



IT Planning Workshop

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Nicus Software



Today's Conversation

Agenda



- Introduction
- Right Sizing the Results
- Focusing on Our Levers
 - Expense Drivers
 - Influence Levers
 - Impact Analytics
- Bringing It All Together
(examples)



Our Industry Leaders

“The telephone has too many short comings to be seriously considered as a means of communication. The device inherently has no value to us.”

-Western-Union Internal Memo 1856

“Computers in the future may weigh no more than one and a half tons.”

-Popular Mechanics, 1949

“There is no reason anyone would want a computer in their home.”

-Ken Olson, Chairman, Digital Electric Corp., 1977

“Who would want to hear an actor talk?”

-HM Warner, Warner Brothers 1927

“640kb ought to be enough for anybody.”

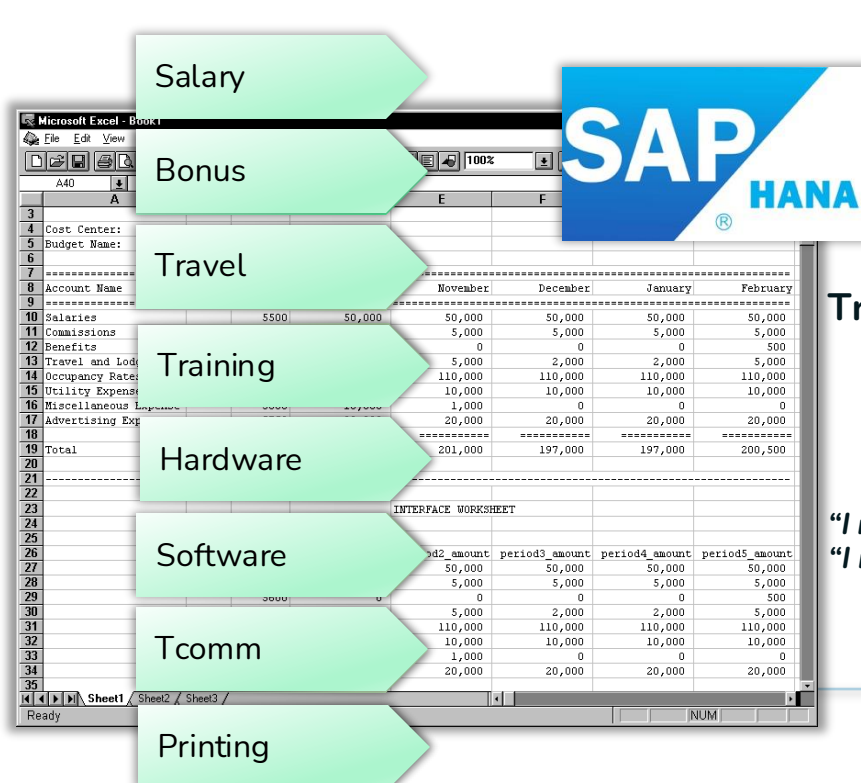
-Bill Gates, 1981



Defining the Challenge

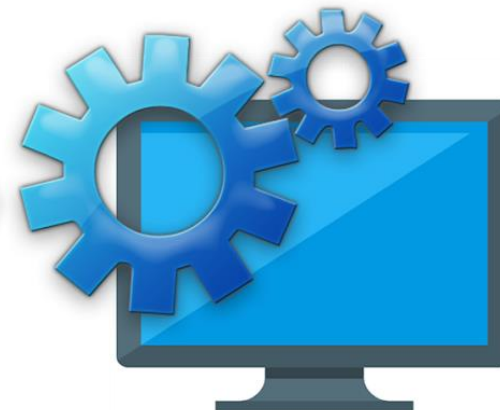


- ✓ A method for determining the **Cost of IT**
- ✓ A method for **Aligning IT Costs** via IT drivers
- ✓ A process by which **IT Value** and **IT Capabilities** can be costed



Leadership doesn't call IT for 2 months of salary, 1 week of bonus, and 4 months of depreciation...

Traditional FP&A Doesn't Align Cost by Capability
They call and say "I need a capability" or "I need an application"



We must cost our capabilities consistent with how they are delivered to drive Transparency and accountability



Getting it Wrong



“If I had all the money I spent on IT back, I could have bought Toyota and Nissan outright.”

Roger Smith
Former Chairman of GM

- Understanding the cost footprint and expense drivers for technology
- Frustration around a perceived inability to extract the full value from IT investments
- Regularly monitoring financial implications of decisioning across Total IT by service



What are your priorities?

Efficiencies

How can IT **reduce costs**?

What is the **impact of cutting IT costs**?

How can we provide IT **expense driver transparency**?

How can we expose **cost reduction decision levers**?

Optimization

Is our **IT expense right** for our company?

Do we have the **right amount of IT**?

How can we address **capacity and utilization**?

How do we expose **decision levers to IT stakeholders**?

