



Demystifying IT Costs

Key Steps to Unlocking Clarity, Control and Value



Pete Hidalgo | Global Advisory Services Leader

Jeff Stark | Head of Customer Success

ITFM | FINOPS | SHARED SERVICES

ENTERPRISE FINANCIAL MANAGEMENT

AGENDA

- Introductions
- Company Overview
- The ITFM Pathway
- Service Definition
- Data Readiness
- Automation
- Service Costing & Benchmarking
- Showback & Chargeback
- Benefits Realization





Peter Hidalgo, JR

Global Advisory Services Leader, MagicOrange

Experience

- Over 25 Years of IT Financial Management (ITFM) & industry experience
- Former CIO, COO & IT Financial Director
- Former EY ITFM Service Leader
- Recognized ITFM Thought Leader
- Leading presenter & contributor to the ITFM industry

Education

- West Point – USMA, BS – Engineering
- Columbia University – MBA

Areas of expertise

- ITFM & TBM
- Telecom & Infrastructure
- Cost Optimization
- Program Management
- IT & Digital Transformations
- IT Service Management



Jeff Stark

Head of Customer Success, MagicOrange

Experience

- Over 14 Years of ITFM, TBM and FinOps experience
- 200+ ITFM/TBM and Cost modelling implementations across many industry verticals
- TBM Council Taxonomy Contributor

Education

- Thiel College, BA MIS/CS
- FinOps Certified Practitioner

Areas of expertise

- ITFM/TBM & FinOps
- Infrastructure
- Cost Optimization
- Program Management
- IT & Digital Transformations
- IT Service Management

MAGIC  **RANGE**

What's in a
Name?



01. Cost Centres

Cost Centre	Actual
Technology	33,665K
Information Security	90K
Technology Management/Administration	107K
Technology Executive/Management	402K
Data Centers	739K
Application	801K

02. Cost Pools

Cost Pool	Actual
Outside Services	10,897K
Internal Labor	8,263K
Software	7,608K
External Labor	3,058K
Hardware	2,508K
Telecom	928K
Facilities & Power	739K
Other	90K

03. Component Towers

Tower	Actual
Data Centre	1,587K
Enterprise Data Centre	1,380K
Other facilities	157K
Total	1,587K

04. Towers

Tower	Actual
Compute	8,220K
End User	7,463K
Application	5,951K
Storage	4,816K
Platform	2,116K
Network	1,698K
Security & Compliance	1,451K
Delivery	1,016K

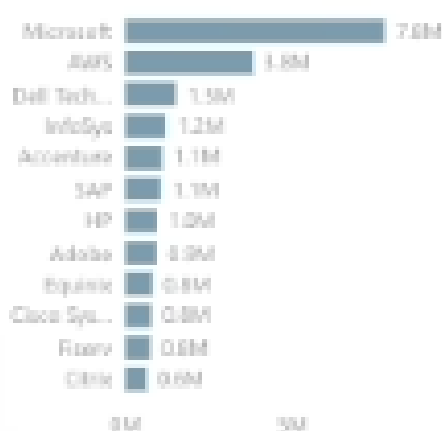
05. Solutions

Application Name
Client Computing
Terenos T24
Orange Trading
Finacle
Databricks
Fidessa
Mobile Banking
Salesforce

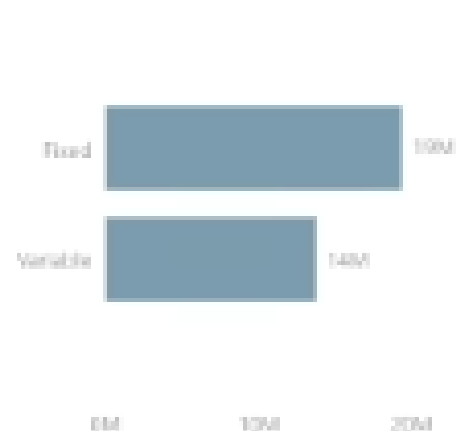


We Provide CIOs And Their Stakeholders With A Unified Approach To Enterprise Financial Planning

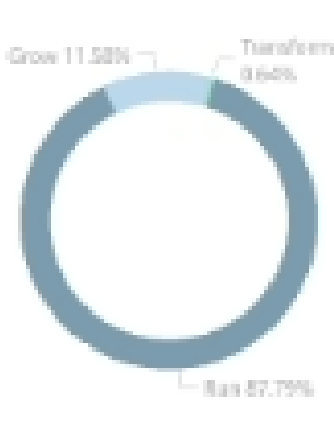
Vendors



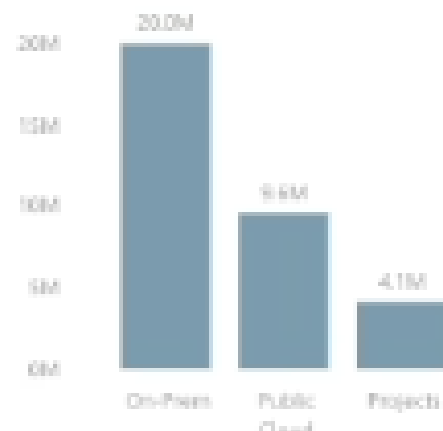
Fixed vs Variable



Run, Change, Transform



Actual by Spend Type



Application & Services



MAGICORANGE

- Demonstrate Indisputable Traceability
- Define Financial Accountability
- Drive Profitability & Investment Decisions

**Budgeting & Forecasting
Optimization Programs**

**Showback / Chargeback
What-If Scenarios**

**Digital Transformation
Total Cost of Ownership**

ANALYST RECOGNIZED

Gartner®

Featured for four consecutive years in the *'Market Guide for IT Financial Management Tools'*

FORRESTER®

Recognized as a notable vendor in the Q1-2024 *'The Cloud Cost Management and Optimization Landscape'*

OMDIA

Prominently featured in the *'On the Radar'* vendor spotlight for IT Cost Transparency & Allocation

RESEARCH IN ACTION

Awarded the #1 Position in the ITFM / TBM *Vendor Selection Matrix* for 2024



Global Footprint






**Where
MagicOrange
Operates**

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- Showback & Chargeback
- Benefits Realization



Multiple Stakeholder Needs Must Be Addressed

STAKEHOLDERS	STAKEHOLDER PRIORITIES FOR IT
 CEO	<ul style="list-style-type: none">• Increase the value received from IT• Make sure IT is supporting the business strategy• Measure and manage IT appropriately
 SENIOR BUSINESS LEADERS	<ul style="list-style-type: none">• Use IT to improve the business• Develop a common language for communication with IT• Make IT a part of the team
 CIO / SENIOR IT LEADERS	<ul style="list-style-type: none">• Demonstrate the value IT provides to the business• Secure the resources IT needs to deliver results• Have a place at the executive table• Have a common language for communicating with business leaders

Key Objectives

- To overcome these numerous challenges for various stakeholders, and to achieve the benefits of an effective IT Financial Management (ITFM) or Technology Business Management (TBM) program, a series of planned steps must be taken over a period of time
- There are no quick fixes, as changes to people, process, and technology are required
 - Organization Change Management principles also need to be followed so that effective adoption occurs
- Our “*ITFM Pathway To Success*” provides an easy-to-follow framework for undertaking this journey
- Benefits from successful completion include:
 - Improved business unit satisfaction with IT
 - Improved IT cost efficiency
 - IT being seen as value provider instead of a cost center

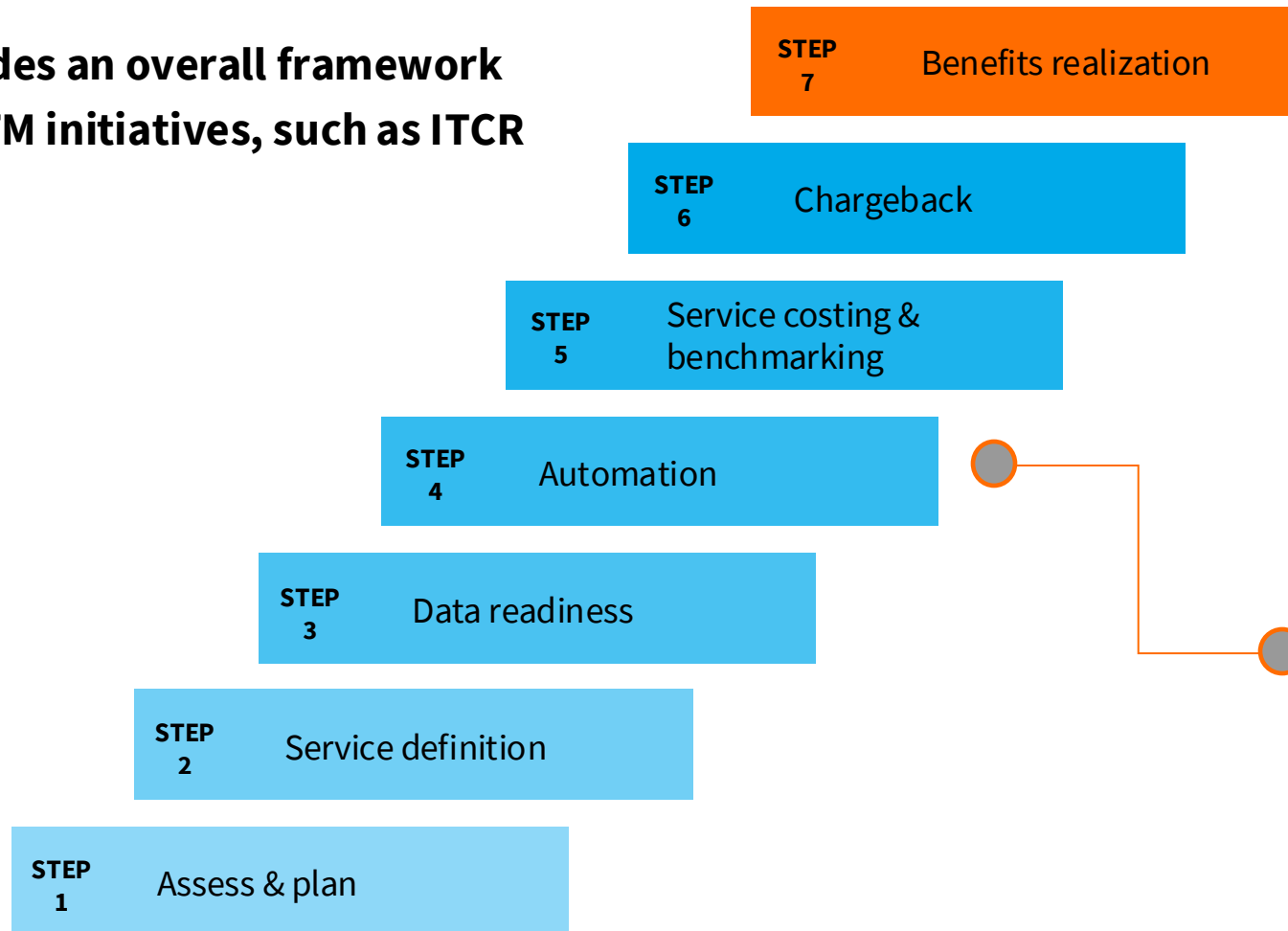
ITFM PATHWAY TO SUCCESS

MagicOrange ITFM Pathway to SuccessSM

The ITFM Pathway provides an overall framework for pursuing multiple ITFM initiatives, such as ITCR

Framework Benefits

- Transparency
- Cost efficiency
- Customer Satisfaction



Continuous improvement

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Highly Granular Bill of IT
Showback / Chargeback Modeling
Compare across business lines

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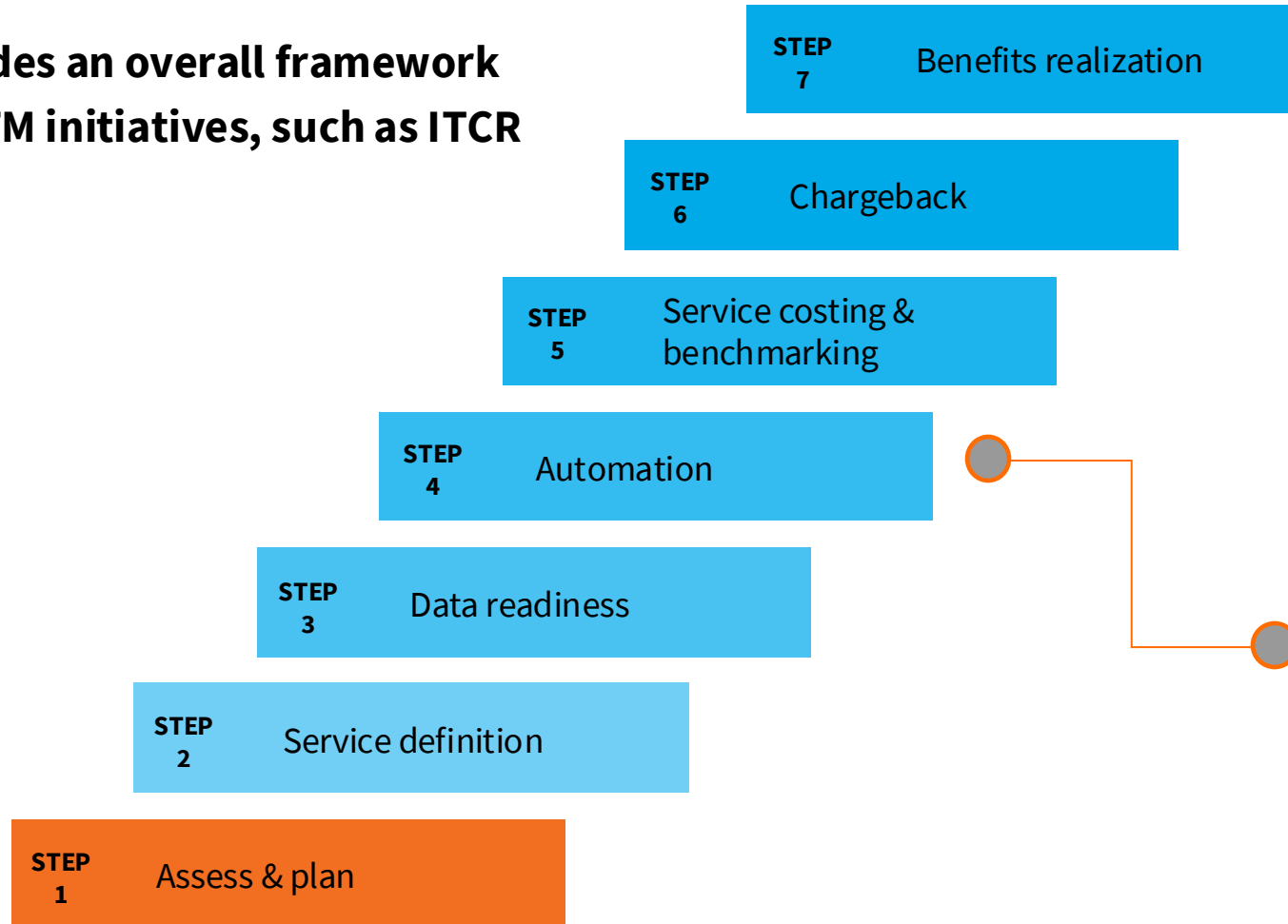
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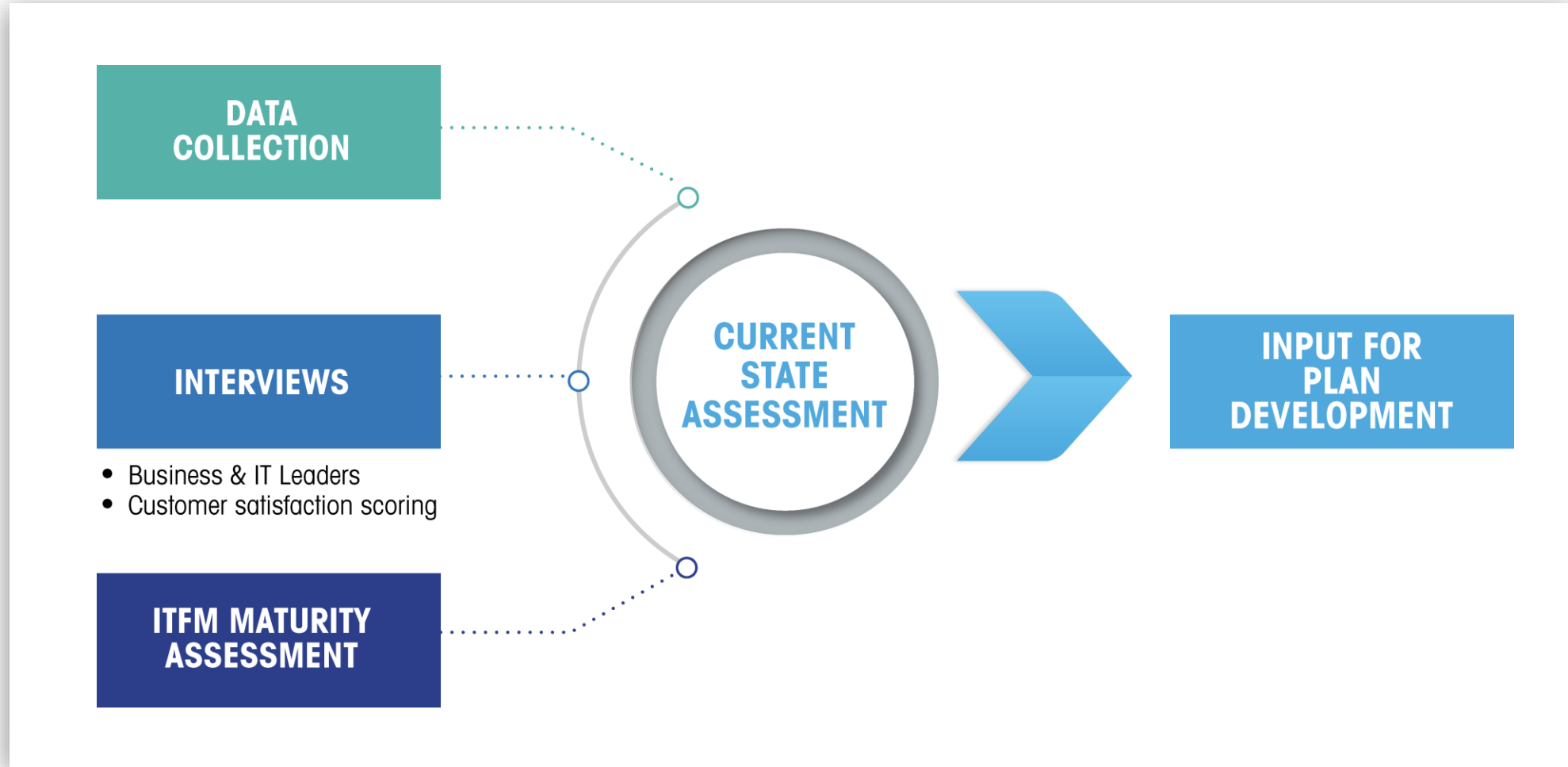
- Transparency
- Cost efficiency
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MAGICORANGE
*Highly Granular Bill of IT
Showback / Chargeback Modeling
Compare across business lines*

ASSESS & PLAN

Understand Your Baseline Before Defining Your Target State



ASSESS & PLAN

ITFM Readiness Assessment

- **Strategic Alignment Review** – Evaluate the current IT strategic plan and future objectives to ensure clear alignment with business goals; develop a new plan if none exists
- **Data Readiness Check** – Assess the availability, accuracy, and quality of IT service consumption data to determine its suitability for cost modeling and chargeback
- **Data Mapping Overview** – Identify how data is generated, whether it includes business unit detail, and if it is mapped to IT services—focus on gap size and scope
- **Service Definition Review** – Ensure IT services are clearly defined so usage and costs can be accurately mapped, enabling full transparency of IT value
- **Cost Structure Audit** – Review how IT costs are captured in the general ledger; adjust the chart of accounts for better service alignment and ITFM tool readiness
- **Customer Feedback Insight** – Gather input from business stakeholders on IT performance, satisfaction, and pain points; quantify results with a 5-point rating scale
- **OCM Implementation Plan** – Establish an Organizational Change Management strategy to drive adoption and success of ITFM processes across the enterprise

