HP **SOFTWARE UNIVERSE** 2010

IT Financial Management kickoff
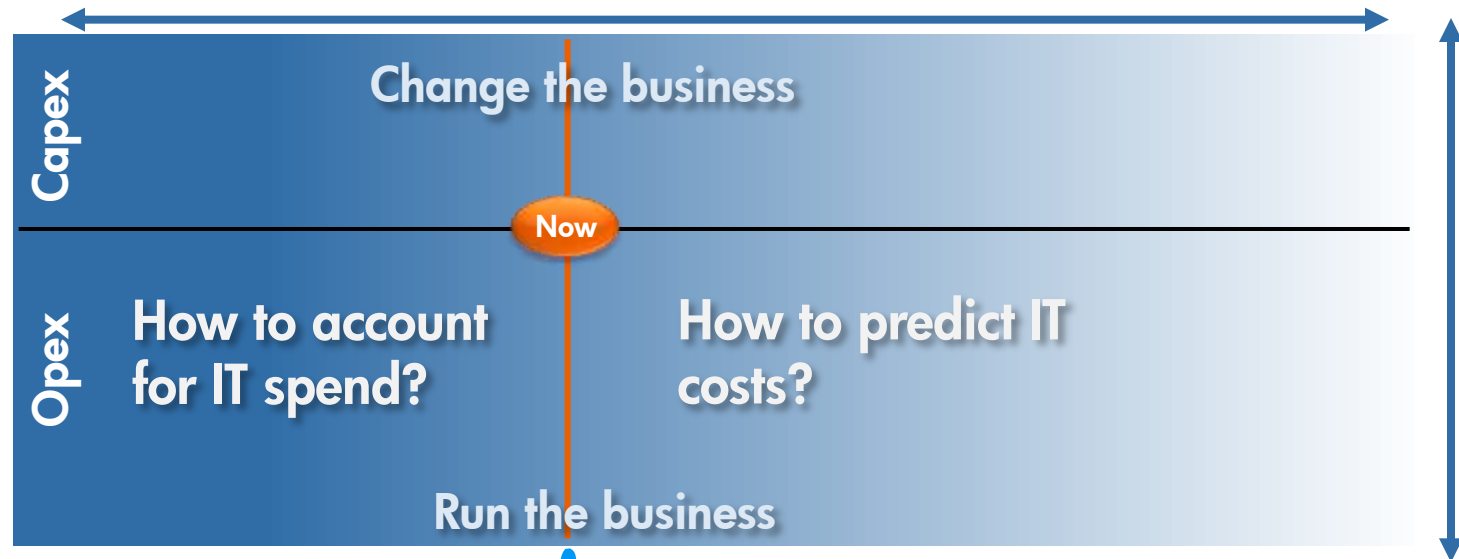
Mark Bradley

Technical Product Marketing Manager

IT Financial Management
Optimizing resources to deliver highest value to business

Capex

Change the business

Now

Opex

How to account for IT spend?

How to predict IT costs?

Run the business

How to govern IT investments?

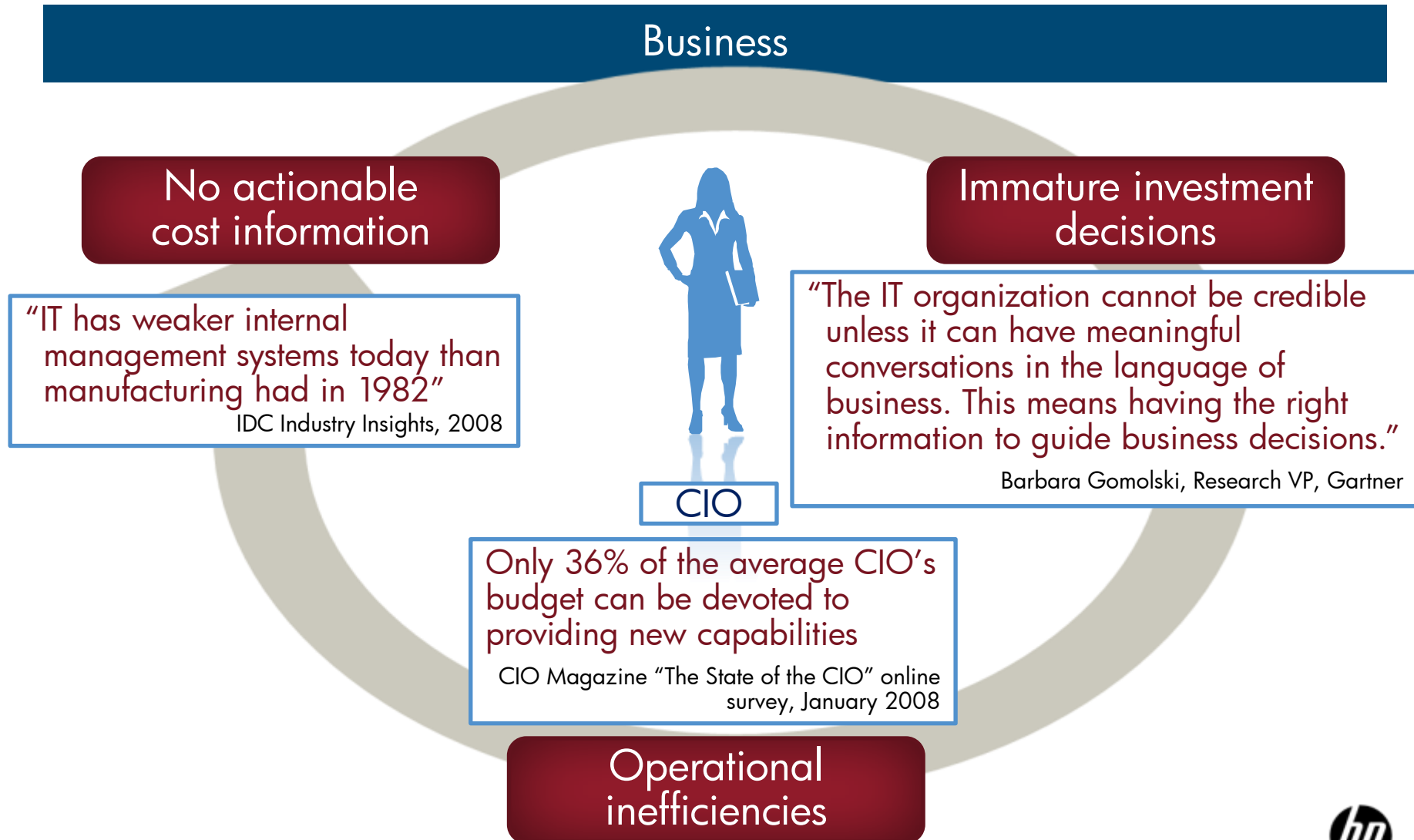| **Governance**	**Accountability**	**Predictability**
Effective management of the IT investment planning process, cost/benefit (ROI) determination, data integrity	Reporting & analysis of IT spend, assessment of IT service costs, cost allocation and recovery	Accurate forecasting of resource & capital requirements, continuous tracking of IT spending & resource consumption

IT Financial Management Challenges

What is our **exposure** for software licenses and contracts?

Am I evaluating all **sourcing** options for a service?

How do I better **align** my resources with the business?

What is the **impact** of increasing or decreasing IT spending?

Am I effectively **utilizing** assets?

How do I **connect** cost to value?

Which customers are **costing me more** than plan to support?