Value

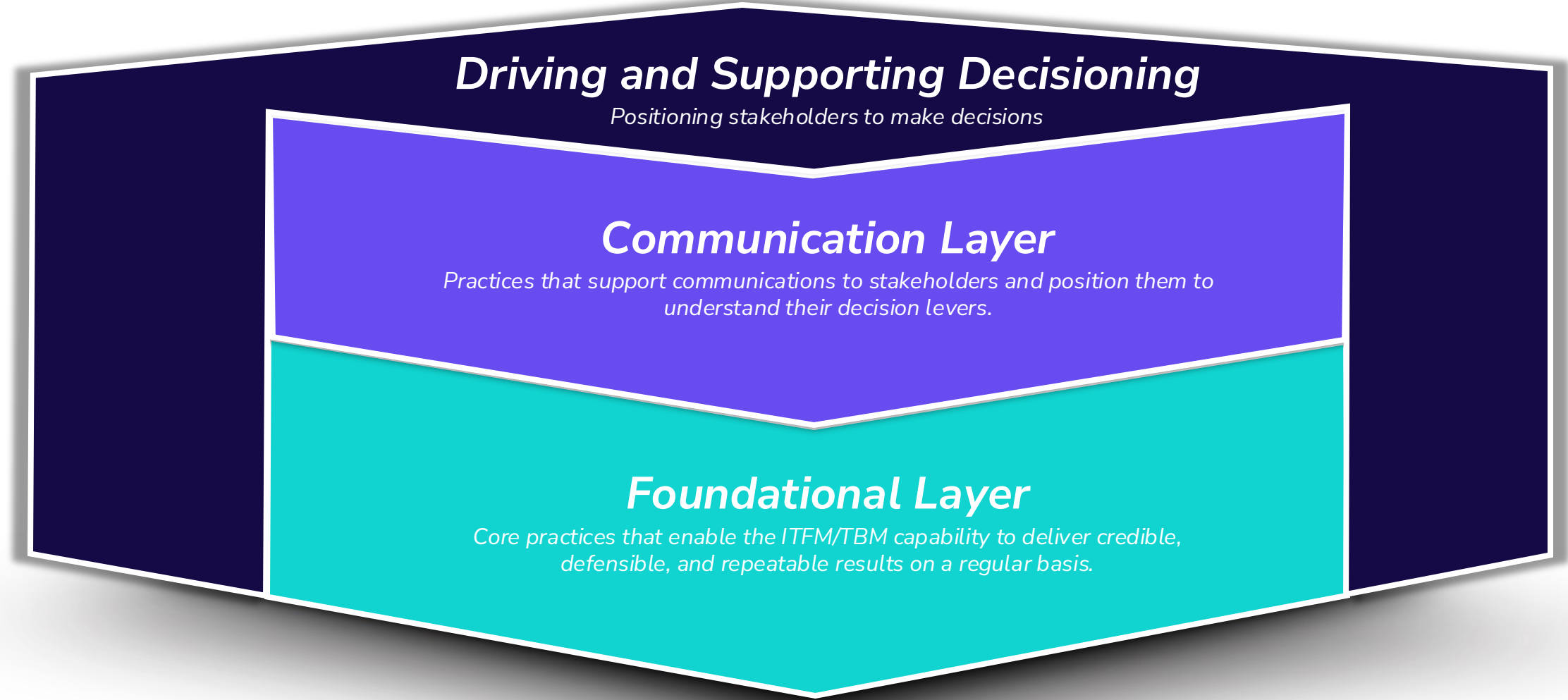
Are we **investing in IT the right way**?

Does **IT align with Enterprise Strategy**?
Does **IT align with Business Decisioning**?

How do we **expose decision levers to the Business**?



ITFM Blueprint of Success



Recognizing Our Stakeholders





When we explain to our stakeholders the movement and position of the IT expense footprint, how do we expose their options?

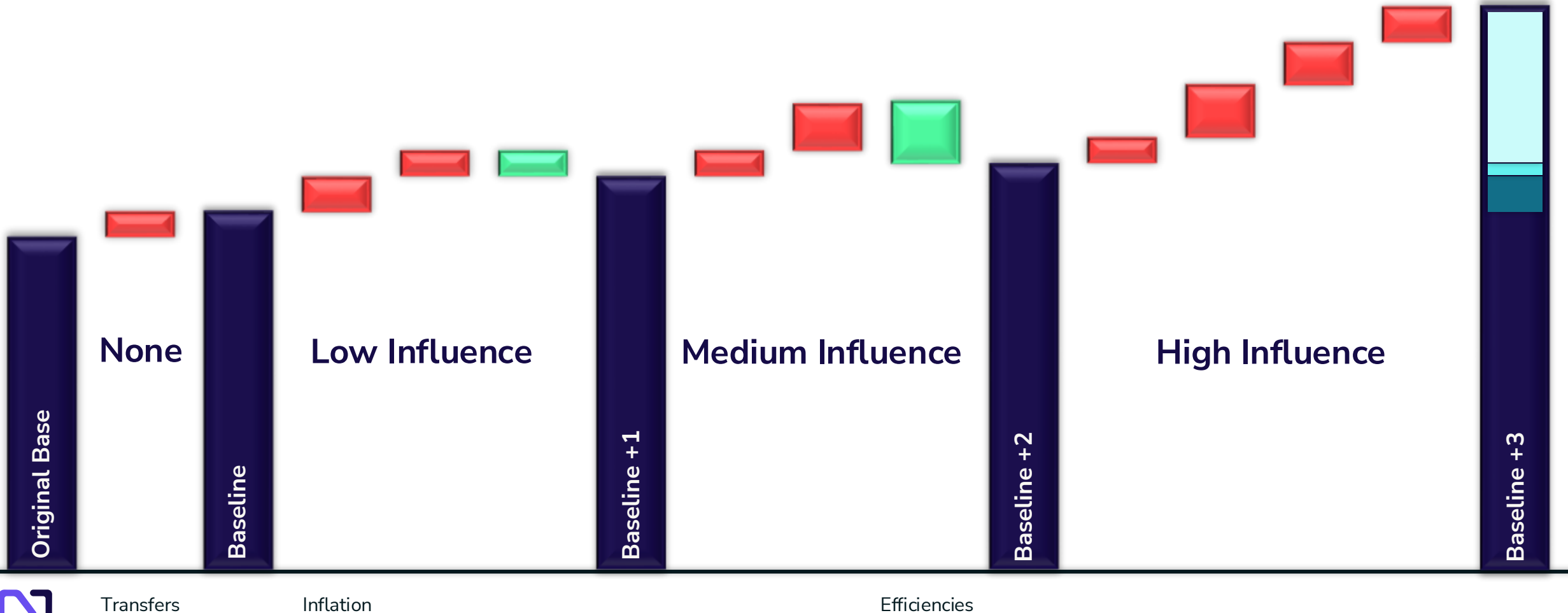


How do we show their levers and what it means to pull them?



Expense Drivers

What are the categorizations of the IT cost footprint that need to be available in our results to enable the right conversations?



Transfers

Inflation

Efficiencies

How Influential Can We Be?



With many drivers of change are in play, how can we organize them into consumable buckets?