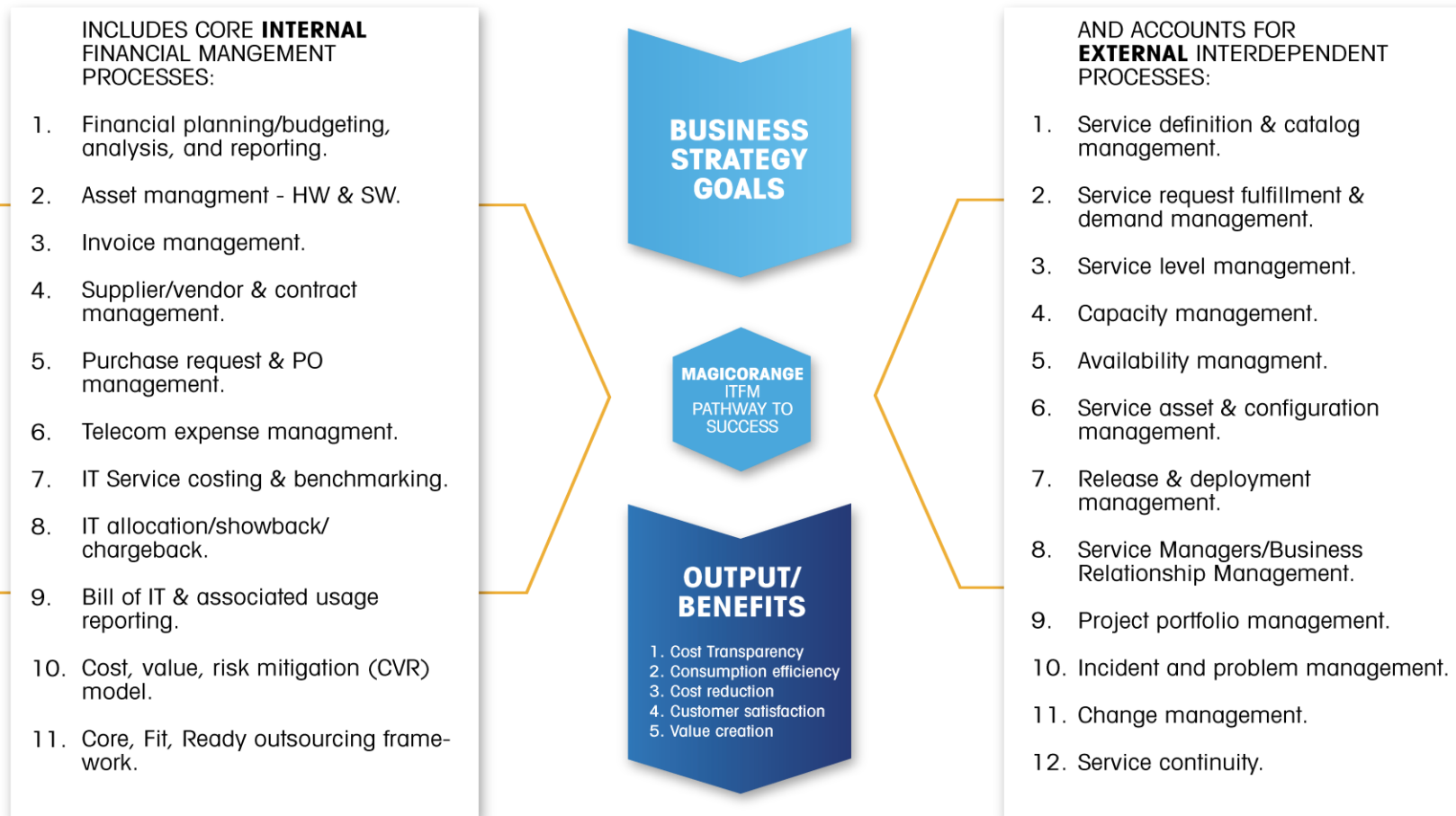
ASSESS & PLAN

ITFM Readiness Assessment

INITIAL DATA SETS	BASELINE	DESCRIPTION
Company Information	Current Year To Date / Previous Full Year	<ul style="list-style-type: none"> Facilities (by locations with headcount by department) Revenue (Consolidated and by business unit) Major Initiatives (Key Operating Metrics, Business Strategies) Number of End Users (Consolidated and by business unit) Vendor listing with annual spend Most recent IT value assessments, studies, benchmarking
IT Financial Data	Current Year To Date / Previous Full Year	<ul style="list-style-type: none"> OPEX budget / actuals CAPEX budget / actuals Chart of accounts
Organization	Current Year To Date / Previous Full Year	<ul style="list-style-type: none"> Organization (organization charts, staffing, locations, and cost centers) Staffing Mix (Role, Location, Internal, Contractors) Forecast Staffing Mix (Role, Location, Internal, Contractors)
Project Portfolio	Current Year To Date / Previous Full Year	<ul style="list-style-type: none"> Current and Forecasted Project Portfolio
Application Portfolio	Current Year To Date / Previous Full Year	<ul style="list-style-type: none"> Current Applications Inventory
Asset Portfolio	Current Year To Date / Previous Full Year	<ul style="list-style-type: none"> Software Assets Inventory (Licenses) Depreciation / Asset register
Infrastructure	Current Year To Date / Previous Full Year	<ul style="list-style-type: none"> Servers, Storage, Database inventories Voice and Data Network Info (circuit inventories and costs, data centers, colo facilities)

ASSESS & PLAN

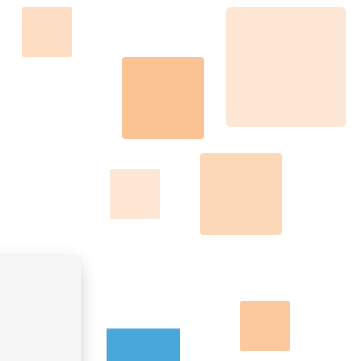
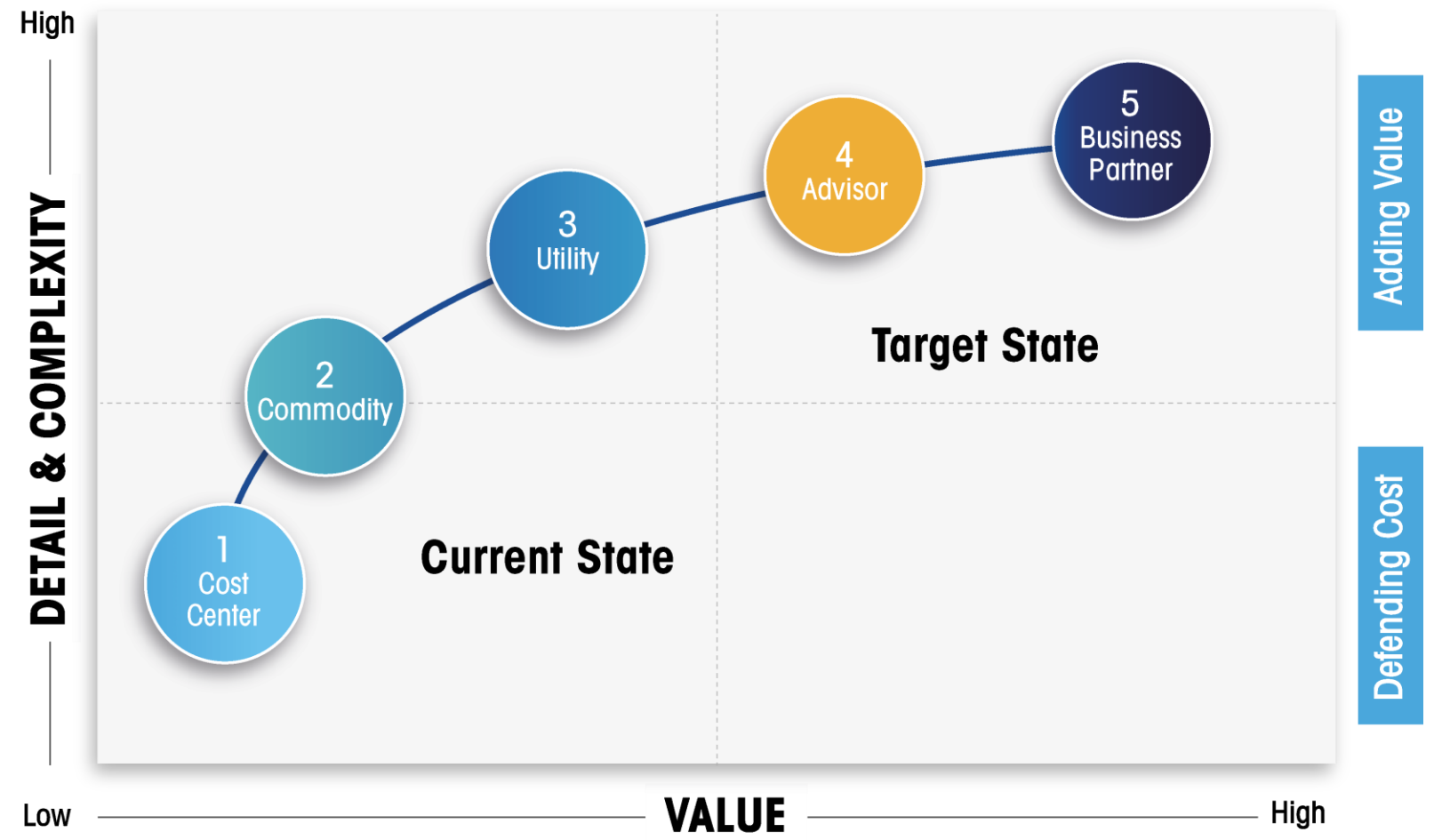
ITFM / TBM Framework - ITIL Learning Best Practices



ASSESS & PLAN

ITFM Maturity Model

Used To Determine Where You Want To Go



ASSESS & PLAN

Maturity Model Criteria

#	MATURITY LEVEL	MATURITY DESCRIPTION
1	Cost Center	<ul style="list-style-type: none"> • IT organization has a very tactical focus • Low interaction between Business and IT • Costs are defined and allocated at a high-level (People, Software, Hardware, etc) based on Revenues, FTEs • Lack of cost transparency
2	Commodity	<ul style="list-style-type: none"> • IT works closely with the business but does not drive strategic initiatives • IT costs are broken down into sub-categories (example: software & infrastructure costs) • IT costs are aligned based on resources rather than consumption • Business has little influence over IT costs
3	Utility	<ul style="list-style-type: none"> • IT works closely with the business but does not drive strategic initiatives • IT costs are broken down into sub-categories (example: software & infrastructure costs) • IT costs are aligned based on consumption with SLAs in place • Business has little influence over IT costs
4	Advisor	<ul style="list-style-type: none"> • IT advises the business on execution of strategic initiatives • IT costs are reported at the business application/process level • Business has a good understanding of its IT costs • Business can influence IT costs by optimizing and rationalizing applications / processes • Driver based planning
5	Business Partner	<ul style="list-style-type: none"> • IT is proactive in initiating strategic initiatives • IT costs are service-based • Business can influence its IT costs by managing its consumption of IT resources • End-to-end view of financial data – from resources to services to applications • Driver based planning

ASSESS & PLAN

Maturity Model – Key Takeaways

Based upon the results of the assessment in this step, you need to develop an action plan for moving forward which should include:

1. Defining specific ITFM initiatives to be undertaken in priority order
2. Developing a project plan for selected initiatives for the current year
3. Securing stakeholder approval to move forward
 - Both IT and Business leaders
4. Communicating the plan both internally and externally to keep all key stakeholders informed and to gain adoption

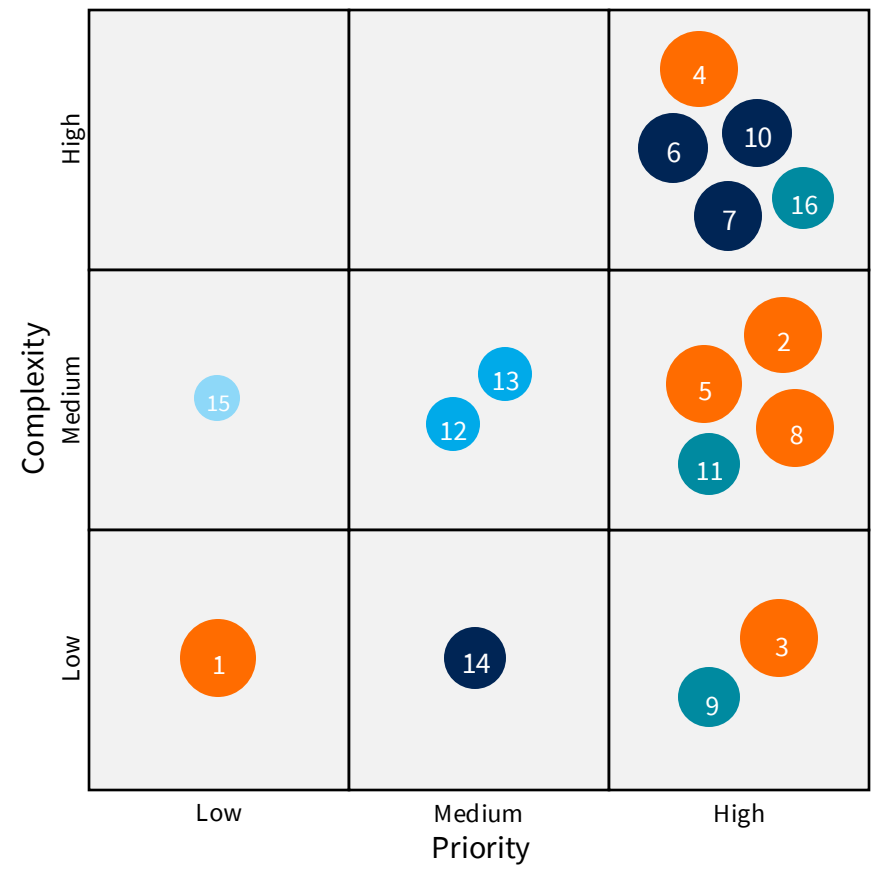
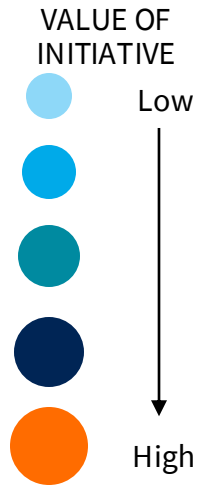
ASSESS & PLAN

Maturity Model – Typical Opportunities

#	IT CATEGORY	RECOMMENDATION DESCRIPTION	PRIORITY	COMPLEXITY	DURATION (MONTHS)	POTENTIAL ANNUAL SAVINGS	VALUE INDEX	CLIENT RESOURCE REQ.
1	IT Finance	<ul style="list-style-type: none"> Design and implement an IT chart of accounts that is aligned with services, which will improve service cost transparency and enable chargeback. 	H	M	1.5	NA	90%	3
2	IT Finance	<ul style="list-style-type: none"> Design an IT Service Costing process and implement in an ITFM tool to calculate unit service costs Develop and provide service cost reports to all business customers on a monthly basis using an ITFM tool 	H	H	3	NA	84%	3
3	IT Services	<ul style="list-style-type: none"> Develop and provide service usage reports to all business customers on a monthly basis using an ITFM tool 	H	H	2	NA	80%	3
4	IT Finance	<ul style="list-style-type: none"> Develop a usage-based chargeback process and implement in an ITFM tool for the upcoming budget year 	H	H	6	\$2 - \$4MM	94%	5

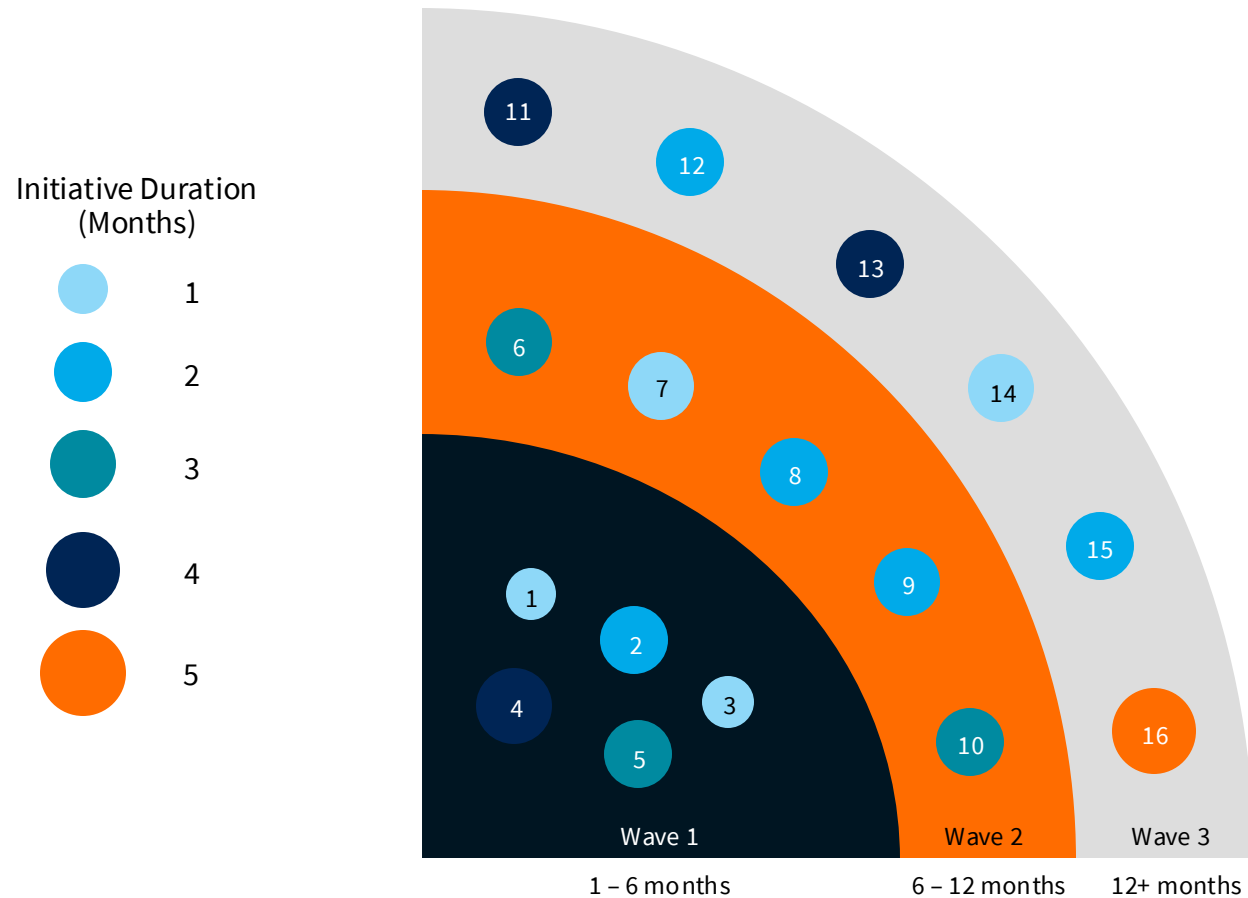
ASSESS & PLAN

Priority & Complexity View – Facilitates Prioritization



ASSESS & PLAN

Implementation View – Facilitates Prioritization

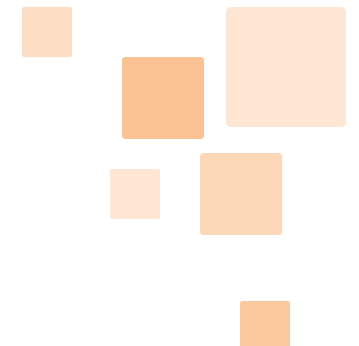


Initiative Analysis

- Each number relates to the specific initiative
- Size of the circle indicates the duration of such initiative
- These initiatives are then organized into various periods over time

ASSESS & PLAN - SAMPLE INITIATIVE

Develop A Detailed 'One-Pager' For Each Initiative

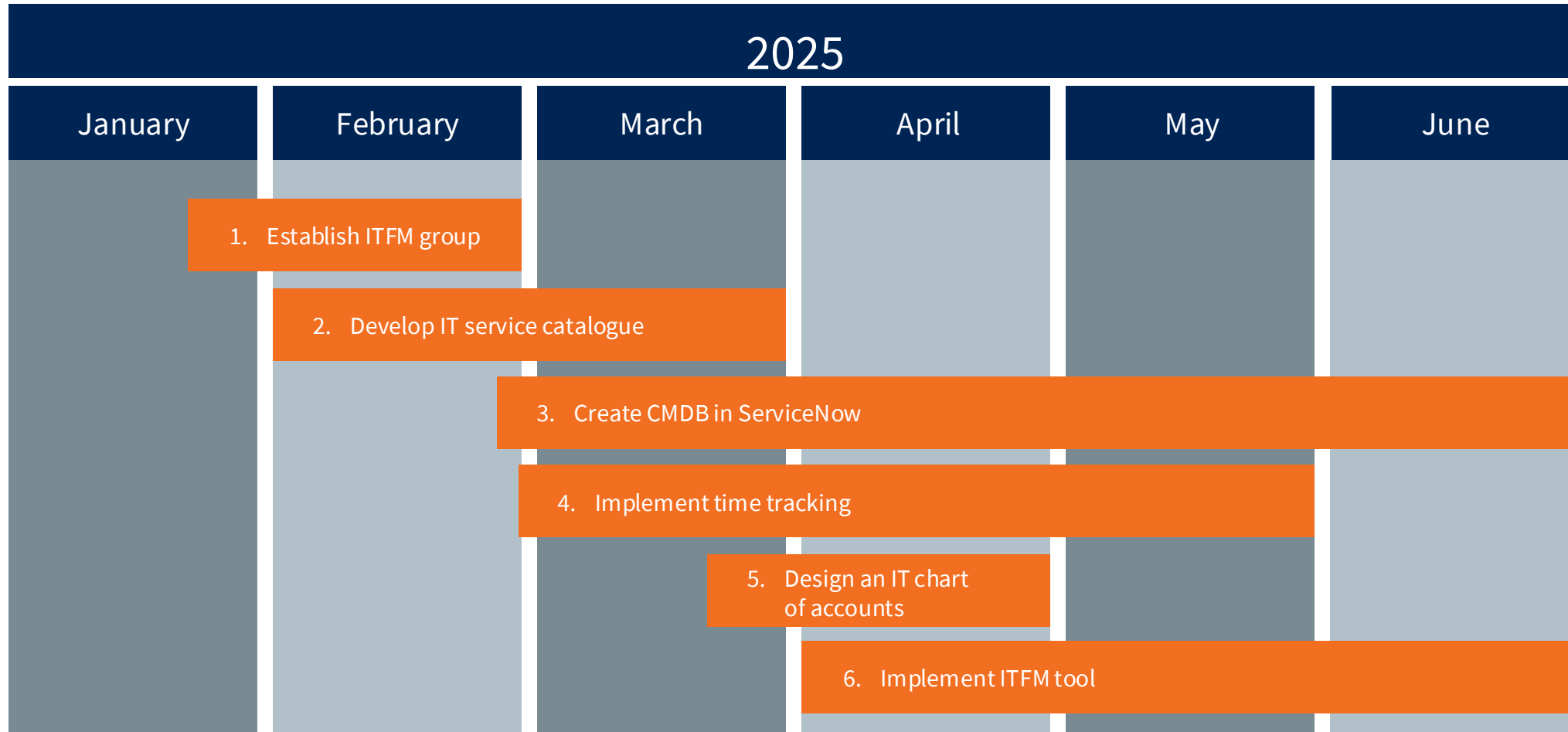
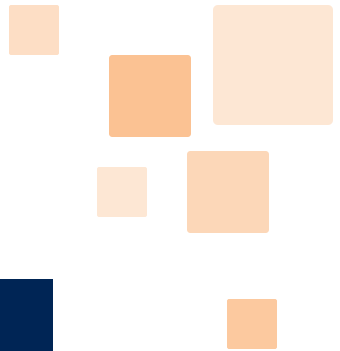