What is the **real cost** for my applications & services?
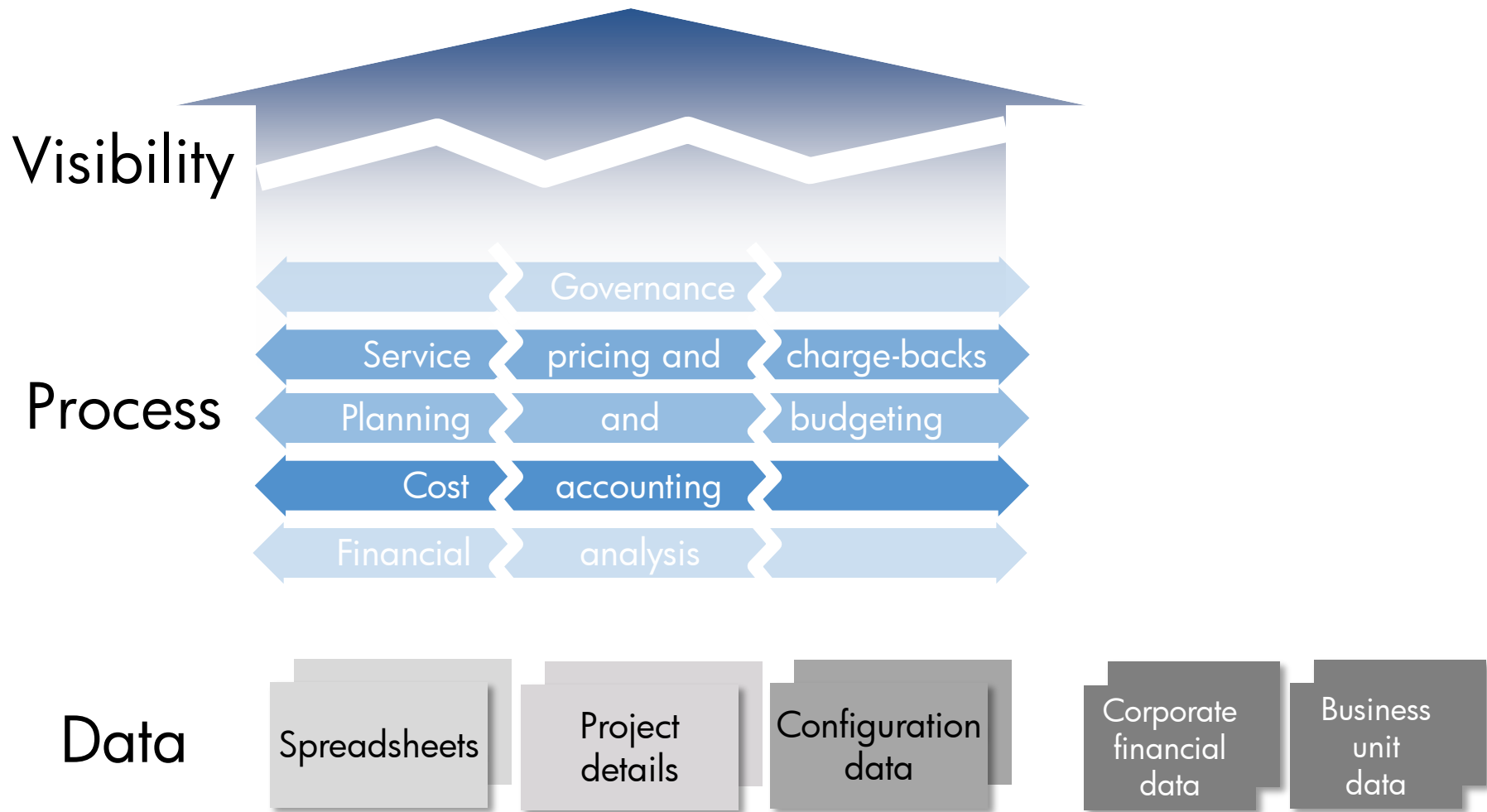
CIO

IT viewpoint

Business viewpoint

"How do we continue to drive high-quality services at declining unit costs, when we are already very good and very lean?"

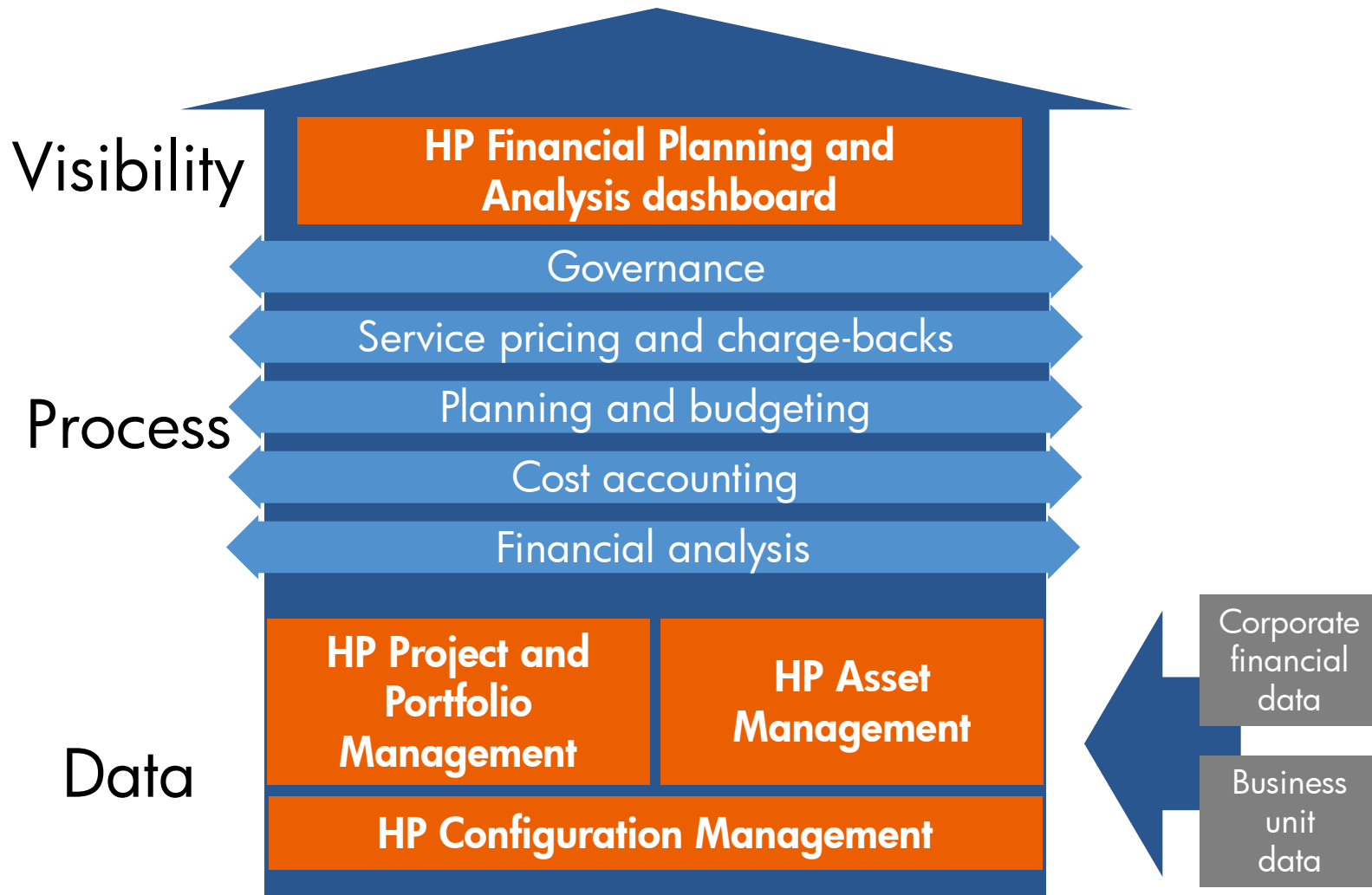Jeffrey Johnson - VP of IT, Constellation Energy

3

IT Financial Management Challenges

Business

No actionable cost information

"IT has weaker internal management systems today than manufacturing had in 1982"
IDC Industry Insights, 2008

Immature investment decisions

"The IT organization cannot be credible unless it can have meaningful conversations in the language of business. This means having the right information to guide business decisions."

