Using an ITFM Maturity Model to Maximize IT Financial Management Dollars

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Agenda

1	Structure of the Maturity Model
2	Using the Maturity Model
3	Prioritizing Objectives

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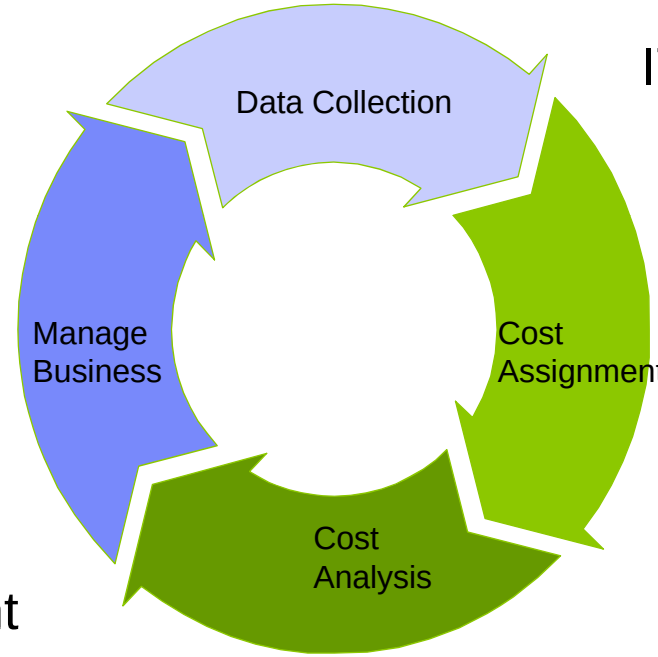
IT Organizations have many objectives for their ITFM Process

Chargeback Objective	Finance Management	IT Management	IT Customers
Recover Cost		X	
Cost Allocation	X		
Cost Transparency			X
Cost Reduction	X	X	X
Outsourcing Decisions	X	X	
Process Improvement		X	X
Performance Management	X	X	X
Budgeting	X	X	
Reorganization		X	
Capital Investment Decisions	X	X	X
IT Management			X

Trying to initially satisfy all objectives will dilute the effectiveness of your investment in ITFM

The ITFM process is a continuous process



IT Costing

IT Cost Management

The ITFM process is split between costing and cost management

There are key activities for each process

- **Data Collection**
  - Financial and operational data is collected, loaded and data owners identified
  - Review and analysis of the data collection and maintenance process
  - Design and implementation of data integration
  - Identification and selection of operational data used for cost drivers.
- **Cost Assignment**
  - Costing relationships are developed and required calculations performed
  - Design and development of IT cost models
  - Production of cost for products, services, applications and business partners.
- **Cost Analysis**
  - Cost reports (standard, custom, ad hoc) are generated and the results are analyzed
  - Operational and business partner analytics performed on costing results
  - Compare actual output values with budgeted values
- **Manage Business**
  - Analytics are translated into business decisions
  - Integration of actual cost results into the budgeting and forecasting processes
  - Review results with operations and business partners identifying improvement opportunities.

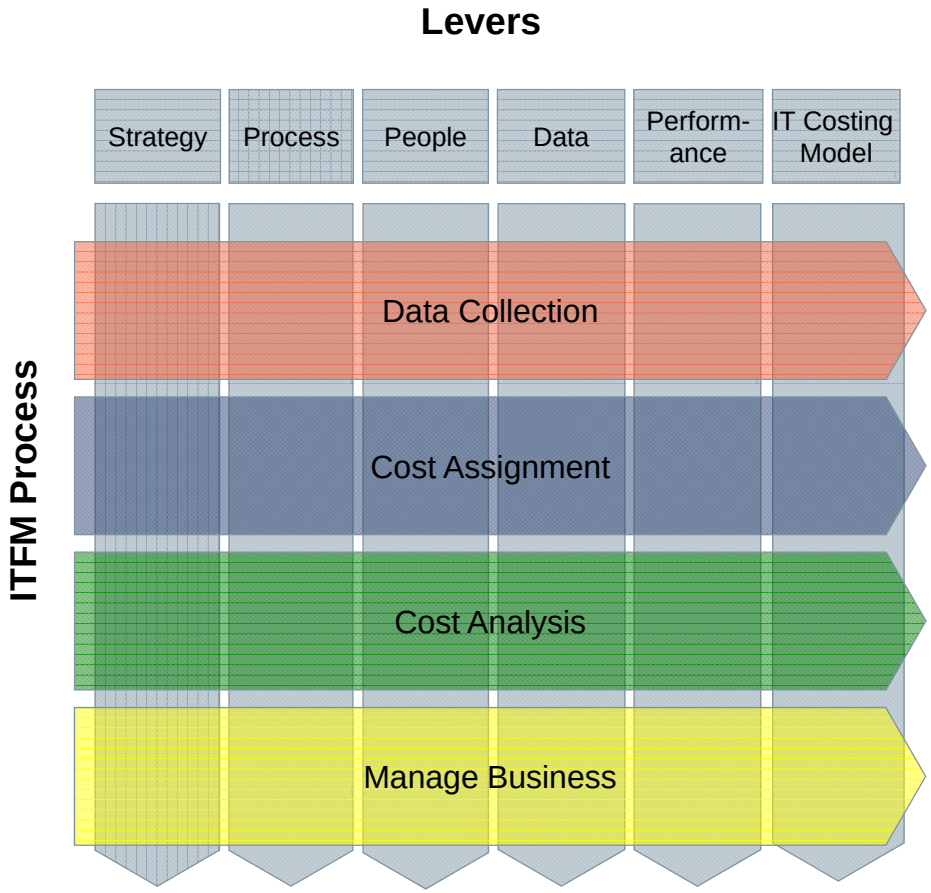
The ITFM processes are designed to create value at each step

The IT Costing process utilizes six levers

- Strategy – where are we going
- Process – how are we going to get there
- People – who will get us there
- Data – what information and technology gets us there
- Performance – did we get there
- IT Costing model – what does ‘there’ look like

These six levers are utilized to create successful IT Costing processes

The levers are integrated with the four ITFM Processes



Each intersection between the levers and processes have best practices assigned to them

Best practices are defined for each lever (1 of 2)