Influence

High

Medium

Low



Making and Impact



How do we avoid breaking things and over-starving our Technology?

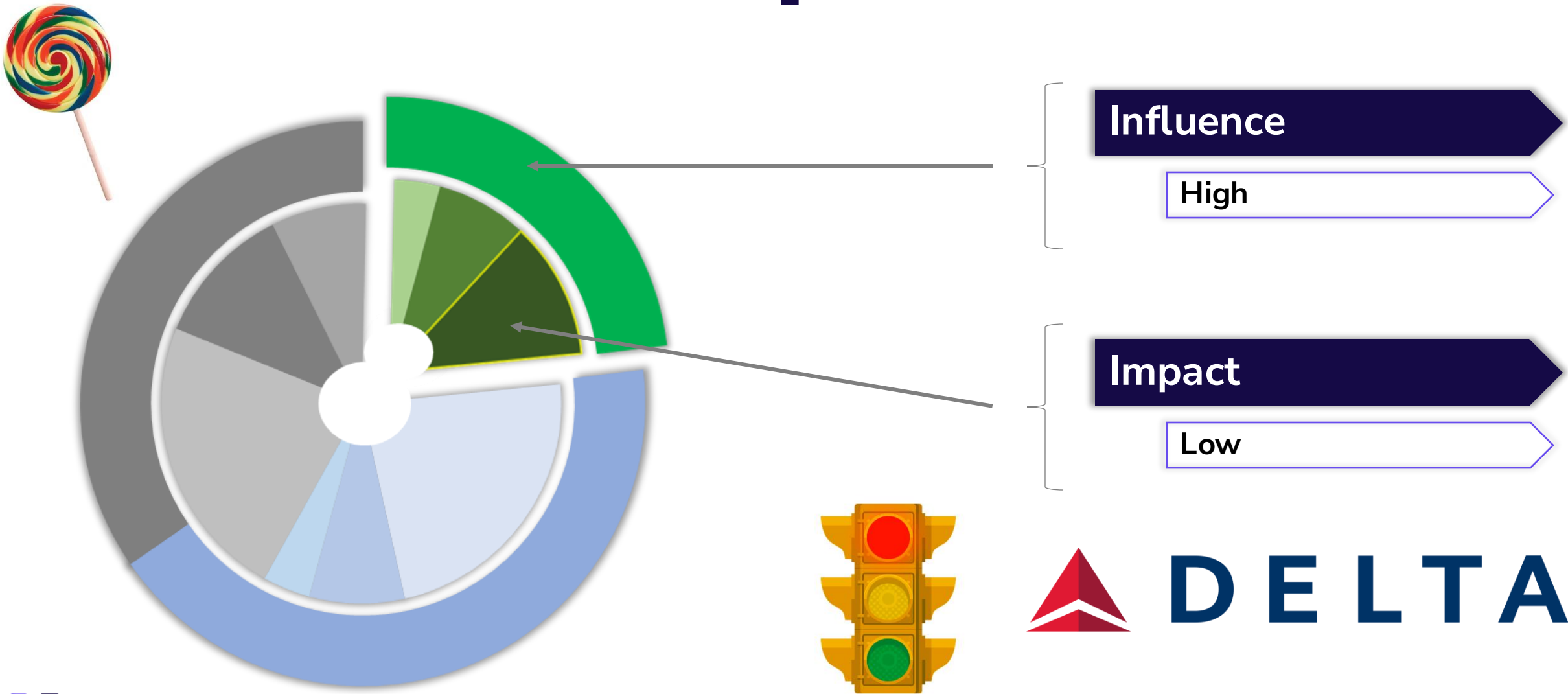
Impact

High

Medium

Low

So....what is our sweat spot?



Stakeholder Quick Hits

Quickly separating the easy things to cut from the hard ones.

Low Impact

(Low Hanging Fruit)

These items represent the CIO's highest dollar opportunity in 2018 to reduce cost with low impact to the organization.

IT Organization	Team	Expense Driver	Activity Description	Amount
Project Mgmt Office	PMO Governance	Projects	Expansion of the PMO office into time tracking software and support to enable consistent time tracking across the IT org.	\$ 492,000
Help Desk	Svc Desk Leadership	Other Adds	Investment in Enterprise training activities to train individuals on the use of Microsoft Office Suite products.	\$ 430,000
Enterprise Architecture	Standard Practices	Technical Debt	Performing reviews of current operational service designs to being the process of standardizing configurations between Infrastructure and Applications.	\$ 289,000
Infrastructure	Storage	Refresh	Refresh of our high performance storage is going to include transition to solid state drives where we will also purchase upgraded capacity.	\$ 287,000
Applications	App Maintenance	Technical Debt	Clearing out the placeholders previously put in place to stabilize our internal associate portal single sign on functionality.	\$ 248,000
Project Mgmt Office	PMO Leadership	Other Adds	Expansion of the PMO office includes the hiring of a PMO direction to take over operations from the IT Finance team.	\$ 150,000
Help Desk	Call Operations	Volume Increases	Three new associates will help to reduce the strain on current call center operations and resolving help desk tickets.	\$ 145,000
Applications	App Maintenance	Technical Debt	Establishing a more mature prioritization process for address existing application gaps with the business.	\$ 125,000
IT Finance	Continuous Imp	Projects	Purchase of additional VI support services to enable quarterly forecasting and service based capabilities for the office of the CIO.	\$ 115,000
Infrastructure	I&O Leadership	Other Adds	Hiring an admin to support the VP of Infrastructure and the service owners in the I&O organization.	\$ 65,000

Total Low Impact for Top 10 Items \$ 2,346,000

These items represent the CIO's highest dollar amounts that would impact the organization in 2018 the most if not done.

