Market Guide for IT Financial Management Tools

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Initiatives: IT Cost Optimization, Finance, Risk and Value

> The growing need for CIOs to proactively manage IT costs and communicate the cost of value for IT services continues to increase interest in IT financial management solutions. Use this Market Guide to identify vendors in the ITFM tools space and expand shortlists when considering vendor options.

Additional Perspectives

■ Summary Translation: Market Guide for IT Financial Management Tools
(11 October 2022)

Overview

Key Findings

■ Tool complexity and costs continue to slow the successful adoption of many of the potential IT financial management tool buyers.

■ ITFM tool market growth remains modest, and some CIOs are not convinced they need (or want) deeper insights into their IT spending.

Recommendations

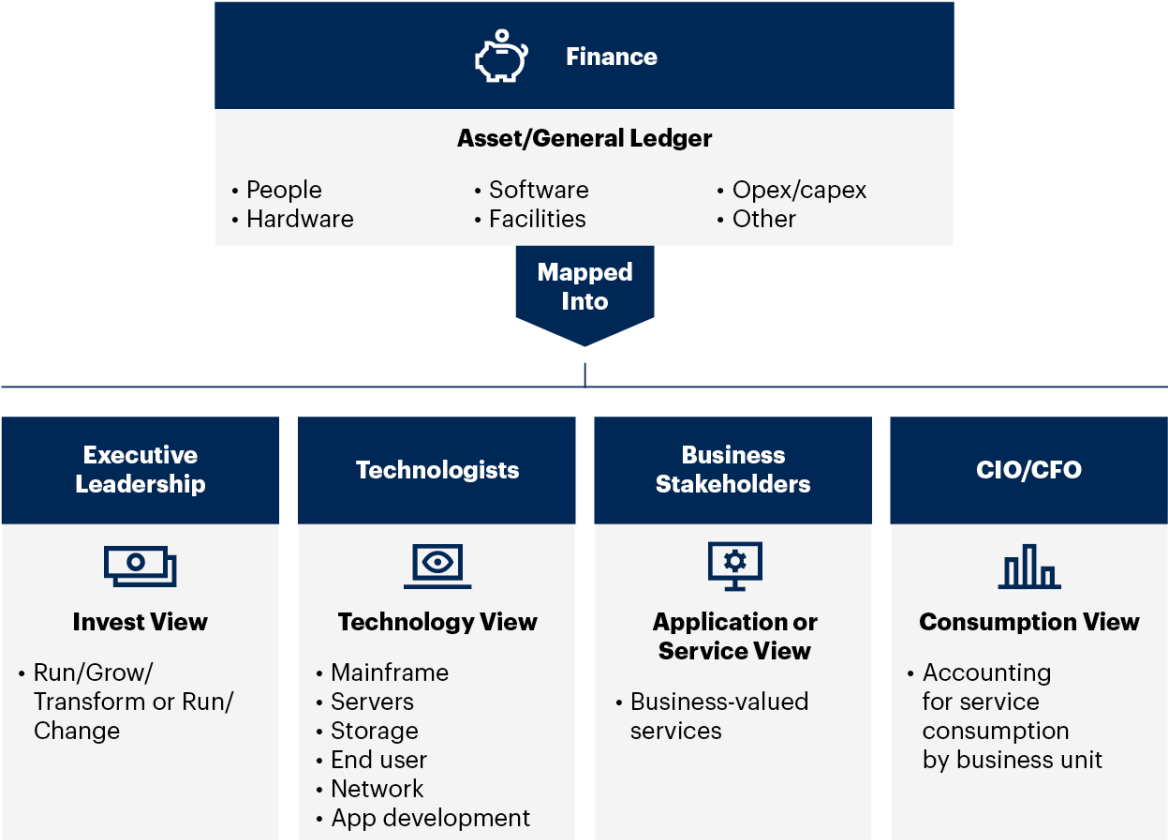CIOs focused on improving and maturing IT cost, value and risk outcomes should:

■ Determine the need for a purpose-built ITFM tool by considering the complexity of cost-modeling needs, allocation requirements and reporting frequency.