Strategy	▶ ITFM includes budget and forecast data ▶ IT costs are at the right level of detail ▶ ITFM data is available across the organization ▶ Cost information is used throughout the business
Process	▶ Data validation is automated ▶ Costs are available in multiple dimensions (product, customer, region, etc.) ▶ A published schedule is in place for producing IT costs ▶ IT Costing reports are being used each period ▶ 90% of time is spent on analysis as opposed to reporting ▶ ITFM data is used in the budgeting process
People	▶ Staff are trained on data collection techniques and software ▶ Key business partner users know who the IT Costing experts are ▶ Business partners are trained on the use of IT Costing data ▶ Roles are defined for decision makers

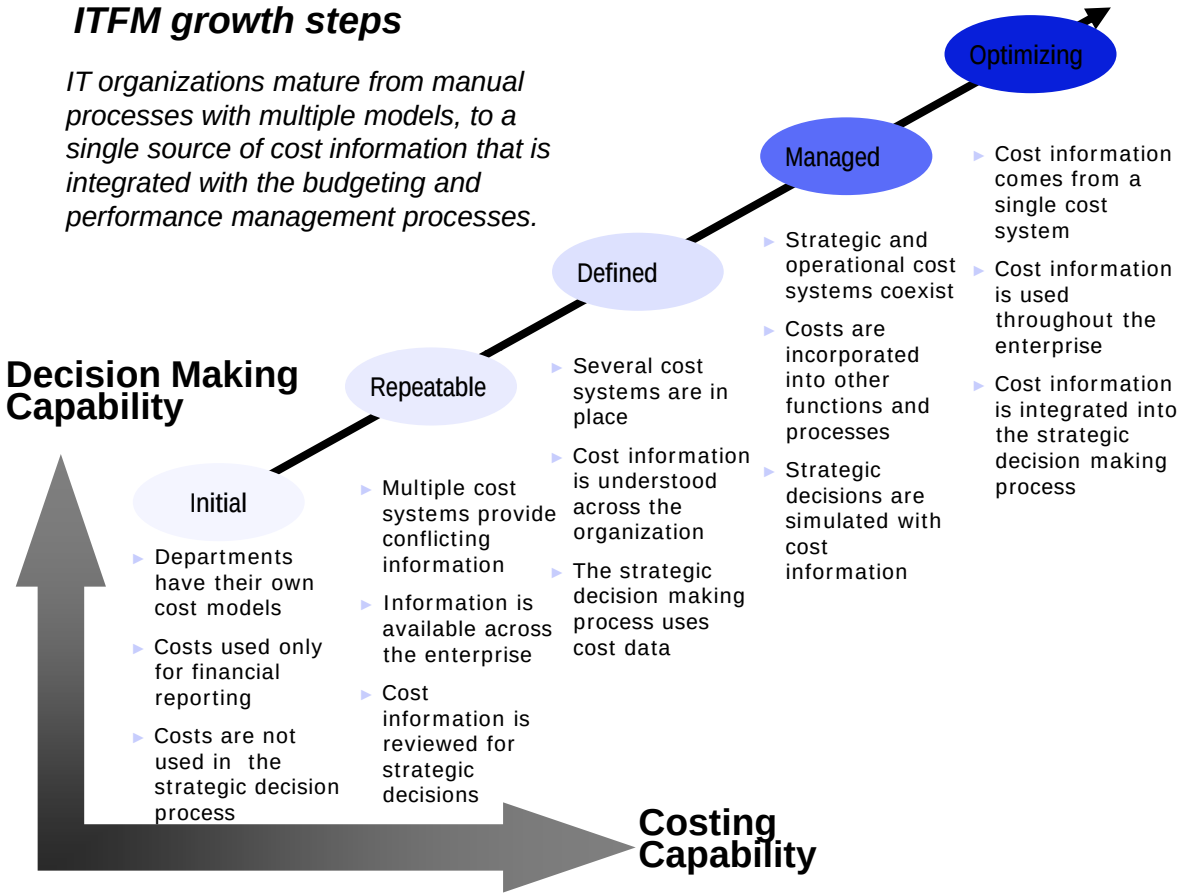
Each lever has best practices for each of the four ITFM processes

Best practices are defined for each lever (2 of 2)

Data	▶ Data loading is automated ▶ Maintenance is easy and user friendly ▶ The business partners can perform ad hoc analysis ▶ Budgets are linked to business partner demand
Performance	▶ Driver data comes directly from operational systems ▶ IT cost data is available one day after period end ▶ IT cost data is benchmarked ▶ Cost savings are captured and documented
IT Costing Model	▶ Data sourced from the same data used by other organizations ▶ The IT cost model reflects the behavior of costs (fixed/variable) ▶ There is only one IT Costing model in use ▶ The IT Costing model allows for detailed drill downs ▶ The IT Costing model is continuously refined

There are 147 best practices across the 24 intersections between the levers and processes

The best practices are measured across five maturity stages



- There are five different maturity stages in the ITFM process moving from Initial to Optimizing
- Each stage requires additional levels of integration, standardization and organizational commitment.
- Movement from stage to stage is incremental and defined by a well thought out roadmap, to close gaps between current state and future state.

To move to best practices, an IT organization must understand the current state and the desired future state.

The current state and future state are measured against the best practices

Lever	Best Practice	Initial	Repeatable	Defined	Managed	Optimizing
Strategy	IT Costs are at the right level of detail			X		X
Process	Cost are available in multiple dimensions (product, customer, region)		X		X	
Process	A published schedule is in place for producing IT Costs		X			X
People	Key business partner users know who the IT Costing experts are	X		X		
Data	Maintenance is easy and user friendly	X			X	
Performance	IT cost data is available one day after the period end	X	X			
Model	The IT cost model reflects the behavior of costs (fixed/variable)		X		X	
Model	There is only one IT costing model in use	X				X

The gaps between current and future states are the focus for improvement opportunities