High Impact

IT Organization	Team	Expense Driver	Activity Description	Amount
Infrastructure	Network	New Business Volume	Expansion into the Northwest territory for new branches is driving increased Core Network costs.	\$ 1,500,000
Infrastructure	Compute	Build to Run	Standing up the new Enterprise capability of quantitative analytics is requiring the purchase of new compute assets beyond standard service levels.	\$ 750,000
Infrastructure	Data Center	Projects	The data center migration effort remains on target for completion next year and will require the next set of transitions to occur to remain on target.	\$ 745,000
IT Security	Cyber Security	Projects	Back end integration with the Enterprise website and our customer information management systems requires additional security based upon recent threats.	\$ 550,000
End User	Collaboration	New Business Volume	As the business continues with plans to expand into the Northwest we will be required to procure additional devices to support the new footprint.	\$ 447,000

Total High Impact for Top 5 Items \$ 3,992,000

Stakeholder: CIO / Planning Adjustments by Influence Lever and Organizational Impact

Lever: High Influence

Identifies levers in the IT cost footprint that are easily changed in a near term timeframe.

Impact: Low Impact

Groups cost levers in the IT cost footprint that do not significantly affect IT operations.

IT Organization	Team	Expense Driver	Activity Description	Amount
Project Mgmt Office	PMO Governance	Projects	Expansion of the PMO office into time tracking software and support to enable consistent time tracking across the IT org.	\$ 492,000
Help Desk	Svc Desk Leadership	Other Adds	Investment in Enterprise training activities to train individuals on the use of Microsoft Office Suite products.	\$ 430,000
Enterprise Architecture	Standard Practices	Technical Debt	Performing reviews of current operational service designs to being the process of standardizing configurations between Infrastructure and Applications.	\$ 289,000



A complete list of all low impact items with a high influence lever are listed here.

Impact: Medium Impact

Groups cost levers in the IT cost footprint that will less than significantly affect IT operations.

IT Organization	Team	Expense Driver	Activity Description	Amount
Infrastructure	Network	New Business Volume	Medium Impact Item #1 description helping stakeholders stretch where they can look for dollars	\$ 335,000
Infrastructure	Compute	Build to Run	Medium Impact Item #2 description helping stakeholders stretch where they can look for dollars	\$ 223,500
Infrastructure	Data Center	Projects	Medium Impact Item #3 description helping stakeholders stretch where they can look for dollars	\$ 142,750



A complete list of all medium impact items with a high influence lever are listed here.

Impact: High Impact

Groups cost levers in the IT cost footprint that will significantly affect IT operations.

IT Organization	Team	Expense Driver	Activity Description	Amount
Infrastructure	Network	New Business Volume	Expansion into the Northwest territory for new branches is driving increased Core Network costs.	\$ 1,500,000
Infrastructure	Compute	Build to Run	Standing up the new Enterprise capability of quantitative analytics is requiring the purchase of new compute assets beyond standard service levels.	\$ 750,000



A complete list of all high impact items with a high influence lever are listed here.



Budget Line Item Data

What and When are you buying?

- Description
- Vendor
- Amount
- Start Period
- End Period
- Run Rate & Growth Assumptions

How are you accounting for the expense?

- GL Coding
- Prepaid
- Payment Intervals
- Contract Information

What is the purpose of the purchase?

- Application
- Service
- Consumer
- Project
- Fund
- Flexibility Level




Examples




Executive Briefing – Example

Primary Decreases for 2018




Efficiency Item #1
Description here identifying additional context for this expense reduction

Influence: Type Ident
Impact: Type Ident



Efficiency Item #2
Description here identifying additional context for this expense reduction


Influence: Type Ident
Impact: Type Ident



Efficiency Item #3
Description here identifying additional context for this expense reduction


Influence: Type Ident
Impact: Type Ident

Primary Upward Increases for 2018




Expense Pressure #1
Description here identifying additional context for this expense increase

Influence: Type Ident
Impact: Type Ident



Expense Pressure #2
Description here identifying additional context for this expense increase

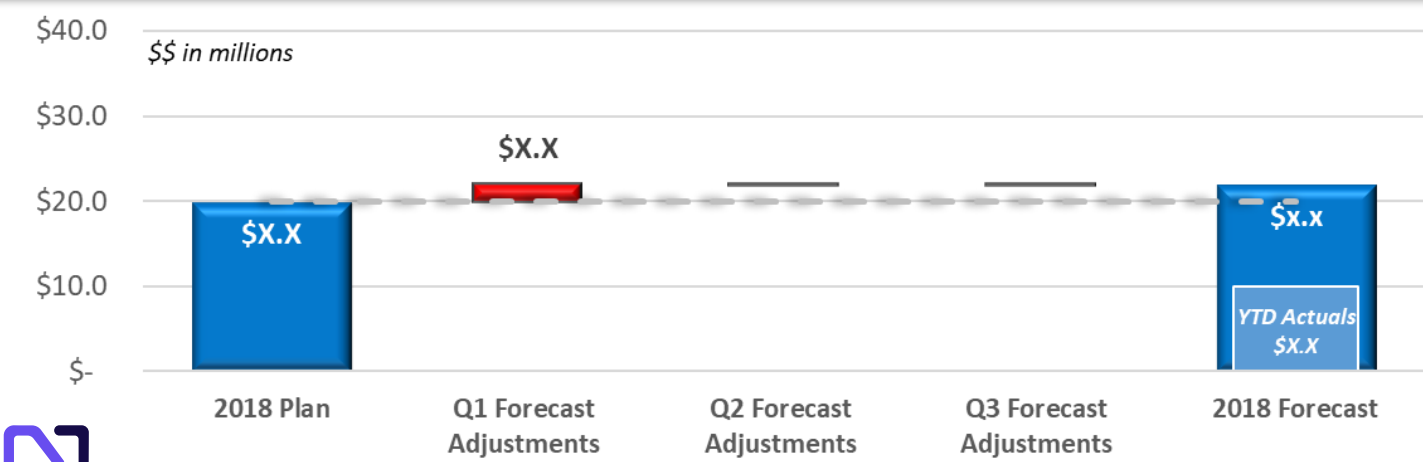
Influence: Type Ident
Impact: Type Ident



Expense Pressure #3
Description here identifying additional context for this expense increase

