Evaluating & Implementing ITFM Solutions

"A lie can travel half-way around the world while the truth is still putting on its shoes."

- Mark Twain

Executive Summary & Key Questions

- What is an ITFM solution going to do for us?

- Defining actionable transparency

- Keys to success

  - Capabilities and methodologies: **Ask what and how**

- Common pitfalls

- The IT Finance staffing problem

- Q: Do we need an ITFM solution?

- Q: Are we ready for an ITFM solution?

ITFM Tool Implementation Experiences

- Choosing & using for 22 years in 100+ organizations

- ITFM - Pre and Post 2010

- **50%** don't realize *full* benefit - **why?**

  - Solid strategic plan, but poor tactical execution

  - Solid tactical plan, poor strategy

  - Lack of <u>proper</u> due diligence

  - Chose the wrong tool

  - Poor implementation – not aligned with *value*

- Tips for a tool selection process

Delivery Options

- SaaS or On-Premise Delivery

- Implementation Services

- Managed Services

  - IT Finance staff augmentation

  - Supplier resources include industry and tool experts

- IT Finance-as-a-Service (ITFaaS)

- No tool acquisition required

- Service provider utilizes and ITFM tool with your data

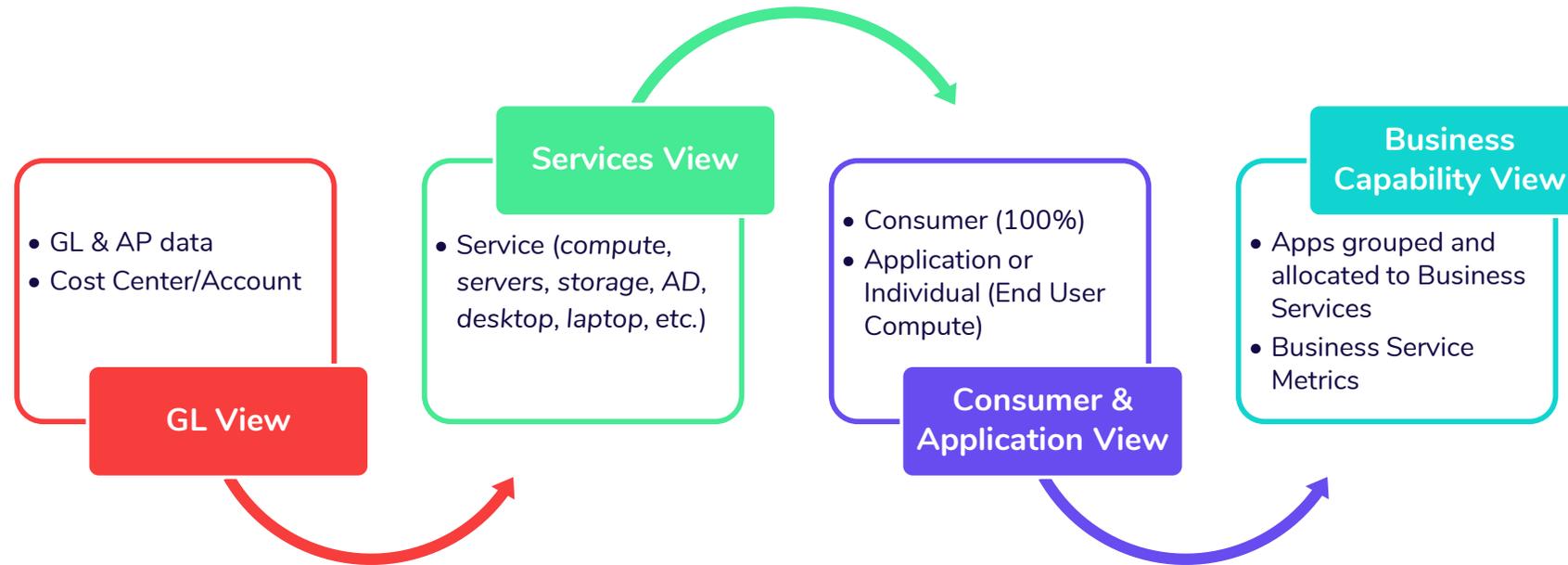# ITFM Tool Capabilities

- IT Planning

  - Labor Forecasting

  - HW/SW Maintenance

