Operational IT Management 66%

C Level IT Management 34%

Figure 13

Sample by Geography

USA 33%

France 17%

Germany 17%

UK 33%

Figure 14

Sample by Organisation Size

Tier 1 (More than 10,000 employees) 49%

Tier 2 (1,000 to 10,000 employees) 51%

Figure 15

Sample by Industry

General Industry 25%

Financial Services 25%

Public Sector 25%

Service Providers 25%

Figure 16

Appendix B – Referenced Work

Referenced in this report

[1]   Relieving the Systems Management Burden   Freeform Dynamics   January 2008

[2]   Implementing CMDB Technology   Freeform Dynamics   June 2007

Suggested Further Reading

IT Risk in Context	Freeform Dynamics	Dec 2006
Managing Information Risk	Freeform Dynamics	Dec 2006
Unlocking the Potential of SOA	Freeform Dynamics	Aug 2006
Delivering Effective IT Support	Freeform Dynamics	Aug 2006

All these titles are freely downloadable from:

www.freeformdynamics.com

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About Freeform Dynamics

Freeform Dynamics is a research and analysis firm. We track and report on the business impact of developments in the IT and communications sectors.

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