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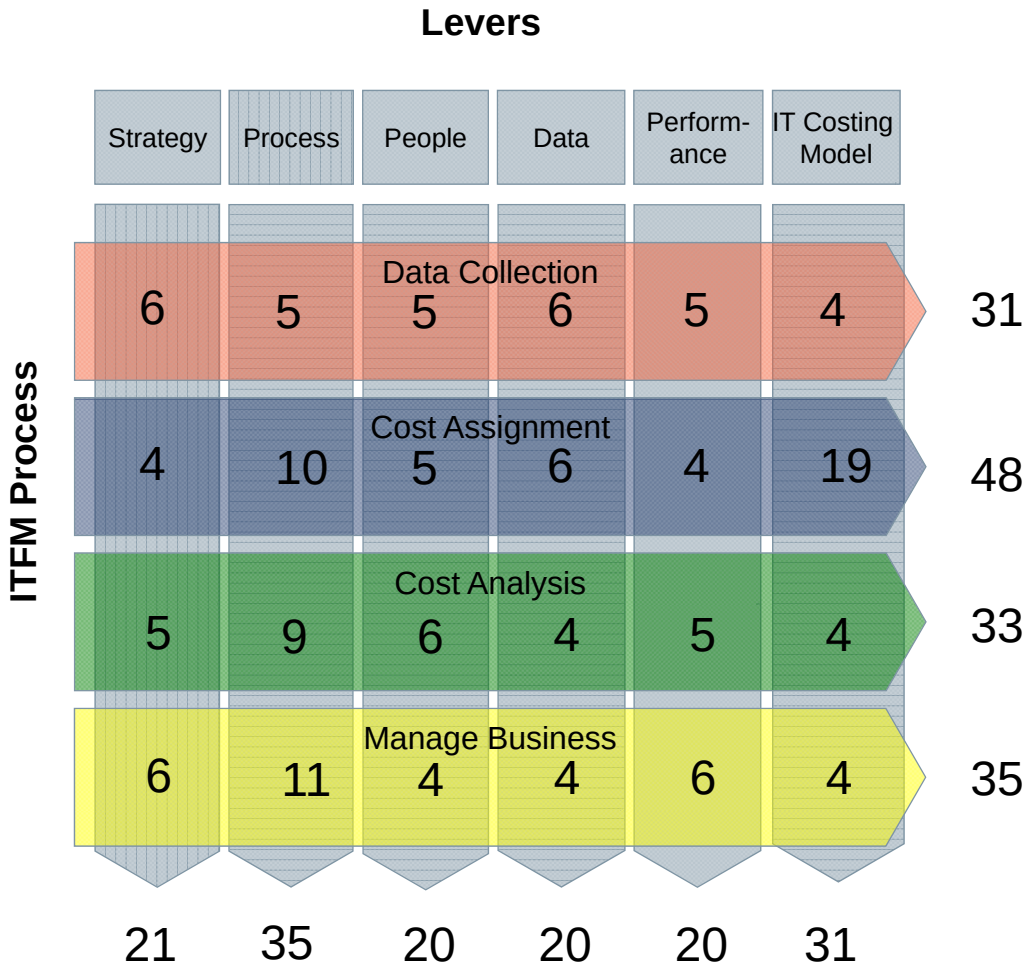
The ITFM Maturity Model uses 147 pre-defined questions



The questions are distributed fairly evenly across the 24 intersections of levers and processes

To make the maturity model more relevant the questions are reviewed in detail

- The 147 questions are reviewed for relevance to each IT organization
  - Questions are deleted as needed
  - Each question can be weighted by level of importance
- The organization defines additional questions a needed
  - Reflect focus areas
  - Identify special situations
- All changes to the questions are updated into the Maturity Model

The Maturity Model questions are updated to reflect each organizations specific situation and needs

Maturity assessments can be done in a deep dive or high level

- Deep Dive assessments
  - Take several weeks to perform
  - Intensive review of maturity questions
  - Involve a broad cross section people and organizations
- High Level assessments
  - Performed in a workshop setting
  - Maturity questions are quickly reviewed
  - Involves a limited number SMEs

The depth of the maturity analysis is reflective of the IT organizations needs

Different organizations can participate in the maturity assessment

- IT Executives
- IT Finance
- IT Operations
- Finance and Accounting
- Business Partners

The variety of participants is important for defining the future state

By answering the questions the organization defines the current and future states

- Current State – an evaluation of at what level the current ITFM process is operating
- Future State – the desired level the organization the would like to obtain for the ITFM process
- Best Practices – the highest level based on industry experiences in ITFM

The best practice level is used as a reference point to measure the maturity of the ITFM process

How mature should your ITFM Process be?

- The maturity model identifies gaps between the current and future state
- Most organizations do not immediately move to the best practice level for all questions
- Maturity should be viewed across a spectrum which the organization focuses on improvement from the current state

Moving up the maturity curve must be weighed against the costs, benefits and objectives

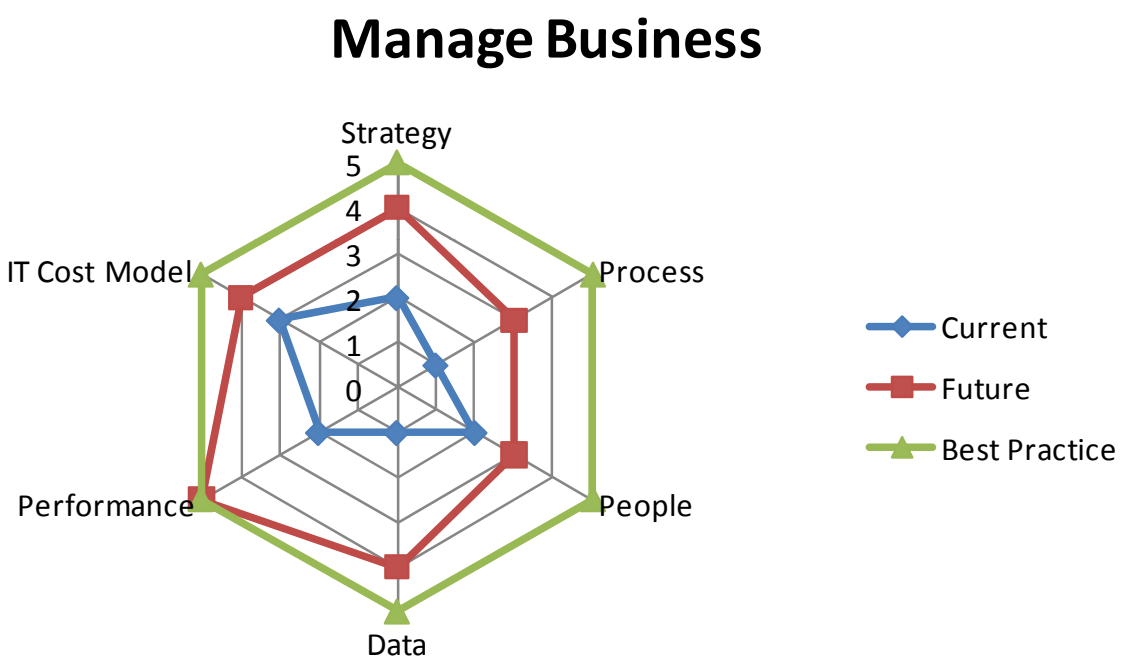
Each maturity question has five possible answers that reflect the maturity level