Barbara Gomolski, Research VP, Gartner

CIO

Only 36% of the average CIO's budget can be devoted to providing new capabilities
CIO Magazine "The State of the CIO" online survey, January 2008

Operational inefficiencies

Financial Management Current State

Visibility

Process

Governance

Service | pricing and | charge-backs

Planning | and | budgeting

Cost | accounting

Financial | analysis

Data

Spreadsheets

Project details

Configuration data

Corporate financial data

Business unit data

HP Financial Management Approach

Visibility

HP Financial Planning and Analysis dashboard

Process

Governance

Service pricing and charge-backs

Planning and budgeting

Cost accounting

Financial analysis

Data

HP Project and Portfolio Management

HP Asset Management

HP Configuration Management

Corporate financial data

Business unit data

HP Financial Planning and Analysis

Understand IT cost drivers and variance

Key benefits

- Cost transparency

- Rapid identification and analysis of variance

- Improved strategic and execution decisions

Key capabilities

- Multi-source IT cost visibility

- Dashboards for different stakeholders

- Cost allocation and exploration

- Automated data collection for near-real-time reporting

Consolidated and Actionable

Financial Planning and Analysis dashboard

User
Projects
Region
Costs
Organizations

Employee
Projects
Locations
Costs
Department

Project and Portfolio Management

Asset Management

– Automating large parts of the data gathering process
– Encouraging better behavior as people see the results of their actions

HP Project and Portfolio Management Center

Project and portfolio alignment/control

Key benefits

- Informed investment management

- Process automation

- Portfolio analysis

- Leading indicators of cost variance

Key capabilities

- Consolidated demand management

- Integrated investment, resource, time and project management

- Lifecycle investment visibility
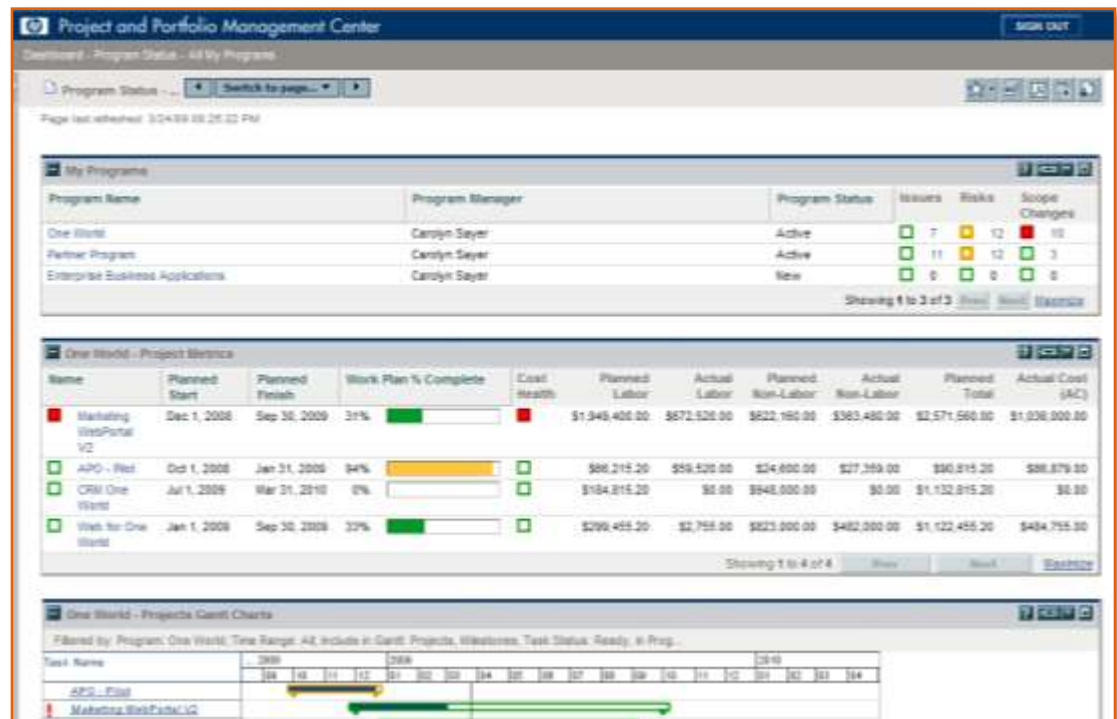
HP Asset Manager

Hardware/software optimization

Key benefits

- Efficient asset lifecycle cost & value management

- Effective supply/demand management

- Minimize software costs & risks

Key capabilities

- Fully burdened hardware costing

- Contract and Warranty Management

- Hardware & software usage tracking

- Track operational activities against assets & services
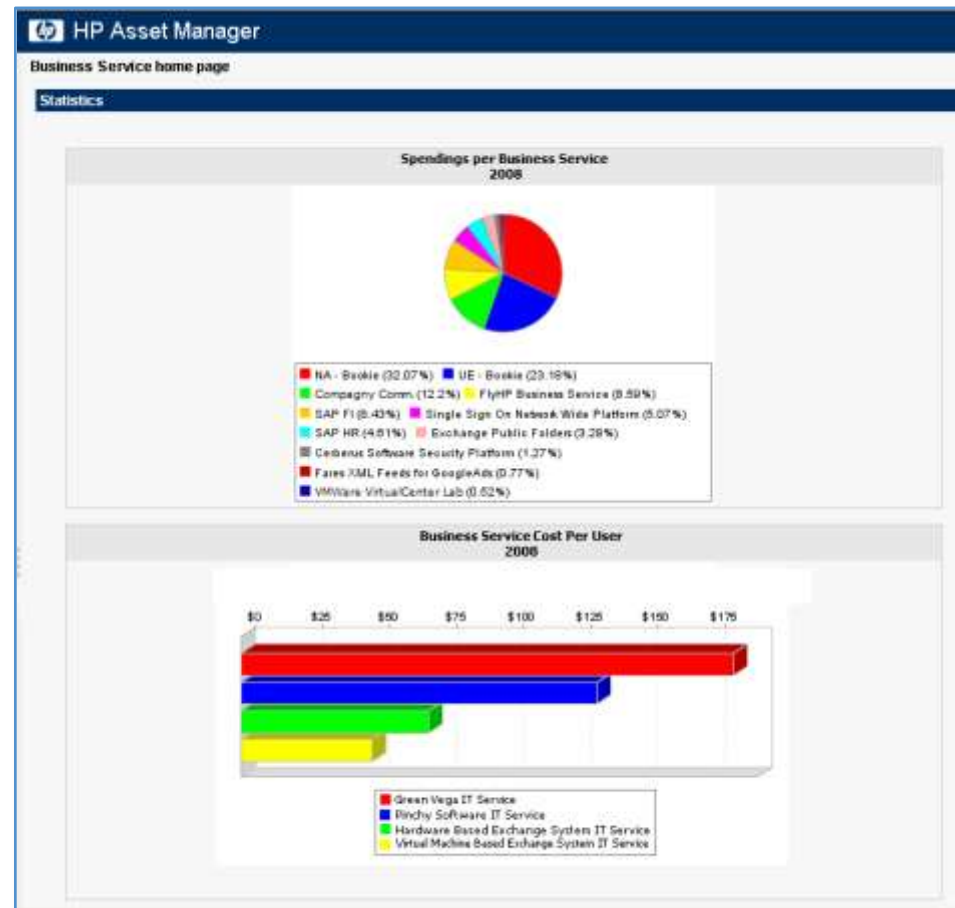
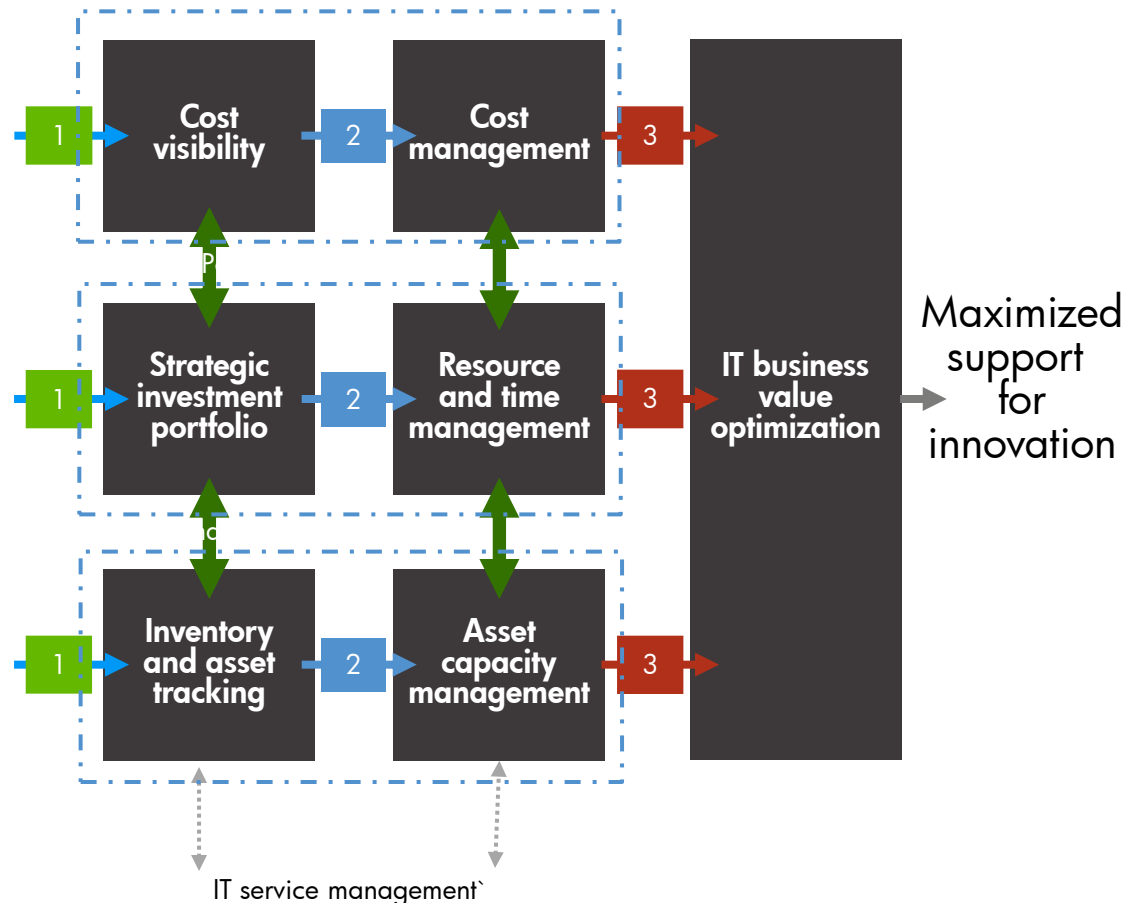# Delivering Value Along the Journey