■ Assess an ITFM tool vendors' fit by evaluating differentiating capabilities, implementation and consulting support offerings and regional/geographical support models.

■ Select the appropriate ITFM tool by matching the stakeholders' needs, objectives and timings to the tool capabilities.

Market Definition

IT financial management (ITFM) tools provide CIOs, IT leaders and business leaders with dynamic and iterative ways to aggregate, analyze and present IT spend data. They provide multiple views to answer IT spend and questions related to cost-of-value for specific stakeholders (see Figure 1).

Figure 1: Multiple Views of IT Spend

Multiple Views of IT Spend

Finance

Asset/General Ledger

- People
- Hardware
- Software
- Facilities
- Opex/capex
- Other

Mapped Into

Executive Leadership	Technologists	Business Stakeholders	CIO/CFO
Invest View	**Technology View**	**Application or Service View**	**Consumption View**
• Run/Grow/ Transform or Run/ Change	• Mainframe • Servers • Storage • End user • Network • App development	• Business-valued services	• Accounting for service consumption by business unit

Source: Gartner
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Gartner

Market Description

ITFM tools continue to be critical assets for CIOs who value clarity and visibility into IT spend. The purpose of an ITFM tool is to improve IT spend and cost transparency, simplifying complex budgeting and forecasting requirements.

ITFM tools often replace customized spreadsheet-based tools when the spreadsheets and data imports become too difficult to manage and maintain, and when new datasets are added, data hygiene degrades or allocation models change. Reporting frequency — moving from annually or semiannually to monthly and weekly reporting — also plays a major role in accelerating the move from spreadsheets to purpose-built tools (see Figure 2).

Figure 2: ITFM Tool Tipping Points

ITFM Tool Tipping Points

Source: Gartner
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Table 1: ITFM Tool Tipping Points

Tipping Points ↓	Tool Adoption Trigger ↓
Reporting frequency	More than semiannual
Number of data sources	More than three
Consumption data complexity and hygiene	Extract transfer load (ETL) requirements are medium to high
Allocation Complexity	Three or more complex allocation models; three to four allocation method changes per year
Allocation flexibility	Inflexible model with special coding required, rather than configuration
Cost model change dynamics	Major change to cost object types/classes (e.g., from technology to application or business unit)

Source: Gartner (September 2022)

Improved IT financial transparency can aid the CIO and IT leaders in optimizing IT spend, justifying investments for ongoing operations, as well as building business cases for new technology and business enablement.

CIOs with proven IT finance practices are more often trusted with a larger ownership stake in companywide information and technology (I&T) spend.

ITFM tools are not a panacea for all funding, charging, transparency and budgeting bills. Successful financial management practices still require a clear vision, strong process discipline, key skills and business acumen.