Lever	Best Practice Question	Initial	Repeatable	Defined	Managed	Optimizing
Process	How much much of the analysis time is spent on preparing reports?	More than 90% of available time is spent on report preparation	75% of available time is spent on report preparation	50% of available time is spent on report preparation	25% of available time is spent on report preparation	Less than 10% of available time is spent on report preparation
Model	Doest the IT Cost model allow for drill down cabability?	Few standard reports are available	Some basic reports are available	Ad hoc reporting is available	Reports are generated automatically	Full drill down capability is available

- Questions are used to determine the current state and desired future state
- Each level has a precise ‘state’ that the respondent must select
- Scores are attached to each current and future state response
- There are multiple questions for each process-lever combination
- It’s important for answers to be unbiased

The answers to the questions provide a full picture of the ITFM process maturity

The answers to the questions are translated into numeric scores and spider diagrams



The diagram allows the gaps in the ITFM process to be communicated quickly

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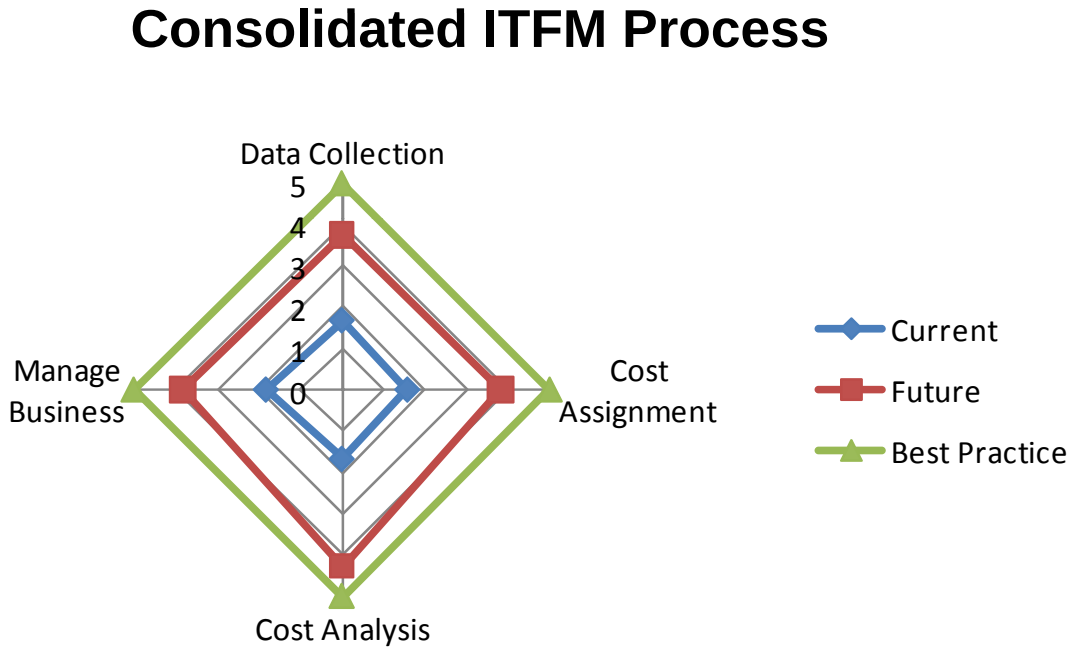
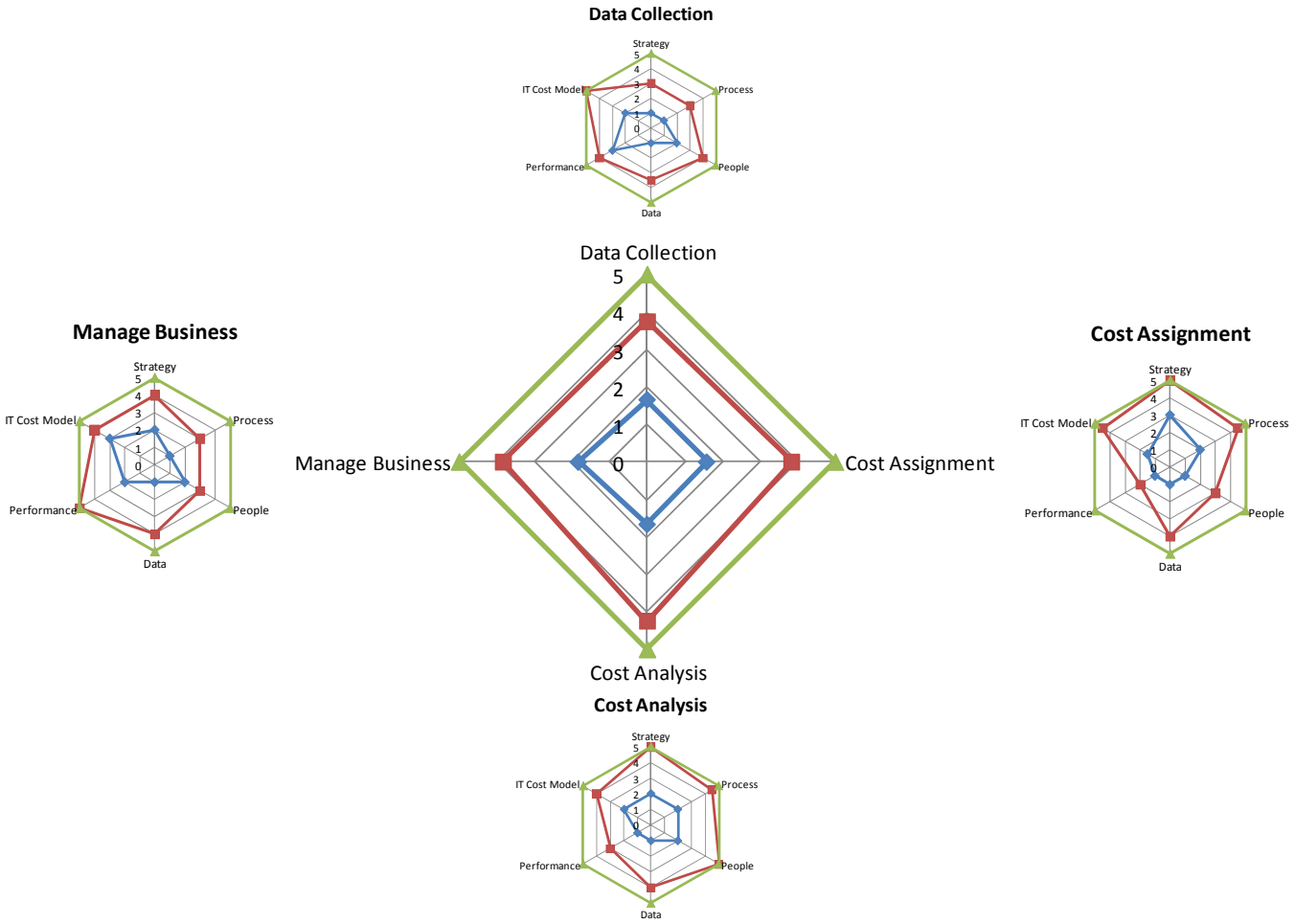
To understand the gaps, the consolidated ITFM Maturity is reviewed