  - Vendor Expense Management

- Service Costing

- Benchmarking & Analytics

- Showback, Chargeback, Cost Allocation

- Application TCO

- Project Financials

- Cloud Financials

Key IT Spend Viewpoints

GL View
- GL & AP data
- Cost Center/Account

Services View
- Service (compute, servers, storage, AD, desktop, laptop, etc.)

Consumer & Application View
- Consumer (100%)
- Application or Individual (End User Compute)

Business Capability View
- Apps grouped and allocated to Business Services
- Business Service Metrics

- ITFM is basically *allocated* views of IT spend
- Each view is generated by a separate module
- Each view provides value to key stakeholders
- **Services View:** Provides insight into technology service costs and unit rates. Enables Service managers to *drive down unit rates* and *benchmark* against outside suppliers and piers
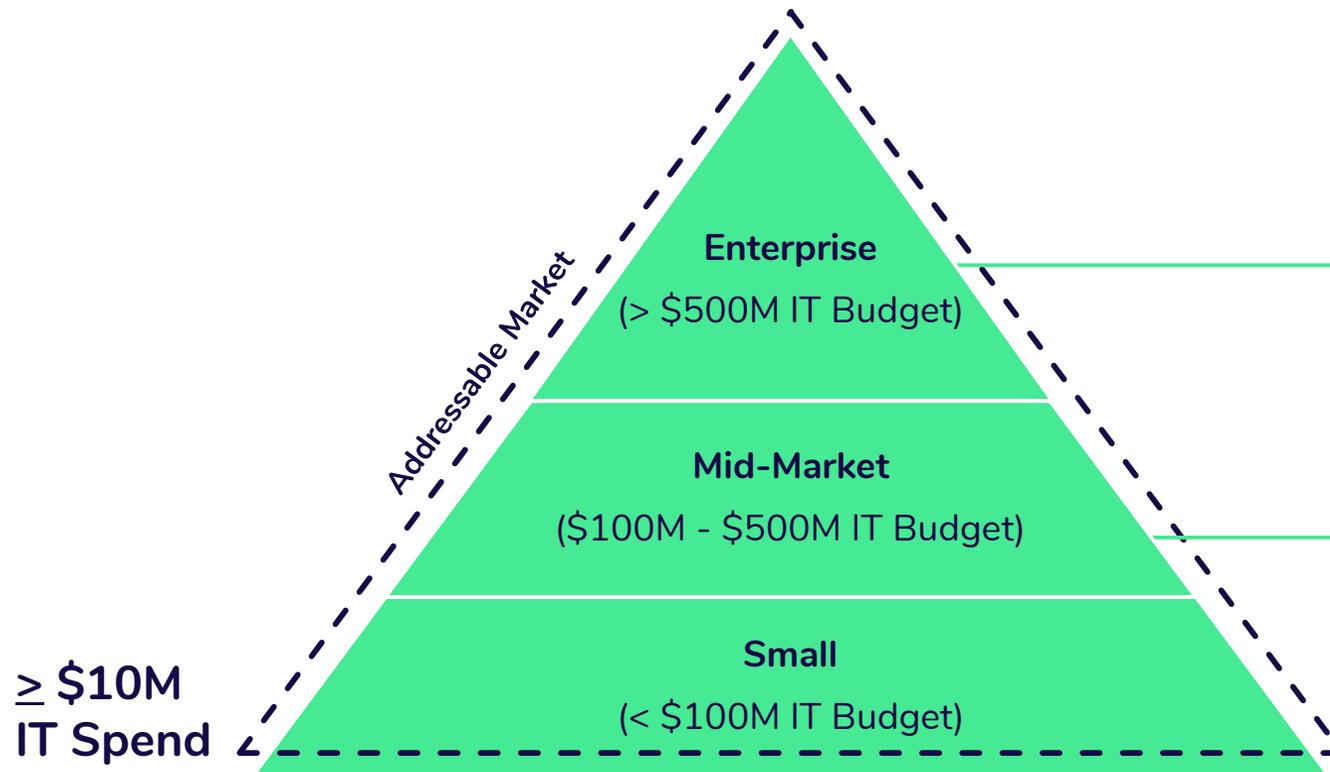
- **Consumer View:** Provides insight into what organizational entities benefit from IT and helps the CIO demonstrate value
- **Application View:** Provides the Total Cost Ownership (TCO) of Applications and *enables application rationalization* exercises
- **Business Capability View:** Provides insight into costs to support business capabilities. Helps the CIO *align existing spend* and new IT investments more directly to business functions