ITFM tools do not modify corporate systems of spend or resource consumption, such as ERP systems, configuration management databases (CMDBs), asset databases, contract management systems, and time and attendance systems. ITFM tools do not replace enterprise and corporate financial systems and good data — rather they offer additional functionality to track and analyze IT spend.
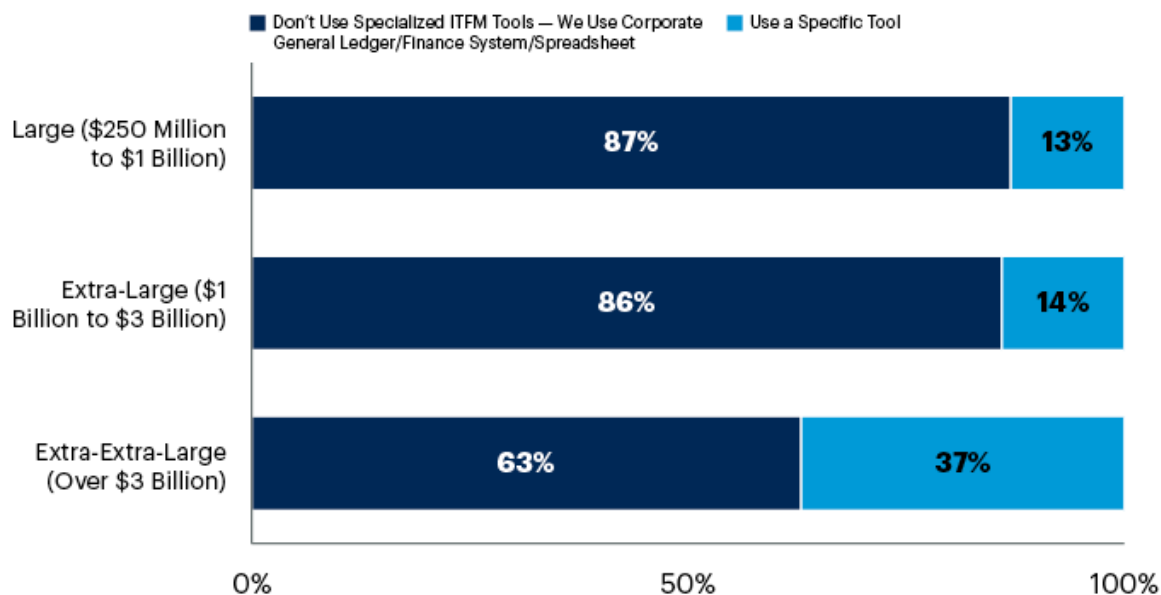
Market Direction

ITFM tool market continues to grow as CIOs add and/or upgrade ITFM practices to the leadership toolkit. Gartner estimates that market growth is being driven 60/40 between organizations that are moving from spreadsheets to a purpose-built ITFM solution and those that are purchasing a tool as the first step in the ITFM journey.

The adoption of ITFM purpose-built (specialized) tools is still relatively early in the adoption life cycle (see Figure 3). The ITFM tool market remains young with an estimated 15% to 18% penetration rate. The market grew at an estimated 19.4% in 2021 up from 2020's estimated 19%. Gartner data suggests that the market will grow at a 23% five-year CAGR. [1] Even the larger organizations are still relatively early in the adoption cycle.

Figure 3: The Use of Specialized ITFM Tools

Use of ITFM Tools by Organization Revenue Size

Legend: ■ Don't Use Specialized ITFM Tools — We Use Corporate General Ledger/Finance System/Spreadsheet ■ Use a Specific Tool

Organization Revenue Size	Don't Use Specialized ITFM Tools	Use a Specific Tool
Large ($250 Million to $1 Billion)	87%	13%
Extra-Large ($1 Billion to $3 Billion)	86%	14%
Extra-Extra-Large (Over $3 Billion)	63%	37%

n = 120; Total

Q: What specialized IT financial management tool/system, if any, does your organization use?
Source: 2021 Gartner Trends in IT Financial Management Survey
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Gartner

Gartner believes several factors will contribute to continuing growth in the ITFM tool market:

- Accelerating adoption of cloud-based service delivery — driving a much higher level and the need for accountability, spend management and an expectation of more consumption-based billing practices.

- CIOs' and IT leaders' interest in and business demand for better support, analysis and reporting to improve the management of IT.

- Significant investments in education and demand creation, helping CIOs and IT leaders better understand how and why IT financial data and cost transparency can empower their decision making and strategic relevance.

- Larger vendors and more money entering the market — this will help to validate the need and educate the market.

- CFOs' growing need to track complete I&T expenditures across the enterprise and analyze the value that this contributes.

- As ITFM vendors reach farther into the midmarket, the potential market will expand significantly.

The impediments to market growth also remain constant:

- A persistent IT spend tracking or budgeting tool is not required — IT finance assessments are not frequent enough to require a purpose-built tool.

