

# Portfolio Management

*Organisations embarking on new IT outsourcing arrangements are looking for an easy way to manage their IT investment portfolio.*

## Business need

CIOs have always needed to justify the money they spend on the business' behalf on IT. Increasingly they need to demonstrate that IT expenditure will have maximum impact on the business' goals.

This requires a new way of looking at outsourcing and managed services. First, organisations need to understand the relative worth, alignment and risk of assets, from applications to people to IT infrastructure. And then they need to find a way to make the right decisions as to the future of these assets.

The old 'your mess for less' managed services value propositions are no longer sufficient, particularly when budgets are under pressure. When there is a relentless focus on return on investment, the key questions become 'which investments?' and 'how do we stay on track?'

## The solution

Portfolio Management is a discipline for 'picking the winners' and ensuring they are on track.

During procurement, it helps picking the services and investments in the organisation's portfolio, which would add most value to the organisation when being outsourced.

At the start of the outsource, Portfolio Management allows the client and supplier to jointly make architectural, risk and value-based decisions over the future of all in-scope IS/IT assets and projects, e.g. should they be kept, consolidated, retired, replaced.

During the life of the outsource, Portfolio Management optimises decision making over IT investments as a matter of course. This ensures ongoing alignment of IT expenditure with business objectives and maximisation of return on investment across the entire portfolio of IT assets and investments.

## Benefits

Portfolio Management helps to:

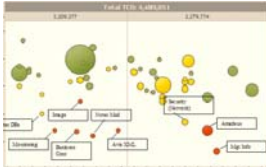
- Create a level playing field for comparing investments and make better-informed decisions by categorising projects and IT investments and defining clear evaluation criteria
- Increase the alignment of the expenditure on the outsource with business strategy. This means that the outsource or managed service will deliver the maximum possible business value at the minimum possible cost
- Reduce overall spend by eliminating low value investments and services
- Increase return on investment by channelling resources effectively to higher value investments.
- Examine potential scenarios for portfolio manipulation for example 'what-if' analysis
- Increase the control over the project/investment life cycle by introducing a stage gate review process and a formalised governance structure.
- Ensure that the services delivered are the right ones for the client's requirements.

## Approach

We will

- Perform a value assessment of assets and investments to identify where the budget is currently going and to define options for optimisation of alignment, expenditure balance and project selection
- Implement a portfolio management process to ensure that all future investment decisions and choices over strategies for the assets under management remain aligned with business goals. This process could be managed within the client organisation, within Fujitsu or as a jointly managed entity.
- Define an effective governance structure to manage investments and the realisation of benefits.
- Create a 'management dashboard' to communicate the status of the portfolio in terms of aspects such as health, spend to date, and current level of risk and so support effective investment decision making.

To deliver the powerful visual representation of your portfolio, we use industry leading software tools, which provide an 'at-a-glance' view of the portfolio so executives can focus on decision making, rather than the analysis itself.



### Experience

With AirMiles we used Portfolio Management techniques to evaluate their IT systems portfolio and provide support on strategic decision making on outsourcing.

At the Department for Work and Pensions we helped introduce Portfolio Management techniques during a period of significant transformation, and thus helped them manage a huge programme of change.

Fujitsu's approach to Portfolio Management is based upon an **industry recognised** approach outlined in our book 'The Information Paradox'. It is supported by the Fujitsu Macroscopic toolset which is recognised by Gartner as in the 'top right' quadrant in a study on structured toolsets.

Our methods are being used as a fundamental part of the **Val IT** initiative developed by the IT Governance Institute (ITGI). It draws heavily on Fujitsu's IPR, and this is acknowledged by ITGI in their introduction to Val IT.

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