

Establish Strategic Value

Enhancing ITAM's Value Through Strategic IT Vendor Audits

How Relevant is ITAM?

The ITAM Career Ceiling

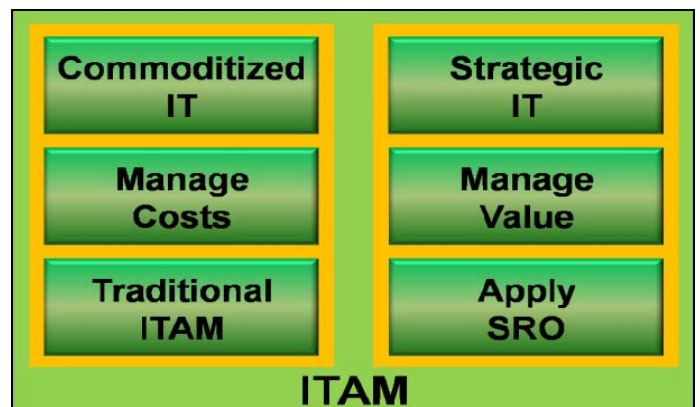
The ITAM profession is very rewarding and at the same time very frustrating. It is rewarding because we make a significant and tangible contribution to our organization's bottom line. It is frustrating because that contribution doesn't seem to be valued highly enough by executive management. This under-valuation shows up most clearly in the ITAM career ceiling. The ITAM career path in most organizations stops at the manager and sometimes director level. There are very few ITAM vice presidents. There are no ITAM officers and ITAM does not have a seat by itself at the executive level. It usually falls under the CIO or CFO. As a result, ITAM professionals that want to advance in the management ranks are forced to leave ITAM.

ITAM professionals without management aspirations still feel under-valued and under-appreciated. How can executive management not pay attention to a function that produces so much value and how can we get their attention? The problem is that ITAM is focused on cost containment and reduction. These are a "necessary evil" to executive management. They are not the fun part of executive's job. Executives want to focus on revenue growth and new strategic initiatives to achieve that growth. They want to develop new markets, new products, revitalize old products, form new partnerships, etc. In short, they want to focus on the future and the new strategic initiatives that prepare their organizations for that future. ITAM must be seen as enabling these strategic initiatives in order to increase its value to executive management. ITAM needs to add a strategic, value-enhancing role to the traditional tactical, cost-reducing role.

Making ITAM into a Strategic Role

Strategic corporate initiatives often require strategic IT initiatives to enable them. ITAM must be viewed as supporting strategic IT initiatives that are enabling strategic corporate initiatives. ITAM needs to play in the sandbox that executives are paying attention to, not stand in our own sandbox requesting their attention.

The right side of Figure 1 shows the strategic role that ITAM must add to its traditional tactical role on the left side. Traditional ITAM focuses on managing and reducing the cost of commoditized IT assets. ITAM must begin managing the value of the assets and services that enable strategic IT initiatives. We can do that by using the principles of Strategic Relationship Optimization (SRO). Using these principles changes the ITAM focus to proactively managing IT assets to ensure that corporate strategic initiatives are accomplished and that maximum value is achieved, not just that maximum savings are produced. Managing for maximum strategic value requires a different approach than managing for maximum cost reduction. SRO provides that approach.



Since managing value is different than managing cost, we usually don't have the necessary data to begin managing value. A strategic IT vendor audit gathers that data and lays the foundation for proactive management of the strategic value of IT assets.

Align with Strategic Value through a Strategic IT Vendor Audit

A strategic IT vendor audit includes the following steps:

1. Identify the corporate strategic initiatives.
2. Identify the IT strategic initiatives that support the corporate strategic initiatives.
3. Identify the products and services that comprise each IT strategic initiative.
4. Identify the contracts that govern the usage and cost of the strategic IT products and services.
5. Audit the usage and payments for the strategic IT products and services against the contracts to determine level of value received.

The remainder of this article examines each of these steps in more detail.