1 Improve Base Information
Establish a clear understanding of all IT costs, cost drivers, and variance sources across budget, portfolio and assets.

2 Add Depth to Improve Decisions
Effectively manage the entire scope of IT investments—budget, resource, time, and capacity to align spending with business objectives.

3 Optimize value
Link value to cost to make intelligent business decisions that will focus resources on innovation, improve efficiency and maximize business outcomes.

1	Cost visibility	2	Cost management	3	
1	Strategic investment portfolio	2	Resource and time management	3	IT business value optimization
1	Inventory and asset tracking	2	Asset capacity management	3	

Maximized support for innovation

IT service management`

Delivering Value
HP Project & Portfolio Management

Aggregate Demand

- IT project scope changes dropped by 57% - Large food retailer and distributor

- The IT demand queue reduced by 67.1% - Large food retailer and distributor

- Immediately identified and stopped $8 million in projects determined unlikely to delivery expected business value – Xcel Energy

Optimize the portfolio

- Project funding process reduced from 6 → 1 wk(s) – Large commercial airline

- IT budget accuracy improved 100%: planned budget exactly tied to actual IT expenditures for the year – Large food retailer and distributor

- Saved $3.7 million by avoiding investment in non-viable projects – Xcel Energy

Execute projects and other work

- Increase project team productivity by 30% – Birlasoft

- Reduce 'at risk' projects from 50% → 14% - Autotrader.com

- Cost overruns reduced to 0%, recouping 2% ($1.5M) of annual IT Budget - Large food retailer and distributor

- Decreased time spent on schedule tracking and updating by 50%. – Packaging firm

Delivering Value

HP Asset Manager

Asset Tracking

- Created global asset repository and process for asset management – Large Manufacturer

- 95% of IT asset name/location, config and user now known – Leader in WW Telecommunications

- Centralized collection and management of all desktop, network, datacenter, contracts, licenses & applications – Multinational Chemical Conglomerate

Optimize Costs

- Hardware lease cost reductions of $8M annually Large WW Manufacturer

- Reduced TCO of desktop environment by 50% - Bayer Business Services

- Saved $3M in overlapping/redundant Telecom contracts – Global Investment Bank

- Software license reuse reduces costs by $4.5M – US Food manufacturer

Financial Management

- Budget to operational spend accuracy at 95% – WW Telecoms

- Ensured proper asset depreciation accounting – German bank

- Better understanding of infrastructure cost drivers led to headcount reallocation – Global Investment bank

- Yearly savings are 3-5% of the $120M annual budget – Global Bank

"With HP IT Financial Management, we're driving the financial accountability of our technology organization.

We've **benchmarked** our IT spending in relationship to our operational expenses, and it is substantially lower than our peers.

As its business users become more cognizant of their technology consumption, **they find ways to use technology more efficiently**

Our **unit costs** – meaning cost per desktop, per server, per gigabyte of storage – **have dropped 14 percent**."

Jeffrey Johnson – Deputy CIO and VP of Operations and Infrastructure, Constellation Energy

Constellation Energy

Before

– Fragmented processes and tools, succeeding through "pure heroism"
– Met objectives because we had smart people working very hard
– Not scalable

Approach

Adaptation of ITIL v3

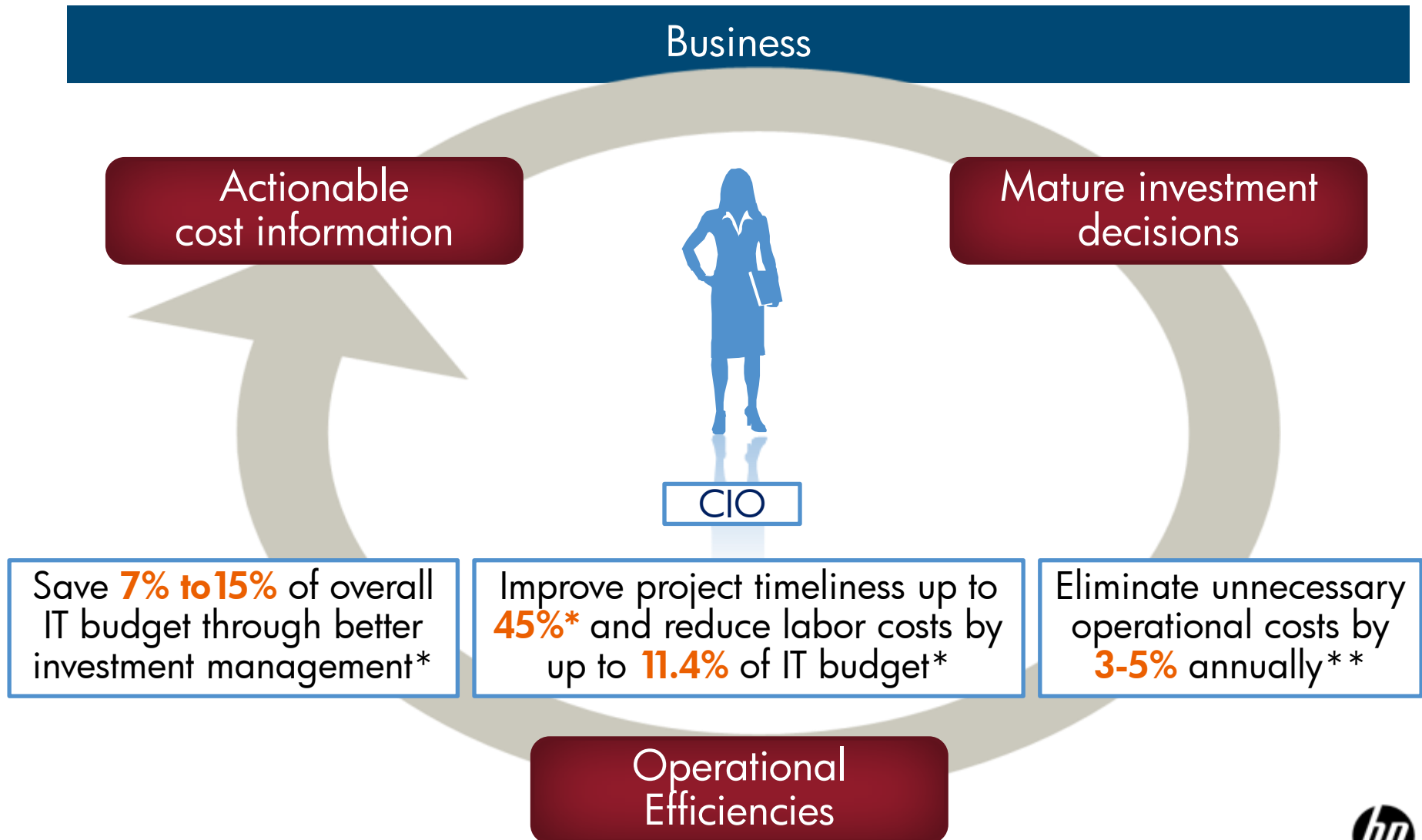Started with HP Project & Portfolio Management to understand portfolio investments

