

## Rootbound: Digging Up IT Inefficiencies

*BAI Banking Strategies*, Jun 28, 2011

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The discipline of IT Portfolio Management can help untangle the inefficiencies and excessive costs of technology investments made over previous decades.

The first time we were asked to map the Information Technology (IT) infrastructure of a large financial institution, the picture we drew could have been titled "Rootbound." On the surface, the technology appeared to be getting the job done. Beneath the surface, it was a tangled mat of dependencies, disconnects, redundancies, inefficiencies and unknowns that would, if left untended, deplete IT's value to the institution.

No one was surprised. After all, in four or five decades of the IT explosion, occurring simultaneously with rampant M&A, when has a bank had the time to re-tool its entire IT infrastructure? Like professional tennis players with no off-season during which to hone a new weapon or correct a bad habit, the best the industry could do was keep deploying to stay in the game. Too often expediency took precedence over planning, speed-to-market over long-term value, business need over enterprise need and compliance over efficiency.

The unmanaged portfolio environment is not just costly but also inflexible and slow at a time when bank CEOs are counting on flexibility and nimbleness as essential to their strategy. The recent explosion of new laws and regulations has exposed this vulnerability; precious IT resources are consumed by separate initiatives in every silo to get myriad systems compliance-ready before deadlines.

It doesn't have to be that way. Banks that adopt the discipline of IT Portfolio Management (ITPM) are seeing both rapid relief from the rootbound problem and hard-dollar savings that more than pay for the effort.

### Too Many Servers?

Consider how a rootbound IT portfolio depletes the value of the institution's IT by adding costs and forgoing efficiencies at virtually every IT level, from the bottom up:

*Servers* – Few business units explore their excess server capacity at the enterprise level before buying their own equipment, and few business units use more than half of their server capacity, and some much less. A bank with ninety servers operating at 50% could do with sixty and still have plenty of capacity for growth. And they could save even more server expense by adopting virtualization technology.

*Systems Software* – The unmanaged IT portfolio invariably reveals a variety of systems software: Windows in one silo, Oracle in another, Linux in a third and so on. From the standpoint of each business silo, no doubt the choice arose from careful study and selection. But from the standpoint of the enterprise, the wisdom of each choice looks more questionable. Three vendors to manage, three systems to support, three types of hardware, three different maintenance agreements, three types of experts to employ or contract with and so on.

*Middleware* – Middleware is subject to the same decentralized decision-making that makes the business unit happy but often at the expense of the enterprise and of the most productive use of the various purchases. IT is left supporting different workflow engines and different development platforms for each.

*Imaging/Shared Tools* – The average large bank business unit chooses its own imaging and shared tools and typically ends up with a mix of the leading options. So again, the enterprise is left with multiple systems to support that likely are never connected. So, another set of missed opportunities, costly management demands and costly IT resources.

*Applications* – When it comes to the applications layer, the choices of the business units are limited to whatever will run on the infrastructure they created. In other words, lack of IT portfolio management doesn't just create more cost; it limits the autonomy of the business head. And that, ironically, is often the justification for not managing the IT portfolio more closely.

With all these disconnects, banks often find themselves building interfaces up, down and across as though the business of the bank were custom IT interfaces instead of financial services. Even when banks make an effort to

choose an application that another business already uses, they can still find themselves in version limbo, running completely different versions of the same system in two different businesses. The result: little savings, no efficiencies.

Correcting the problem begins with a five-step ITPM program conducted under the direction of supportive executive management, since it cuts across organizational boundaries:

**Define the current IT environment/assets.** This effort typically exposes the rootbound picture, assembling it from the systems of record of each business group and from interviews of subject matter experts. Like a family deciding to live on a budget for the first time and taking an inventory of everything they spent the past year, this step answers the fundamental ITPM question: What have we bought? What IT do we have to work with?

**Catalog IT assets.** ITPM discipline calls for creating two basic catalogs – one that categorizes all the IT assets by type (middleware, imaging systems, and so on) and one that categorizes them by the service they perform for the bank, such as quality assurance, database management, application development, portals, etc. These catalogs bring the rootbound picture into clearer focus. How many different portals is the bank supporting? How many places is database management being performed? Does every business unit conduct its own quality assurance?

Even if the ITPM process were to end here, the catalogs themselves are valuable assets. An executive contemplating the need for a new system can easily see whether similar systems exist in the bank, from what vendors, in what versions and whether the bank has already paid for an enterprise license.

**Identify obsolete, redundant, risky, unproductive, and costly IT assets.** The next step is for objective analysts to identify obvious problems or opportunities in the portfolio. Where are the same IT services and functions delivered in multiple silos? Can some components be consolidated for a better return? Where could the enterprise profit by standardizing IT components? Is the bank supporting multiple versions and releases of a single system? How much staff and overhead is assigned to redundant services? Where money could be saved through the discipline of virtualization, service-oriented architecture, shared services, data governance or application rationalization?

It is not unusual for us to discover dozens of portals or a dozen security systems around a large financial institution. And when we do, it's almost a given that management will take immediate steps to consolidate them under one aegis, saving millions of dollars by doing so.

**Surfacing the best and the rest.** It is always the case that some technology groups will be found to be superior to others. In this step, comparing them on pre-defined metrics makes it possible to surface best-in-class enterprise standards. In addition, ITPM methodology reveals skill and technology gaps. This step culminates in the creation of a technology roadmap – a documented path to improving the quality, cost-effectiveness and productivity of each technology group.

**Embed the new discipline.** ITPM is not a project but an ongoing discipline. To do it effectively, executives need to have ready access to data that tracks their progress on the technology roadmap in the form of pre-defined metrics. They need to review the portfolios and the roadmap regularly, capturing results and making any course corrections, constantly surfacing better standards and best practices and proactively preventing unnecessary complexity.

ITPM is a powerful process with a powerful payoff. The up-front investment can quickly begin to produce returns. It is not unusual to find IT cost reduction opportunities of 10% to 30% or more, without sacrificing functionality, along with additional returns in the form of control, compliance, and nimbleness.

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