Step 1: Identify Corporate Strategic Initiatives

It is critical to identify executive management's true strategic initiatives. Look at what they pay attention to, not just what they say. What do they ask questions about? What status reports do they really read? Look at what they have promised to people outside the organization, such as investors, financial analysts, industry analysts, etc. Study the management discussion portion of the annual report. Listen to the quarterly investor call. You have to study the ongoing behavior of executive management to understand their true priorities because they change to reflect the reality of markets, competition, etc. If you are not sure of executive management's true strategic initiatives then ask them. These are the things that excite executives. They like talking about them and value people within their organization that want to

support these initiatives.

Steps 2&3: Identify IT Strategic Initiatives and Supporting Products and Services

Once we have identified the corporate strategic initiatives, the next step is to identify the IT strategic initiatives that enable corporate strategic initiatives. It is important to not identify commodities as strategic. A commodity supporting a strategic initiative is still a commodity and should be managed as such. For example, standard anti-virus functionality is still a commodity even when it is used in support of a strategic initiative. As long as it is provided by a reputable vendor, it doesn't matter what vendor is used and the selection is driven by lowest cost. However, if the strategic initiative requires specialized anti-virus technology that is only provided by a few select vendors then that anti-virus technology is strategic. The value of strategic assets is not easily replaced.

It is also important to realize that significant spending on a product or service does not automatically make it strategic. If that spend can be easily moved to another product or service then it is not strategic.

Vendors should not self-nominate themselves as strategic. Being strategic is a matter of the vendor's offerings supporting corporate strategic initiatives, not how big the vendor is or how much is spent with them. Actually, it is very rare for every offering from a large vendor to be strategic. There are strategic products and services, not strategic vendors. It is important to manage commodities as commodities. Do not allow vendors to paint their commodities as strategic. Manage strategic products and services not strategic vendors.

Also, be careful of vendors offering strategic partnering as a sales ploy. Identify the unique value being offered by the vendor that makes the partnership strategic. Big discounts do not create a strategic partnership.

Once we understand our IT strategic initiatives, it is critical to show executive management how IT is supporting the corporate strategic initiatives. This must be done without the "techno-speak". Executive management must see the value to the organization.

Be careful to not identify initiatives that are strategic only with IT as being strategic to the organization. Most virtualization projects fit in this category. They are strategic to IT for cost containment but typically do not provide new products, markets, etc. that are strategic for the organization.

Step 4: Mining Strategic Contracts

Once we have identified our strategic products and offerings, then we need to understand the contracts that govern them. These contracts should document all the requirements for strategic success. They document the value that the vendor is bringing to the table, not just products and payments. These contracts should contain performance monitoring, penalties, rewards, etc. They document the relationship with the vendor and how they are going to work





with the organization to ensure the success of its strategic initiatives.

Be careful of combining strategic and commodity products and services in the same contract. The danger is that the commodity terms and conditions will bleed over into the strategic offerings. We manage these strategic offerings differently so they usually require different contracts.

Step 5: Audit the Offerings and Value

As we participate in a strategic relationship with a vendor, it is very important to proactively monitor that relationship to ensure that its full value is being received. That value is received by fully utilizing the offerings contained in the contract. A periodic audit of vendor offering utilization is critical.

An offering that is utilized has value and renewal, enhancement or other fine-tuning should be considered.

If an offering is not utilized and there are no external roadblocks, then it is the organization's fault. The appropriate question is why? If there is no value for the organization then don't include it for renewal. If the offering has value then fix whatever prevented utilization of the offering. If the impediment cannot be removed then don't include the offering for renewal. Either way, remember this lack of utilization and ask for consideration in future negotiations with the vendor.

If an offering is not utilized and it's the vendor's fault, then ask for immediate remediation. If the vendor cannot deliver the offering then ask for a substitute offering of equivalent value. If the vendor cannot offer an acceptable substitute then ask for future consideration. Once again, remember all of this for future negotiations with the vendor.

The bottom line is that an offering only has value for the organization when it is utilized. Do not allow the vendor to pad the deal until it's too good to pass up. If you can't use it, it doesn't have value.

Summary

Through this process, ITAM professionals are taking responsibility for the relevancy of their work to the organization by managing their vendors, and thus the contractual obligations and purchases. The Strategic Relationship Optimization model teaches us to see vendors and our role in the organization in an empowering way, expanding the value of ITAM. These actions culminate in attention from executive management because of increased value from strategic IT initiatives and ultimately from more successful strategic corporate initiatives.

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