- The value of IT financial transparency is not fully understood and/or embraced by IT executives. The mandate is not recognized or is nonexistent.

- IT funds are increasingly allocated to business units, creating the perception of less accountability for spend in the office of the CIO. [2]

Market Analysis

ITFM needs are served by a combination of home-built applications (spreadsheets and business intelligence [BI] tools), purpose-built ITFM tools and consulting services. The shift from spreadsheets and home-built tools to commercially available ITFM tools is commonly a function of increased complexity, data requirements and reporting frequency (see Accelerate ITFM Program Success: Narrow Your Audience and Prioritize Objectives).

The number of ITFM vendors remains limited. Product offerings from the established software vendors are mature with general strong core capabilities in the core ITFM requirements:

- Data aggregation of all IT spend and consumption data

- Cost model development

- The allocation of spend data against a cost model

- Standardization of allocation methods and consumptive data inputs

- Reports and consolidating views of IT spend

- Budgeting, forecasting and planning

There were no new reported acquisitions or investments by the potential ITFM market entrants from adjacent markets (e.g., ERP and IT management).

Representative Vendors

The vendors listed in this Market Guide do not imply an exhaustive list. This section is intended to provide more understanding of the market and its offerings.

Changes in the ITFM tools market landscape were modest during the past 18 months. Two service vendors were added to the "Potential ITFM Tool Options" tool vendor category, because they have added software offerings:

- Advocate with a hosted Apptio product

- Proven Optics with a ServiceNow-based solution

Some vendors have extended their cloud/SaaS expense offerings to include consumption and monitoring capabilities to help manage cloud/SaaS costs at the point of consumption. Other vendors are less present/visible in the market, with nascent client references and/or Gartner interactions.

Figure 4: ITFM Vendors, Potential Options and Service Providers

ITFM Vendors, Potential Options and Service Providers
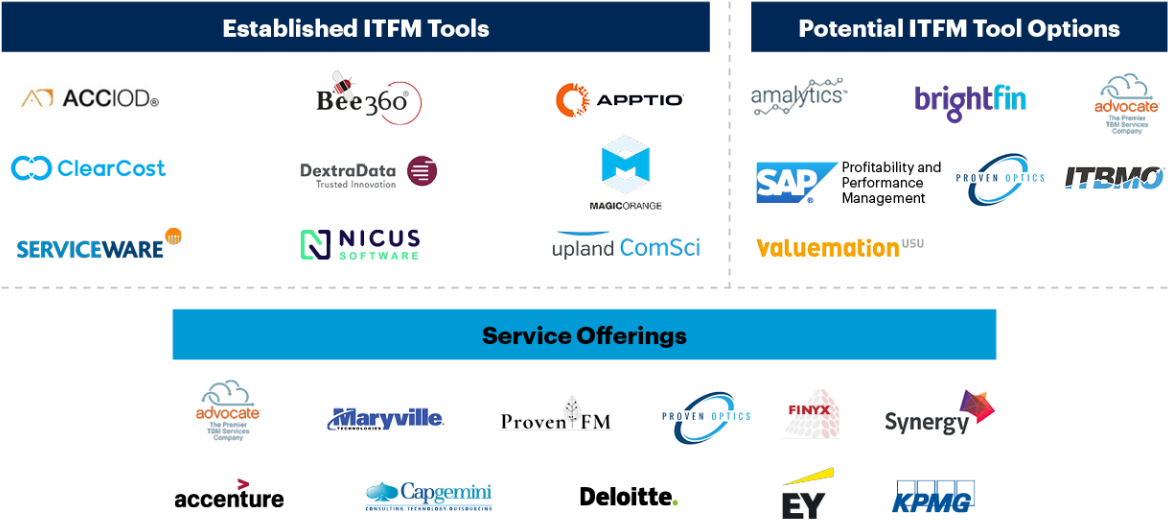
Source: Gartner
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Gartner

Market Introduction

The established ITFM tool offerings remain relatively consistent from our last report. Table 1 lists the nine vendors Gartner tracks as validated ITFM software solutions.