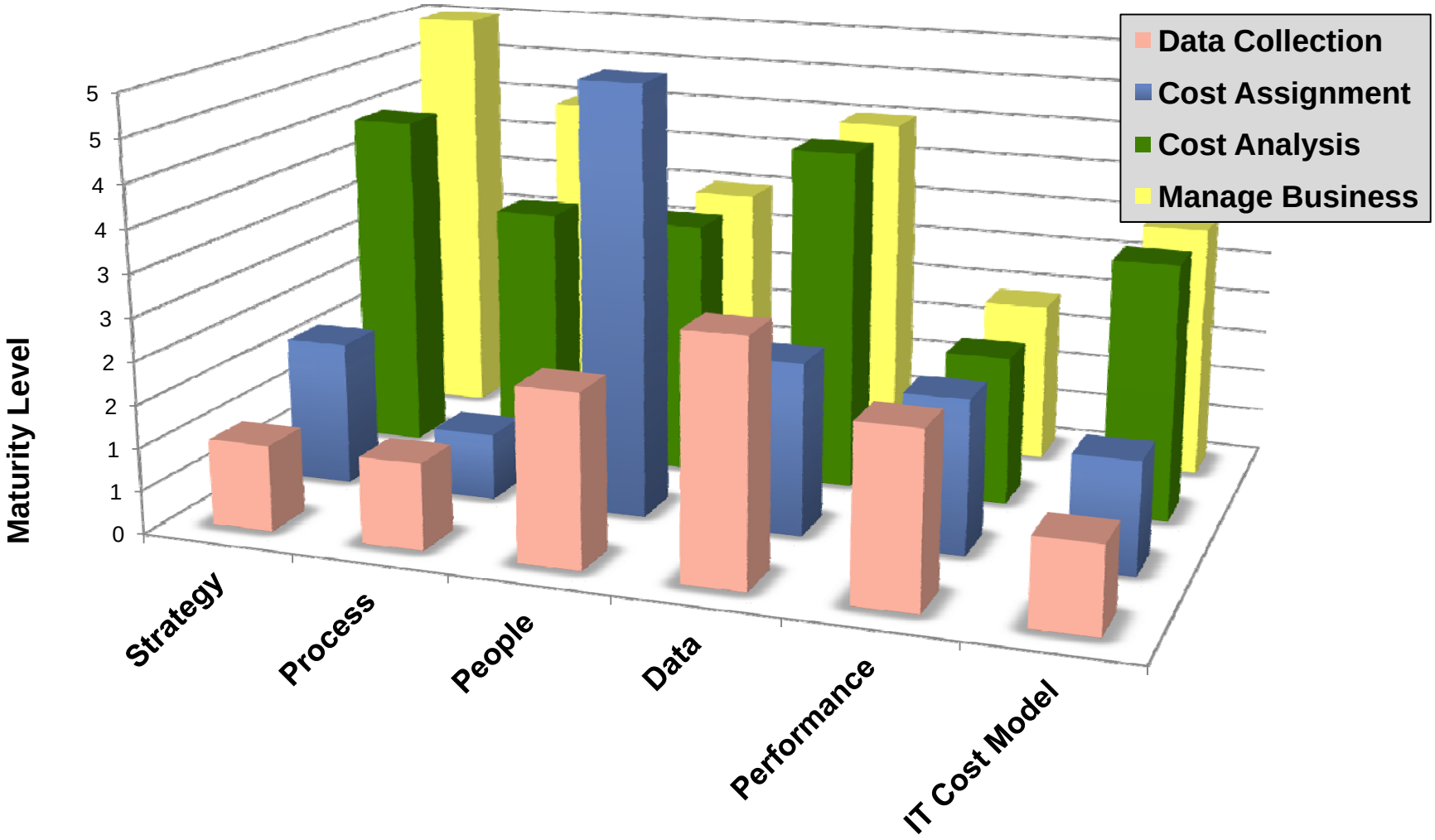
The consolidated ITFM maturity diagram provides a quick overview of the ITFM process gaps

The consolidated maturity diagram is broken down into the process maturity diagrams



The process maturity diagrams point to more detailed gaps in the ITFM process

Each process-level intersection has its own maturity score

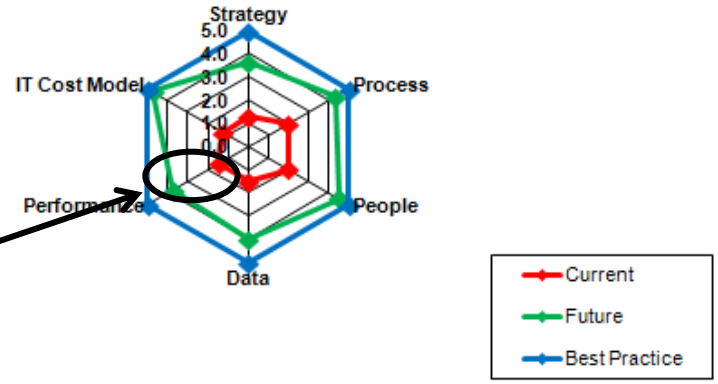


The maturity scores can be traced to the underlying questions that make up each score

