

# The Guide to IT Investment Portfolio Management

Learn how to make strategic IT investments that will have a positive impact on your business.

## Table of contents

- 
- 2 [Introduction](#)

---

  - 4 [The business-aligned IT investment portfolio](#)

---

  - 5 [3 challenges of IT investment portfolio management](#)

---

  - 6 [Take control](#)



---

## Introduction: why change?

In today's business world, where success is defined by the speed of innovation, enterprises need to be more agile than ever. As the world becomes more digital, competition intensifies, and customer expectations change at ever faster rates, technology has emerged as a mission-critical driver of value.

This so-called **tech-celeration** is creating massive opportunities for companies that can adapt, disrupt, and innovate. Yet it also comes with risks. In a scramble to keep pace with the competition, executive decisions makers often make rushed and ill-informed IT investment decisions—by investing in too many projects, yielding to directives from higher-ups with little architectural guidance, or failing to manage the [IT portfolio](#) in the context of a larger business strategy.

**This flawed approach has major repercussions.** Funding for IT and innovation isn't limitless. But for many firms, the absence of an IT portfolio investment strategy leads to unnecessary spending, bloated application landscapes, an IT architecture that borders on unmanageable, and the inability to deliver on business strategy.

---

# 20%

of the tech budget dedicated to new products is diverted to resolving issues related to technical debt

Source: McKinsey

# 50%

of projects run over cost and over time

Source: McKinsey

# 80%

of project management execs don't know how their projects align with their company's business strengths

Source: Changepoint

The numbers bear this out: According to research by McKinsey, up to 20 percent of the tech budget for new products at companies with revenues exceeding \$1 billion is diverted to resolving issues of [technical debt](#): the off-balance sheet accumulation of all the technology work a company needs to do in the future. Industry surveys consistently show that more than half of IT projects run over cost and over time. Research by Changepoint has found that 80% of project management executives don't know how their projects align with their company's business strategy.

## A new way of thinking

This disconnect between business and IT can lead to major consequences: misdirected capital expenditures, unfeasible revenue targets, unrealized return on investments, and ultimately ground lost to the competition. Luckily, there exists a better way forward—a means of managing the IT investment portfolio with the right capabilities, focus, processes, and tools to truly support what matters most: business innovation.

Are you looking to make better, faster, and more informed IT investment decisions—which will enable your company to understand how to build an IT portfolio in alignment with your business strategy? If so, a [strategic portfolio management](#) (SPM) approach to IT investment portfolio management could be your end-game.

In the following guide, we'll tell you all about how a more strategic approach to your IT investment portfolio can help you spend your money more wisely, more effectively manage risk, and accelerate your innovation strategy. First, though, we'll dive a little deeper into the pitfalls of inadequately planned IT investments and why a stop-gap approach won't yield the results you desire.

## Begin by breaking your bad habits

Does your IT landscape often feel overwhelming? Are you facing mounting technical debt due to a glut of investments that will waste valuable resources in the future?

If so, you're not alone. According to the technology consultancy Gartner, "By 2025, 70% of digital investments will fail to deliver the expected business outcomes due to the absence of a strategic portfolio management (SPM) approach." (Gartner, Magic Quadrant for Strategic Portfolio Management, Anthony Henderson, Daniel Stang, 18 April 2022) Too often, without an integrated, cohesive view of how the IT investment portfolio relates to business strategy, IT managers:

- Spread their budgets thin by investing in too many IT projects, at a level too superficial to deliver effective solutions
- Prioritize IT for business areas with the loudest voice or deepest pockets, which are less integral to overall business strategy
- Seek to prove the value of IT by focusing on efficiency gains—instead of boosting revenues and increasing market share

## A poorly planned investment strategy is like being lost at sea

When these decisions happen, your company becomes like a wayward ship, straying from its course without a clear path toward its destination. In this environment, divergent paths of business and IT lead to expenditures on tech that are often misdirected. Leaders make investment decisions without a proper understanding of their impact on overall architecture—which increases the risk of exhausting budgets or even investment failure. Projects are often carried out with inadequate preparation, and the exclusion of important stakeholders, which typically leads to poor execution, or even failure.

Projects and programs that are aligned to an organization's strategy are completed successfully more often than projects that are misaligned (**48 percent versus 71 percent**). PMI's earlier research reported that aligning projects with strategic objectives has the greatest potential to add value to an organization. But on average organizations report that **three of five projects are not aligned to strategy**. (Source: PMI's Pulse of the Profession: The High Cost of Low Performance)

Even when you realize you've embarked on a wayward path, getting this ship back on course isn't easy. An enterprise where business and IT are out of sync will move any way it can: decentralized, poorly governed, and frequently unable to compete. Budgets become nearly impossible to plan—with little differentiation between capabilities that drive competitive advantage and those that don't.

As the ship struggles to alter its course, better organized competitors will advance faster in their digitalization efforts and seize more of the market. Eventually, the central IT organization will not be able to keep up with business demand—and increasingly lose value to the enterprise.

---

# A better way: the business-aligned IT investment portfolio

How can you avoid this fate—and ensure your IT investments deliver for your business? The first step is accepting the real problem: your company, more than likely, has a non-integrated, incohesive view of how the IT investment portfolio relates to your business model. To reverse course, you need to re-establish how your IT portfolio is planned, managed, and changed—with the understanding that technology impacts nearly every aspect of your strategy.