Sample Initiative

RECOMMENDATION 1		Design a chargeback model				
INITIATIVE DESCRIPTION		ASSESSMENT				
<ul style="list-style-type: none"> Design a consumption-based chargeback process & implement an ITFM tool using the Bill of IT module Review the current allocation model & assess the model against an ITIL-based financial management framework Develop monthly reporting & invoicing 		Value	Med	High		
		Priority	Med	High		
		Complexity	Med	High		
BENEFITS		KEY IMPLEMENTATION TASKS				
<ul style="list-style-type: none"> Increased transparency to the way costs are allocated and charged back to the business Potential reduction in service costs via demand reduction Increase in customer satisfaction 		<ol style="list-style-type: none"> Design & develop ITIL-based Financial Management chargeback & cost allocation process Design & document processes for sustainment Implement in an ITFM tool using Bill of IT module 				
INITIATIVE DETAILS		Value Index	MO Cost Estimate	Duration	Client Resources Req.	Potential Savings
		94%	\$ XX	3 Months	5	\$2M - \$4M

ASSESS & PLAN

Sample Execution Roadmap



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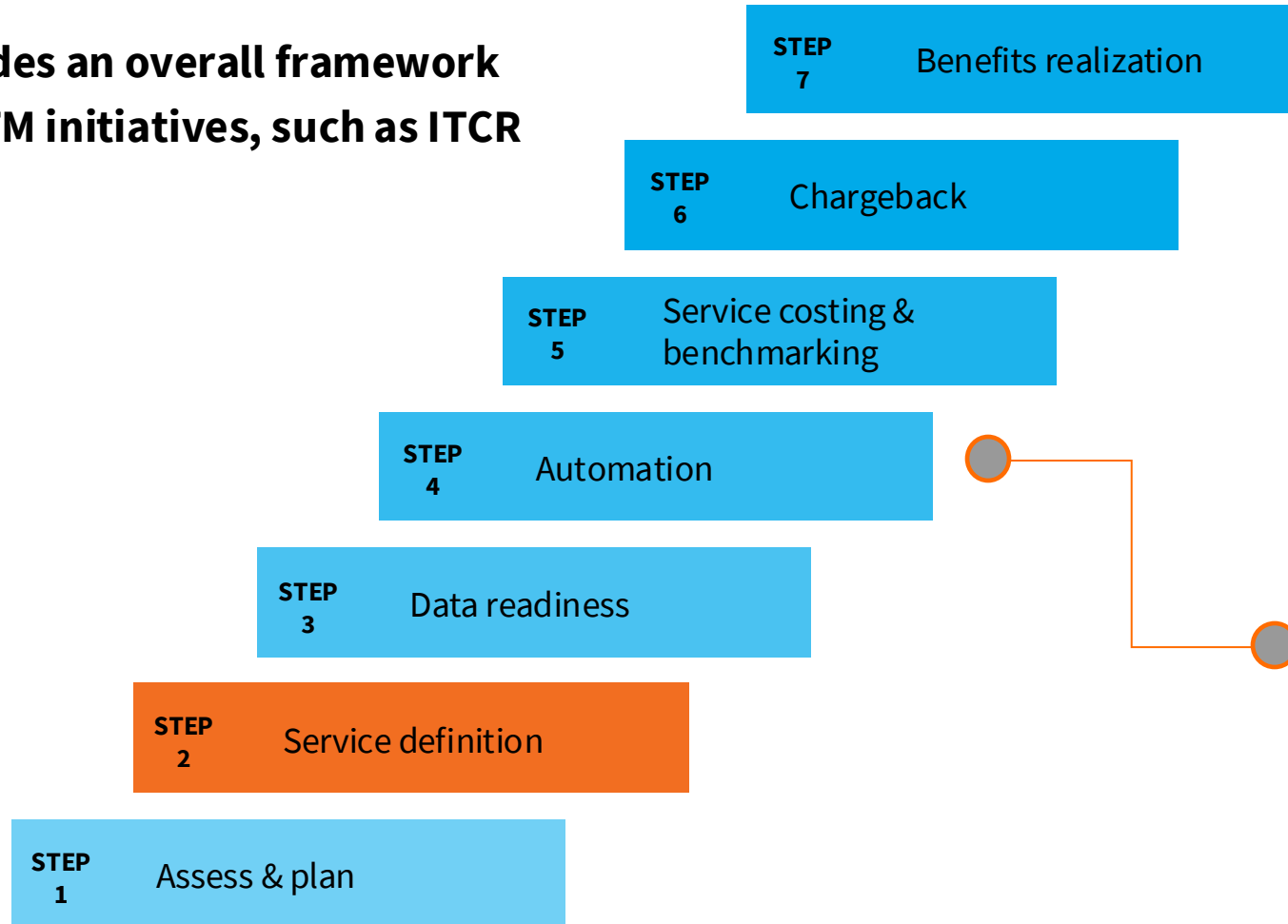
SERVICE DEFINITION

MagicOrange ITFM Pathway to SuccessSM

The ITFM Pathway provides an overall framework for pursuing multiple ITFM initiatives, such as ITCR

Framework Benefits

- Transparency
- Cost efficiency
- Customer Satisfaction



MAGICORANGE
Highly Granular Bill of IT
Showback / Chargeback Modeling
Compare across business lines

SERVICE DEFINITION

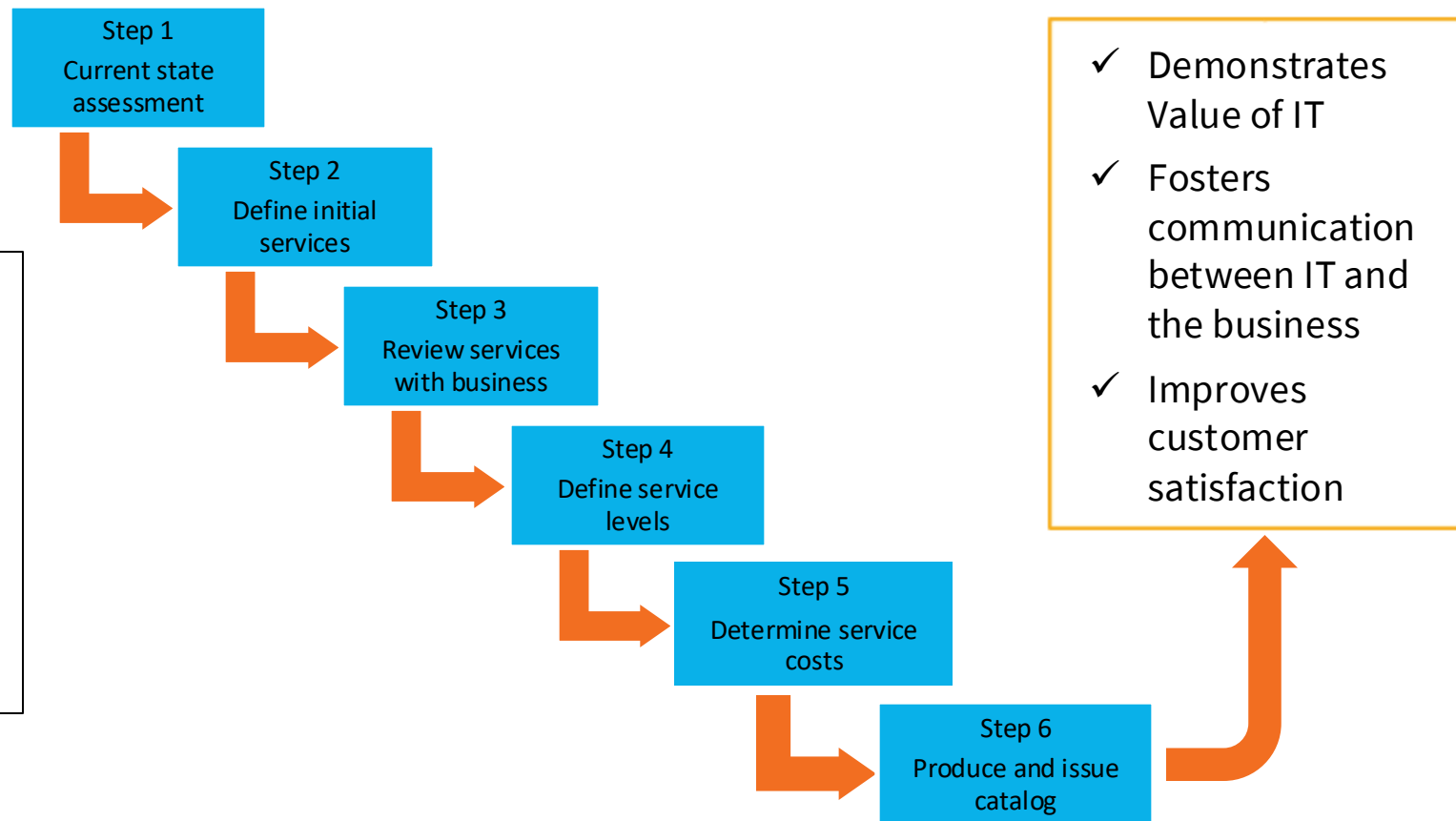
Executive Summary

1. **Service Definition** – Defining the IT services that will be offered is critical, so that costs and usage data can be accurately assigned.
2. **Catalog Approach** – Creating a customer-facing service catalog with SLAs and unit costs is the ideal, but a simpler listing can be used to move forward if needed.
3. **Minimum Requirements** – The service listing should include, at minimum:
 - Description of the service
 - Service owner / department responsible for delivering the service
 - Units of measure for the service
 - Consumers of the service
 - Performance metrics / SLAs

SERVICE DEFINITION

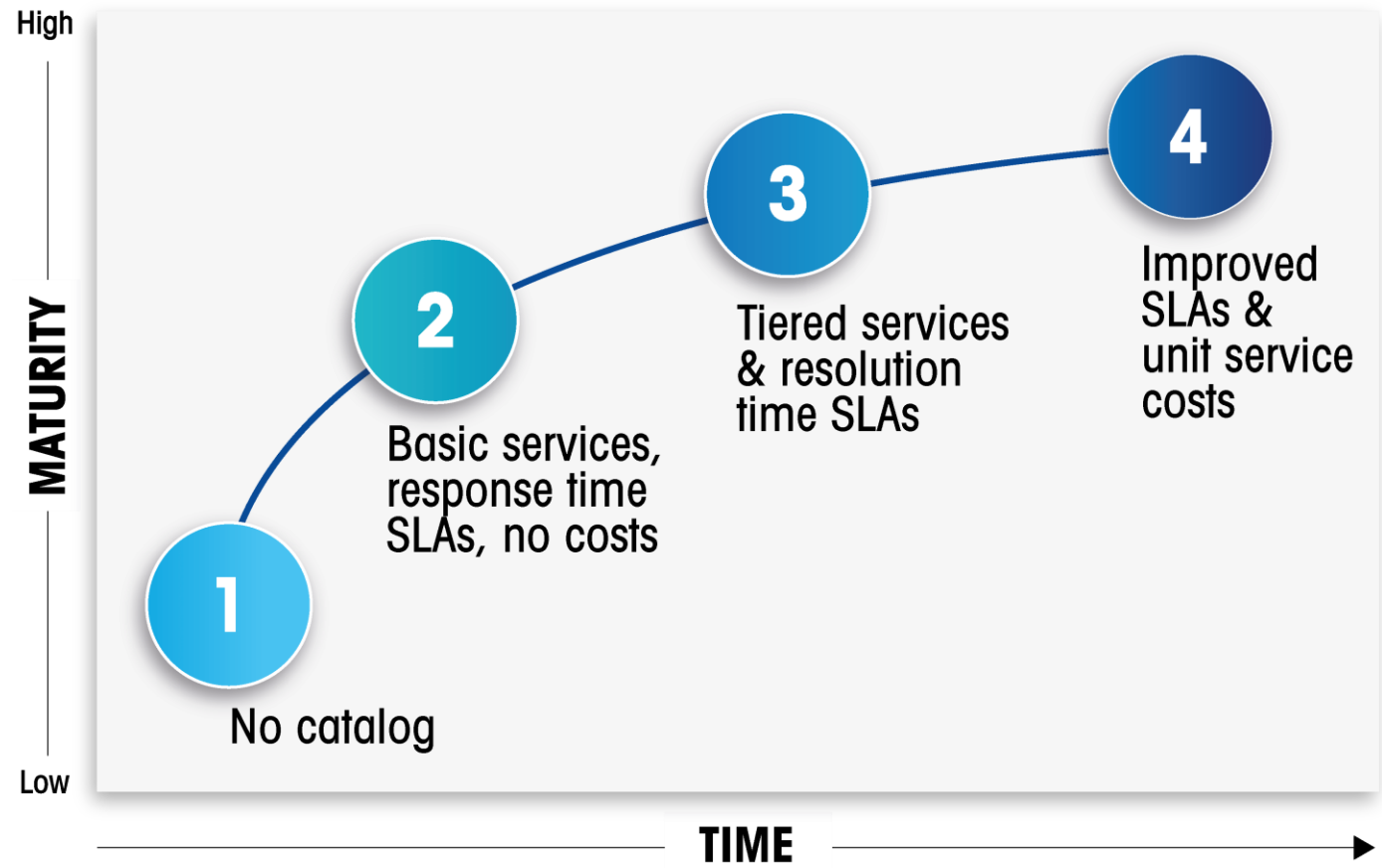
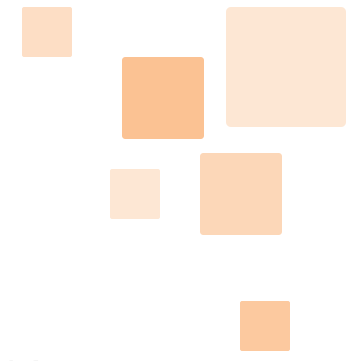
Service Definition Pathway

The SD Pathway is a structured, easy-to-follow plan for building a business-aligned service catalog with clarity and precision.



SERVICE DEFINITION

Service Catalog Evolution



- 4 Catalog includes improved SLAs & unit service costs
- 3 Catalog includes tiered services, resolution time SLAs, & partial costs
- 2 Initial catalog includes basic services, only response time SLAs, not resolution times, & no costs
- 1 Services are not defined or ad-hoc definitions are in place with few synergies

‘DON’T LET THE PERFECT BE THE ENEMY OF THE GOOD’

SERVICE DEFINITION

IT Service Catalog

Provides a single customer facing reference source for all IT services offered.

BENEFITS

1. Improved transparency and customer satisfaction
2. Demonstrates the value of IT
3. Ease of service ordering and interfacing with IT
4. Documents service levels for each service (SLAs)
5. Leads to more efficient consumption of services



SERVICE DEFINITION

Service Catalog – Definition

A SERVICE CATALOG IS



A **communication tool** to have a productive dialogue with the business about what services IT can deliver to help make them successful



An **easy-to-use** document to help customers understand how to request services, what the service performance levels are, and what they cost



A **leading practice** framework for defining services which can be benchmarked



The **foundation** for any type of allocation or chargeback process

A SERVICE CATALOG IS NOT



An **IT Operating** or **Service Delivery** model



Constrained by the current structure of **outsourcing service contracts**



A **self-service portal** for the business



A **detailed technical process list** that shows how to deliver IT services

SERVICE DEFINITION

What Is A Service? (Leveraging ITIL)



“**Services**” are a means of delivering **value to customers** by facilitating **outcomes** customers want to achieve without the ownership of specific **costs** and **risks**.

Another way to express this definition is to ask what is the business requesting and willing to pay for – “host my application” instead of “I’d like to lease a server, a place to put it, the cabling, the power, the software, and the maintenance”

IT Service Management is focused on the design, implementation and management of quality IT services that meet the needs of the business.

SERVICE DEFINITION

What Is ITIL?

The most recognized and trusted source of leading practice in Service Management is *the ITIL framework*



- Information Technology Infrastructure Library (ITIL) – created in 1980s by the British government
- ITIL is used by organizations worldwide to establish and improve capabilities in Service Management
- **ITFM is a key ITIL process found in the Service Strategy section of the framework**

SERVICE DEFINITION

Guiding Principles for Service Definition

Guiding principles will help keep the design process on track

Service catalog guiding principles

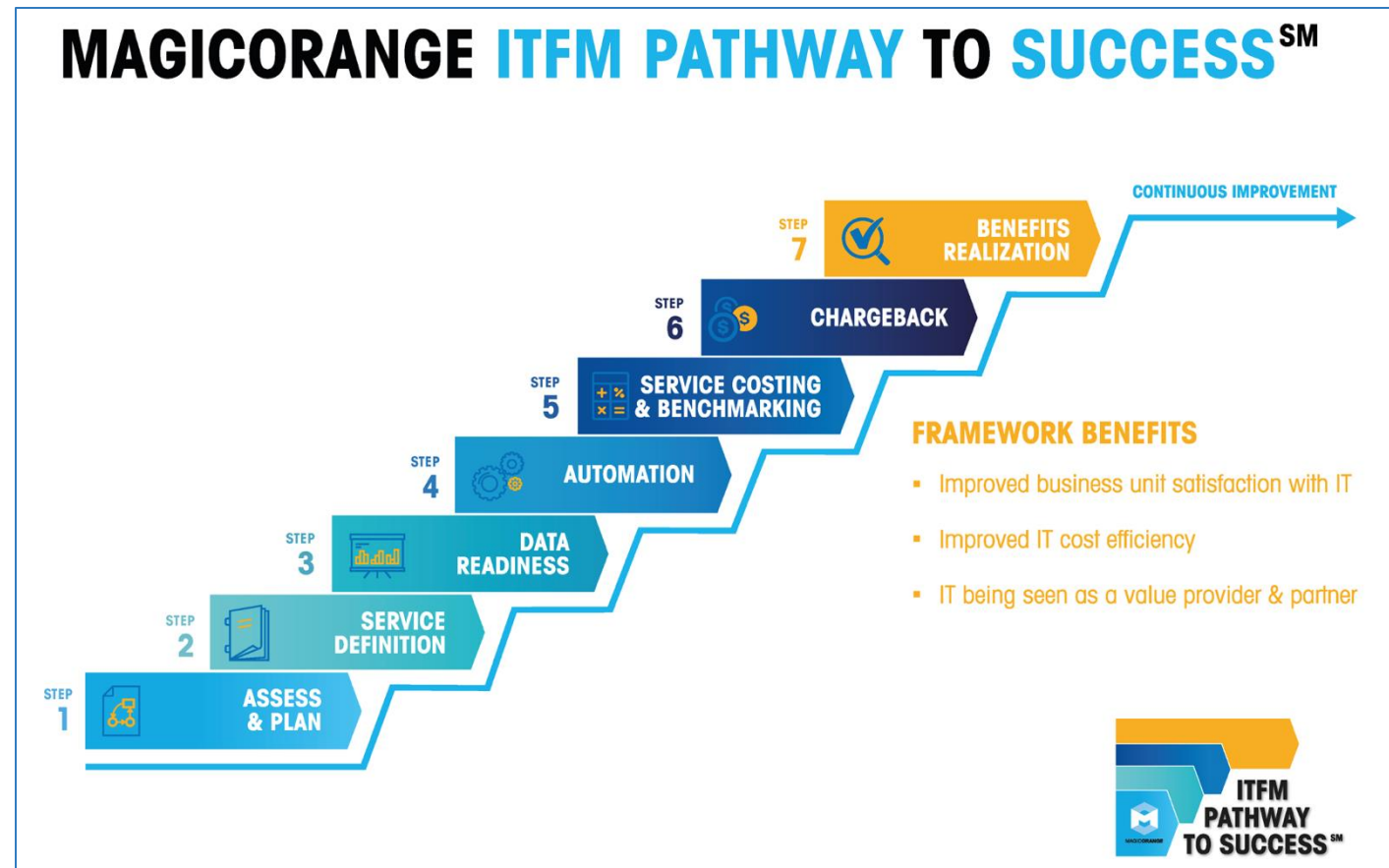
- **Standard services:** The service catalog should only contain standard services for ease of ordering, fulfillment, measuring, and pricing
- **Number of services:** 20 to 30 business facing services is preferred
- The service catalog should **focus on 'What'** services the business wants from IT
- **'How' IT** delivers the services does not need to be exposed to the business (Don't confuse services with the tools and processes used to deliver them)
- The catalog should be written in a language that non-technical people can easily understand
- **It's a living document.** Services can be added, removed, or modified in the future

MagicOrange Service Taxonomy (MOST)

SERVICE DEFINITION

MagicOrange Service Taxonomy

- As part of our proven MagicOrange ITFM Pathway To Success, we have developed a service taxonomy that facilitates the progression through the steps needed to improving ITFM capability and creating value
- The MagicOrange Service Taxonomy (MOST)SM is elegant in its simplicity and easier to understand and implement than other taxonomies such as TBM - ATUM
- MOST is applicable and valuable with or without an ITFM tool solution