HP Asset manager to help decommission large assets

HP uCMDB led to better understanding of risks and conflicts associated changes

HP Discovery and Dependency Mapping to help define the business value of technology assets and resources

HP Service Manager where escalations reduced by half e.g. thanks to better access to problem data

Delivering Value Along the Journey

Business

Actionable cost information

Mature investment decisions

CIO

Save **7% to 15%** of overall IT budget through better investment management*

Improve project timeliness up to **45%*** and reduce labor costs by up to **11.4%** of IT budget*

Eliminate unnecessary operational costs by **3-5%** annually**

Operational Efficiencies

Actionable Information

Ledger will tell you 100 laptops were purchased three months ago

But to understand the business perspective you need:

– Deployment project costs

– Unit hardware costs

– Software license information

– Cost of ongoing support

– Deployment rate

Delivering Value Along the Journey

Transform cost data into actionable information	• Analyze cost drivers to effectively reduce waste • Eliminate unnecessary operational costs by **3-5%** annually** • Reallocate budget and staff resources to more strategic projects
Improve IT investment decisions	• Gain insight through complete IT demand aggregation • Save an average of **7.8%** of the annual IT budget by avoiding non-strategic projects* • Enable traceability, accountability, and process improvement
Efficiently manage IT execution	• Ensure on-time, on-budget completion of projects and programs • Evaluate asset, resource, warranty ,contract, and license utilization • Match resource and asset supply and demand for lean service delivery and support • Improve project timeliness by up to **45%*** and reduce labor by up to **11.4 %** of IT budget*

Maximize IT contribution to business innovation and manage IT like a business

"HP is helping us **enhance operational and strategic decision making** by identifying ways to **drive more value to our business** while **driving out inefficiencies**.

Our IT organization is better able to **attract internal capital** for investment by managing itself like a business in a **transparent**, fact-based manner."

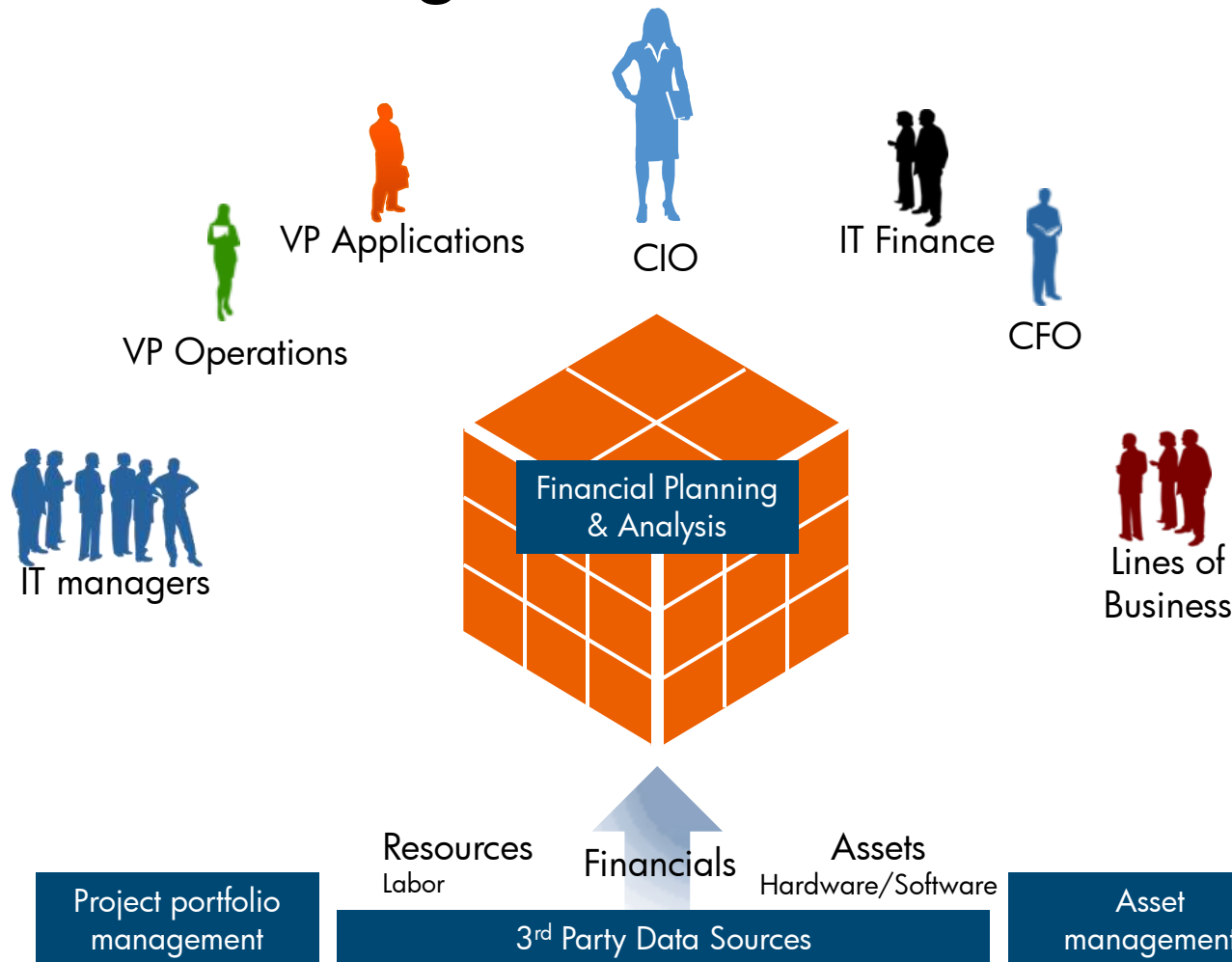Allan Hackney – CIO, John Hancock Financial Services

Before

- Budgets are created by cost center in excel, they are manually rolled up to an IT budget

- Actuals are created by manually pulling data from Asset Manager and PPM and then manually loaded into cost center Excel plans

- Budget versus actual is then manually rolled up by the CIO and the CFO of IT to get totals

- Meanwhile, at the spreadsheet level, limited analysis is possible at best

DIRECTION

- CFO of IT weekly conducts analysis of variances and manages exceptions in flight

- CIO and CFO of IT go to business meeting and present results from FPA Dashboard

Financial Management Visualization

VP Applications

CIO

IT Finance

VP Operations

CFO

IT managers

Financial Planning & Analysis

Lines of Business

Resources
Labor

Financials

Assets
Hardware/Software

Project portfolio management

3rd Party Data Sources

Asset management

"Free your people up from just data collection and collating to actually analyzing the data for gaps, areas of improvements, etc. You turn your financial analysts into analysts that can help managers."