Table 2: Simple Table

(Enlarged table in Appendix)

Representative Tool Vendors ↓	Primary ITFM Products ↓	Country of Origin ↓
ACCIOD	KP-One	France
Apptio	ApptioOne	U.S.
ClearCost	ClearCost's IT Financial Management Foundation	Australia
Bee360	IT Financial Management	Germany
DextraData	CIO Cockpit	Germany
MagicOrange	MagicOrange Prism	England
Nicus	IT Cost Transparency ITFM Suite IT Planning	U.S.
Serviceware	Serviceware Financial	Germany
Upland	Upland ComSci	U.S.

Source: Gartner (September 2022)

Gartner monitors a second segment of tools that offer technologies which appear to meet many of the core ITFM tool requirements, but do not yet meet Gartner's requirements for inclusion into this Market Guide. These requirements include owned software offerings, product capabilities/functions that align to Gartner's market definition, demonstration of current capabilities in the trailing 18 months, client inquiry requests and/or vendor provided current client references. Vendors and products in this list (as shown in Figure 4) are in the section labeled "Potential Options."

Consulting vendors often provide implementation services and custom-built applications that are critical services in the ITFM space. However, they are not covered in this ITFM tool Market Guide.

Market Recommendations

CIOs looking to adding purpose-built tools to support and enhance ITFM practices should start by:

- Validating the vision/mandate, determining the primary audience and what questions are being answered. Secure executive and stakeholder buy-in — CIOs, the CFO and even key business leaders should support, fund and take ownership of the success of the ITFM tool initiative.

- Rationalize processes and skills before buying tools. Understand the true resource requirements to build and maintain the tool. Tools will not eliminate the need for, or offset the lack of, good processes and skilled people. Well-implemented ITFM can help to validate and improve processes and increase the capabilities and skills of ITFM talent.

- Ask vendors to demonstrate specific use-case capabilities, rather than general functions. The tool vendors in the space are experts at demonstrating functionality and capabilities. It is easy to be impressed by product demonstrations. However, for most, it is critical to understand how a product can address your specific needs when faced with the unique corporate requirements.

- Define cost mapping, analytics and reporting needs before purchasing tools. These three elements of an ITFM tool are too often misunderstood and poorly addressed prior to purchasing a tool. Also, ensure that you have the needed data to support all three (e.g., a CMDB or an asset management repository). The better understanding of needs, considerations and challenges you have, the easier it is to negotiate the right components, consulting and services (see Accelerate ITFM Program Success: Narrow Your Audience and Prioritize Objectives).

- Define implementation and tool adoption time frames to support the prioritized goals and objectives, rather than accept default tool implementation models.

Evidence

[1] Estimates of ITFM tool market growth through 2026 are provided by Gartner analyst Laurie Wurster. This is based on Market Share: IT Operation Management, Worldwide, 2021 and Forecast: Enterprise Infrastructure Software, Worldwide, 2020-2022, 2Q22 Update (see Figure 5).