SERVICE DEFINITION

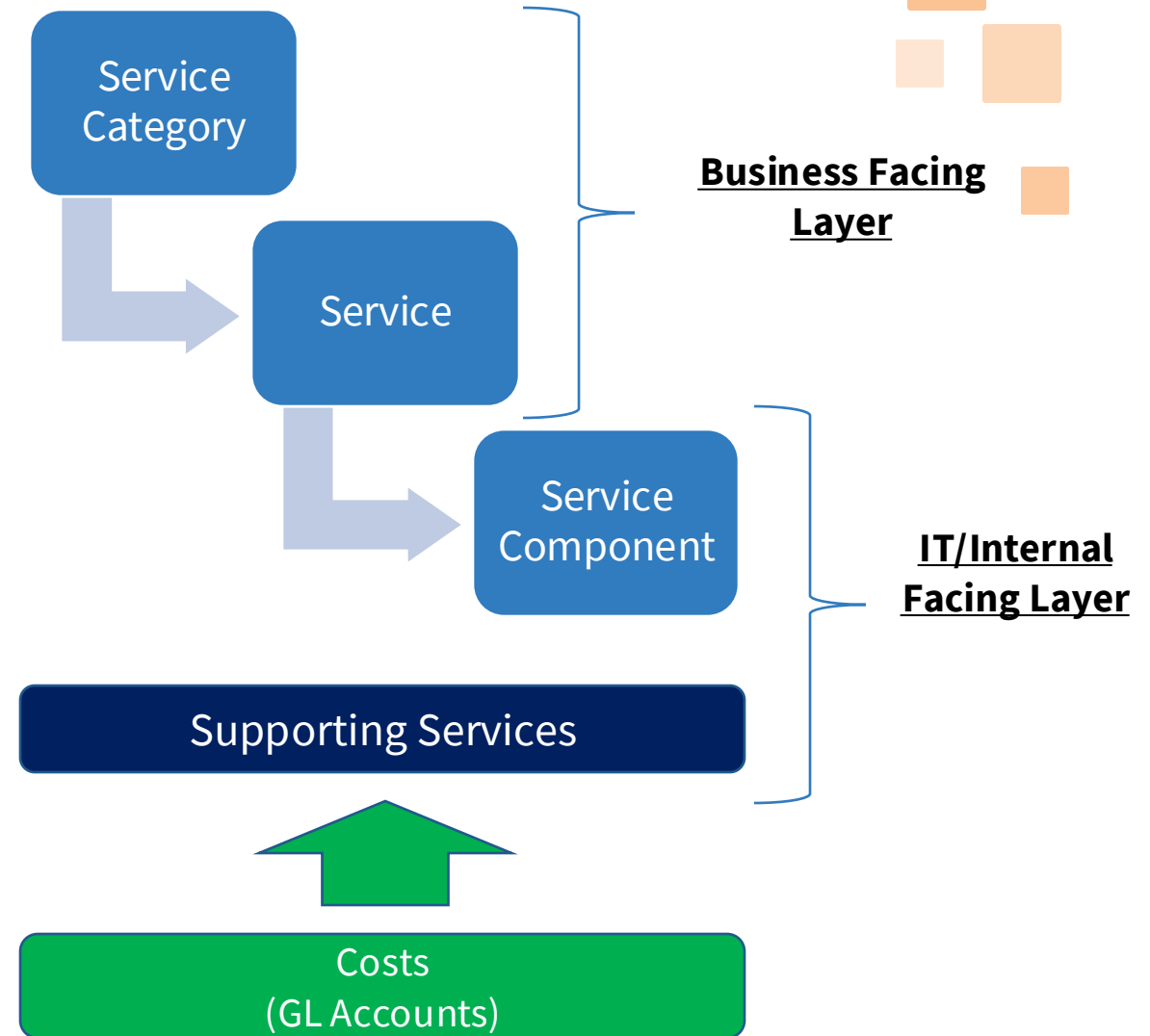
MagicOrange Service Taxonomy Principles

- MOST is based upon the IT Service Management and ITIL standard, which is a global framework adopted by the majority of IT organizations in the Fortune 500
- MOST incorporates our leading practices that we have developed over the last 10 years working with the executive leadership of many Fortune 500 companies
- MOST is not tied to any one ITFM cost transparency platform / solution, so it works no matter what solution you have deployed or if you have no solution at all
- MOST is not complex and is easy to understand and implement
- MOST will enhance and improve communications between IT leaders and their Business leader counterparts, so that IT is delivering the services that the business wants and that business capital is spent in the most effective manner possible

SERVICE DEFINITION

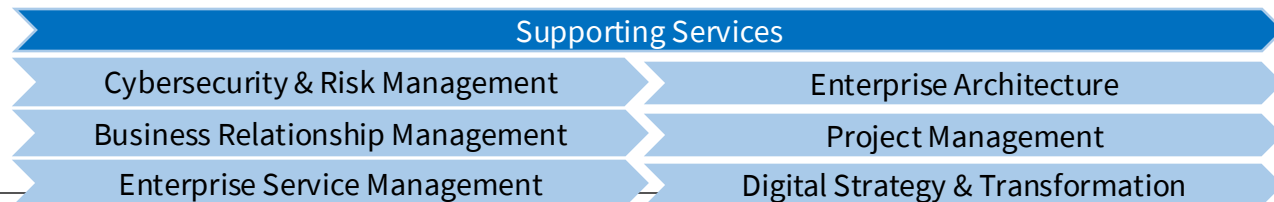
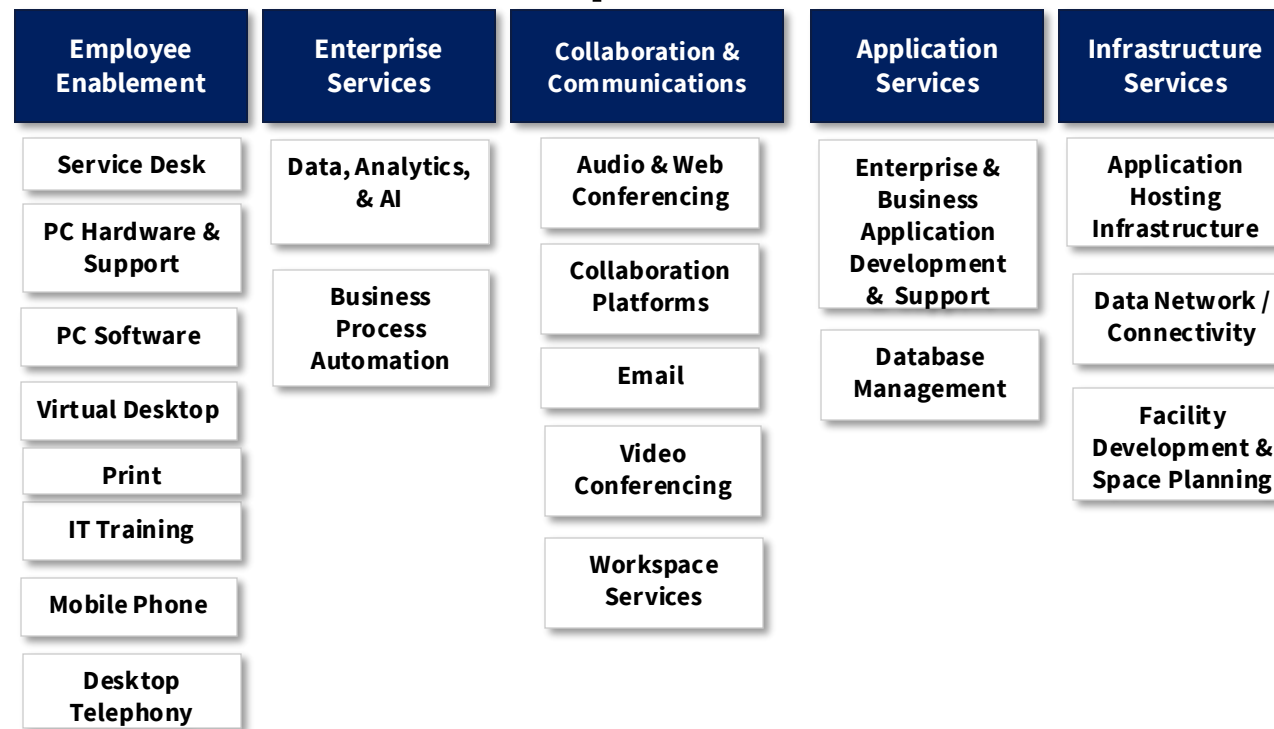
Service Approach

- MO uses the IT Service Management and ITIL standard, coupled with leading practices developed over 10 years working with the executive leadership of many Fortune 100 companies
- As shown on the right, we start with a **Service Category** which is a logical grouping of services that have a common objective, such as providing the tools and services to enable each employee to do their job, such as the Category name “Employee Enablement”
- Within each Service Category are the individual **Services**, which will have a unit cost calculated for each one.
- Service Category and Service are considered the Business Facing layer, and will represent what the business wants from IT
- For larger or more complex Services, **Service Components** are created to provide the necessary granularity for service delivery, cost transparency and management. However, these are not typically shared with the business as they are rolled up to their associated service.
- **Supporting Services** are those IT functions which are a necessary part of providing every service, such as Cybersecurity and Project Management. These services are also internal facing.
- All IT **Costs** as found in the company General Ledger (GL), first need to be allocated to Supporting Services, Service Components, and Services before being able to determine unit service costs and implementing a showback or chargeback process



SERVICE DEFINITION

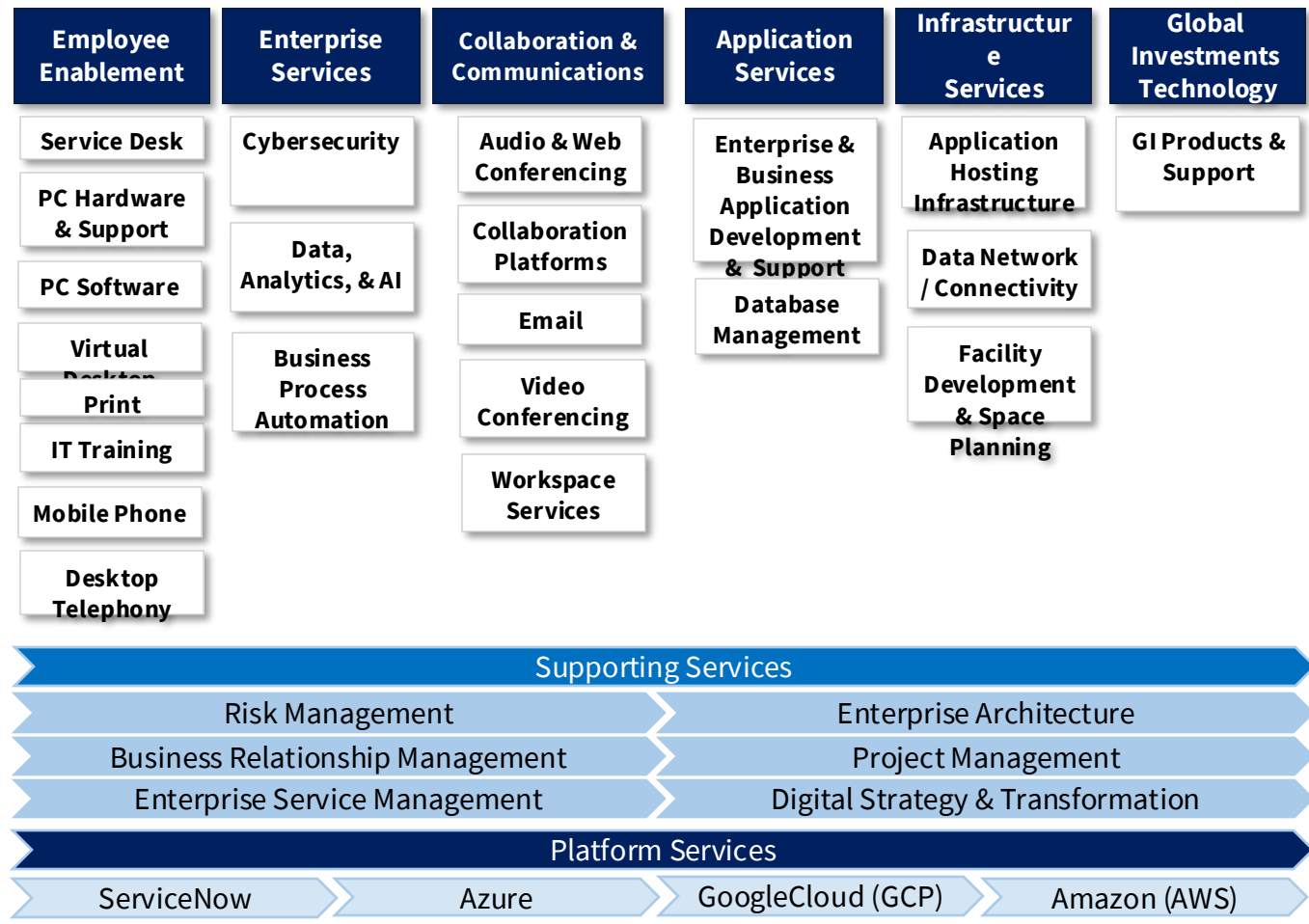
Business Services - Example



SERVICE DEFINITION

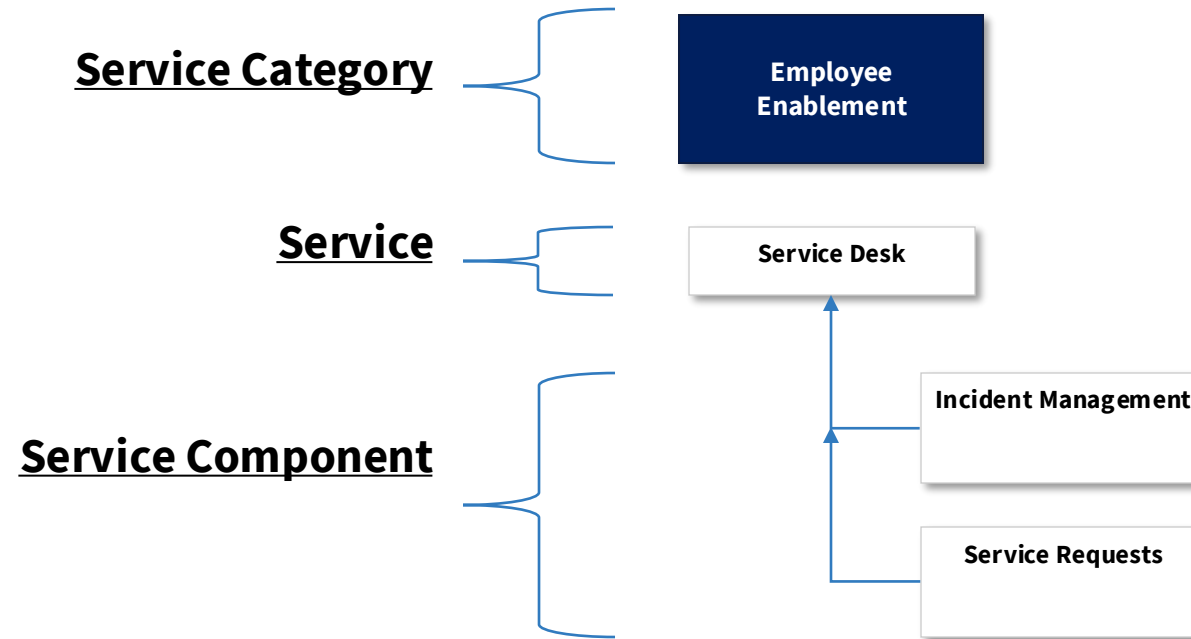
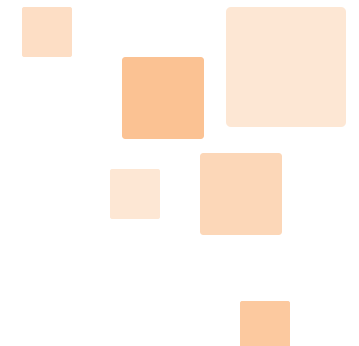
Business Services – Client Example

Aligned with ITIL, TBM, ITSM standards and ITFM leading practices



SERVICE DEFINITION

MOST Example



SERVICE DEFINITION

Services & Service Components

#	Service Category	Service Name	Service Description	Service Owner	Cost Center	Service Components
1	Employee Enablement	Service Desk	Single point of contact for employee technology issues resolution, support, and service requests via an OMERS staffed service desk.			
2				Tricia Ireland, VP	ITSD	Incident Management
3				Tricia Ireland, VP	ITSD	Service Requests
4	Employee Enablement	PC hardware provisioning and deskside support	Provide laptops, desktops, and peripherals in addition to deskside support	Tricia Ireland, VP	ITSG	Laptops, desktops, and peripherals, and deskside support
5	Employee Enablement	PC software provisioning	Procure, assemble, and image software for laptops and desktops			
6				Tricia Ireland, VP	ITSG	Procure and provision
7				Mark Andrews, VP	ITBU	Software Packaging
8	Employee Enablement	Virtual desktop	Provide and support the VDI system			
9				Tricia Ireland, VP	ITSG	Procure and provision
10				Mark Andrews, VP	ITBU	Support
11	Employee Enablement	IT Training	Provide Microsoft Office 365 and Collaboration Products Training	Mark Andrews, VP	ITBU	Mark Andrews, VP
12	Employee Enablement	Print	Provide and support office/network printers	Mark Andrews, VP	ITBU	Regular End User Print support
13	Employee Enablement	Mobile phones & devices	Mobile phones and tablets to approved employees	Tricia Ireland, VP	ITSI	
14	Employee Enablement	Desktop telephony	Desktop telephone handsets in office locations	Tricia Ireland, VP	ITSI	
15	Enterprise Services	Data, Analytics & AI Services	Provide the data analytics, strategy, and products to generate business value	Sami Ahmed, SVP	ITDT	
16						Data and Analytics Enablement
17						Data Governance
18						Content Management
19						Data and Analytics Product Development
20						Data Integration and Delivery
21						Platform Operations

NOTE - Edit Spreadsheet to remove names

SERVICE DEFINITION

Service Definition Components

Each service in the catalog will include the following sections:

Description of Service

- What's provided?
- What's not provided?
- Levels of service?

Recent Changes

- How is the service different from last year?

How to Order

- Who is authorized to order?
- Where to go?
- Who to call?
- Additional info?

Cost of Service

- How is it priced?
- Unit of measurement?
- Major cost drivers

Usage Reporting

- What will be included?
- Frequency?

Service Levels

- What to expect?
- How we'll report?
- What to do if service is not meeting expectations?

Priority	Definition
Emergency	Day to day operations cannot continue or external agreements cannot be honored until resolved
High	Day to day operations negatively impacted, but a workaround is in place.
Medium	Not critical to business operations
Normal	Low impact or low urgency

Managing Consumption

- Consumption Tips

SERVICE DEFINITION

Review Proposed Services With The Business

- Develop a set of proposed services based on industry leading practice that are relevant for your company and business customers
 - 20 – 30 business facing standard services is preferred
- Review these proposed services individually with the technology leaders of each business unit
 - This is an opportunity for IT to listen and to strengthen relationships with the business
- Based on the feedback received revise these services and agree to a final review once the service catalog is drafted

SERVICE DEFINITION

Define Service Levels

Key Points to Consider:

- Develop Service Level Agreements (SLA's) for each service that focus on what the business needs
 - Sometimes this can be done with one SLA, which is perfectly acceptable, since the business may not be accustomed to any SLAs.
- **Develop initial SLAs which serve as the starting point for review and discussion with the business**
 - Revisions are to be expected as SLAs are a negotiation between the service provider and the customer
 - Increased SLAs usually result in increased costs
- In terms of specific performance levels that each service area / owner will commit to, base them on what is CURRENTLY ACHIEVABLE
 - Trust with the business is built by setting and meeting performance commitments (SLAs). Setting unrealistic SLAs that are missed in the first few months will only damage the credibility of the IT organization

SERVICE DEFINITION

Service Availability Matrix

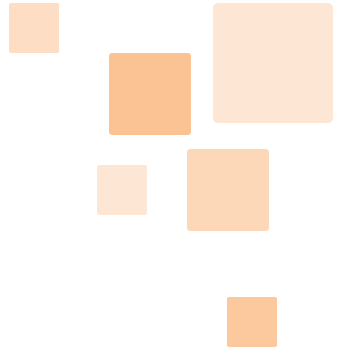
To be used when setting SLA's

Availability	Monthly Downtime in Minutes	Monthly Downtime Percentage
100.000%	0	0%
99.995%	2.19	0.005%
99.990%	4.38	0.010%
99.950%	21.90	0.050%
99.900%	43.80	0.100%
99.850%	65.70	0.150%
99.800%	87.60	0.200%
99.750%	109.50	0.250%
99.700%	131.40	0.300%
99.650%	153.30	0.350%
99.600%	175.20	0.400%
99.550%	197.10	0.450%
99.500%	219.00	0.500%

SERVICE DEFINITION

Develop And Ship The Catalog

- Review a draft of the service catalog with key business leaders and incorporate their final round of input
 - By including the business stakeholder's adoption of the service catalog will be higher since they will feel a sense of ownership in helping to craft this important document
- Publish a final version of the service catalog
 - This can be in many forms depending on your company
 - Can reside on the home page of company intranet for IT
 - SharePoint
 - Email a pdf to all customers of IT



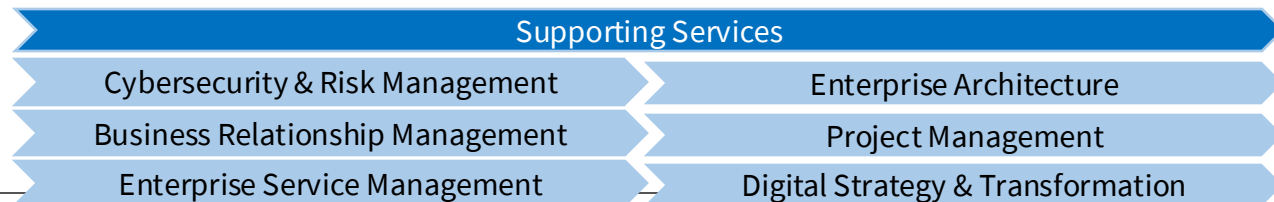
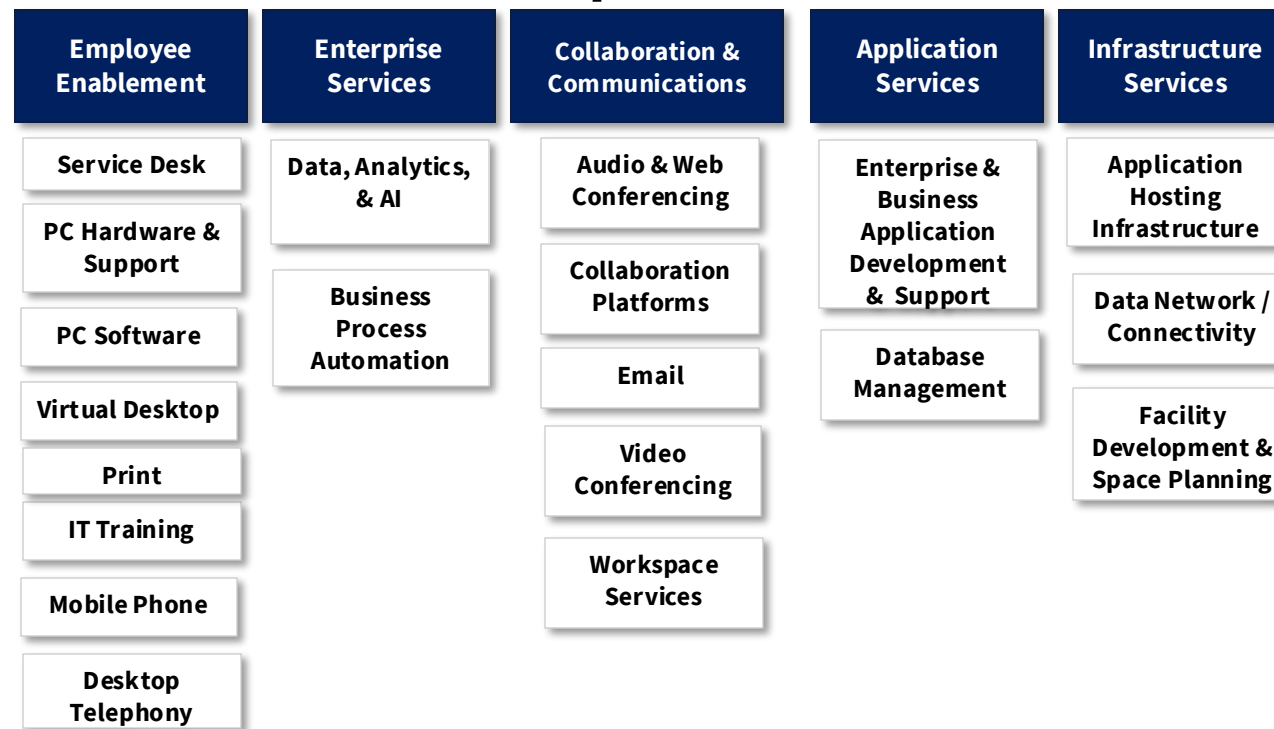
Workshop Exercise