Influence: Type Ident
Impact: Type Ident

Official Forecast Submissions



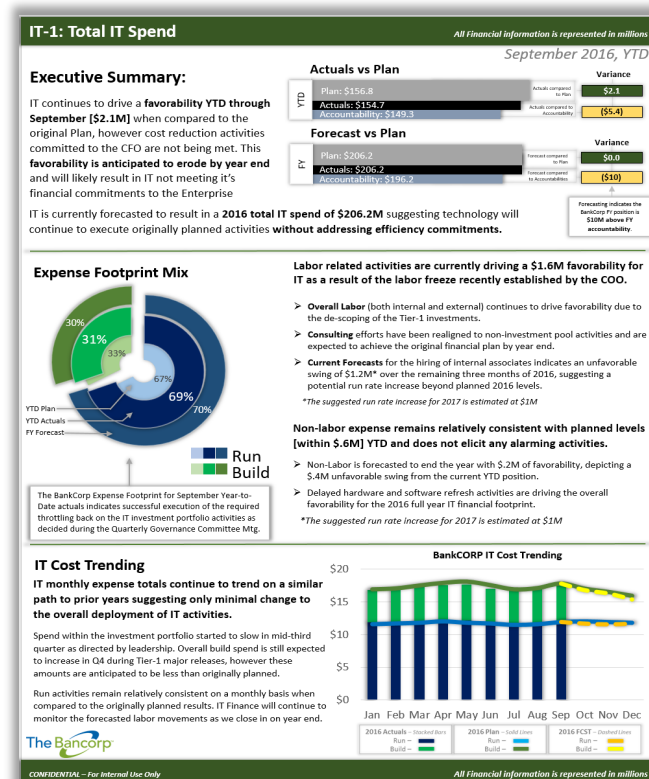
The net impact to anticipated 2018 fiscal results from operations indicates **an IT year end financial position of \$X.X over Plan.**

The drivers of this change from plan likely suggest an **increase in the IT run rate for 2019.**



Departmental Reporting – Example

Translates complex general ledger results into consumable reporting and analytics. *Departmental Reporting delivers clear line of sight to the IT expense footprint and enables clear financial accountability across IT Leadership and the CFO.*



Schedule IT-1: Total IT Contribution to Enterprise P&L All Financial Information is represented in millions

Management View

	September Year to Date			Full Year		
	Actuals	Plan	Variance F / (U)	Forecast	Plan	Variance F / (U)
IT Operational Offices						
Infrastructure	74.4	72.3	(2.1)	96.0	96.5	0.5
Applications	43.6	49.1	5.5	60.0	59.0	(1.0)
Enterprise Architecture	4.6	4.8	0.2	6.7	7.6	0.9
Project Management Office	3.1	3.0	(0.1)	4.0	4.0	-
End User	7.8	7.6	(0.2)	12.0	10.4	(1.6)
Help Desk	2.9	2.3	(0.6)	3.9	3.8	(0.1)
IT Security	4.3	4.0	(0.3)	5.9	6.0	0.1
Data Center	9.6	9.4	(0.2)	11.7	12.8	1.1
IT Finance	0.9	1.3	0.4	1.2	1.7	0.5
Total Gross Responsible for IT Offices	151.2	159.8	2.6	201.4	201.8	0.4
Non-Operational						
One Time Accounting Anomalies	0.5	-	(0.5)	0.5	-	(0.5)
Business 3rd Party Services	1.8	1.9	0.1	2.4	2.5	0.1
Pass Throughs	0.6	1.1	0.5	1.3	1.6	0.3
Divested Organizations	0.5	-	(0.5)	0.5	0.3	(0.2)
Inactive Cost Centers	0.1	-	(0.1)	0.1	-	(0.1)
Total Gross IT Non-Operational Expense	3.5	3.0	(0.5)	4.8	4.4	(0.4)
Total Gross IT Expense	154.7	156.8	2.1	206.2	206.2	(0.0)
Chargeback Recoveries	-	-	-	-	-	-
Total Net IT Expense	154.7	156.8	2.1	206.2	206.2	(0.0)

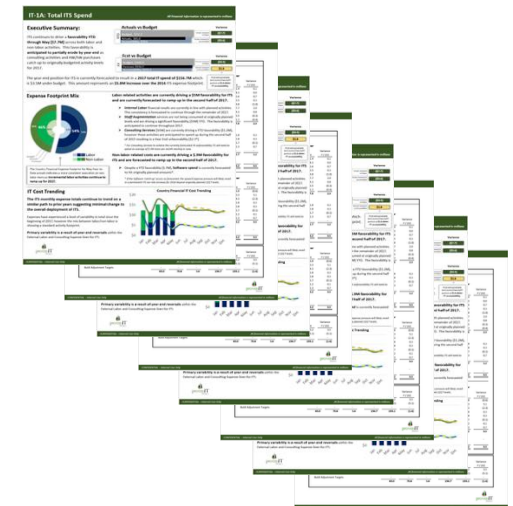
Expense Line View

	September Year to Date			Full Year		
	Actuals	Plan	Variance F / (U)	Forecast	Plan	Variance F / (U)
Gross Expense						
Internal Labor	81.7	81.1	(0.6)	106.7	107.3	0.6
External Labor	28.6	30.7	2.1	37.5	36.7	(0.8)
Hardware	12.3	12.4	0.1	17.3	17.2	(0.1)
Software	23.0	24.0	1.0	32.6	33.0	0.4
Telephony	0.4	0.5	0.1	0.6	0.5	(0.1)
Data Center Rent	4.2	4.3	0.1	5.5	5.6	0.1
Occupancy	2.7	2.3	(0.4)	3.6	3.6	-
Other Expense	1.8	1.5	(0.3)	2.4	2.3	(0.1)
Total Gross IT Expense	154.7	156.8	2.1	206.2	206.2	0.0
Chargeback Recoveries	-	-	-	-	-	-
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Accountability

	Actuals	Plan	Variance F / (U)	Forecast	Plan	Variance F / (U)
Total Net IT Expense	154.7	156.8	2.1	206.2	206.2	(0.0)
Run-Adjustment Targets	-	(1.5)	(1.5)	-	(1.0)	(0.0)
Build-Adjustment Targets	-	(6.0)	(6.0)	-	(8.0)	(0.0)
Total Gross Accountable for IT	154.7	149.3	(5.4)	206.2	196.2	(10.0)

The Bancorp
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A comprehensive IT financial book for the CIO and his/her leadership team.