– VP IT Finance, Large Insurance Company

Current Period Variance for Various Dimensions

SIZE = Amount of variance. COLOR = Percent of variance (More intense = more variance). Hover over area to see entity name.
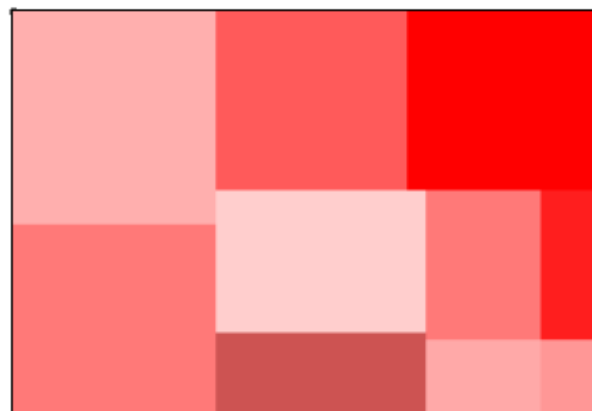
Customer Organization Variance

Range: -4 to 30% | -10 to 110 thousand USD

Marketing: OVER PLAN by 30% (80 thousand USD)

IT Organization Variance

Range: -4 to 30% | -10 to 110 thousand USD

Org 8: OVER PLAN by 8% (40 thousand USD)

Business Service Variance

Range: -4 to 30% | -10 to 110 thousand USD

Org 6: OVER PLAN by 25% (20 thousand USD)
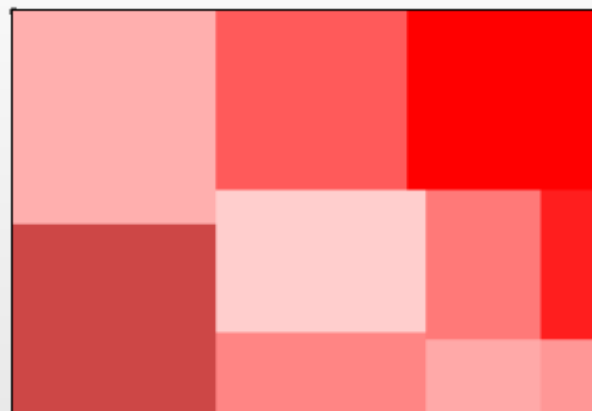
Program Variance

Range: -4 to 30% | -10 to 110 thousand USD

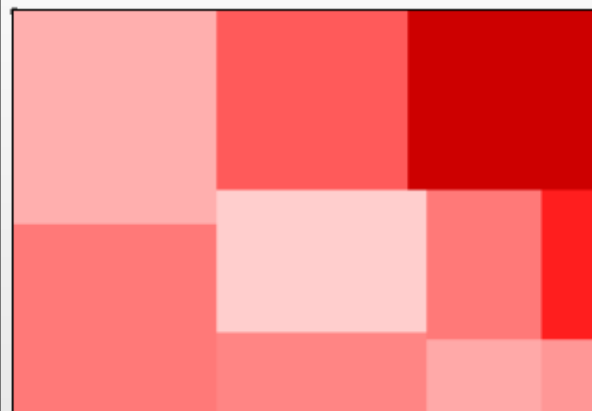Org 7: OVER PLAN by 15% (80 thousand USD)

Project Variance

Range: -4 to 30% | -10 to 110 thousand USD

Org 9: OVER PLAN by 10% (90 thousand USD)

Cost Category Variance
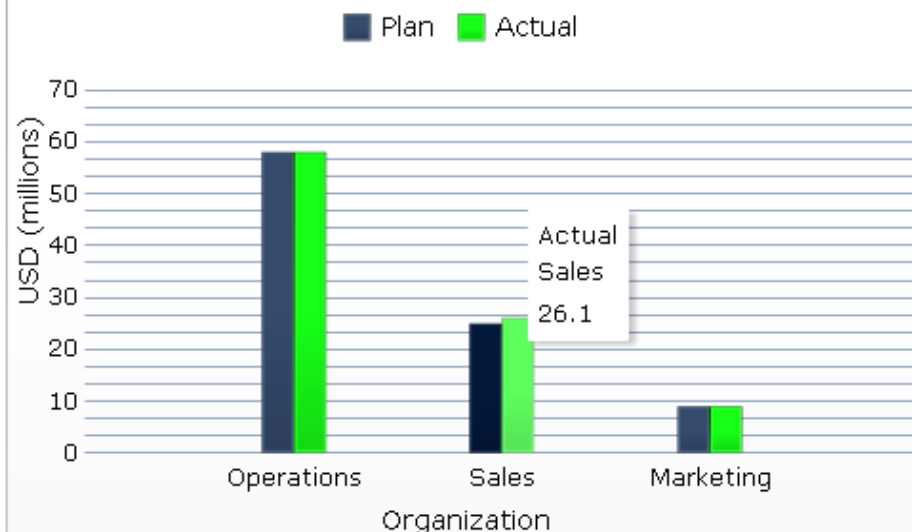
Range: -4 to 30% | -10 to 110 thousand USD

Marketing: OVER PLAN by 30% (80 thousand USD)

Select Division   Jupiter Division ▼

Jupiter Division: IT YTD Plan vs Actual
Top 10 by Budget - FY2009 - Plan column changes other charts

■ Plan ■ Actual

Y-axis: USD (millions) — 0, 10, 20, 30, 40, 50, 60, 70

Actual
Sales
26.1

X-axis: Operations, Sales, Marketing
Organization

Jupiter Division-Sales: IT Monthly Plan vs Actual
FY2009

Y-axis: USD (millions) — 0, 0.5, 1, 1.5, 2, 2.5, 3, 3.5, 4, 4.5

X-axis: Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Fiscal Period
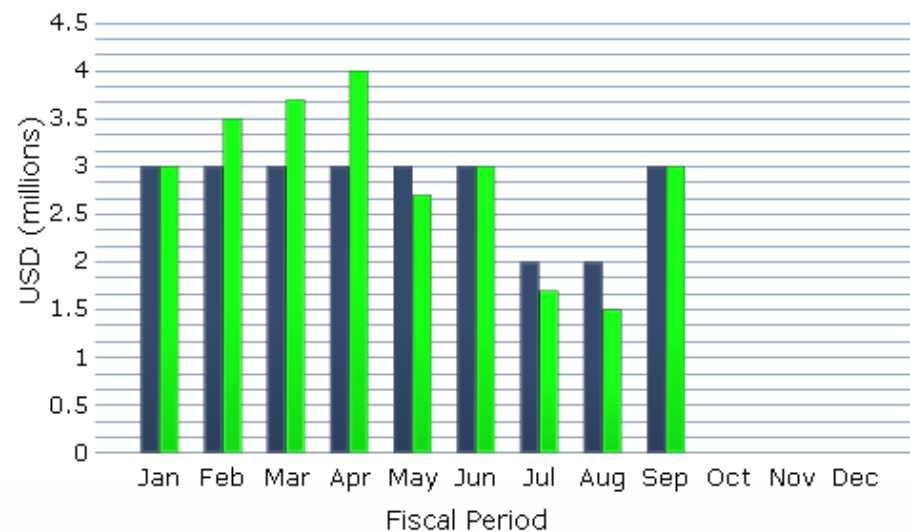
Jupiter Division-Sales: IT Business Service Plan vs Actual
Top 10 by Budget - FY2009 Cumulative Variance