ITFM / TBM Maturity Assessment

Refer to your Workbook

SERVICE DEFINITION

Business Services - Example



AGENDA

- Introductions
- Company Overview
- The ITFM Pathway
- Service Definition
- Data Readiness
- Automation
- Service Costing & Benchmarking
- Showback & Chargeback
- Benefits Realization



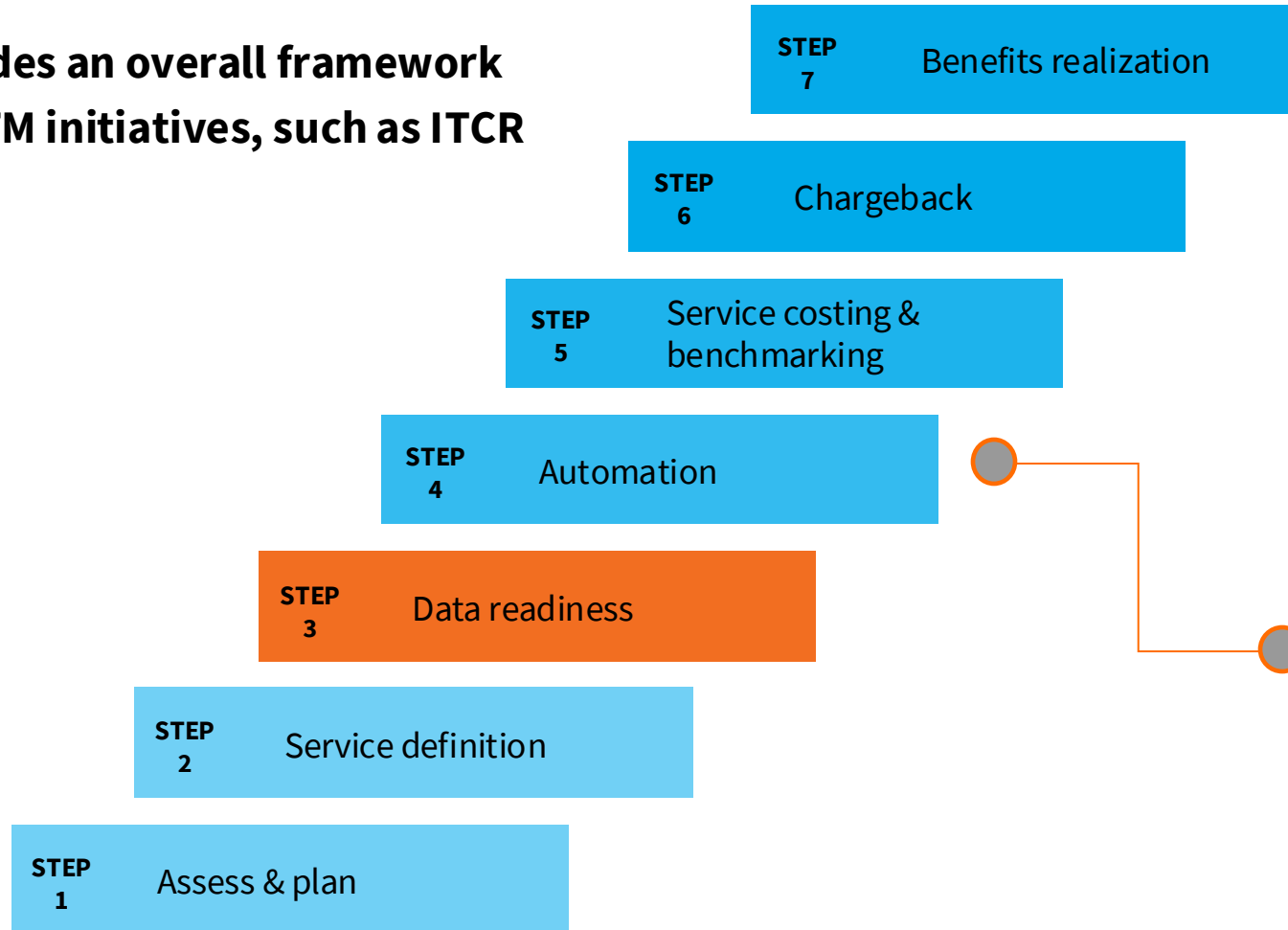
DATA READINESS

MagicOrange ITFM Pathway to SuccessSM

The ITFM Pathway provides an overall framework for pursuing multiple ITFM initiatives, such as ITCR

Framework Benefits

- Transparency
- Cost efficiency
- Customer Satisfaction



MAGICORANGE
Highly Granular Bill of IT
Showback / Chargeback Modeling
Compare across business lines

DATA READINESS

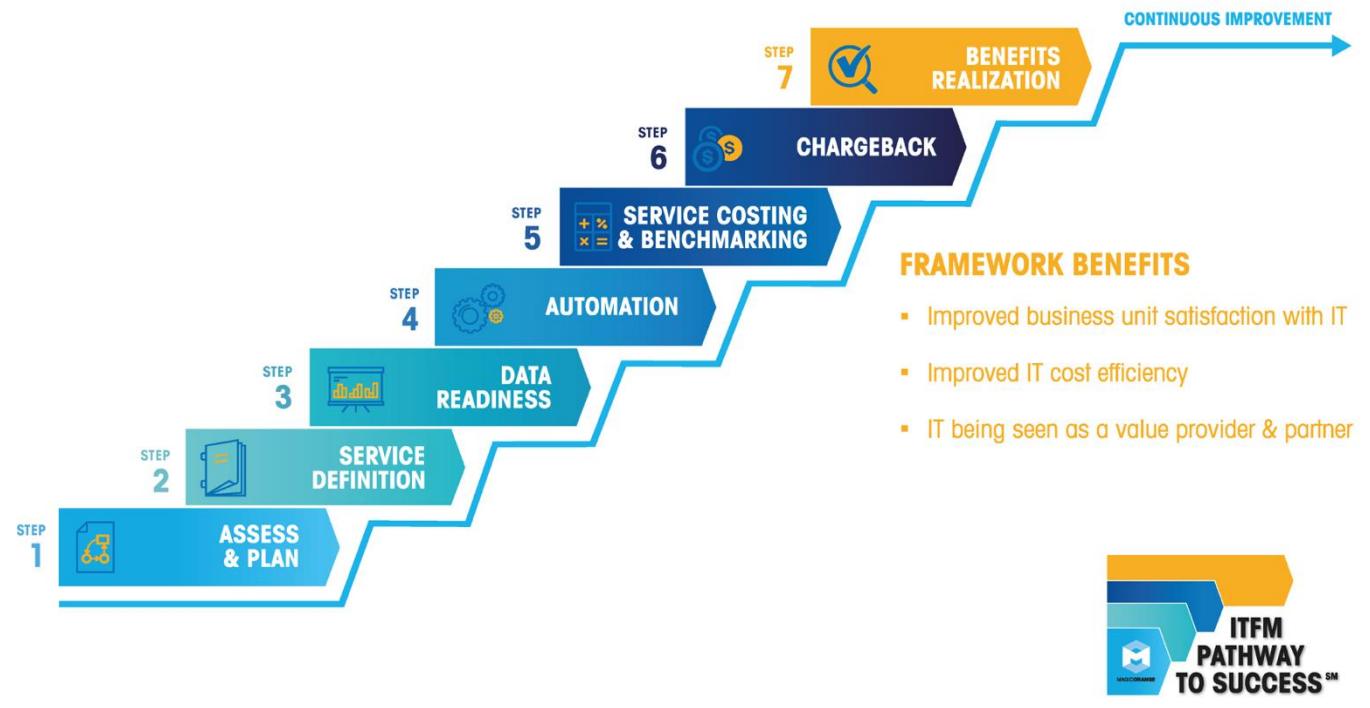
Executive Summary

- Having good service usage / consumption and cost data is essential in order to achieve cost transparency and ultimately implement showback / chargeback to the business
- Do not wait until you have perfect data, because that will never happen.
- Work with what data you have and develop a plan to improve it over time
- Usage data requirements:
 - Aligned with services and identifies users to the BU / cost center level.
- Cost data requirements:
 - Needed at the individual service level:
 - Modify GL and chart of accounts – add subaccounts
 - Use tool to align as needed

DATA READINESS

Introduction

- Before undertaking the Data Quality Assessment (DQA) you first have to review and validate the IT services, since the data needs to be aligned to those services
- We will use our own proven service taxonomy named MOST to evaluate the IT services and recommend changes as applicable before proceeding with the DQA.
- The MagicOrange Service Taxonomy (MOST)SM is elegant in its simplicity and easier to understand and implement than other taxonomies such as TBM
- MOST is applicable and valuable with or without an ITFM tool solution

MAGICORANGE ITFM PATHWAY TO SUCCESSSM

DATA READINESS

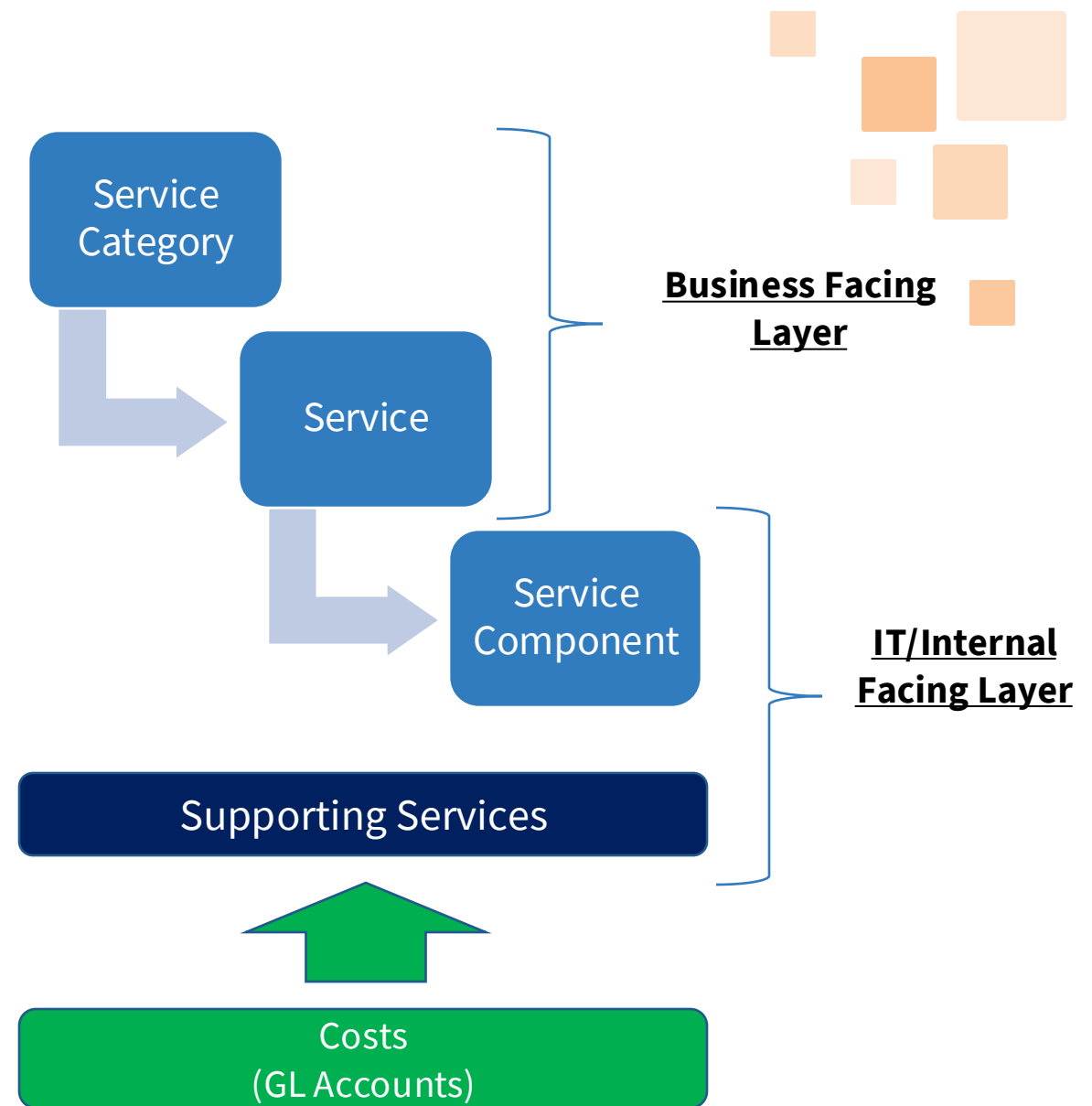
MagicOrange Service Taxonomy Principles

- MOST is based upon the IT Service Management and ITIL standard, which is a global framework adopted by the majority of IT organizations in the Fortune 500
- MOST incorporates our leading practices that we have developed over the last 10 years working with the executive leadership of many Fortune 500 companies
- MOST is not tied to any one ITFM cost transparency platform / solution, so it works no matter what solution you have deployed or if you have no solution at all
- MOST is not complex and is easy to understand and implement
- MOST will enhance and improve communications between IT leaders and their Business leader counterparts, so that IT is delivering the services that the business wants and that business capital is spent in the most effective manner possible

DATA READINESS

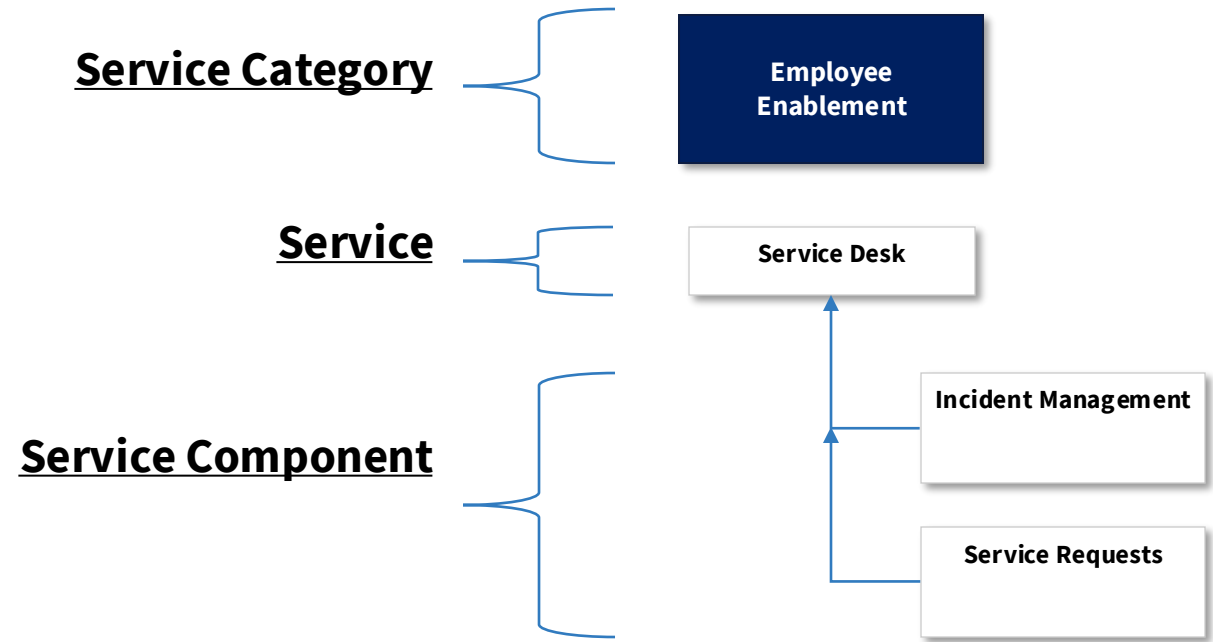
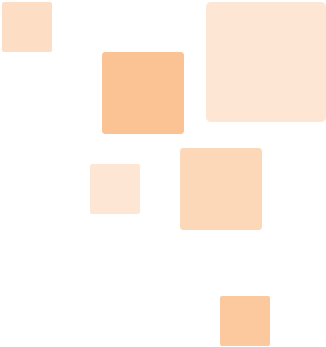
Service Approach

- MO uses the IT Service Management and ITIL standard, coupled with leading practices developed over 10 years working with the executive leadership of many Fortune 100 companies
- As shown on the right, we start with a **Service Category** which is a logical grouping of services that have a common objective, such as providing the tools and services to enable each employee to do their job, such as the Category name “Employee Enablement”
- Within each Service Category are the individual **Services**, which will have a unit cost calculated for each one.
- Service Category and Service are considered the Business Facing layer, and will represent what the business wants from IT
- For larger or more complex Services, **Service Components** are created to provide the necessary granularity for service delivery, cost transparency and management. However, these are not typically shared with the business as they are rolled up to their associated service.
- **Supporting Services** are those IT functions which are a necessary part of providing every service, such as Cybersecurity and Project Management. These services are also internal facing.
- All IT **Costs** as found in the company General Ledger (GL), first need to be allocated to Supporting Services, Service Components, and Services before being able to determine unit service costs and implementing a showback or chargeback process



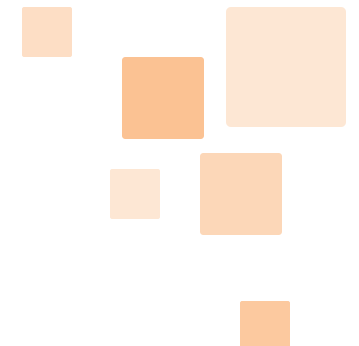
DATA READINESS

MOST Example

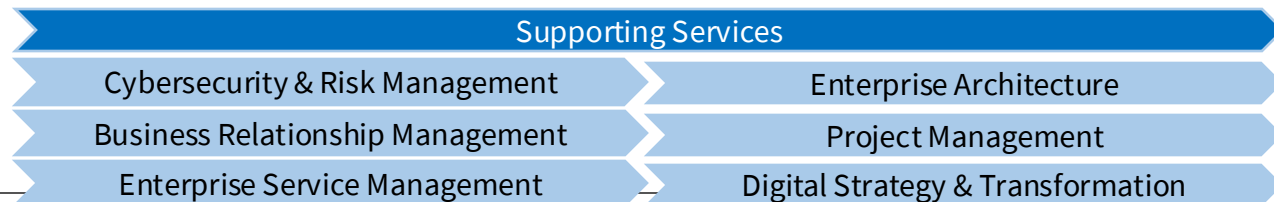


DATA READINESS

Recommended Business Facing Services

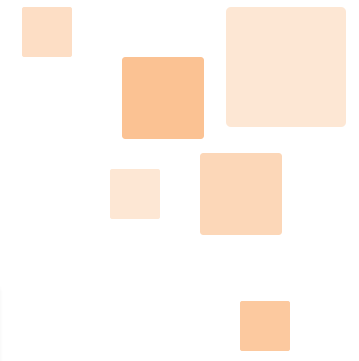


Employee Enablement	Enterprise Services	Collaboration & Communications	Application Services	Infrastructure Services
Service Desk	Data, Analytics, & AI	Audio & Web Conferencing	Enterprise & Business Application Development & Support	Application Hosting Infrastructure
PC Hardware & Support	Business Process Automation	Collaboration Platforms	Database Management	Data Network / Connectivity
PC Software		Email		Facility Development & Space Planning
Virtual Desktop		Video Conferencing		
Print		Workspace Services		
IT Training				
Mobile Phone				
Desktop Telephony				



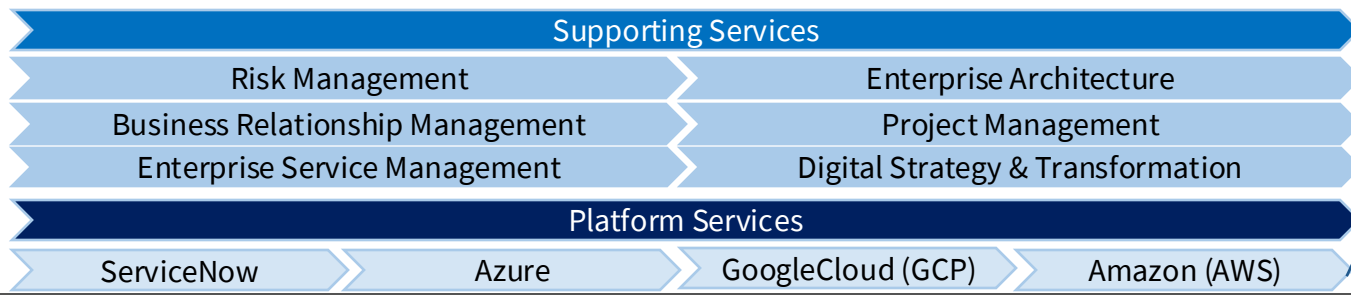
DATA READINESS

Business Services – Client Example



Aligned with ITIL, TBM, ITSM standards and ITFM leading practices

Employee Enablement	Enterprise Services	Collaboration & Communications	Application Services	Infrastructure Services	Global Investments Technology
Service Desk	Cybersecurity	Audio & Web Conferencing	Enterprise & Business Application Development & Support	Application Hosting Infrastructure	GI Products & Support
PC Hardware & Support	Data, Analytics, & AI	Collaboration Platforms	Database Management	Data Network / Connectivity	
PC Software	Business Process Automation	Email		Facility Development & Space Planning	
Virtual Desktop		Video Conferencing			
Print		Workspace Services			
IT Training					
Mobile Phone					
Desktop Telephony					