ITFM Tool Market Growth Estimates Through 2026
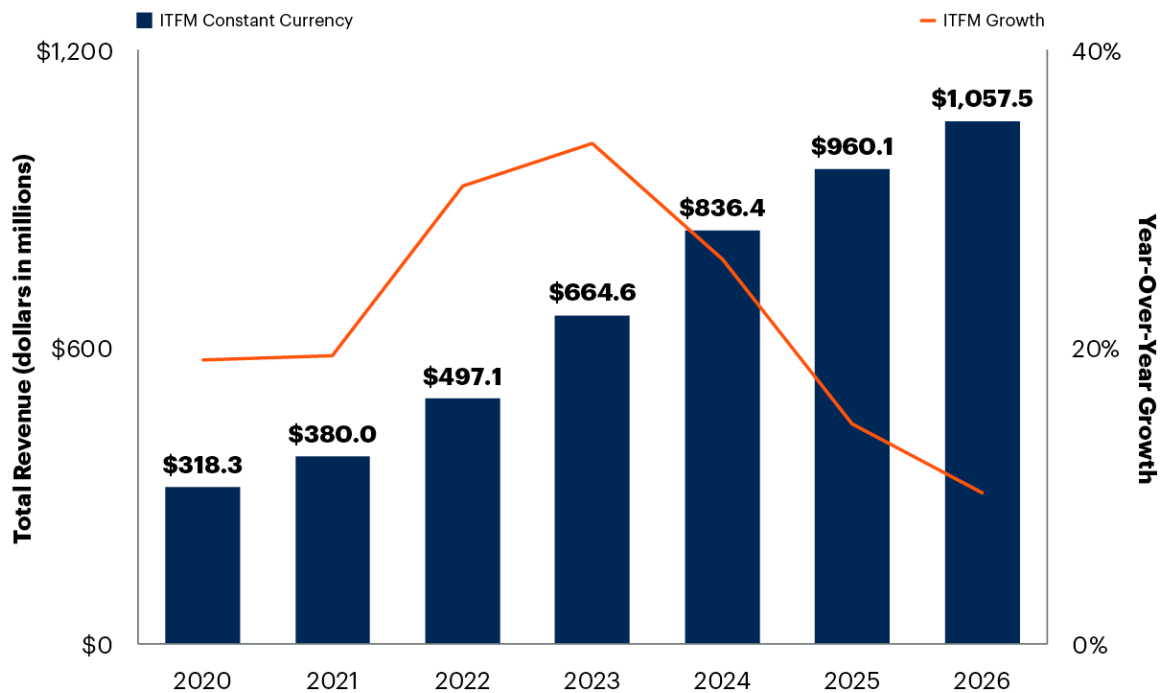
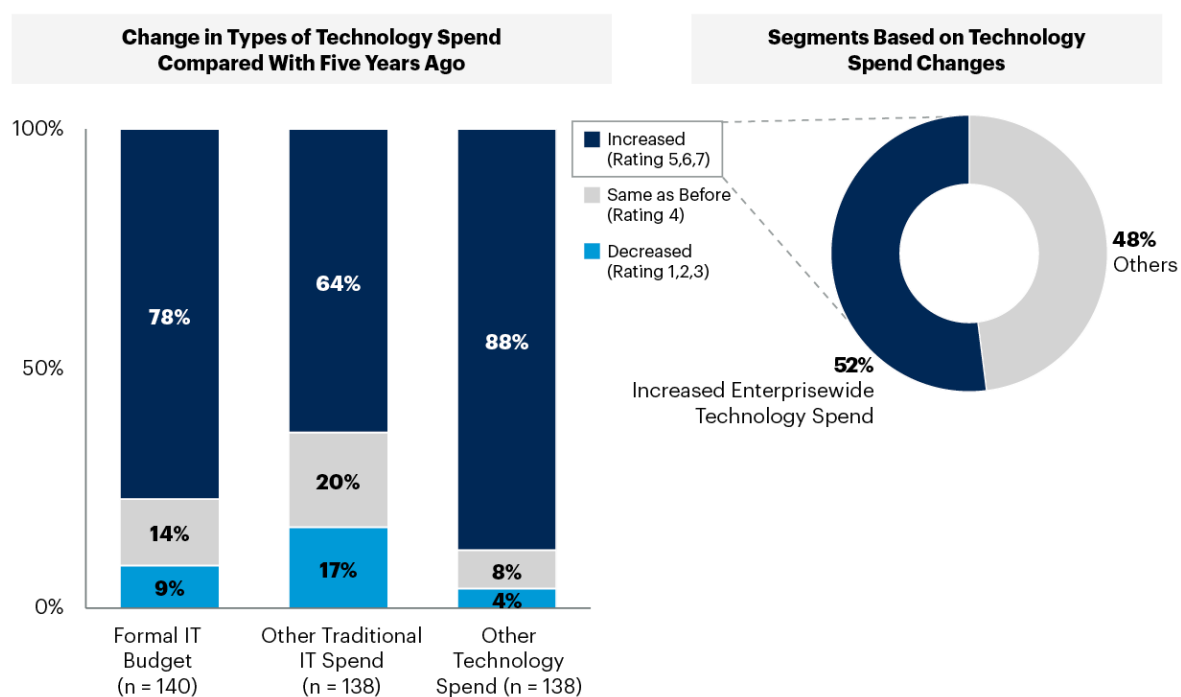Source: Gartner September 2022
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Gartner.