Each process gap is traced to the initiating questions

Lever	Current	Future	Best Practice
Strategy	1.3	3.7	5.0
Process	2.0	4.3	5.0
People	2.0	4.5	5.0
Data	1.5	4.0	5.0
Performan	1.5	3.8	5.0
IT Cost	1.5	3.8	5.0

Opportunity Gap



		Score	1.3	3.7	Maturity Level				
		Weighted	1.3	3.7					
Maturity Question	Level of Importance	Current	Future	Initial	Repeatable	Defined	Managed	Optimizing
Is cost information used in the strategic planning process?	Important	Initial	Managed	Cost information is not being used in the strategic planning process.	Cost information is reviewed for the strategic planning process.	The strategic planning process requires cost information as part of the	Cost information enables 'what if' capabilities for the strategic planning process.	Cost information is integrated into the strategic planning process.
Do IT executives and managers use cost information in the decision making process?	Important	Repeatable	Defined	Cost information is only used for financial reporting and chargeback.	Cost information is provide to all IT executives and managers.	Cost information is understood by the entire IT organization.	Cost information is used in the decision making process.	Cost information is used by the entire IT organization.
Is ITFM cost information required for all financial analysis?	Important	Initial	Managed	There is no requirement to include ITFM cost information in financial analysis.	It is recommended that ITFM cost data be included in all financial analysis.	The ITFM organization is consulted for ITFM cost data to be included in financial analysis.	ITFM cost data is required for financial analysis but the ITFM organization does not sign off on the analysis.	ITFM cost data is required for financial analysis and the ITFM organization must sign off on the analysis.

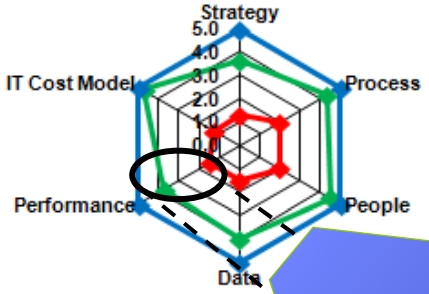
The gaps identified for each question become the focus for improvements to the ITFM Process

The questions with the largest gaps become the focus for improvements

Lever	Process	Maturity Question	Initial	Repeatable	Defined	Managed	Optimizing
Data	Data Collection	What is the cycle time for data collection and loading into the ITFM costing system?	X	X			
Model	Cost Assignment	Is there more than one ITFM costing model being used in the organization?	X				X
Performance	Cost Assignment	When do users and decision makers receive updated ITFM cost information?	X	X			
People	Cost Analysis	Are ITFM costing staff/users/decision makers provided with analytics and reporting training?		X			X
Strategy	Cost Analysis	Are ITFM costing reports made available across the organization?		X			X
Model	Manage Business	Is there a maintainable process in place to update the ITFM cost model and make changes as needed?			X	X	
People	Manage Business	Are ITFM roles and responsibilities defined for the manage business process?		X	X		
Performance	Manage Business	Are actual savings captured by the ITFM organization for projects and initiatives?		X			X

Areas with small gaps are discarded and the larger gaps are evaluated for opportunities

Each maturity question has associated opportunities defined



Process	Lever	Opportunity	Maturity Question	Desired Future State
Data Collection	People	Define internal training program and/or identify external training courses.	Is data collection training provided to ITFM staff responsible for collecting and loading data?	Internal and external training is provided for the data collection process.
Data C		Identify source data systems, create data collection process to capture	Does driver data come from the same operational systems that	Up to 75% of driver data is sourced from the operational systems that

Process	Lever	Opportunity	Maturity Question	Desired Future State
Cost Assignment	Process	Document the process to create schedule for cost assignment process.	Is there a documented schedule of the period end cost assignment process?	The period end processing schedule is documented, published, up-to-date and reviewed annually.
Cost As		Review ITFM costing process, identify data sources and define and create	How difficult is it to maintain the	The ITFM costing system update process is automated and

Process	Lever	Opportunity	Maturity Question	Desired Future State
Cost Analysis	Strategy	Creat IT Costing portal that enables users to access IT Costing data.	Are ITFM costing reports made available across the organization?	have access to the ITFM costing reports.
Cost An				Less than 25% of ITFM costing staff

Process	Lever	Opportunity	Maturity Question	Desired Future State
Manage Business	Strategy	Identify software with 'what-if' capabilities that will support the stategic planning process.	Is cost information used in the strategic planning process?	Cost information enables 'what if' capabilities for the strategic planning process.
Manage Business	Data	Work with business partners to estabilish process for forcasting demand for IT services.	business partner demand for services, products and applications?	Expense budgets are partially based on business partner volume estimates of demand.

Potential projects and tasks are defined for each opportunity

A project or task is defined for each opportunity

Process	Lever	Project or Task	Maturity Question
Data Collection	People	Define internal training program and/or identify external training courses.	Is data collection training provided to ITFM staff responsible for collecting and loading data?
Data Collection	Performance	Identify source data systems, create data collection process to capture operational data.	Does driver data come from the same operational systems that produce IT KPIs?
Cost Assignment	Data	Review ITFM costing process, identify data sources and define and create automation for data input and changes.	How difficult is it to maintain the ITFM costing system?
Cost Assignment	Model	Identify existing costing models and migrate to official IT Costing model. Set up a process to check for source of financial data used in business plans and analysis.	Is there more than one ITFM costing model being used in the organization?
Cost Analysis	People	Training program is developed for the users of ITFM information, which utilizes internal and external resources.	Are ITFM costing staff/users/decision makers provided with analytics and reporting training?
Cost Analysis	Model	Identify software options that enable drill down capabilities.	Does the ITFM cost software allow "drill downs"?
Manage Business	Data	Work with business partners to estabilish process for forcasting demand for IT services.	Are expense budgets linked to business partner demand for services, products and applications?
Manage Business	Performance	Define and establish formal process to capture and track cost savings.	Are actual savings captured by the ITFM organization for projects and initiatives?