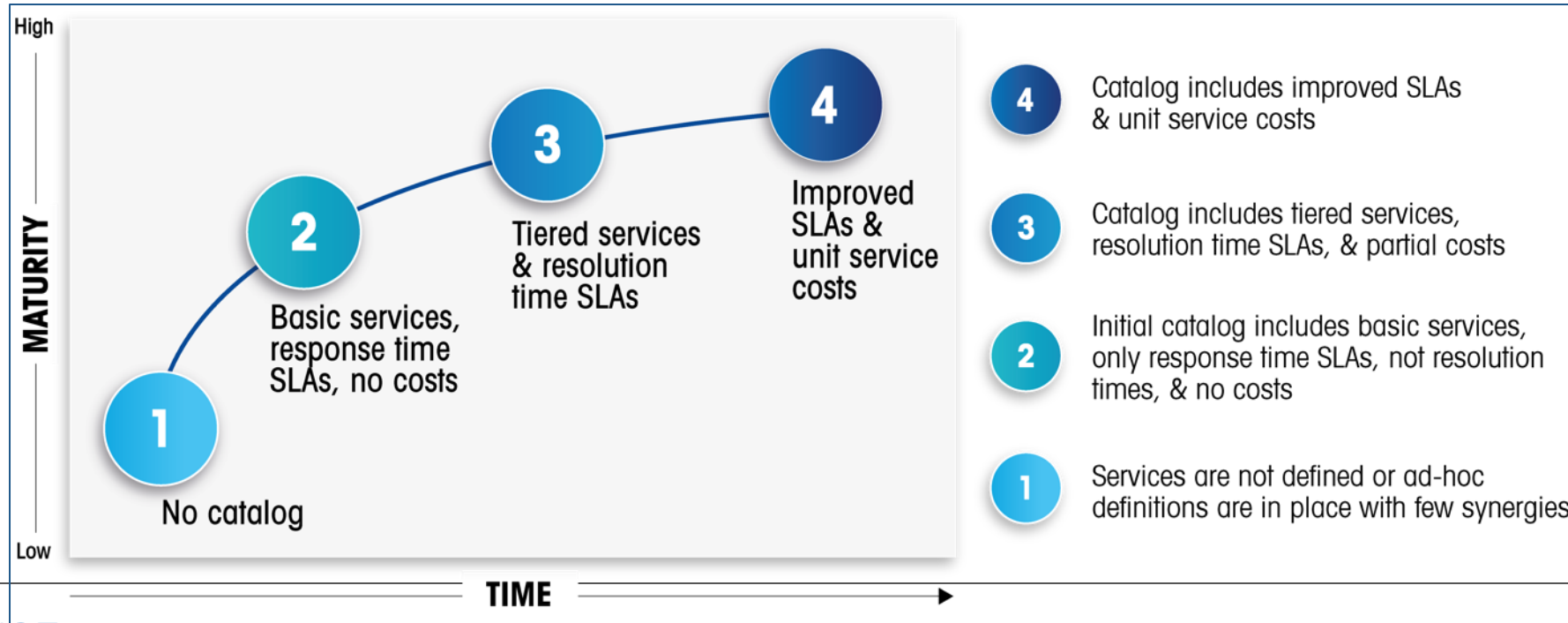


Not Leading Practice

DATA READINESS

Service Definition Maturity

- Every IT organization should have a service catalog, but we can proceed with the DQA without one, as long as the services have been adequately defined per the previous slide. This can be via an Excel spreadsheet where the Service Category, Service Name, Service Description, and Service Components are created. This is referred to as a Service Listing.
- Performing and providing the below Service Definition Maturity Assessment should be done so that our clients understand where they are and can develop a plan to get to where they need to be, which is a Level 4 service catalog



DATA READINESS

Service Listing – Client Example

There are a total of six service categories with 22 business facing services comprised of 44 associated service components represented in the below spreadsheet

#	Service Category	Service Name	Service Description	Service Owner	Cost Center	Service Components
1	Employee Enablement	Service Desk	Single point of contact for employee technology issues resolution, support, and service requests via an OMERS staffed service desk.			
2				Tricia Ireland, VP	ITSD	Incident Management
3				Tricia Ireland, VP	ITSD	Service Requests
4	Employee Enablement	PC hardware provisioning and deskside support	Provide laptops, desktops, and peripherals in addition to deskside support	Tricia Ireland, VP	ITSG	Laptops, desktops, and peripherals, and deskside support
5	Employee Enablement	PC software provisioning	Procure, assemble, and image software for laptops and desktops			
6				Tricia Ireland, VP	ITSG	Procure and provision
7				Mark Andrews, VP	ITBU	Software Packaging
8	Employee Enablement	Virtual desktop	Provide and support the VDI system			
9				Tricia Ireland, VP	ITSG	Procure and provision
10				Mark Andrews, VP	ITBU	Support
11	Employee Enablement	IT Training	Provide Microsoft Office 365 and Collaboration Products Training	Mark Andrews, VP	ITBU	Mark Andrews, VP
12	Employee Enablement	Print	Provide and support office/network printers	Mark Andrews, VP	ITBU	Regular End User Print support
13	Employee Enablement	Mobile phones & devices	Mobile phones and tablets to approved employees	Tricia Ireland, VP	ITSI	
14	Employee Enablement	Desktop telephony	Desktop telephone handsets in office locations	Tricia Ireland, VP	ITSI	
15	Enterprise Services	Data, Analytics & AI Services	Provide the data analytics, strategy, and products to generate business value	Sami Ahmed, SVP	ITDT	
16						Data and Analytics Enablement
17						Data Governance
18						Content Management
19						Data and Analytics Product Development
20						Data Integration and Delivery
21						Platform Operations

DATA READINESS

Data Collection & Analysis

- Issued this data request shown to the right, prior to project start, which OMERS worked to provide over the course of the project
- When the specific data was not available or only partially available, we worked together to produce what was needed so that work could progress. For example, organization charts did not exist, but there was organizational data in spreadsheet form. We used that data to create organization charts for all of D&T plus OMERS corporation, to facilitate our understanding, and aid in defining services and creating the cost allocation model.

INITIAL DATA SETS	BASELINE	DESCRIPTION
Company Information	Current Year To Date / Previous Full Year	<ul style="list-style-type: none"> • Facilities (by locations with headcount by department) • Revenue (Consolidated and by business unit) • Major Initiatives (Key Operating Metrics, Business Strategies) • Number of End Users (Consolidated and by business unit) • Vendor listing with annual spend • Most recent IT value assessments, studies, benchmarking
IT Financial Data	Current Year To Date / Previous Full Year	<ul style="list-style-type: none"> • OPEX budget / actuals • CAPEX budget / actuals • Chart of accounts
Organization	Current Year To Date / Previous Full Year	<ul style="list-style-type: none"> • Organization (organization charts, staffing, locations, and cost centers) • Staffing Mix (Role, Location, Internal, Contractors) • Forecast Staffing Mix (Role, Location, Internal, Contractors)
Project Portfolio	Current Year To Date / Previous Full Year	<ul style="list-style-type: none"> • Current and Forecasted Project Portfolio
Application Portfolio	Current Year To Date / Previous Full Year	<ul style="list-style-type: none"> • Current Applications Inventory
Asset Portfolio	Current Year To Date / Previous Full Year	<ul style="list-style-type: none"> • Software Assets Inventory (Licenses) • Depreciation / Asset register
Infrastructure	Current Year To Date / Previous Full Year	<ul style="list-style-type: none"> • Servers, Storage, Database inventories • Voice and Data Network Info (circuit inventories and costs, data centers, colo facilities)

DATA READINESS

Data Quality Assessment

- After services and service components are defined, a data quality assessment can be performed on the service consumption and cost data for these defined services
- **The purpose of the assessment is to determine the following:**
 - Does sufficient financial data exist to enable the costing of individual services
 - Does sufficient usage data exist to determine who the consumers of those services are
 - Does sufficient data exist to enable an accurate showback and chargeback of those services to the business unit consumers
- The methodology and scoring criteria for the assessment tool is shown below
- An excerpt of the tool is shown on the following slide with the scores for each service category.

Methodology	Data Quality Impact	Percentage
<ol style="list-style-type: none"> 1. All services are equal in total weight (= 1). 2. For every service, sum of their distributed weights (subjective) is equal to 1. 3. Based on the percentage of data received for each inventory item, its score is calculated (weight * percentage) 4. The sum of all inventory item scores within the service will provide the total weightage score of the service. The total weightage score multiplied by 100 and rounded off to its nearest integer will be the data quality percentage. 5. Please refer to the "Data Quality Impact" that describes the effectiveness of the data quality calculated. 	High: Sufficient usage and cost data exists to determine how much of a given service is consumed by a specific business unit and the cost of that usage can be accurately determined and allocated to that business unit	>= 75%
	Moderate: Incomplete level of information to comprehensively determine the cost and usage of services to allocate appropriately to the business units. Costs for services and the allocation methodology will have to be based upon higher level enterprise parameters such as headcount or assigned computers, yielding a lower level of granularity. Costs may be allocated for specific service categories and services that score at least 75%.	40% < 75%
	Low: Insufficient usage and cost data to determine and allocate costs to the business units. Additional data collection and cleansing is required to improve quality to at least a Moderate level.	< 40%

DATA READINESS

Quality Assessment Example

Data quality is assessed based upon the availability and granularity of Service Consumption data and the Financial data

- The overall data quality score is 74% across the seven service categories, which is not sufficient to enable a complete detailed showback or chargeback to the business units
 - However, two service categories have scores above 75%, which is sufficient to move forward with those
- Other service categories are close to the minimum required 75% level, so with some additional effort focusing on the BU consumption data that level may be achieved in 2022

Data Quality Assessment																	
Service Category	Service / Service Component Name	Cost Center	Consumption Data						Cost Data				Total Weighted Score	Data Item Quality	Category Quality	Overall Data Quality	
			Source	Weight	Data Received	Score	Notes	BU Allocation Data Available	Gaps	Source	Weight	Data Received					Score
Employee Enablement	Service desk - incident management and service requests	ITSD	SNOW data - email summary	0.5	70%	0.35	Aggregate data only	No		D&T Financials	0.5	75%	0.375	0.725	73%	66%	74%
	PC hardware provisioning and support	ITSG	SNOW CMDB	0.5	50%	0.25	Devices and virtual licenses are comingled	No	Device and employee counts are off by 100%	D&T Financials	0.5	75%	0.375	0.625	63%		
	PC software provisioning and support	ITSG, ITBU	SAM data	0.5	90%	0.45	Detailed SAM data provided	No		D&T Financials	0.5	75%	0.375	0.825	83%		
	Virtual desktop (VDI)	ITSG		0.5	50%	0.25		No		D&T Financials	0.5	75%	0.375	0.625	63%		
	IT Training - Office 365 and collaboration tools	ITBU		0.5	0%	0		No	Need details on what training is provided to whom and in what quantity	D&T Financials	0.5	75%	0.375	0.375	38%		
	Print - office/network printers	ITBU	Printer listing	0.5	50%	0.25	Printer inventory by city/office provided	Partial - Printer by office, need not BU		D&T Financials	0.5	75%	0.375	0.625	63%		
	Desktop Telephones	ITSI		0.5	50%	0.25	Moving to Teams so data not needed	No		D&T Financials	0.5	75%	0.375	0.625	63%		
Enterprise Services	Mobile Phones & Tablets	ITSI	Mobile device listing	0.5	75%	0.375	Devices to cost center only - no individual details	Partial - Cannot link to service as not all carriers filled out or traceable to GL		D&T Financials	0.5	100%	0.5	0.875	88%	54%	74%
	Data and Analytics	ITDT		0.5	50%	0.25		No	No Consumption Data Provided Yet	D&T Financials	0.5	75%	0.375	0.625	63%		
	Cybersecurity	ITIS		0.5	50%	0.25		No	No Consumption Data Provided Yet	D&T Financials	0.5	75%	0.375	0.625	63%		
Collaboration & Communications	Business Process Automation	ITBC		0.5	0%	0		No	No Consumption Data Provided Yet	D&T Financials	0.5	75%	0.375	0.375	38%	70%	74%
	Audio and Web Conferencing	ITBU	SAM data	0.5	75%	0.375	# of Office 365 licenses	Partial - Blank costcentres and 0 cost centres included		D&T Financials	0.5	90%	0.45	0.825	83%		
	Collaboration Platforms	ITBU	SAM data	0.5	75%	0.375	# of Office 365 licenses	Partial - Blank costcentres and 0 cost centres included		D&T Financials	0.5	90%	0.45	0.825	83%		
	Email	ITBU	SAM data	0.5	75%	0.375	# of Office 365 licenses	Partial - Blank costcentres and 0 cost centres included		D&T Financials	0.5	90%	0.45	0.825	83%		
	Workplace Services	ITBU		0.5	0%	0		No		D&T Financials	0.5	75%	0.375	0.375	38%		
Infrastructure Services	Video Conferencing	ITBU	Device listing	0.5	50%	0.25		No - Device list provided does not have a link to BU	Data needs to be updated and cleansed	D&T Financials	0.5	75%	0.375	0.625	63%	65%	74%
	Compute - physical/virtual servers	ITSI	Server inventory	0.5	50%	0.25	-	Partial - Blank costcentres and 0 cost centres included	Need assigned app, users, and cost center	D&T Financials	0.5	75%	0.375	1	100%		
	Compute - cloud	ITSI	Google, Azure, AWS invoices	0.5	50%	0.25		No	Google invoice has no detail. Azure invoice is 26 pages. Nothing on AWS yet.	Vendor invoices	0.5	75%	0.375				
	Storage - physical	ITSI		0	0%	0		No	Confirm if there is any physical storage in use		0.5	75%	0.375				
	Storage - cloud	ITSI	Google, Azure, AWS invoices	0.5	33%	0.165		No	Google invoice has no detail. Azure invoice is 26 pages. Nothing on AWS yet.	Vendor invoices	0.5	75%	0.375	0.54	54%		
	Backup & Archive	ITSI		0.5	0%	0		No	Provide details on this service		0.5	75%	0.375	0.375	38%		
	DC Network - LAN & WAN	ITSI	Circuit listing, Network maps	0.5	75%	0.375		Partial - Have location, but not BU's in location that circuits are used for		D&T Financials and vendor invoice	0.5	75%	0.375	0.75	75%		
	Data center space and power	ITSI	D&T Financials & Network	0.5	100%	0.5		No		D&T Financials and vendor invoice	0.5	100%	0.5	1	100%		
	DR Services	ITSI		0.5	0%	0		No	Need additional details on what's supported and for whom		0.5	75%	0.375	0.375	38%		
	Data Network - WAN	ITSI	Circuit listing, Network maps	0.5	75%	0.375		Partial - Have location, but not BU's in location that circuits are used for		D&T Financials and vendor invoice	0.5	75%	0.375	0.75	75%		
Data Network - Voice	ITSI		0.5	75%	0.375		Partial - Have location, but not BU's in location that circuits are used for		D&T Financials and vendor invoice	0.5	75%	0.375	0.75	75%			
Data Network - WiFi	ITSI		0.5	0%	0		Partial - Have location, but not BU's in location that circuits are used for	Need additional details - number of hotspots and locations		0.5	75%	0.375	0.375	38%			

DATA READINESS

Data Quality Assessment Tool

The tool is divided into two main sections;

- 1) Consumption data
- 2) Financial data

- Each section section is weighted equally, comprising 50% of the total data quality score. Maximum total combined value is 1 or 100%.
- The Data Received value is determined by looking at what data is required and what has actually been provided. This requires some expert judgement on our part.
- The Score is computed by multiplying the Weight by the Data Received value
- Having the Business Unit (BU) is ESSENTIAL in order to perform a showback or chargeback, because without it you do not know who is consuming the service, so you cannot show them their consumption costs nor charge them either
- If you do not have the BU data, you can still perform the DQA, but the scoring will be low resulting in a Red status for each item and overall for the Service Category as well
- Use the Gaps column to note what is specifically missing or wrong with the data

Data Quality Assessment									
Service Category	Service / Service Component Name	Cost Center	Consumption Data						
			Source	Weight	Data Received	Score	Notes	BU Allocation Data Available	Gaps
Employee Enablement	Service desk - incident management and service requests	ITSD	SNOW data - email summary	0.5	70%	0.35	Aggregate data only	No	
	PC hardware provisioning and support	ITSG	SNOW CMDB	0.5	50%	0.25	Devices and virtual licenses are comingled	No	Device and employee counts are off by 100%
	PC software provisioning and support	ITSG, ITBU	SAM data	0.5	90%	0.45	Detailed SAM data provided	No	
	Virtual desktop (VDI)	ITSG		0.5	50%	0.25		No	
	IT Training - Office 365 and collaboration tools	ITBU		0.5	0%	0		No	Need details on what training is provided to whom and in what quantity

DATA READINESS

Data Quality Assessment Tool – Cost Data

- The Cost section of the tool is completed in the same manner as the previous Consumption section
- The objective for this section is to make sure that the costs for each service are fully known
- In some cases, you may have partial costs for a service, which would then be reflected in the Data Received score accordingly.
- Note any quality or missing data in the Gaps section which would also support the score given for that service

Data Quality Assessment

Service Category	Service / Service Component Name	Cost Center	Cost Data						Total Weighted Score	Data Item Quality	Category Quality	Overall Data Quality
			Source	Weight	Data Received	Score	Notes	Gaps				
Employee Enablement	Service desk - incident management and service requests	ITSD	D&T Financials	0.5	50%	0.25	SNOW costs are not in this cost center	Need to map vendor costs and headcount to individual service	0.6	60%	55%	
	PC hardware provisioning and support	ITSG	D&T Financials	0.5	50%	0.25		Need to map vendor costs and headcount to individual service	0.6	60%		
	PC software provisioning and support	ITSG, ITBU	D&T Financials	0.5	70%	0.35	-	Need to map vendor costs and headcount to individual service	0.8	80%		
	Virtual desktop (VDI)	ITSG	D&T Financials	0.5	50%	0.25	-	Need to map vendor costs and headcount to individual service	0.25	25%		

DATA READINESS

Data Quality Assessment Tool – Scoring

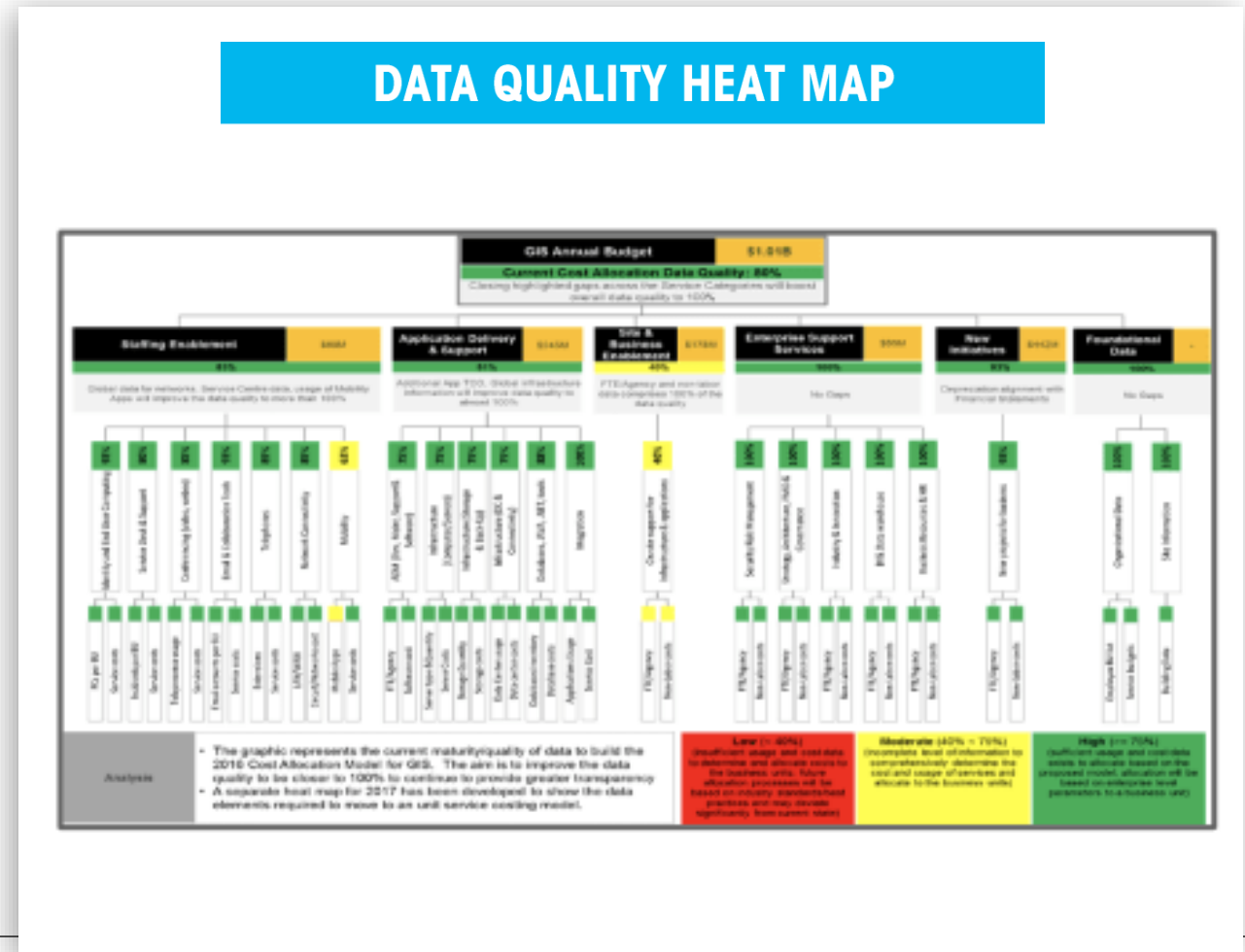
- Quality scores are computed for each service, each service category (average of services in that category), and an overall score (average of all service categories)
- The scores will be color coded per the previously stated criteria and will serve as a quantitative baseline to then enable the planning of next steps to improve the scores to the needed level