What's the most effective way to go about this? By turning to **an IT investment portfolio management approach with an SPM foundation**—one that gives you a direct line of sight from business strategy to IT execution. You can think of it like a GPS for digital transformation and innovation planning: it will guide you in achieving your strategic change objectives by connecting portfolios across your enterprise for more informed decisions you can trust.

Adopting this strategy comes with three distinct advantages:

- An integrated, cohesive view. With a direct line of sight from your business strategy and goals into your **project portfolio**, you'll have a clear view of any gaps in IT support and easily identify wasteful projects that add little strategic value. Right away, you'll be able to spend money more wisely by streamlining your project portfolio to optimize business and IT decisions.
- Understanding the impact of change: with a comprehensive view of all the projects currently in flight and being planned across the whole organization, you'll be able to better time your launch of new resources, reviews, and roll-outs—in a way that minimizes risks and avoids potential conflicts. By better managing change, you'll be able to establish more strategic goals and accelerate your innovation strategy.
- Be a co-innovator with business: a business-aligned approach to innovation management allows more stakeholders than ever to help drive business strategy—whether it's achieving greater efficiency, entering new markets, or complying with ESG regulations. IT teams can proactively collaborate with business and drive digital innovation, together.

In sum, an **SPM** approach to IT investment portfolio is the key to aligning your tech with your strategic goals. This will enable faster, more informed, and cost-effective IT decisions—and ultimately, **greater competitiveness in the digital products and services market**.

---

## 50%

more time spent on work that supports business goals by actively managing tech debt

Source: McKinsey

## 80%

of project managers believe that project portfolio management is becoming a critical factor in influencing business success

Source: Axelos

## 38%

more projects meet original goals when companies align their project management to business strategy

Source: Project Management Institute

---

# IT investment portfolio management in practice: three challenges

Does an SPM-based approach sound like it could be your end game? If your company is facing one of these challenges, it could be time to turn to an SPM solution with which you can achieve business-aligned IT investment portfolio management.

## 1. IT and business disconnect

IT and business strategies that are out of sync can be debilitating for your bottom line and lead to strategy that's void of action. An SPM solution combats this by giving you:

- A platform that captures business capabilities, business strategy, business models and the project portfolio—and helps you understand how they all relate
- Whole-view visibility into IT costs and risks, which enables you to see where expenditure is being wasted
- An integrated view of innovation ideas, business goals, and the architecture needed to achieve them—which will enable a more pro-active collaboration between IT and business, and help you create a winning innovation strategy.

## 2. Inadequate investment preparation

IT decisions made with insufficient preparation or due diligence can lead to a cluttered enterprise architecture and a poor return on investment. With SPM, you can:

- Prioritize projects and development activities that help you better understand the impact of change—across the entire organization
- Gain a deeper understanding of project risks, and detect potential conflicts before you start
- More effectively gauge internal demand for new technologies, helping ensure business and IT strategies are in alignment

## 3. Lack of a best practice approach

Companies that lack a decision-making framework for managing their IT portfolios are especially prone to investments that don't line up with their business strategy. Adopting an SPM solution will give you:

- A ready-made framework for building your portfolio from the bottom up, complete with pre-configured reports and KPIs
- A pre-built, best-practice-based decision-making framework—to help your company choose the investments that make most sense
- SaaS-based integrated IT portfolio management—to help you assess your current and planned IT projects and move forward on your business strategy more aggressively

# The time to act is now: take control of your investment portfolio

Are you ready to finally seize control of your IT? To rein in your technical debt, eliminate wasteful spending, gain the tools to scrutinize every investment, boost your rate of project success, and **ensure that your embrace of IT change leads to innovation?**

If re-thinking your approach to IT investment feels daunting, we get it. Luckily, you don't have to go it alone. At Software AG, planning and managing IT transformation is what we do best—and we'd love to guide you through the process. Contact us to learn more about our strategic portfolio management solutions, and the many ways we can help your IT and business thrive, together.

## You may also like:

### WEBINAR

#### Achieving a Business-aligned IT Investment Portfolio

To be successful in business, you need to react and respond to changes in real time. IT investments need to be aligned to these changes. See how you can always keep your IT investments and business goals perfectly in sync using Alfabet.

[Watch now](#) >

### DIG DEEPER

#### Alfabet for IT investment portfolio management

See how a strategic portfolio management approach using Alfabet can be the key to aligning your IT with business. You'll be able to spend your money more wisely, more effectively manage risk, and accelerate your innovation strategy.

[Learn more](#) >

### ARTICLE

#### Keep your eye on the prize with your IT investments

Like scaling a mountain, managing an IT portfolio has never been easy: with every project, dangers lurk like hidden crevasses. The right tools will help you reach the summit.

[Read more](#) >

## Take the next step

Contact our experts today: [www.SoftwareAG.com/contact-alfabet](https://www.softwareag.com/contact-alfabet)

### ABOUT SOFTWARE AG

Software AG simplifies the connected world. Founded in 1969, it helps deliver the experiences that employees, partners and customers now expect. Its technology creates the digital backbone that integrates applications, devices, data and clouds; empowers streamlined processes; and connects "things" like sensors, devices and machines. It helps 10,000+ organizations to become a truly connected enterprise and make smarter decisions, faster. The company has more than 5,000 employees across more than 70 countries and annual revenue of over €950 million.

Learn more at [www.SoftwareAG.com](https://www.softwareag.com). Follow us on [LinkedIn](#) and [Twitter](#).

© 2023 Software AG. All rights reserved. Software AG and all Software AG products are either trademarks or registered trademarks of Software AG. Other product and company names mentioned herein may be the trademarks of their respective owners.