7

The Market for ITFM Solutions

The addressable market has changed dramatically. **Five years ago, only companies with a minimum of $100M in IT spend needed ITFM systems.** Today, any organization throughout the world with **≥$10M** of IT spend can benefit from an ITFM system.

Market Segmentation by IT Budget

Addressable Market

Enterprise
(> $500M IT Budget)

Mid-Market
($100M - $500M IT Budget)

Small
(< $100M IT Budget)

**≥ $10M
IT Spend**

Overview of Segment

- High level of ITFM maturity

- Typically have 30+ individuals in IT Finance department

- 1/3rd of companies in segment are using a pure ITFM software solution; 2/3rds are using a mix of BI tools, internally-developed solutions, or spreadsheets

- Average level of ITFM maturity

- Typically have 3-4 individuals managing a custom ITFM practice

- 75% are using numerous spreadsheets or a mix of BI tools

- Low level of ITFM maturity

- < 2% penetrated

- No current system; using spreadsheets only

Understandable & Actionable Transparency

Effective Transparency

- IT Finance output that becomes an effective part of the every day life of the manager

Accountability

- Workflow approval

- Variance tracking

Actionable: The *Right Data* in the *Right Place*

- Deliver the data to the correct manager

- Ensure they can and do understand the data & processes

- Make sure they know their options

Who Benefits from an ITFM Solution?

A quality ITFM solution provides visibility into IT costs at all levels of an organization, and currently delivers actionable data to **key decision-makers**.
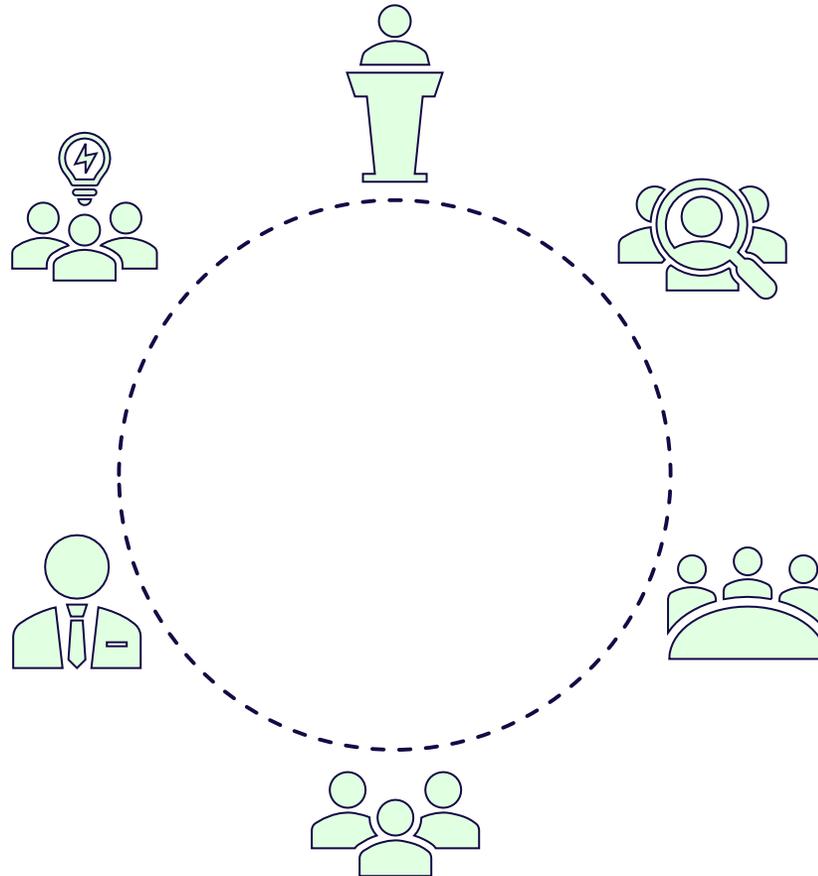
CIO