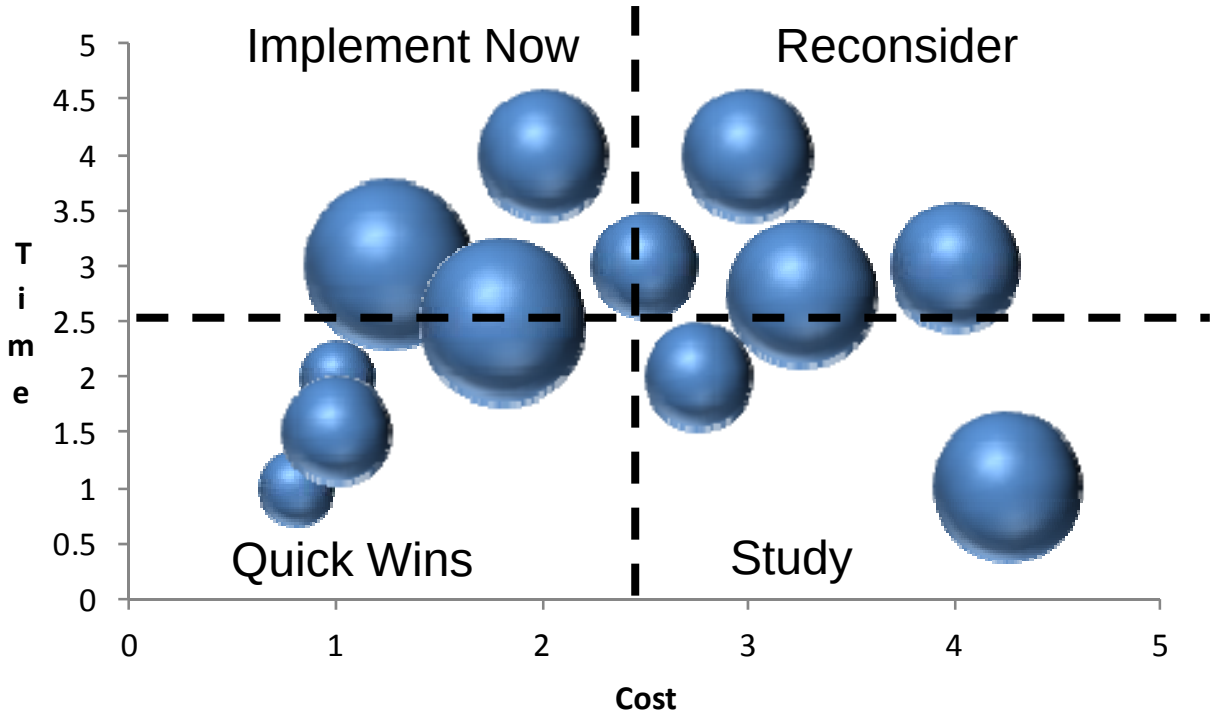
The list of projects are developed and reviewed

Projects are prioritized based upon their overall impact

Process	Lever	Project or Task	Time	Cost	Benefit
Data Collection	People	Define internal training program and/or identify external training courses.	++	$	$
Data Collection	Performance	Identify source data systems, create data collection process to capture operational data.	+++	$$	$$
Cost Assignment	Process	Document the process to create schedule for cost assignment process.	+	$	$
Cost Assignment	Data	Review ITFM costing process, identify data sources and define and create automation for data input and changes.	++++	$$$	$$$
Cost Assignment	Model	Identify existing costing models and migrate to official IT Costing model. Set up a process to check for source of financial data used in business plans and analysis.	+++	$	$$$$$
Cost Analysis	Strategy	Creat IT Costing portal that enables users to access IT Costing data.	+++	$$$	$$$$
Cost Analysis	Process	Develop reporting capabilities that require minimal manual intervention to create reports.	++	$$	$$
Cost Analysis	People	Training program is developed for the users of ITFM information, which utilizes internal and external resources.	+++	$$	$$$$$
Cost Analysis	Model	Identify software options that enable drill down capabilities.	+	$$$$	$$$$
Manage Business	Strategy	Identify software with 'what-if' capabilities that will support the stategic planning process.	+++	$$$$	$$$
Manage Business	Data	Work with business partners to estabilish process for forcasting demand for IT services.	++++	$$	$$$
Manage Business	Performance	Define and establish formal process to capture and track cost savings.	++	$	$$

The time, cost and benefits are weighed for each project to select the projects with the most value for the organization

The projects can be categorized into four quadrants for implementation



The right hand quadrants are the focus for immediate implementation, while the left hand quadrants need more analysis and review

The selected projects are then added to a comprehensive project plan

Process	Lever	Opportunity	Maturity Question	Desired Future State
Data Collection	People	Define internal training program and/or identify external training courses.	Is data collection training provided to ITFM staff responsible for collecting and loading data?	Internal and external training is provided for the data collection process.
Data C		Identify source data systems, create data collection process to capture	Does driver data come from the same operational systems that	Up to 75% of driver data is sourced from the operational systems that

Process	Lever	Opportunity	Maturity Question	Desired Future State
Cost Assignment	Process	Document the process to create schedule for cost assignment process.	Is there a documented schedule of the period end cost assignment process?	The period end processing schedule is documented, published, up-to-date and reviewed annually.
Cost As		Review ITFM costing process, identify data sources and define and create	How difficult is it to maintain the	The ITFM costing system update process is automated and