Executive Summary:

IT continues to drive a **favorability** YTD through **September** [\$2.1M] when compared to the original Plan, however cost reduction activities committed to the CFO are not being met. This **favorability is anticipated to erode by year end** and will likely result in IT not meeting it's financial commitments to the Enterprise

IT is currently forecasted to result in a **2016 total IT spend of \$206.2M** suggesting technology will continue to execute originally planned activities **without addressing efficiency commitments**.

Actuals vs Plan

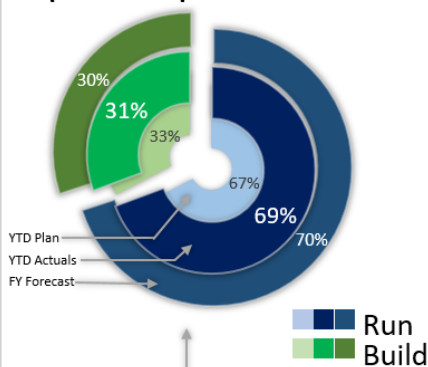
	Plan	Actuals	Variance
YTD	Plan: \$156.8	Actuals: \$154.7	\$2.1
	Accountability: \$149.3		(\$5.4)

Forecast vs Plan

	Plan	Actuals	Variance
FY	Plan: \$206.2	Actuals: \$206.2	\$0.0
	Accountability: \$196.2		(\$10)

Forecasting indicates the BankCorp FY position is \$10M above FY accountability.

Expense Footprint Mix



Labor related activities are currently driving a **\$1.6M favorability** for IT as a result of the labor freeze recently established by the COO.

- **Overall Labor** (both internal and external) continues to drive favorability due to the de-scoping of the Tier-1 investments.
- **Consulting** efforts have been realigned to non-investment pool activities and are expected to achieve the original financial plan by year end.
- **Current Forecasts** for the hiring of internal associates indicates an unfavorable swing of \$1.2M* over the remaining three months of 2016, suggesting a potential run rate increase beyond planned 2016 levels.

*The suggested run rate increase for 2017 is estimated at \$1M

Non-labor expense remains relatively consistent with planned levels [within \$.6M] YTD and does not elicit any alarming activities.

- Non-Labor is forecasted to end the year with \$.2M of favorability, depicting a \$.4M unfavorable swing from the current YTD position.
- Delayed hardware and software refresh activities are driving the overall favorability for the 2016 full year IT financial footprint.

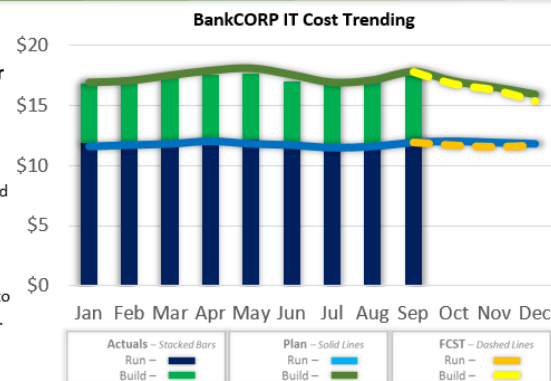
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IT Cost Trending

IT monthly expense totals continue to trend on a similar path to prior years suggesting only minimal change to the overall deployment of IT activities.

Spend within the investment portfolio started to slow in mid-third quarter as directed by leadership. Overall build spend is still expected to increase in Q4 during Tier-1 major releases, however these amounts are anticipated to be less than originally planned.

Run activities remain relatively consistent on a monthly basis when compared to the originally planned results. IT Finance will continue to monitor the forecasted labor movements as we close in on year end.



Schedule IT-1: Total IT Contribution to Enterprise P&L

(\$ in millions)

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Costing the IT Delivery Model – TCO

Executive Summary

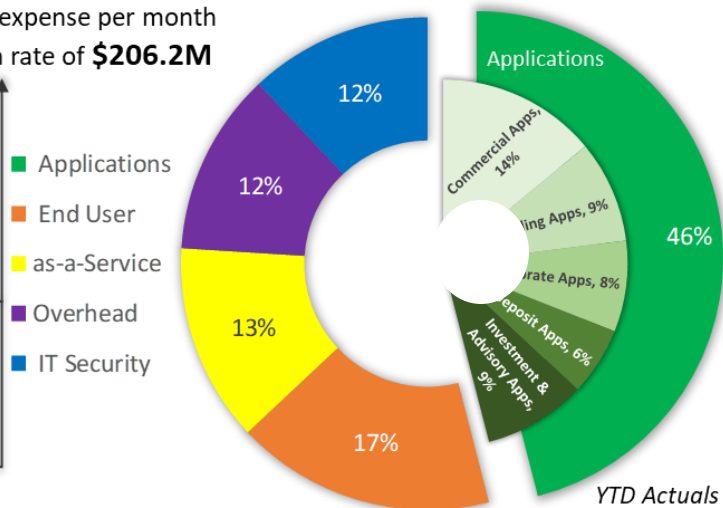
BankCORP has been able to drive continued be a high growth organization year-over-year. To support current and future growth, the business is investing in both new & enhanced IT capabilities.