IT Managers
- Vendor & Contract Management
- Expense Management
- Service Management
- Service Costing
- Service Performance
- Benchmarking
- Supply & Demand Analysis
- Public/Private Cloud

IT Consumers (LOB/Agency)
- Visibility: Allocated views of IT costs by service, application, project
- Forecasting: Forecasting consumption of IT services.
- Chargeback/Showback?

Portfolio & Project Managers
- IT financials by project, portfolio & application
- Details: Project, resource, activity & task level
- Invest/Maintenance Views
- Capitalization
- Often provide financial summaries via interface to PPM tool
- Project forecasting, what if...

Department & Resource Managers
- Visibility: Reporting of budget, forecast & actual spend (allocated & unallocated views)
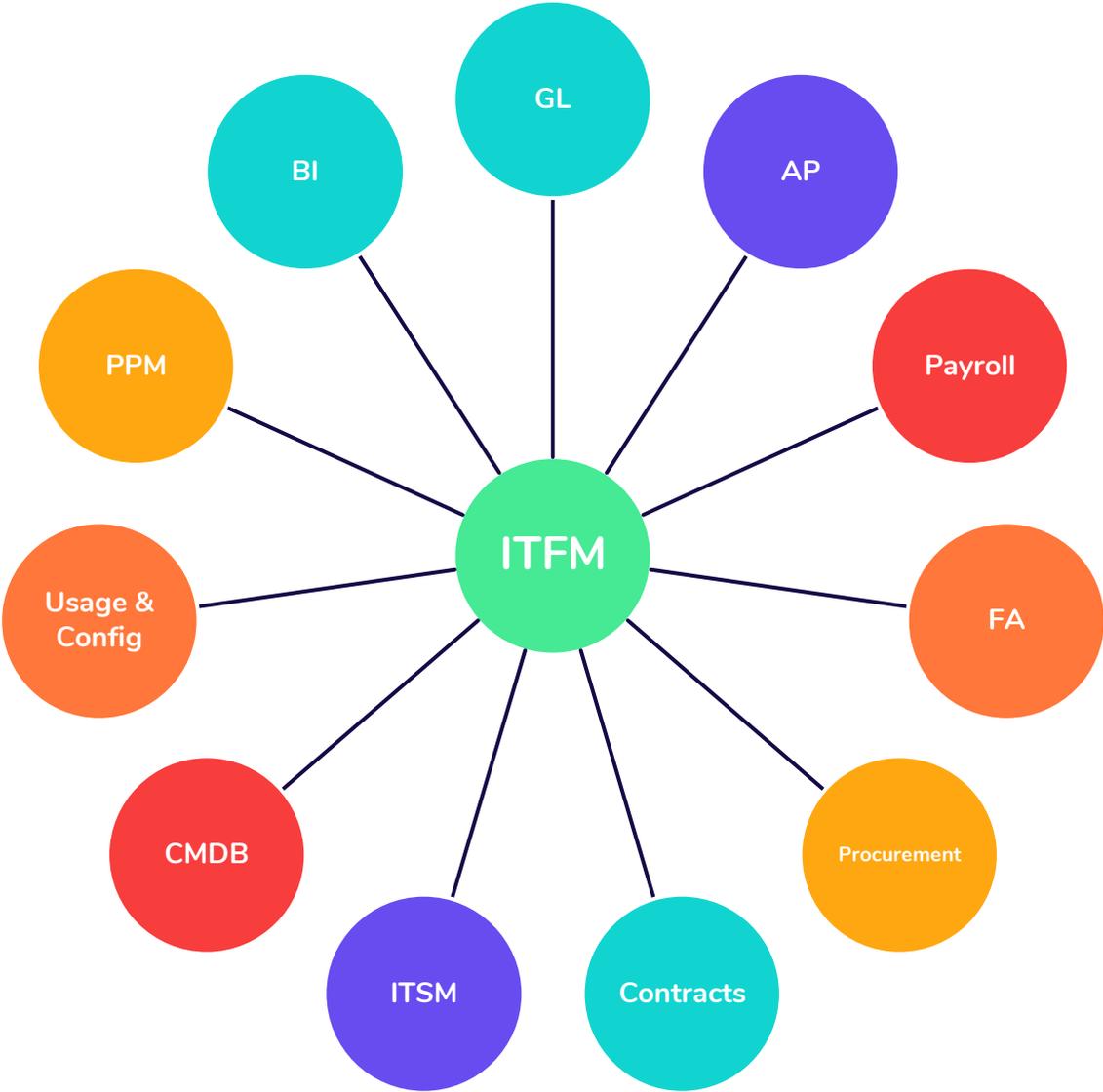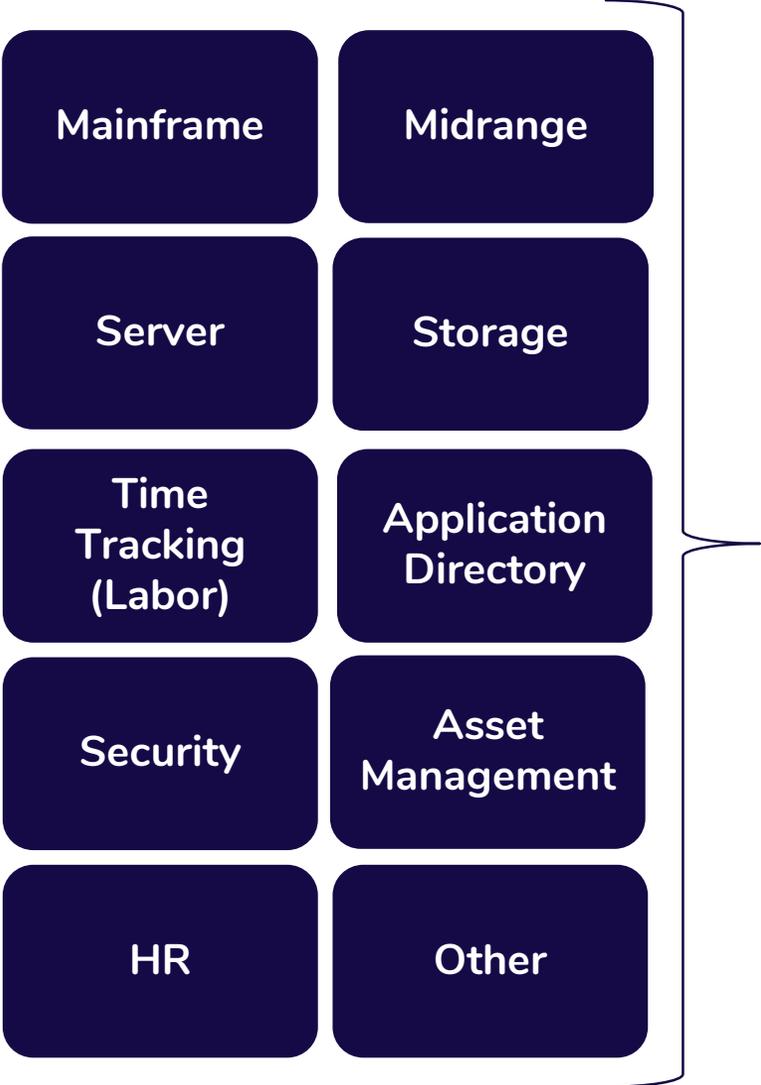- Resource supply & demand analysis (by resource, FTE & head count)

Individuals

Elevate IT. Ignite Possibility.