Y-axis: USD (millions) — 0, 2, 4, 6, 8, 10, 12

X-axis: Productivity, Invoicing, Email, iPaq
Business Service
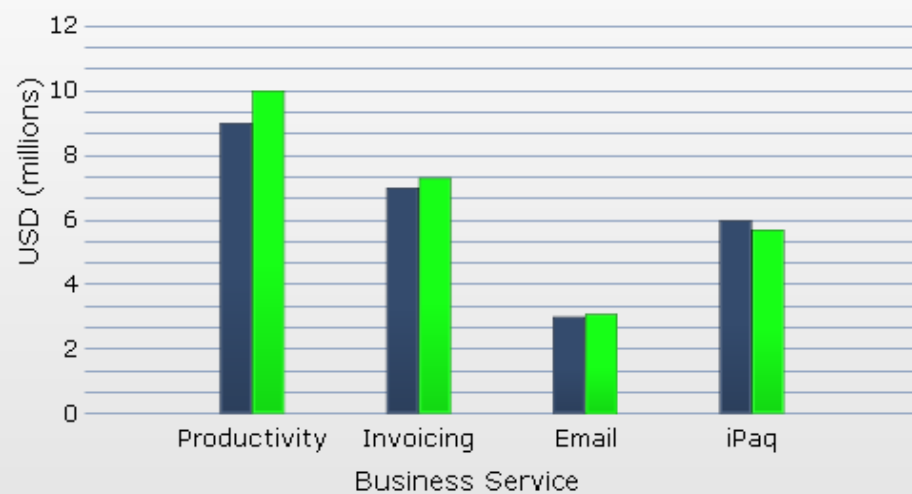
Jupiter Division-Sales: IT Project Plan vs Actual
Top 10 by Budget - FY2009 Cumulative Variance

Y-axis: USD (millions) — 4, 5, 6, 7

X-axis: Apex 3, iPaq Upgrade
Projects
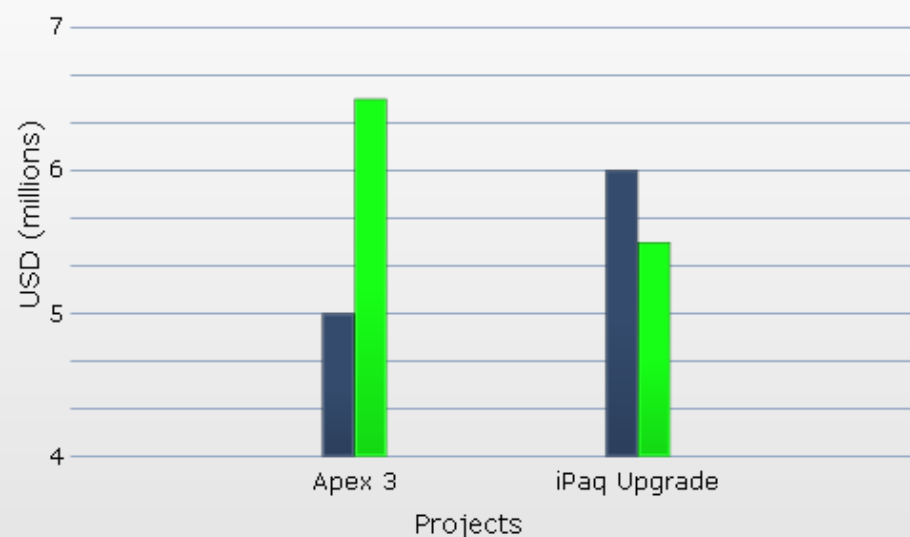
HP Financial Planning & Analysis Allocation Engine

Cost Explorer

| (Default Configuration) ▼ | Save | Save As | Delete | Cancel | Revert | Email Link |

Use the Cost Explorer to find variance and understand the source of the variations.

Update Chart

■ Plan (€)　■ Actual (€)

Settings | Filters

Group by these dimensions (y-axis):

Program ▼

Project ▼

Cost Category ▼

And (x-axis)

Fiscal Month ▼

Use these measures:

Plan ▼　■

Actual ▼　■

(None) ▼　■

Sort charts by:

Alphabetical ▼

Filter costs by currency:

(●) Show all costs (reference currency)

( ) Show cost subset:　Japanese Yen (¥)

Use this scale:

(None) ▼

Chart height:

150 ▼

Program/Project/Cost Category | Chart

E-mail Upgrade
　E-mail Upgrade
　　Labor – Contract

E-mail Upgrade
　E-mail Upgrade
　　Labor – Direct

E-mail Upgrade
　E-mail Upgrade
　　Maintenance

FY2008-01　FY2008-02　FY2008-03　FY2008-04　FY2008-05　FY2008-06　FY2008-07　FY2008-08　FY2008-09　FY2008-10　FY2008-11　FY2008-12
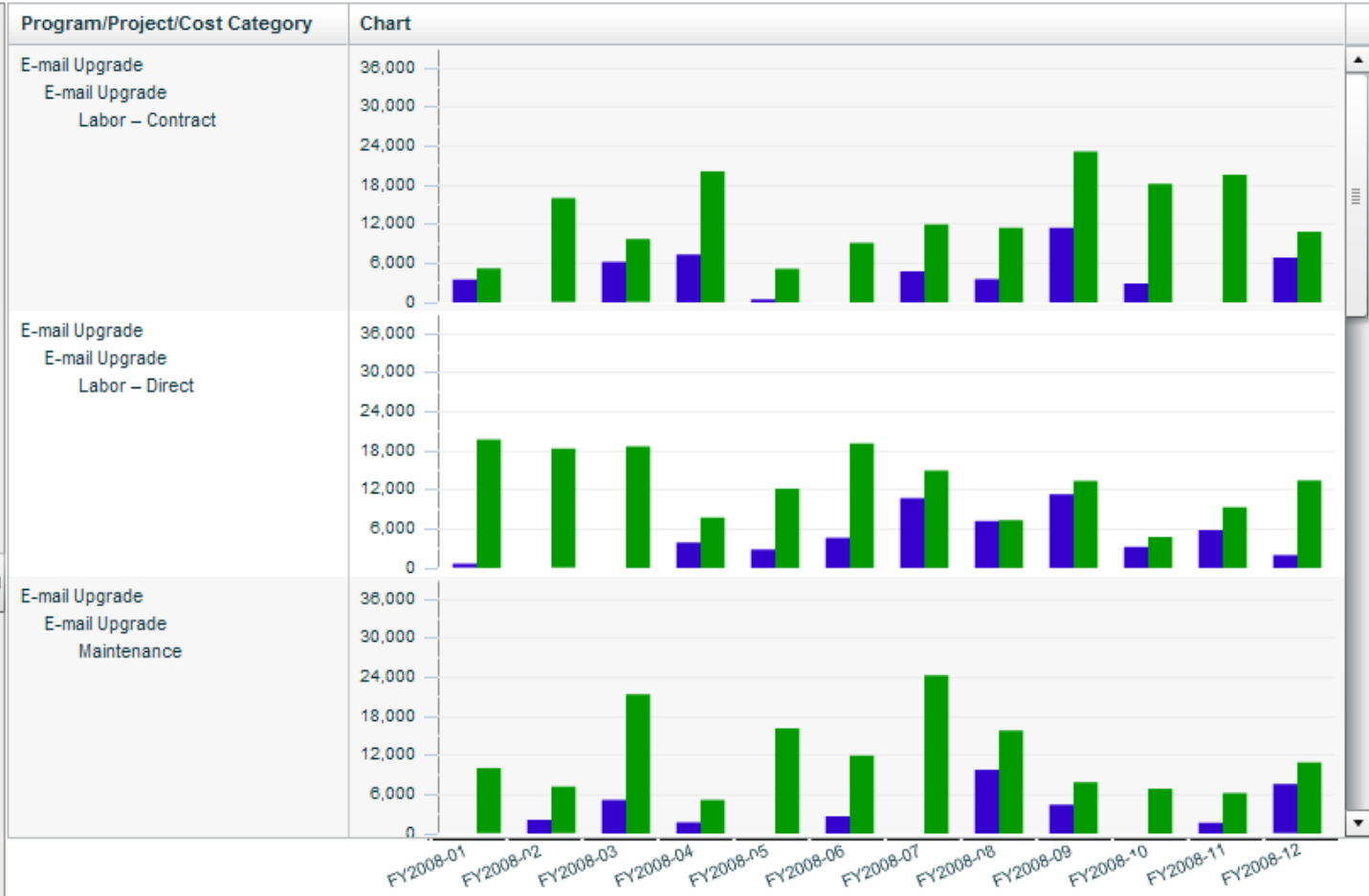
Where to Start?
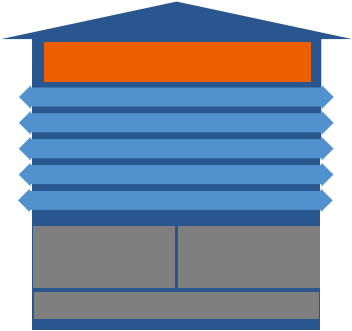
- Financial Planning & Analysis
  - Already have a mature PPM and/or AM deployment
  - Customize data gathering from equivalent products
  - No PPM/AM? Collate data into FPA-ready spreadsheet template
  - Focus is on views of financials for stakeholders or cost allocation