- Business unit expenses have been trending upward (8% YOY) in response to growth in Enterprise core businesses. **IT has continued to support current and anticipated future growth** resulting in upward expense pressures while also managing the overall IT expense footprint to a lesser growth rate **by taking advantage of \$6 million in IT efficiencies (5% YOY).**
- Sales process automation opportunities continue to be addressed as a **partnership between IT and the Business and have resulted in an overall reduction in Enterprise expense.** (see appendix – BP, Sales Automation TCO Analysis)
- Primary increases in IT spend YOY continue to be a direct result of the strategic business decisions to invest in new capabilities such as **developing new sales processes & quantitative analytics.**

Overall IT costs are currently trending at an average **\$17.2M** in expense per month with a year end burn rate of **\$206.2M**



YTD		
Act	\$	154.7
Plan	\$	156.8
Var	\$	(2.1)
2024		
Fcst	\$	206.2
Plan	\$	206.2
Var	\$	(0.0)



	2024												Views represent a breakdown of cost trends by month			Full Year		
	Q1			Q2			Q3			Q4			YTD			2023		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Act	Plan	Var	Fcst	Plan	Var
Institutional	5.7	5.3	5.8	5.7	5.6	5.9	5.4	5.2	5.1				49.7	48.2	1.5	66.2	65.0	1.2
Retail	3.2	3.4	4.2	3.2	3.0	3.4	3.5	3.9	3.6				31.4	31.0	0.4	42.4	40.0	2.4
Commercial	3.3	3.1	2.6	3.3	3.2	3.0	3.0	3.0	3.1				27.6	29.0	(1.4)	37.7	38.0	(0.3)
Investment & Advisory Practices	2.3	2.8	2.6	2.1	2.4	2.3	2.1	1.9	2.2				20.7	20.0	0.7	26.1	28.0	(1.9)
Corporate	2.4	2.2	2.5	2.8	2.7	2.9	3.1	3.3	3.4				25.3	28.6	(3.3)	33.7	35.2	(1.4)
Total	16.9	16.8	17.7	17.1	16.9	17.5	17.1	17.3	17.4	-	-	-	154.7	156.8	(2.1)	206.2	206.2	(0.0)



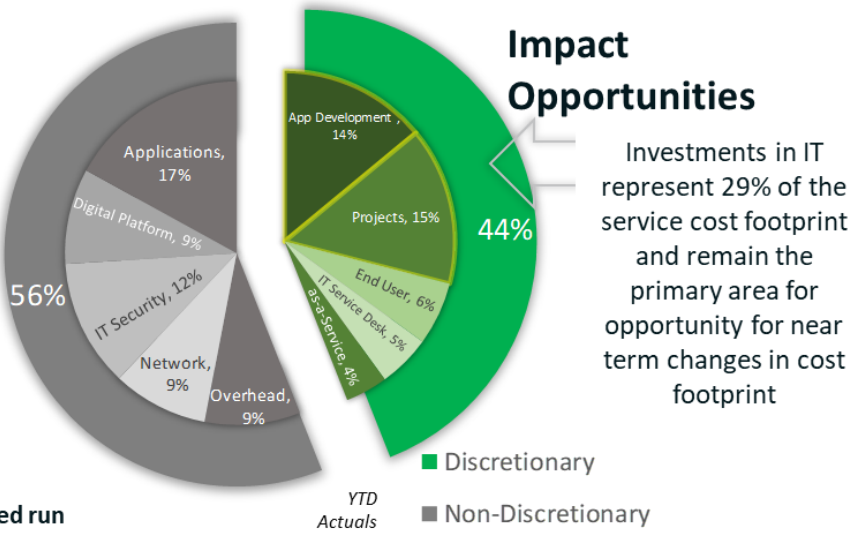
Discretionary/Non-Discretionary: Changing the Conversation

Cost Footprint

Continued investment in sales growth strategies are placing upward pressure on the IT cost footprint for BankCORP.

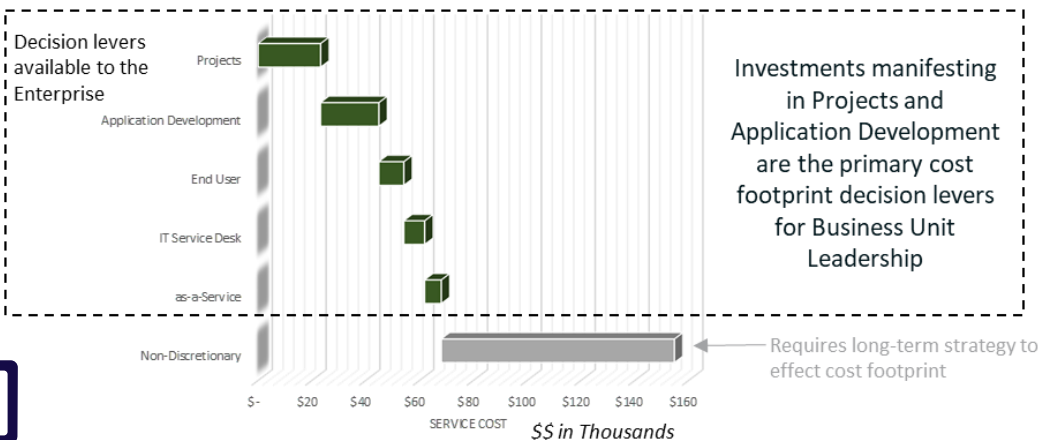
- Investments in new & enhanced IT capabilities have expanded to be 29% of the overall IT expense footprint while the remaining 71% is in maintenance operations. This mix is consistent with IT orgs that are supporting high growth Enterprise business channels. (Low growth is typically 75% Run and 25% Build portfolio).
- Business decisions to invest in sales process automation and quantitative analytics capabilities are the primary drivers of upward expense pressure for decisionable spend in 2016. Non-Discretionary and operational spend has remained relatively flat for the current year due to continued efficiency initiatives driven by the IT organization.
- Ongoing investments in new business capabilities continues to drive upward cost pressure through increases in Application Development and Project activities. If this level of investment by the Business in IT continues it will likely result in an increased run rate for IT run operations in future fiscal years.

