

# Maximizing the Value of Information Technology through IT Investment Management

University investment in IT can be categorized within traditional classes:

1. **Project investment** - a temporary or one-time endeavor undertaken to create a unique product or service.
2. **Operational investment** – invests in known policies, processes, procedures and precedents to which the organization aspires to comply.
3. **Enterprise asset management investment** – plans, creates, maintains, rehabilitates, replaces and disposes of assets in the most cost effective manner.

Enterprise Asset Investment	Project Investment	Operational Investment
<ul style="list-style-type: none"> <li>• Plans, creates, acquires, maintains, rehabilitates, replaces and disposes of assets (including IT assets) in the most cost effective (sustainable) manner required to meet present and future university objectives and demands for service levels.</li> <li>• Asset investment is realized in the development of an Enterprise Asset Management Plan (EAMP) which includes a financial summary and a long-term funding strategy.</li> <li>• EAMP identifies and documents existing asset management practices, levels of service, financial forecasts, and future asset management requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• A project is a temporary and one-time endeavor undertaken to create a unique product or service.</li> <li>• “Temporary” means that the project has an end date.</li> <li>• “Unique” means that the project’s end result is different than the result of other functions of the university.</li> <li>• A project instance should only exist once, regardless of how many departments are involved.</li> <li>• This characteristic of being “temporary” and “a one-time undertaking” contrasts with processes or tasks, which are permanent and ongoing and create the same product or service over and over again.</li> </ul>	<ul style="list-style-type: none"> <li>• Business as usual investment is known policies, processes, procedures or precedents to which the university aspires to comply.</li> <li>• This investment enhances current operations, systems and processes, which are not new and are often repeated, and it is managed as a % of total operational expense.</li> <li>• Change is generally incremental and within the bounds of the known operating environment.</li> <li>• New business as usual processes or capabilities are often the result of project investment but should not be confused with project activity. The building of the capability is the project; the managing and optimizing is business as usual.</li> </ul>

Most universities often get trapped by the status quo, focusing on keeping things running in the face of sharply increasing demands and tight budgets, ending up just dealing with immediate operational need. However, in order to unleash the potential value of IT to the university, project investment needs to be anchored to clearly defined strategic objectives.

This strategic alignment works across three dimensions: university strategic objectives, university sub-strategic objectives, and school/business unit objectives tied to the university strategy.

Embedding the strategic and departmental alignment criteria into the underlying project initiation workflow and process, and making strategic alignment a part of project initiation, prevents time and capital being wasted on non-aligned project ideas. It also encourages the notions of strategic contribution, and operational plan alignment, as a common format known to and used across the organization.

## Balancing Strategic and Operational Activities

Finding the right balance of strategic and operational investment is a way to balance project investment opportunities against the shrinking resources available to finance these projects. Project investment balance starts by looking at the mix of investments in growth and innovation, and productivity and maintenance.

Project investments fall into two main categories and four subcategories:

<p><b>Strategic Investment:</b> Investments aimed at growing the university’s services, increasing the size and nature of operational capacity or introducing new services. Strategic investment has two subcategories:</p>	
<p><b>Innovation:</b> Explores the introduction of new services, meets changing market environment or enables existing services to be sold to new markets.</p>	<p><b>Growth:</b> Increases capacity or expands existing services, increase revenue of existing services, or develop and increase university reach and reputation.</p>

<b>Operational Investment:</b> Investments necessary to maintain and/or improve the university's services and are sometimes referred to as "business as usual" investments.	
<b>Productivity:</b> Aims to reduce operating costs (labor or non-labor) and, through efficient use of assets and systems, facilitates productivity. This would include projects such as cost reduction.	<b>Maintenance:</b> Investments necessary to address aberrant interruptions or reductions in the delivery and quality of services. In the face of some unexpected change in the environment, these investments maintain operations, and ensure that operations are safe.

### Getting Projects into the IT Portfolio and Managing Them

Project portfolio management includes four fundamental concepts:

Seeding	Pre-investment planning – Understand strategic and operational impacts Project initiation process/feasibility analysis – Structured initiation process to quickly identify least valuable projects
Nurturing	Project estimation – Decisions to invest require accurate and transparent cost information Project ranking model – Forces decision based on strategic alignment and contribution, investment balance (strategic and operational investment mix), and the trade-off between Value & Risk, Value & Cost, Risk & Cost. Asks 'can we do it,' 'do we know how to do it,' and 'when should we do it' (not 'should we do it')
Pruning	Portfolio prioritization – Capacity, capability and readiness to undertake the project Optimization – Projects are modified, terminated or accelerated based on market changes and competitive forces Measuring performance – Drive the performance of the university
Harvesting	Realizing value – Continuously understanding the aggregated value of the portfolio and its effect on the university Post-investment review – Calculating the return on investment over a number of years