Key Factors for Success & Common Pitfalls

Develop & Socialize a Roadmap

- Both *strategic & tactical*

  - Cooperatively develop and execute

  - *Vendor* contributes - **capabilities, domain knowledge, methodologies, best practices**

  - *You contribute* - **critical institutional knowledge** (people, business, operations, history & future, data, and more)

- Socialize the plan

- Acquire buy-in, rather than force cooperation

- Establish a steering committee

ITFM Data Sources

Mainframe

Midrange

Server

Storage

Time Tracking (Labor)

Application Directory

Security

Asset Management

HR

Other

GL

BI

AP

PPM

Payroll

Usage & Config

ITFM

FA

CMDB

Procurement

ITSM

Contracts

Data & Process Preparation

- The IT Finance Data Set: Completing the Alphabet

- Identify required data

- Ownership of source data – *Assign data source owners to manage data quality, completeness, and delivery*

- Data & process improvements are often a by-product of an ITFM implementation

ITFM Interfaces: Automation, Transformation, and Validation

| Interface Type	Features	Common Use
High Control	• Staging Table (Preliminary) • Control File/Verify Balance • Control & Error Reporting • Version Control (Raw Data & Table) • Data Transformation Rules • Data Validation Rules • Audit Trail	• Financial Systems: GL, AP, Payroll, Procurement, EPM (Hyperion Planning)
Medium Control	• Staging Table (Import) • Version Control (Raw Data & Table) • Data Transformation Rules • Data Validation Rules • Audit Trail	• Utilization Metrics • Configuration Data (CMDB, ITAM, ITSM) • Organizational Hierarchies & Roll-ups • Identity Management (AD, HR)
Low Control	• Imports Direct to Target Table • Audit Trail	

Key Contributors: Who Needs to Be Involved

- Project Sponsor(s) -Gain Executive (both CIO-level and Finance Executive level) commitment

- Finance and IT need to partner

- High Quality PM -Assign a Project Manager to ensure regular communications and status updates on risk areas

- IT Finance

- Consumers of IT Finance Output

- Data Source Owners

Elevate IT. Ignite Possibility.

