

Preface

The bulk of our experience in the technology field has been in consulting to companies of all sizes and across a wide variety of industries, and helping them to improve the effectiveness of their IT departments. We have worked with many struggling information technology (IT) departments and have been fortunate enough to help many of them transform themselves into highly effective, fine-tuned organizations, which deliver the highest return on investment to the companies in which they operate. We have observed a consistent pattern of symptoms and causes in the IT departments experiencing difficulties. We have captured these lessons learned and the tools, techniques, and practices that can revive a struggling IT organization.

This book is a sophisticated and comprehensive guide to running a cost-effective and efficient corporate IT unit. While we spend time describing the challenges facing IT departments, our primary aim is to prescribe a course of action for senior managers and IT staff. To that end, we provide sharply defined, specific policies, approaches, and tools for each important aspect of managing the IT function, from human resources to operations to vendor selection to project prioritization.

The techniques covered in this book will facilitate a detailed assessment of current operations, and development of a step-by-step improvement plan designed to save companies significant IT expenditures, while providing measurable productivity improvements. Further, the book will help IT managers and directors improve individual performance in their organizations or consulting companies by identifying common areas of friction and miscommunication between IT departments and the business, and addressing ways to overcome these dysfunctions.

The accompanying CD-ROM contains specific spreadsheets, documents, and checklists for use in planning and decision making.

The reader will gain valuable skills, including:

- Understanding the main sources of wasted IT dollars and identifying specific areas where IT managers can reduce costs.
- Identifying the industry average IT spending.
- Identifying the main management areas of a successful IT operation.
- Distinguishing the *business* of managing IT from the technical aspects.

- Understanding symptoms and sources of IT department inefficiencies.
- Learning critical improvement steps in each of the main IT management areas.
- Learning how to make better decisions in technology direction setting, project management, human resources management, risk management, and technology strategy setting.

In addition, consultants can build new consulting services for companies who are in need of these practices and cost reductions; they will be able to propose additional engagements and services to clients based on the techniques they learn in this book, as well as bring new thinking to existing projects. Companies can attain higher utilization from their existing IT assets and avoid unnecessary IT expenditures in the future. CEOs and CFOs can gain a better understanding of how to work with their top IT executives.

How This Book Is Organized

Each chapter in the book stands on its own. Therefore, some minor overlap of content from chapter to chapter occurs. We work to be prescriptive and specific instead of conceptual and theoretical. We attempt to show not just *what* to do but also *why* to do it. We also try to follow each *should* with a *because*. The book is arranged in three parts and an appendix.

Part I: The Effective IT Organization

Part I examines the ongoing dilemma that effective management of the IT function has presented for both technical and nontechnical managers. IT management is consistently considered a “neither fish-nor-fowl” business area. Few of the constraints or management considerations that apply to a normal business functional area, such as finance or human resources, apply to IT, but neither do the natural efficiencies and incentives that affect the practices of a P&L-driven business unit.

This situation has been exacerbated by the fact that nontechnical managers are confounded by the combination of business and technical skills required to manage IT, and many IT managers lack the business training and experience to bring the P&L mind-set to the function. The result is long-term dissatisfaction from all concerned—senior managers, business users, and the IT department. In many cases, businesses have an ongoing dysfunctional, mildly hostile relationship with their IT departments, and, in the worst cases, IT departments spin out of control, damaging the business with inappropriate spending, squandered opportunities, and other forms of waste.

Part II: Managing the IT Department

Part II explains in detail the key practices, policies, and strategies for effectively managing the IT department across all activities. Unlike many other treatments of this topic, we focus on the *business* of managing an IT shop, rather than focusing on a specific technology area or a niche topic. This section is geared to the IT manager, director, or CIO who wants to understand how to get the best out of their people, vendors, systems, and budget. This comprehensive, detailed guide provides concrete, specific approaches for all aspects of managing IT, as well as real-world “war stories” from a variety of organizations.

Part III: Senior Executive IT Management

Part III covers executive decision-making tools and processes for senior executives and IT managers. The traditional difficulties managing the relationship between IT and the business users can be overcome. Similarly difficulties setting company-wide priorities and ensuring that IT is executing against these priorities is critical to the executive team’s success. These topics are discussed including working with the business, IT budgeting and cost management, risk management, IT demand management, effective IT benchmarking systems, and the IT steering committee. The topics and processes described will assist the executive in managing those areas that are critical to IT success and its alignment with the company both financially and strategically.

Appendix: IT Toolkit

The appendix lists the tools discussed in Parts I through III, including project prioritization matrices and project estimating tools, IT steering committee charters, hiring checklists, project charters, and other documents mentioned throughout the book.

Terminology

We use specific terminology repeatedly throughout the book. These terms are used inside IT departments at many companies:

TERM	DEFINITION
The business	Business managers and users who are part of the company but are not part of the IT team.
Business units	Units within the corporation whose functions are in line with revenue- and profit-generating activities.

TERM	DEFINITION
Functional group	Overhead departments in the company that support operations, not including IT, for example, human resources, finance, marketing.
Infrastructure	Used synonymously with the term <i>operations</i> (see definition for <i>operations</i>). Infrastructure is the breadth of utility services an IT department provides, for example, e-mail, network access, file storage, printing. Infrastructure can be contrasted with <i>applications</i> , which are software-based business transaction and analysis systems.
IT	Information technology or the IT department itself.
IT department	The main IT unit in the company. Also called <i>information systems (IS) group</i> , <i>IT group</i> , <i>IT</i> , <i>MIS department</i> .
IT director	The top information technology officer in the company; used interchangeably with Chief Information Officer (CIO).
IT initiatives	Information technology improvement programs that include multiple projects for completing a single goal.
IT management	The group of top managers in the IT department, usually the IT director and his or her direct reports.
Operations	The full breadth of utility services in an IT department includes the entire infrastructure. Chapter 7 is devoted to this subject and contains a comprehensive definition.
ROI	Return on investment, a method of financial analysis to estimate financial impact of an investment.
Senior management /senior managers	Everyone who manages a business unit or function and executive officers. Typically includes the top two layers of management in an organization and all C-level officers, for example, CEO, CFO, COO.
System	Computer systems and applications.
Technology	The full range of hardware, software, infrastructure, and telecommunications systems that the IT department has control over. The broadest sense of items and services that the IT department controls and is responsible for.
Vendor	Any outside provider of hardware, software, products, or services to the IT department.