	2024	Monthly Average
Insttutional		5.5
Retail		3.5
Commercial		3.1
Private Wealth		2.3
Corporate		2.8
Total		17.2



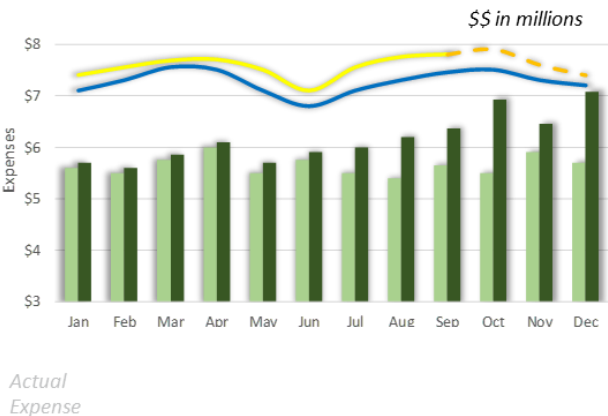
Up to \$10M may be required to run current new build capabilities annually as they become operationalized

Bill of IT by Lever



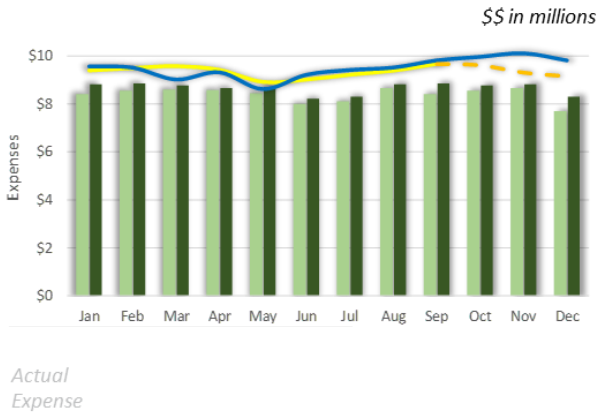
Business Unit Decisions

Decision items represent 44% of the current expense footprint and has continued to follow an increased level of spend as compared to prior years



Non-Discretionary Decisions

Non-Discretionary spend managed by IT represents 56% of the current expense footprint and is the primary driver of IT being able to remain flat to plan in 2024



Unit Costing: Changing the Conversation

Operational

Current Operations:

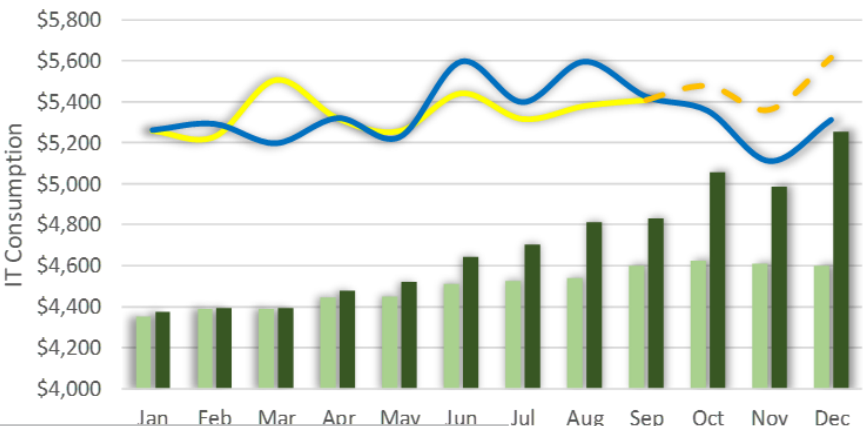
- **Continued investments into the IT organization will apply upward pressure on operational activities.** If organizational usage remains flat, this continued investment will result in upward pressure on unit cost.
- IT Efficiency Opportunity: **Infrastructure is exploring cloud strategies** to mitigate quantitative analytics run costs in 2024.
- IT Efficiency Opportunity: Data Center is **executing major contract consolidation renegotiations with key vendors** to continue to keep costs steady for 2024 despite business unit growth.

Future Operations:

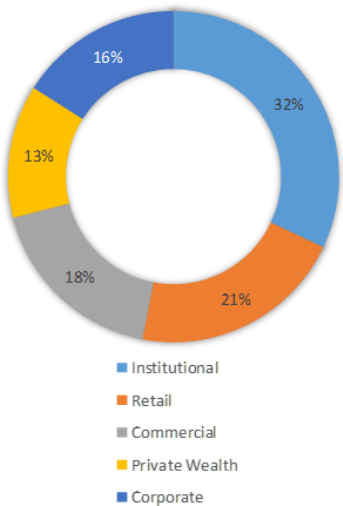
- IT Efficiency Opportunity: IT is entering its third year of the server **virtualization project and anticipates minimal cost savings go forward.** A plan is being developed for IT to absorb continued investment by the business while effectively minimizing cost impacts.
- IT Efficiency Risk: If future cloud operations do not achieve sufficient adoption by the end of the current year, maintenance costs to support current IT investments could apply unchecked upward pressure on 2025 run operations resulting in **run rate increases for Infrastructure.**

Business IT Consumption per Headcount

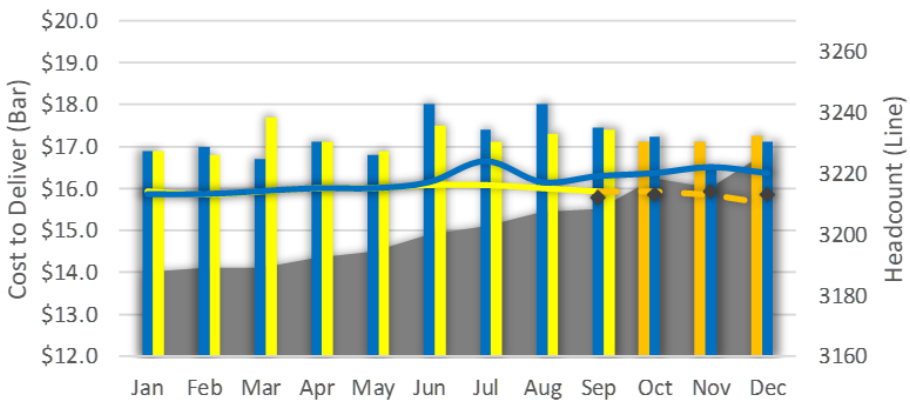
Represents Total IT Costs Divided by Headcount



Top 5 Business Unit Consumers



IT Cost and Business Headcount Trending



Q&A



Thank You