The Sweet Spot

Simplicity
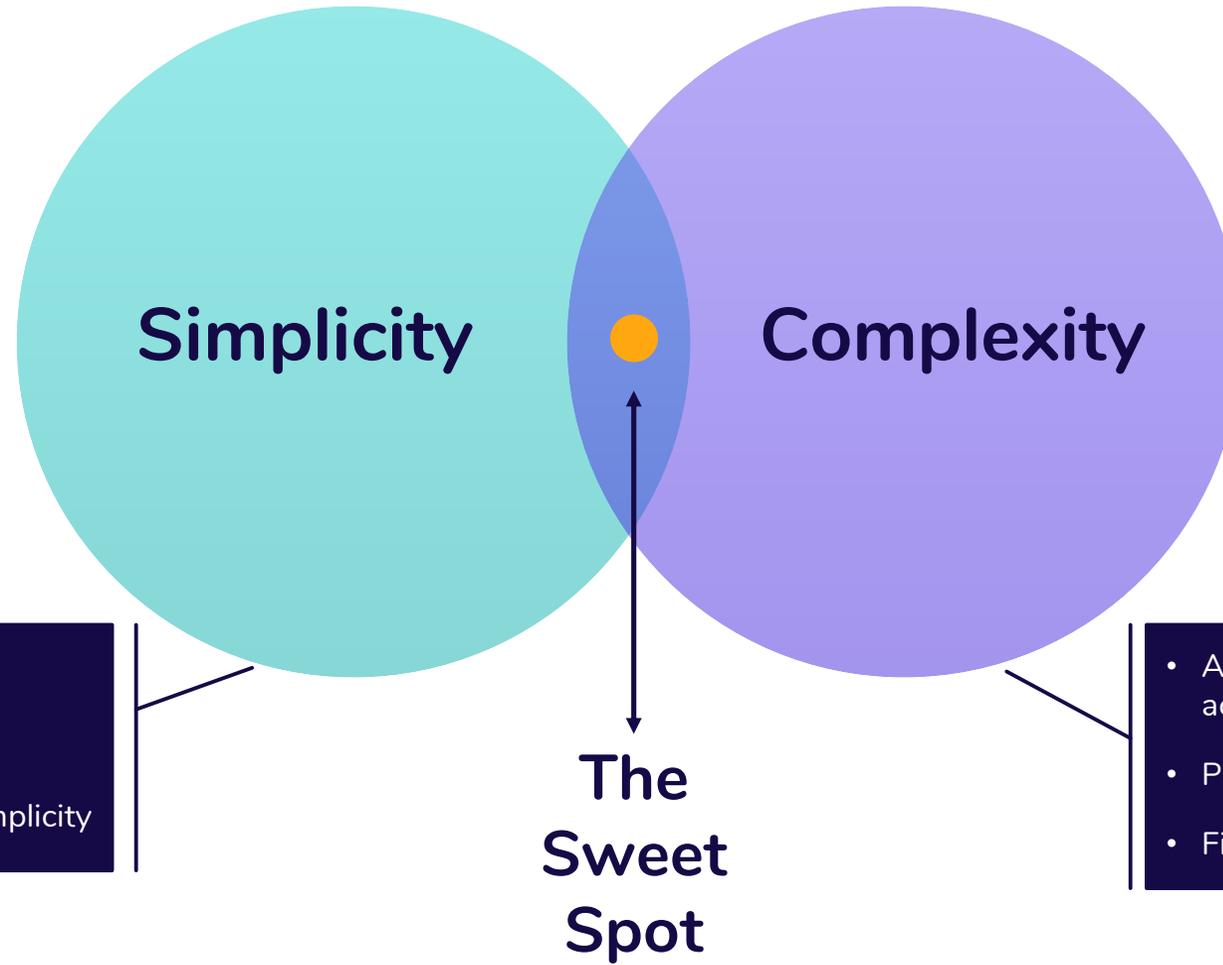
Complexity

• Easier to digest

• More actionable

• Management gravitates to simplicity

• Accuracy drives up complexity; lack of accuracy can damage credibility

• Poor data quality can drive complexity

• Finance and IT gravitate to complexity

The Sweet Spot

Managing Scope

- Don't boil the ocean in phase 1

- Start with something directionally correct & refine and evolve

- Iterative process (stick to the strategic and tactical roadmap)