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Cost Analysis	Strategy	Creat IT Costing portal that enables users to access IT Costing data.	Are ITFM costing reports made available across the organization?	have access to the ITFM costing reports.
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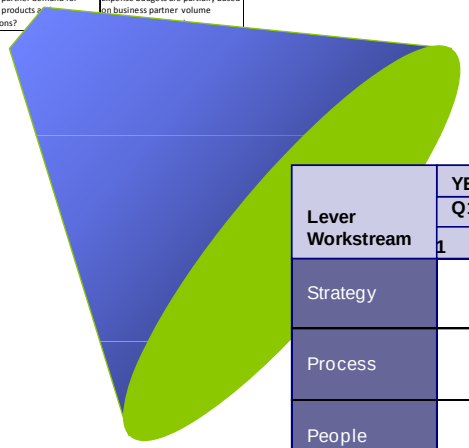
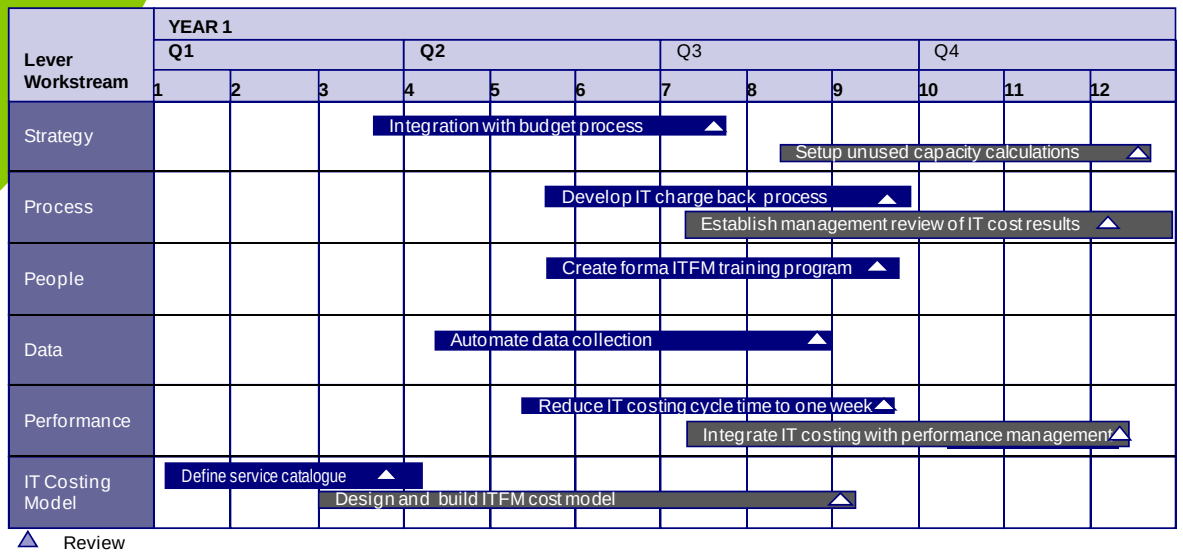
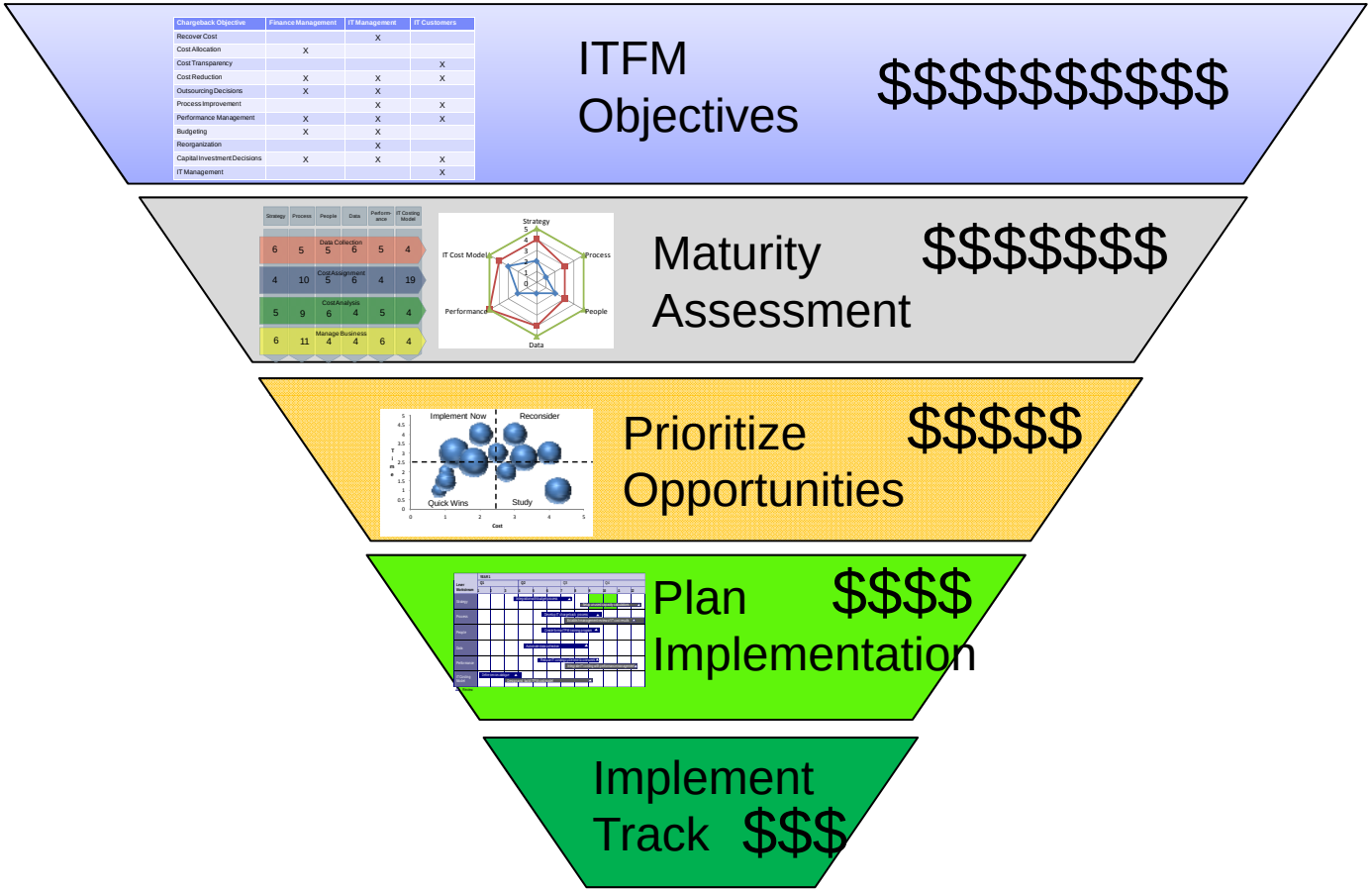
Process	Lever	Opportunity	Maturity Question	Desired Future State
Cost An				
Manage Business	Strategy	Identify software with 'what-if' capabilities that will support the stategic planning process.	Is cost information used in the strategic planning process?	Cost information enables 'what if' capabilities for the strategic planning process.
Manage Business	Data	Work with business partners to establish process for forcasting demand for IT services.	business partner demand for services, products applications?	Expense budgets are partially based on business partner volume





The selected improvement plans are tied into projects for delivery that will provide improvements across the levers and ITFM process

Opportunities are funneled down to maximize the use of limited ITFM dollars



With limited budget to support the ITFM process focusing on the projects that provide the most value in the shortest time is critical

Summary

- Reviewed the structure of an ITFM Maturity Model
- Discussed how the an ITFM Maturity Model is used
- Walked through the prioritization process to convert the Maturity Model results to actual prioritized projects

Conclusion – Questions?

Key Learning Points

- Understanding the ITFM Maturity Model
- How to translate the Maturity Model results to prioritize ITFM Improvements

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