- Project and Portfolio Management
  - Do not already have a portfolio perspective
  - Inefficient or routinely cancelled projects is a pain point
  - Difficulty keeping track of demand for investments
  - No current view of labor costs (e.g. time recording)

- Asset Management (and uCMDB)
  - Not currently tracking assets
  - No real link between assets and business services
  - Issues with software licensing and compliance

When the Quarterly Budget Review Is Due...

You have been managing your department based on near-real time financial data.

You can link and demonstrate the value of services to the business.

You have the transparency and flexibility to answer questions and provide data to improve decision-making.

What Is ITFM?

IT Financial Management (ITFM) plans, accounts and controls spending on resources used in providing IT services aligned to business entities.

"The aim of Financial Management for IT Services is to give accurate and cost effective stewardship of IT assets and resources used in providing IT Services. It is used to plan, control and recover costs expended in providing the IT Service negotiated and agreed to in the Service Level Agreements (SLA)." (ITIL V3)
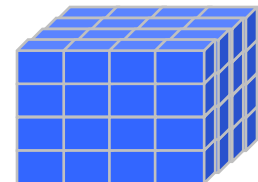
IT Financial Framework

Planning	Accounting	Control
• Budgeting • Forecasting • Value Assessment	• Financial Accounting • Asset Management • Cost Management	• IT Spending Visibility • Variance analysis • Performance Management • Reporting

A framework describes the processes of an industry or enterprise domain, and defines the boundaries and requirements for the business components and services which support those processes. Frameworks provide a common starting point for every organization from sales through delivery.

ITFM—Functional View

Demand Management

Capacity Management

→ **Portfolio Management**

Configuration Management

Asset Management

Financial Management Process

Budgets
- Cost Center
- Service
- Portfolio

Forecasts
- Cost Center
- Service
- Portfolio

Value
- Cost Center
- Service
- Portfolio

Revenue & Expenses
- Cost Pools
- Cost Center
- Category
- Object Code
- Service
- Portfolio

Asset Costs
HW, SW, Supplies, Contracts
By Cost Center
Asset
Service

Cost Management
Cost Drivers
Allocation to Service
Prepare Chargeback
Invoice

Visibility
- Dimensions Drill Down
- Dashboards
- Green IT

Analysis
Variance
- Time
- Measure
- Scenario

Reporting
-Standard
-Custom

Financial Management Solution

ITFM—Typical Requirements

Company A

Dept	Obj. Code	Amount
X	X	X
X	X	X
X	X	X

- IT Salaries
- IT Supples
- IT Maintenance
- IT Uti;ities

Asset	ID	Amount
X	X	X
X	X	X
X	X	X

IT Capital Equipment
IT Captalized SW

Cost Grouping

Projects Cost

Non Projects Cost

Direct Tracing
By Usage
By Percentage

Business Service

Infra Service

Costed Service Components

Allocate Service Cost to Line of Business

ITFM End to End Solution

PPM

Order Service

`1` → Demand Management

`2` Add Portfolio Item

BRM

PPM

Portfolio Management

`3` Add Project w/resource and cost details

PM

Project Management

Data: Project, Resource Costs, Planned/Actual(ETL)

Data: Projects, Services

ITAM Trusted Sources

DDMi

Data: CI Data

Relate Assets, Costs and Services

`4`

CM

UCMDB

Services and Relationships

Data: Business Services

DDM

AM

Asset Financials

AM

Business Services and Assets

FPA

FA

Consolidate Costs `5`

Allocation Engine

Allocate Costs By Standard and Usage to Service

`6`

Cost Explorer

OLAP Engine: Reports By Dimension

`7`

Dashboard

Data: Asset Cost, Asset Budget Business Services (ETL)

Product Legend
UCMDB... Universal CMDB
PPM...Project Portfolio Manager
AM...Asset Manager
FPA...Financial Planning and Analysis

People Legend
CM... Configuration Manager
BRM...Business Relationshp Manager
PPM...Project Portfolio Manager
PM...Project Manager
AM...Asset Manager
FA...Financial Analyst

Interaction Legend

Process Step... `1` `n`

ITFM End to End Solution

PPM

Order Service
`1`

Demand Management

`2` Add Portfolio Item

BRM

PPM

Portfolio Management

`3` Add Project w/resource and cost details

PM

Project Management

Data: Projects, Services

AM

AM

Asset Financials

Data: CI Data

Relate Assets, Costs and Services

`4`

Business Services and Assets

Data: Project, Resource Costs, Planned/Actual(ETL)

Consolidate Costs `5`

FA

FPA

Allocation Engine

Allocate Costs By Standard and Usage to Service

`6`

Cost Explorer

`7`

OLAP Engine: Reports By Dimension

Dashboard

Data: Asset Cost, Asset Budget Business Services (ETL)

ITAM Trusted Sources

DDMi

CM

SM

Services and Relationships

DDM
UCMDB

Data: Business Services, Infrastructure Services, CIs

Product Legend
SM… Service Manager
PPM…Project Portfolio Manager
AM…Asset Manager
FPA…Financial Planning and Analysis

People Legend
CM… Configuration Manager
BRM…Business Relationshp Manager
PPM…Project Portfolio Manager
PM…Project Manager
AM…Asset Manager
FA…Financial Analyst

Interaction Legend

Process Step… `1`   `n`

HP BTO Data Model (BDM): Conceptual Model

☐ = Area of future development

Business Enablement

Business Service — Business Process

SLA ←—HasA— Business Service —DependsOn→ Business Activity

Business Activity — Business Process

DependsOn

Application & Services

Infrastructure Service

Application —Contains— Business Transaction

DependsOn

Software

Running Software ←—Realizes— InstalledSoftware

- Web Server
- Database
- Hypervisor
- Application Server
- Messaging Server
- Cluster Software

Virtualzes
RunsOn
InstalledOn

Infrastructure

Communication End Point

Node —Contains→ Node Element

Application System

IP Address

Node Element

Cluster Resource Group

Cluster

DirectorySystem

Mounts

isBoundTo

- Interface
- Physical Port
- Logical Volume
- Hardware Board
- File System
- Fail Over Cluster

Facilities

LocatedAt

Location

IT Processes

Operations
- Incident
- Problem
- Change
- Request For Change
- KPI

Financial/Asset
- CostCenter
- CostCategory
- Asset
- Purchase Order
- ..

PMO
- Project
- Resource
- Skill Set
- ..

Development
- Defects
- ..

ITFM Services

Solution Discovery Workshop

An Assessment and Roadmap Service

Service Costing Consulting Service

Creating a Cost Model :

Identify Service Model
Define Cost Objects
Choose Drivers
Choose Data Sources
Design to Requirements

Technology Implementation Service

Implementation:

Install FPA
Integrate AM and PPM with FPA
Consider other Data Sources
Extend ETL as needed

Questions?

hp.com/go/itfm

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the HP Software Solutions Community.

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www.hp.com/go/swcommunity

HP **SOFTWARE UNIVERSE** 2010

Outcomes that matter.