- Why **strategic and tactical plan misalignment** occurs and how to manage it
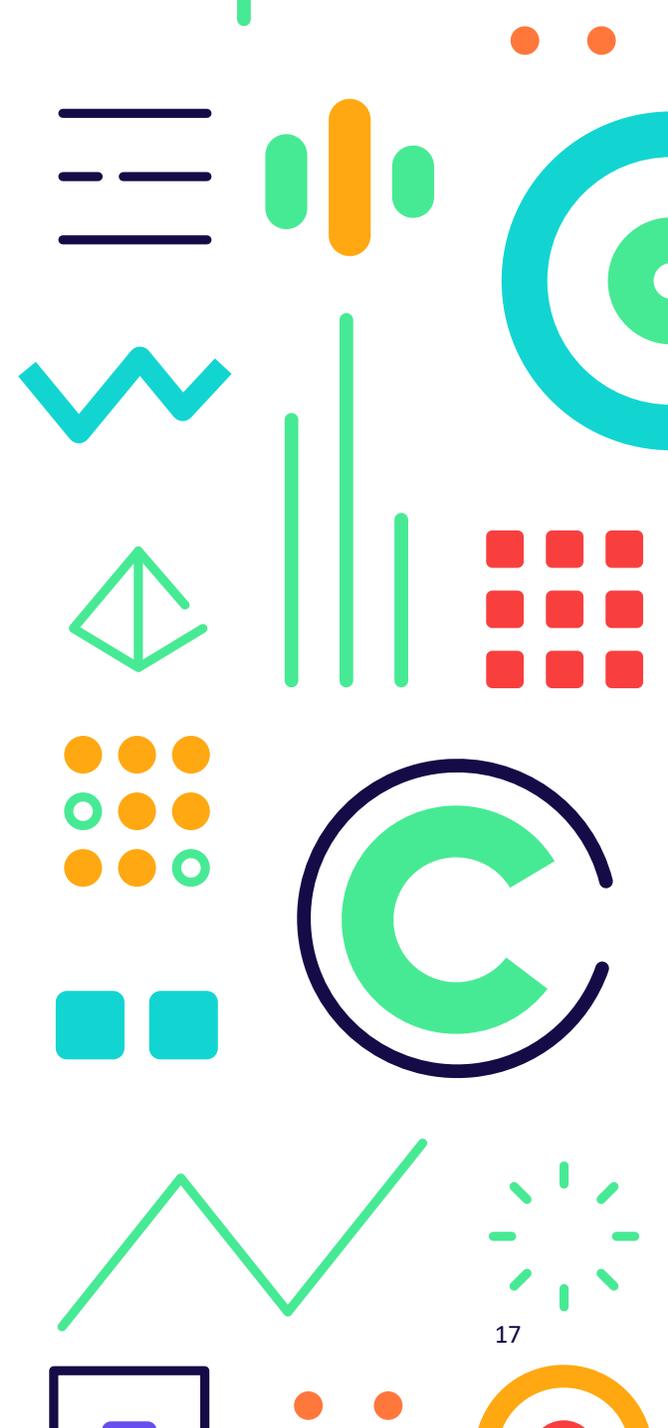
Limiting Scope: Application TCO

- Take Top 5-10%

- Limit collection of Application attributes (tiers, owners, etc.)

- Limit mapping of infrastructure and labor

Elevate IT. Ignite Possibility.

Where Are You Today?

← 0 1 2 3 4 5 →

If you're _new_ to ITFM, you often seek...	If you're _experienced_ with ITFM, you often seek...
Rapid gain in capabilities – perhaps using OOTB solutions and standardized processes.	New gains in efficiency – automation and streamlining of existing processes.
Positioning to expand and mature.	Positioning to grow capabilities and functionality.
More guidance and assistance from your vendor and/or partner.	Process improvements and escaping unnecessary complexities – you know what you do well and what you don't.

ITFM Solution Evaluation & Selection

Core Criteria

- Capability (Data Integration, Calculation, Automation, Reporting & Analysis)

- Domain Knowledge –Experience, Methodology, and **Depth**

- Flexibility

- Ability to scale (size and functional extensibility)

- Easy to perform analysis

- Cost

The Evaluation & Selection Process

Research, Learn & **Meet** → RFP Process → Down-Select to POC → Select & Evaluate → Realize Value

- <u>Heavy engagement:</u> Get face-to-face; discuss experience, methods, approach, etc.

- Talk to references… **don't speed date!**

- Find a partner you can lean on… it's a long-term relationship

- Demonstrations

- Proof of Concept (POC) or "**Day in the Life**"

- Learn about implementation teams (Vendor & IT) structure & process – What *is your engagement going to be like…*

Building the Right Team

- The IT Finance Staffing Problem

- **IT Finance Staff Qualities**

  - Finance degree

  - 2-5 years experience – Corporate FP&A

  - Excellent analytical skills

  - Good communication skills

  - Some leadership qualities

  - Critical thinking *(analyze, form judgments, take action, lead an initiative, ownership)*

Thank You