Data Quality Assessment												
Service Category	Service / Service Component Name	Cost Center	Cost Data						Total Weighted Score	Data Item Quality	Category Quality	Overall Data Quality
			Source	Weight	Data Received	Score	Notes	Gaps				
Employee Enablement	Service desk - incident management and service requests	ITSD	D&T Financials	0.5	50%	0.25	SNOW costs are not in this cost center	Need to map vendor costs and headcount to individual service	0.6	60%	55%	65%
	PC hardware provisioning and support	ITSG	D&T Financials	0.5	50%	0.25		Need to map vendor costs and headcount to individual service	0.6	60%		
	PC software provisioning and support	ITSG, ITBU	D&T Financials	0.5	70%	0.35	-	Need to map vendor costs and headcount to individual service	0.8	80%		
	Virtual desktop (VDI)	ITSG	D&T Financials	0.5	50%	0.25	-	Need to map vendor costs and headcount to individual service	0.25	25%		
	IT Training - Office 365 and collaboration tools	ITBU	D&T Financials	0.5	50%	0.25	-	Need to map vendor costs and headcount to individual service	0.25	25%		
	Print - office/network printers	ITBU	D&T Financials	0.5	50%	0.25	-	Need to map vendor costs and headcount to individual service	0.625	63%		
	Desktop Telephones	ITSI	D&T Financials	0.5	50%	0.25		Need to map vendor costs and headcount to individual service	0.25	25%		
	Mobile Phones & Tablets	ITSI	D&T Financials	0.5	100%	0.5		For D&T only	1	100%		
Enterprise Services	Data and Analytics	ITDT	D&T Financials	0.5	75%	0.375		Need to map vendor costs and headcount to individual service	0.625	63%	50%	65%
	Cybersecurity	ITIS	D&T Financials	0.5	75%	0.375		Need to map vendor costs and headcount to individual service	0.625	63%		
	Business Process Automation	ITBC	D&T Financials	0.5	50%	0.25		Need to map vendor costs and headcount to individual service	0.25	25%		
Collaboration & Communications	Audio and Web Conferencing	ITBU	D&T Financials	0.5	90%	0.45		Need to map vendor costs and headcount to individual service	0.95	95%	60%	65%
	Collaboration Platforms	ITBU	D&T Financials	0.5	90%	0.45		Need to map vendor costs and headcount to individual service	0.95	95%		
	Email	ITBU	D&T Financials	0.5	90%	0.45		Need to map vendor costs and headcount to individual service	0.95	95%		
	Workplace Services	ITBU		0.5	50%	0.25			0.25	25%		
	Video Conferencing	ITBU	D&T Financials	0.5	50%	0.25		Need to map vendor costs and headcount to individual service	0.5	50%		
Infrastructure Services	Compute - physical/virtual servers	ITSI	D&T Financials	0.5	50%	0.25		Need to map vendor costs and headcount to individual service	0.75	75%	45%	65%
	Compute - cloud	ITSI	Vendor invoices	0.5	50%	0.25		Google invoice has no detail. Azure invoice is 26 pages. Nothing on AWS yet.				
	Storage - physical	ITSI		0.5	50%	0.25		Need cost data for this service				
	Storage - cloud	ITSI	Vendor invoices	0.5	50%	0.25		Google invoice has no detail. Azure invoice is 26 pages. Nothing on AWS yet.	0.415	42%		
	Backup & Archive	ITSI		0.5	50%	0.25		Need cost data for this service	0.25	25%		
	DC Network - LAN & WAN	ITSI	D&T Financials and vendor invoice	0.5	75%	0.375		Need to confirm all costs are captured	0.875	88%		
	Data center space and power	ITSI	D&T Financials and vendor invoice	0.5	100%	0.5		Need Colo provider invoices	1	100%		
	DR Services	ITSI		0.5	50%	0.25		Need to map vendor costs and headcount to individual service	0.25	25%		
	Data Network - WAN	ITSI	D&T Financials and vendor invoice	0.5	75%	0.375		Need to map vendor costs and headcount to individual service	0.875	88%		
	Data Network - Voice	ITSI	D&T Financials and vendor invoice	0.5	75%	0.375		Need to map vendor costs and headcount to individual service	0.875	88%		

DATA READINESS

Assessment Framework

- The data quality heat map is created based on the outputs from the Data Quality Assessment tool and is used to provide a visual representation of the assessment results for ease of understanding
- Assessment results should be used to make decisions regarding treatment for the chargeback model design, e.g., services with high quality cost and usage data could be candidates for unit-based chargeback



DATA READINESS

Next Steps

- A data quality improvement plan should be created for each service or category that had scores less than 75% (red or yellow)
- Typical improvement recommendations include:
 - Implementation of processes or systems to tag/identify which BUs are consuming which services, such as using ServiceNow to capture employee and BU information when incidents or service requests are called into the Help/Service Desk
 - Create or update an asset inventory or CMDB for all hardware and devices used by customers, such as computers, wireless devices
 - Implement software asset management (SAM) to track and identify all software and licenses being used by customers
 - Identify all shared (Indirect) services, determine the costs for each of those services, develop an equitable allocation methodology, and then allocate those costs to the employee and BU level
 - For example, network costs can be allocated to BUs based on how many employees have computers connected to the network
 - Automate the data management, cost allocation, and reporting processes using a tool such as MagicOrange
 - Change the purchase request, purchase order, and invoice payment processes and systems to identify the associated service and map it to each purchase at the initial service request generation stage. Then enable that assigned service code to flow through to invoice payment, accounting, and financial reporting so that the costs will be booked to the appropriate employee and BU
 - Review and update the vendor management processes to identify and assign the related IT services that each vendor provides

DATA READINESS

DQA Tool

	Template	Data Quality
	Purpose	To determine the quality of data collected for the D&T cost allocation model design
	Point of Contact	MagicOrange - Pete Hidalgo

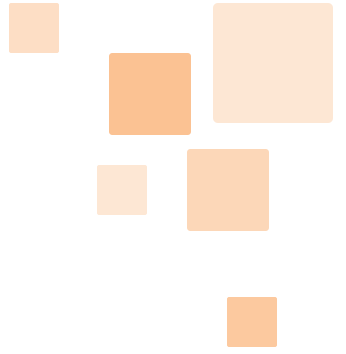
	Field Name	Field Description
Data Quality	Service Category	Category for bundling the services as defined from the OMERS - MagicOrange ITFM project
	Service Name	Individual services identified
	Service Cost	Cost of the service to be incurred by the business units per unit of their usage
	Service Quantity	The quantity of the metric used to determine the total usage of service and their allocation to the appropriate business units
	Consumption Data: Inventory	Information requested for identifying the consumption of service related to customers/BUs
	Consumption Data: Weight	Assigned weight for the information requested based on its significance for the cost allocation model and application TCO
	Consumption Data: Data Received	Percentage of data received for analysis
	Consumption Data: Score	The score for the inventory item or the service (weight * Data Received)
	Consumption Data: Notes	Comments on the data received
	Consumption Data: Gaps	Any gaps between the data available and the data required
	Cost Data: Inventory	Information requested for identifying the costs of service rendered to the customers/BUs
	Cost Data: Weight	Assigned weight for the information requested based on its significance for the cost allocation model and application TCO
	Cost Data: Data Received	Percentage of data received for analysis
	Cost Data: Score	The score for the inventory item or the service (weight * Data Received)
	Cost Data: Notes	Comments on the data received
	Cost Data: Gaps	Any gaps between the data available and the data required
	Total Weighted Score	Average weighted score for a service based on data collected
	Data Item Quality	Quality of the data collected per individual item and its impact (see below for explanation)
	Category Quality	Quality of the data collected for the service category and its impact (see below for explanation)
	Category Weight	Weighted score for a service category based on its cost/budget
Overall Data Quality	Overall quality of data collected and its impact on the maturity of the model (see below for explanation)	

Methodology	Data Quality Impact	Percentage
1. All services are equal in total weight (= 1). 2. For every service, sum of their distributed weights (subjective) is equal to 1. 3. Based on the percentage of data received for each inventory item, its score is calculated (weight * percentage) 4. The sum of all inventory item scores within the service will provide the total weightage score of the service. The total weightage score multiplied by 100 and rounded off to its nearest integer will be the data quality percentage. 5. Please refer to the "Data Quality Impact" that describes the effectiveness of the data quality calculated.	High: Sufficient usage and cost data exists to determine how much of a given service is consumed by a specific business unit and the cost of that usage can be accurately determined and allocated to that business unit	>= 75%
	Moderate: Incomplete level of information to comprehensively determine the cost and usage of services to allocate appropriately to the business units. Costs for services and the allocation methodology will have to be based upon higher level enterprise parameters such as headcount or assigned computers, yielding a lower level of granularity. Costs may be allocated for specific service categories and services that score at least 75%.	40% < 75%
	Low: Insufficient usage and cost data to determine and allocate costs to the business units. Additional data collection and cleansing is required to improve quality to at least a Moderate level.	< 40%

DATA READINESS

DQA Tool

Data Quality Assessment																				
Service Category	Service / Service Component Name	Cost Center	Consumption Data						Cost Data						Total Weighted Score	Data Item Quality	Category Quality	Overall Data Quality		
			Source	Weight	Data Received	Score	Notes	BU Allocation Data Available	Gaps	Source	Weight	Data Received	Score	Notes					Gaps	
Employee Enablement	Service desk - incident management and service requests	ITSD	SNOW data - email summary	0.5	70%	0.35	Aggregate data only	No		D&T Financials	0.5	75%	0.375			0.725	73%	66%	74%	
	PC hardware provisioning and support	ITSG	SNOW CMDB	0.5	50%	0.25	Devices and virtual licenses are comingled	No	Device and employee counts are off by 100%	D&T Financials	0.5	75%	0.375			0.625	63%			
	PC software provisioning and support	ITSG	SAM data	0.5	90%	0.45	Detailed SAM data provided	No		D&T Financials	0.5	75%	0.375	-		0.825	83%			
	Virtual desktop (VDI)	ITSG		0.5	50%	0.25		No		D&T Financials	0.5	75%	0.375	-		0.625	63%			
	IT Training - Office 365 and collaboration tools	ITBU		0.5	0%	0		No	Need details on what training is provided to whom and in what quantity	D&T Financials	0.5	75%	0.375	-		0.375	38%			
	Print - office/network printers	ITBU	Printer listing	0.5	50%	0.25	Printer inventory by city/office provided	Partial - Printer by office, need not BU			D&T Financials	0.5	75%	0.375	-		0.625			63%
	Desktop Telephones	ITSI		0.5	50%	0.25	Moving to Teams so data not needed	No		D&T Financials	0.5	75%	0.375			0.625	63%			
Enterprise Services	Mobile Phones & Tablets	ITSI	Mobile device listing	0.5	75%	0.375	Devices to cost center only - no individual details	Partial - Cannot link to service as not all carriers filled out or traceable to GL		D&T Financials	0.5	100%	0.5			0.875	88%	64%	74%	
	Data and Analytics	ITDT		0.5	50%	0.25		No	No Consumption Data Provided Yet	D&T Financials	0.5	75%	0.375			0.625	63%			
	Cybersecurity	ITIS		0.5	50%	0.25		No	No Consumption Data Provided Yet	D&T Financials	0.5	75%	0.375			0.625	63%			
Collaboration & Communications	Business Process Automation	ITBC		0.5	0%	0		No	No Consumption Data Provided Yet	D&T Financials	0.5	75%	0.375			0.375	38%	70%	74%	
	Audio and Web Conferencing	ITBU	SAM data	0.5	75%	0.375	# of Office 365 licenses	Partial - Blank costcentres and 0 cost centres included		D&T Financials	0.5	90%	0.45			0.825	83%			
	Collaboration Platforms	ITBU	SAM data	0.5	75%	0.375	# of Office 365 licenses	Partial - Blank costcentres and 0 cost centres included		D&T Financials	0.5	90%	0.45			0.825	83%			
	Email	ITBU	SAM data	0.5	75%	0.375	# of Office 365 licenses	Partial - Blank costcentres and 0 cost centres included		D&T Financials	0.5	90%	0.45			0.825	83%			
	Workplace Services	ITBU		0.5	0%	0		No			0.5	75%	0.375			0.375	38%			
Infrastructure Services	Video Conferencing	ITBU	Device listing	0.5	50%	0.25		No - Device list provided does not have a link to BU	Data needs to be updated and cleansed	D&T Financials	0.5	75%	0.375			0.625	63%	65%	74%	
	Compute - physical/virtual servers	ITSI	Server inventory	0.5	50%	0.25	-	Partial - Blank costcentres and 0 cost centres included	Need assigned app, users, and cost center	D&T Financials	0.5	75%	0.375			1	100%			
	Compute - cloud	ITSI	Google, Azure, AWS invoices	0.5	50%	0.25	-	No	Google invoice has no detail. Azure invoice is 26 pages. Nothing on AWS yet.	Vendor invoices	0.5	75%	0.375							
	Storage - physical	ITSI		0	0%	0	-	No	Confirm if there is any physical storage in use		0.5	75%	0.375							
	Storage - cloud	ITSI	Google, Azure, AWS invoices	0.5	33%	0.165	-	No	Google invoice has no detail. Azure invoice is 26 pages. Nothing on AWS yet.	Vendor invoices	0.5	75%	0.375			0.54	54%			
	Backup & Archive	ITSI		0.5	0%	0	-	No	Provide details on this service		0.5	75%	0.375			0.375	38%			
	DC Network - LAN & WAN	ITSI	Circuit listing, Network maps	0.5	75%	0.375		Partial - Have location, but not BU's in location that circuits are used for		D&T Financials and vendor invoice	0.5	75%	0.375			0.75	75%			
	Data center space and power	ITSI	D&T Financials & Network	0.5	100%	0.5		No		D&T Financials and vendor invoice	0.5	100%	0.5			1	100%			
	DR Services	ITSI		0.5	0%	0		No	Need additional details on what's supported and for whom		0.5	75%	0.375			0.375	38%			
	Data Network - WAN	ITSI	Circuit listing, Network maps	0.5	75%	0.375		Partial - Have location, but not BU's in location that circuits are used for		D&T Financials and vendor invoice	0.5	75%	0.375			0.75	75%			
	Data Network - Voice	ITSI		0.5	75%	0.375		Partial - Have location, but not BU's in location that circuits are used for		D&T Financials and vendor invoice	0.5	75%	0.375			0.75	75%			
	Data Network - WIFI	ITSI		0.5	0%	0		Partial - Have location, but not BU's in location that circuits are used for	Need additional details - number of hotspots and locations		0.5	75%	0.375			0.375	38%			
	Data Network - Devices/Appliances	ITSI		0.5	50%	0.25		Partial - Have location, but not BU's in location that circuits are used for	Need inventory		0.5	75%	0.375			0.625	63%			
	Data Network - LAN	ITSI		0.5	50%	0.25		Partial - Have location, but not BU's in location that circuits are used for	Need additional details - where provided and for whom		0.5	75%	0.375			0.625	63%			
Network Cloud Services		Cloud invoices	0.5	50%	0.25		No	Extracting from cloud invoices	Cloud invoices	0.5	75%	0.375			0.625	63%				
Facility Development & Space Planning	ITSI		0.5	50%	0.25		No	Need additional details on what's supported and for whom		0.5	75%	0.375			0.625	63%				



Workshop Exercise

Data Assessment

Refer to your Workbook

DATA READINESS

DQA Tool

Data Quality Assessment																Total Weighted Score	Data Item Quality	Category Quality	Overall Data Quality	
Service Category	Service / Service Component Name	Cost Center	Consumption Data						Cost Data											
			Source	Weight	Data Received	Score	Notes	BU Allocation Data Available	Gaps	Source	Weight	Data Received	Score	Notes	Gaps					
Employee Enablement	Service desk - incident management and service requests	ITSD	SNOW data - email summary	0.5	70%	0.35	Aggregate data only	No		D&T Financials	0.5	75%	0.375			0.725	73%	66%	74%	
	PC hardware provisioning and support	ITSG	SNOW CMDB	0.5	50%	0.25	Devices and virtual licenses are comingled	No	Device and employee counts are off by 100%	D&T Financials	0.5	75%	0.375			0.625	63%			
	PC software provisioning and support	ITSG	SAM data	0.5	90%	0.45	Detailed SAM data provided	No		D&T Financials	0.5	75%	0.375	-		0.825	83%			
	Virtual desktop (VDI)	ITSG		0.5	50%	0.25		No		D&T Financials	0.5	75%	0.375	-		0.625	63%			
	IT Training - Office 365 and collaboration tools	ITBU		0.5	0%	0		No	Need details on what training is provided to whom and in what quantity	D&T Financials	0.5	75%	0.375	-		0.375	38%			
	Print - office/network printers	ITBU	Printer listing	0.5	50%	0.25	Printer inventory by city/office provided	Partial - Printer by office, need not BU			D&T Financials	0.5	75%	0.375	-		0.625			63%
	Desktop Telephones	ITSI		0.5	50%	0.25	Moving to Teams so data not needed	No		D&T Financials	0.5	75%	0.375			0.625	63%			
Enterprise Services	Mobile Phones & Tablets	ITSI	Mobile device listing	0.5	75%	0.375	Devices to cost center only - no individual details	Partial - Cannot link to service as not all carriers filled out or traceable to GS		D&T Financials	0.5	100%	0.5			0.875	88%	64%	74%	
	Data and Analytics	ITDT		0.5	50%	0.25		No	No Consumption Data Provided Yet	D&T Financials	0.5	75%	0.375			0.625	63%			
	Cybersecurity	ITIS		0.5	50%	0.25		No	No Consumption Data Provided Yet	D&T Financials	0.5	75%	0.375			0.625	63%			
Collaboration & Communications	Business Process Automation	ITBC		0.5	0%	0		No	No Consumption Data Provided Yet	D&T Financials	0.5	75%	0.375			0.375	38%	70%	74%	
	Audio and Web Conferencing	ITBU	SAM data	0.5	75%	0.375	# of Office 365 licenses	Partial - Blank costcentres and 0 cost centres included		D&T Financials	0.5	90%	0.45			0.825	83%			
	Collaboration Platforms	ITBU	SAM data	0.5	75%	0.375	# of Office 365 licenses	Partial - Blank costcentres and 0 cost centres included		D&T Financials	0.5	90%	0.45			0.825	83%			
	Email	ITBU	SAM data	0.5	75%	0.375	# of Office 365 licenses	Partial - Blank costcentres and 0 cost centres included		D&T Financials	0.5	90%	0.45			0.825	83%			
	Workplace Services	ITBU		0.5	0%	0		No			0.5	75%	0.375			0.375	38%			
Infrastructure Services	Video Conferencing	ITBU	Device listing	0.5	50%	0.25		No - Device list provided does not have a link to BU	Data needs to be updated and cleansed	D&T Financials	0.5	75%	0.375			0.625	63%	65%	74%	
	Compute - physical/virtual servers	ITSI	Server inventory	0.5	50%	0.25	-	Partial - Blank costcentres and 0 cost centres included	Need assigned app, users, and cost center	D&T Financials	0.5	75%	0.375			1	100%			
	Compute - cloud	ITSI	Google, Azure, AWS invoices	0.5	50%	0.25	-	No	Google invoice has no detail. Azure invoice is 26 pages. Nothing on AWS yet.	Vendor invoices	0.5	75%	0.375							
	Storage - physical	ITSI		0	0%	0	-	No	Confirm if there is any physical storage in use		0.5	75%	0.375							
	Storage - cloud	ITSI	Google, Azure, AWS invoices	0.5	33%	0.165	-	No	Google invoice has no detail. Azure invoice is 26 pages. Nothing on AWS yet.	Vendor invoices	0.5	75%	0.375			0.54	54%			
	Backup & Archive	ITSI		0.5	0%	0	-	No	Provide details on this service		0.5	75%	0.375			0.375	38%			
	DC Network - LAN & WAN	ITSI	Circuit listing, Network maps	0.5	75%	0.375		Partial - Have location, but not BU's in location that circuits are used for		D&T Financials and vendor invoice	0.5	75%	0.375			0.75	75%			
	Data center space and power	ITSI	D&T Financials & Network	0.5	100%	0.5		No		D&T Financials and vendor invoice	0.5	100%	0.5			1	100%			
	DR Services	ITSI		0.5	0%	0		No	Need additional details on what's supported and for whom		0.5	75%	0.375			0.375	38%			
	Data Network - WAN	ITSI	Circuit listing, Network maps	0.5	75%	0.375		Partial - Have location, but not BU's in location that circuits are used for		D&T Financials and vendor invoice	0.5	75%	0.375			0.75	75%			
	Data Network - Voice	ITSI		0.5	75%	0.375		Partial - Have location, but not BU's in location that circuits are used for		D&T Financials and vendor invoice	0.5	75%	0.375			0.75	75%			
	Data Network - WIFI	ITSI		0.5	0%	0		Partial - Have location, but not BU's in location that circuits are used for	Need additional details - number of hotspots and locations		0.5	75%	0.375			0.375	38%			
	Data Network - Devices/Appliances	ITSI		0.5	50%	0.25		Partial - Have location, but not BU's in location that circuits are used for	Need inventory		0.5	75%	0.375			0.625	63%			
	Data Network - LAN	ITSI		0.5	50%	0.25		Partial - Have location, but not BU's in location that circuits are used for	Need additional details - where provided and for whom		0.5	75%	0.375			0.625	63%			
Network Cloud Services		Cloud invoices	0.5	50%	0.25		No	Extracting from cloud invoices	Cloud invoices	0.5	75%	0.375			0.625	63%				
Facility Development & Space Planning	ITSI		0.5	50%	0.25		No	Need additional details on what's supported and for whom		0.5	75%	0.375			0.625	63%				