[2] **The 2022 Gartner Enterprisewide Technology Value Survey:** The 2022 Gartner Enterprisewide Technology Value Survey was conducted to understand the evolution of technology spending (including formal IT spending). In addition, it looked at the level of transparency that CIOs, CFOs and other business unit leaders have into enterprisewide technology spending across their organizations. The survey also focused on how organizations are governing enterprisewide technology spending. The survey was conducted online from May through June 2022 among 140 respondents from North America, Western Europe and the Asia/Pacific (APAC) region. Respondents came from all industries, except nonprofits, charities and NGOs, and from organizations with $50 million or more in annual revenue. Respondents included 53 CIOs and IT or technology leaders; 38 CFOs and finance leaders; and 49 other functional business unit leaders. Respondents were screened for their involvement in IT, technology budgeting and spending decisions (see Figure 6).

Disclaimer: The results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.

Figure 6: Technology Spend Growing the Business Units

Technology Spend Growing the Business Units
Percentage of Respondents

Change in Types of Technology Spend Compared With Five Years Ago	Segments Based on Technology Spend Changes

n varies, Executive Leaders, Excluding Don't Know

n = 140, Executive Leaders, Excluding Don't Know

Q01. Compared with five years ago, to what extent have the following types of technology spend changed in your organization?

Source: 2022 Gartner Enterprisewide Technology Value Survey

Note: Rating Scale (1 = Significantly Decreased to 7 = Significantly Increased)

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The 2021 Gartner Trends in IT Financial Management — The New Normal Survey: The 2021 Gartner Trends in ITFM — The New Normal Survey was conducted to understand the current state of the IT finance management activities. The research was conducted online during May 2021 among 120 respondents from North America, Europe and the APAC region, across all industries in companies with at least $250 million in annual revenue. Respondents were screened for responsibility for IT finance management. The survey was developed collaboratively by the Research Data, Analytics and Tools team and Gartner analysts who research IT financial management, incorporating reporting and transparency; the business value of IT; cost optimization; business cases; and benefits realization.

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Note 1. Representative Vendor Selection

Vendors represented in this Market Guide are vendors that Gartner has identified independently, via vendor briefings or client inquiries, and meet Gartner's requirements as ITFM vendors, as outlined in this Market Guide.

Note 2. Gartner's Initial Market Coverage

This Market Guide provides Gartner's initial coverage of the market and focuses on the market definition, rationale for the market and market dynamics.

Document Revision History

Market Guide for IT Financial Management Tools - 22 March 2021

Market Guide for IT Financial Management Tools - 17 October 2018

Market Guide for IT Financial Management - 28 September 2017

Market Guide for IT Financial Management - 29 September 2016

Market Guide for IT Financial Management - 20 July 2016

Market Guide for IT Financial Management Tools - 28 July 2015

Market Guide for IT Financial Management Tools - 5 September 2014

Recommended by the Author

Some documents may not be available as part of your current Gartner subscription.

CIOs Must Master Multiple Views of Spend to Manage IT Finances

7 Steps Drive IT Financial Management Tool Success

Build a Focused ITFM Cost Model and Use a Simple Allocation Approach to Deliver Rapid Value

Key Concepts in IT Financial Management: Budgeting, Transparency, Allocation and Funding

How to Identify Solutions for Managing Costs in Public Cloud IaaS

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