AGENDA

- Introductions
- Company Overview
- The ITFM Pathway
- Service Definition
- Data Readiness
- Automation
- Service Costing & Benchmarking
- Showback & Chargeback
- Benefits Realization



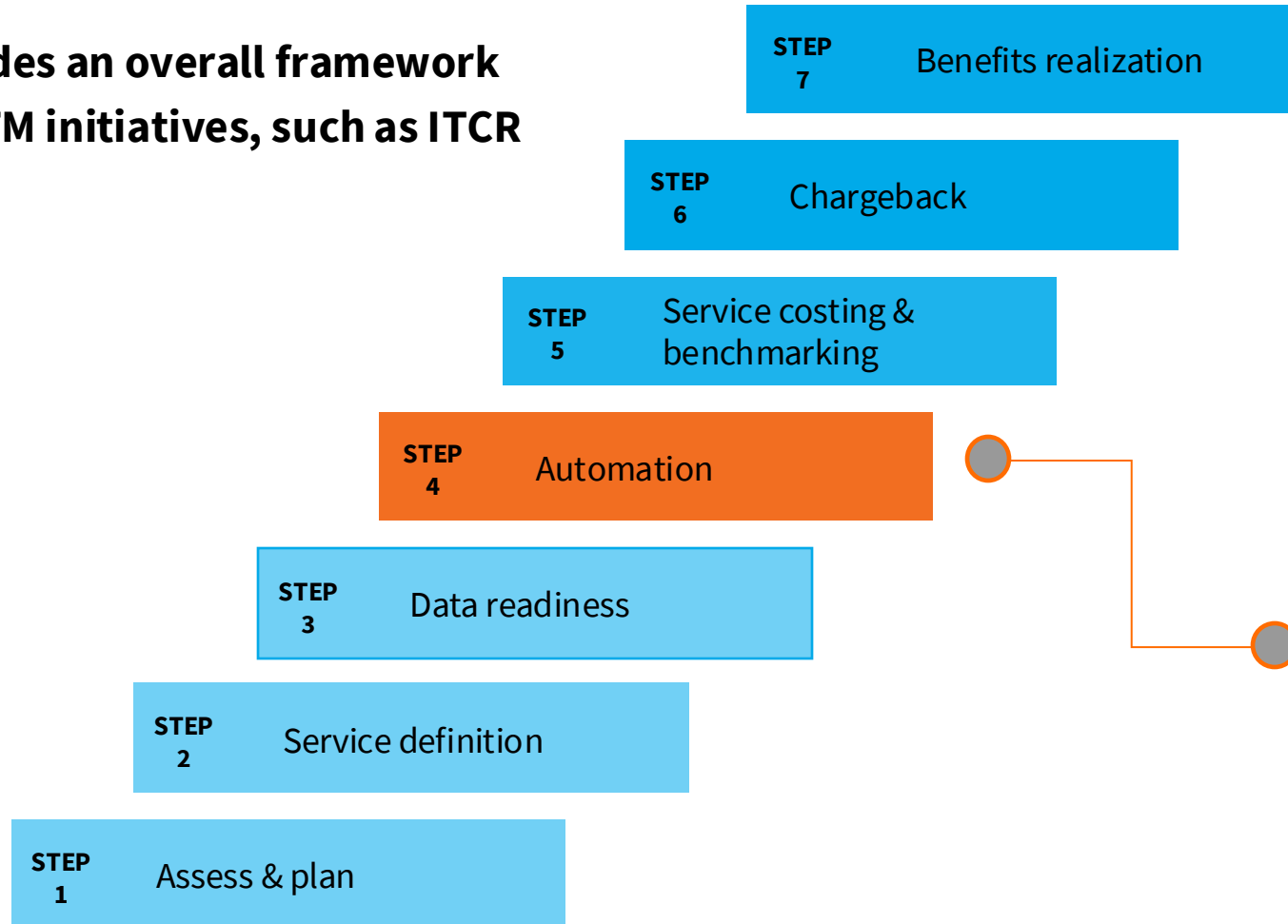
AUTOMATION

MagicOrange ITFM Pathway to SuccessSM

The ITFM Pathway provides an overall framework for pursuing multiple ITFM initiatives, such as ITCR

Framework Benefits

- Transparency
- Cost efficiency
- Customer Satisfaction



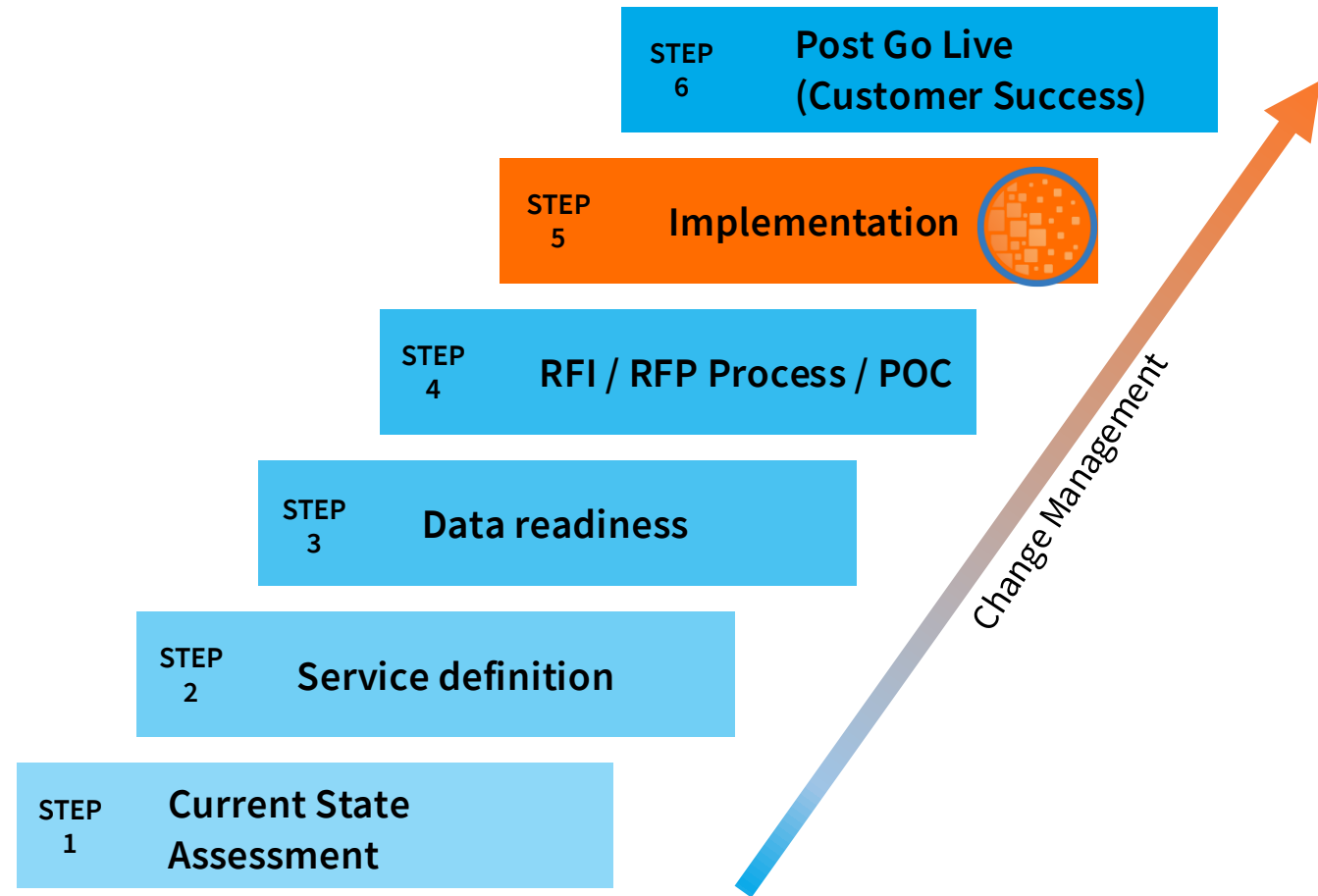
MAGICORANGE
Highly Granular Bill of IT
Showback / Chargeback Modeling
Compare across business lines

IMPLEMENTATION

ITFM Tool Pathway – Change Management

Benefits

- Make sure you are ready
- Choose the right tool for your use case
- Get the value and return on investment



AUTOMATION

Providing Transparency

DEMONSTRATE IT VALUE

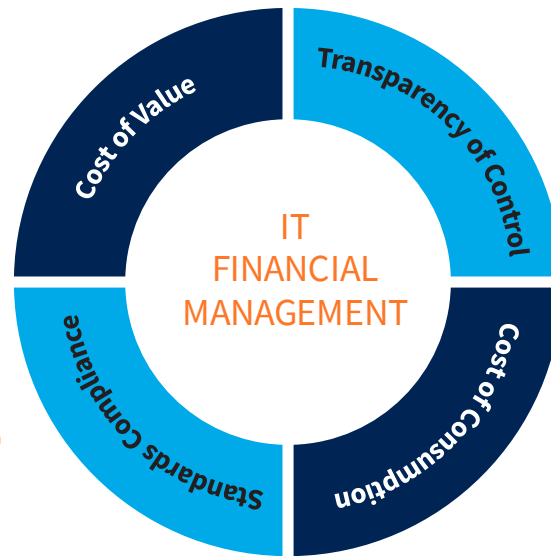
Target Audience: The Business

- What's the business value of IT?
- What does IT cost per user?
- Why is our investment in IT so high?
- Am I paying my fair share?

OPTIMIZE IT SPEND

Target Audience: IT Leaders

- Are IT costs managed and under control?
- Is our vendor spend optimized?
- What's the cost of physical vs virtual compute?



DEMONSTRATE IT COMPLIANCE

Target Audience: Governance/Regulatory/Boards

- Is IT meeting prescribed regulations?
- Is IT's performance comparable to industry standards?

MANAGE IT DEMAND

Target Audience: CIO/CFO

- How do we make better IT consumption & investment decisions?
- How do I change consumption?
- How can I encourage less expensive options for users?

AUTOMATION

The Reason for ITFM Tools

“ While possible to do ITFM outside of a system, doing ITFM at scale with accuracy rapidly becomes difficult. ”



AUTOMATION

When To Buy A Tool

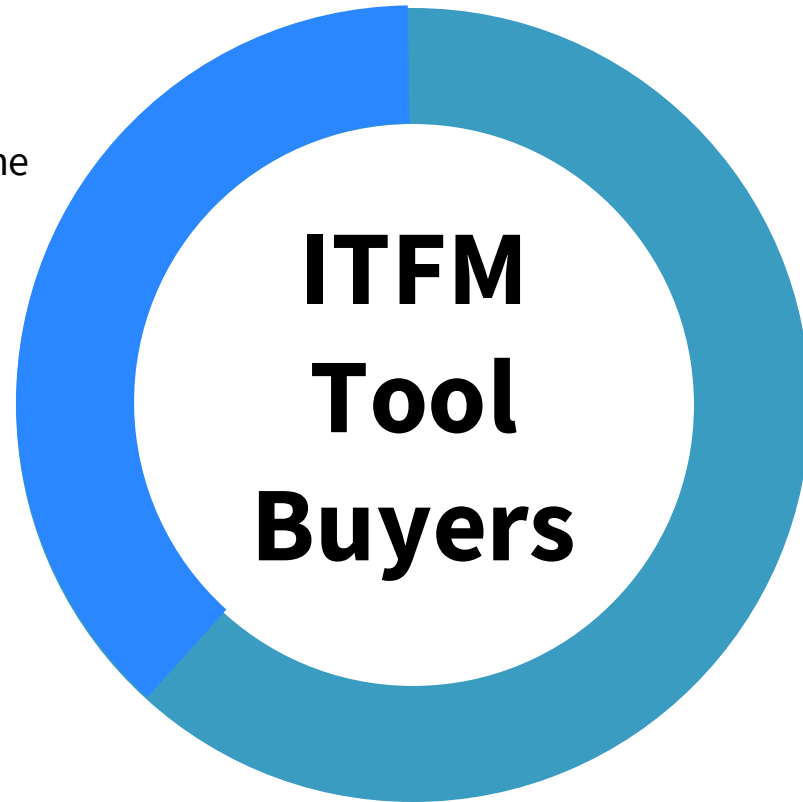
	Tipping Points	Tool Adoption Trigger
1	Reporting frequency	Quarterly or more often
2	Number of data sources	More than three
3	Consumption data complexity & hygiene	Extract transform load (ETL) requirements are medium to high
4	Allocation changes	Three to four allocation method changes per year
5	Allocation flexibility	Inflexible model with special coding required, rather than configuration
6	Cost model change dynamics	Major change to cost object types/classes (e.g. from technology to application or business unit). New views, stages or levels

AUTOMATION

ITFM Buyers Journey

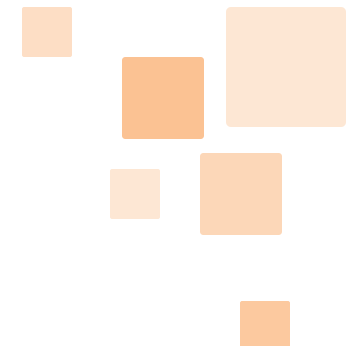
40%

Purchasing a tool as the first step in the ITFM journey



60%

Moving from spreadsheet



AUTOMATION

Use Cases

Automate the allocation process - Solutions are scalable, leverage multiple connectors, rapidly produce a granular cost model. Embedded analytics allow for end users self-serve. Inward & outbound APIs. Remove manual excel work and key resource dependency

Enable the multiple views of IT Financial Management - Create transparency of spend, follow frameworks such as ITFM & TBM. Show spend through multiple views such as Assets & Resources/Cost Pool, IT Towers/Technical Services, Application TCO, Business Services, Business Consumers. Leverage to optimize cost and reapply elsewhere

Manage & Consolidate Technology spend - Plan and manage spend at a detailed level such as vendor or tech initiative. Understand variances to plan and what opportunities or risks exist. Provide a consolidated view of spend across scenarios, ledgers, organisations and regions regardless of different ERPs. Provide a single place for a view into all spend

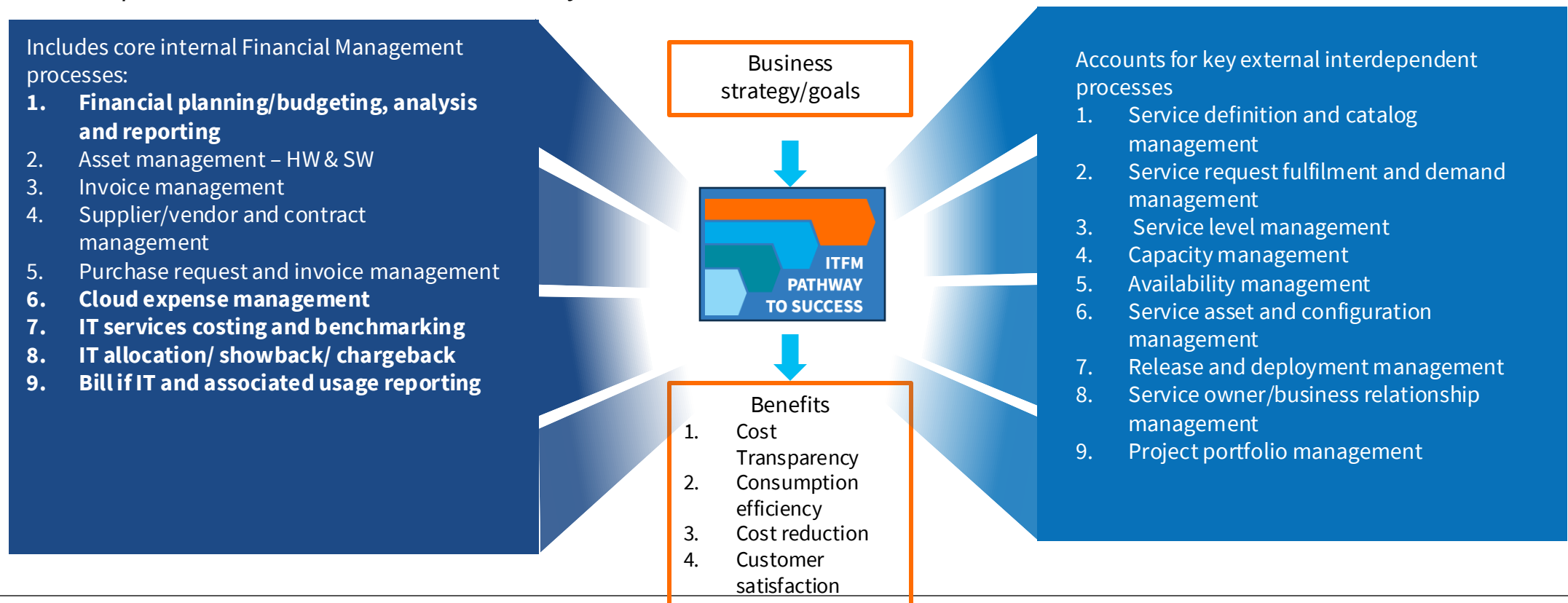
Implement Chargeback or Allocation process - Create an auditable and defensible value chain to justify allocations. Give end consumers self service capability to understand their recharge

AUTOMATION

The Big Picture

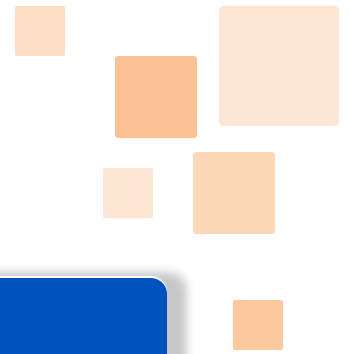
MagicOrange ITFM Pathway to Success Framework – based on ITIL and leading practices

Bold indicates processes that can be automated by a ITFM tool



AUTOMATION

Benefits Of An ITFM Tool



Data Controls

- SaaS solutions provide robust data protection and access control functionality
- ITFM tools allow for multiple data integrations across disparate systems of record (e.g. ERP, CMDB, Asset Management, PPM, Service Catalog, etc.)
- Much easier to put permissions and visibility constraints on data and reports when relevant
- Reports and Dashboards can be customized to fit the audience and organized via reporting repository



Increase ITFM Agility

- Drives alignment across relevant IT functional silos without risk of manual build
- Delivers quick wins and better business agility
- Able to defend cost allocations and quickly understand cause of variances
- Automate IT financial processes, including MBRs, CIO, Service Owner, Infra and BU dashboards
- Business will now be able to cost-justify infrastructure investments and hold vendors more accountable

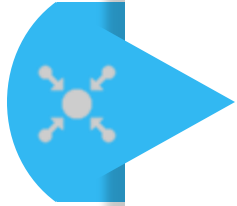


Cost Management

- By being able to quickly answer questions about IT costs, IT can move from cost center to business partner
- Demonstrate value by showing costs in terms of business applications and services; terms the business understands
- Quickly adjust to changing business priorities

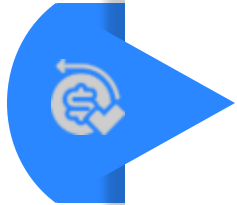
AUTOMATION

Benefits Of An ITFM Tool



Centralized System of record

- Spreadsheets are static and labor intensive
 - Inconsistent formulas and user error forces additional maintenance and manual effort. These issues can be severely diminished with an ITFM tool
- Able to join financial and operational data in a meaningful way
- “One stop shop” for all data and reporting updates/change
- ITFM tool platforms allow for multiple data integrations across disparate systems of record (e.g. ERP, CMDB, Asset Management, PPM, Service Catalog, etc.)



Allocations Chargeback Showback

- Easier to replace assumptions with facts
- Tool implementation will allow the ability to explain and defend allocations down to GL/transaction level
- Drives efficient consumption of IT Services
- Proper documentation of allocation strategies makes it seamless to educate consumers of the reports on sometimes difficult reporting around TCO and chargeback level analytics

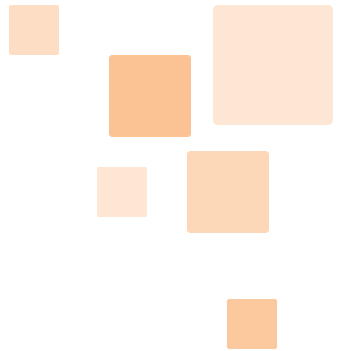


Data maturity

- Built-in data cleansing and refinement. Much easier to visualize data improvements over time.
- Improve data accuracy, predictability and hold data owners accountable with data quality reporting
- Have a much better understanding of how data quality affects allocations throughout model
- Can now visualize unallocated percentages and drill into issue much faster
- “Let the tool paint the maturity picture for you”

AUTOMATION

Implementation Challenges



Data quality



Lack of governance



Lack of education on proper ITFM methodology



AUTOMATION

Implementation Challenges

Data Quality**Accuracy**

- Is the data trustworthy?

**Availability**

- Who is the owner of the data?
- Can the data be refreshed?
- Can it be easily access?

**Timeliness**

- How long does it take to receive the data?
- Are the source refreshed timeously ?

**Completeness**

- Do we have a complete data set?









**Referential integrity**

- Can the datasets be joined in a meaningful way?



AUTOMATION

Improving Data Quality

	Use tools to transform and clean data		Have designated data owner(s)
	Use the ITFM tool & benchmarking to identify errors		Embark on Project to clean data at source
	Fill gaps by using generic allocation rules		Hold data owner accountable
	Fix source data quality problems over time		Offer assistance to data owner

Modelling & reporting data will increase visibility and will lead to better data

AUTOMATION

Implementation Challenges – Lack of Governance



- ITFM office needs to be pre-defined with regards to roles and responsibilities across IT, Finance and the Business
- This essentially is a RACI that identifies who will be responsible for key milestone signoffs, validation checkpoints, technical architecture and data/reporting responsibilities.
 - Laser-focused project and engagement management is paramount



Data ownership, thought leadership and allocation validation/signoffs need to be pre-defined and signed off prior to implementation kickoff



Poorly built or no templates around data runbook, solution requirements, use cases, etc.



- Unclear or vague ITFM roadmap causes “Boiling the Ocean” effect on advanced modelling and reporting
- Easy to try and tackle every challenge at once.
 - You can't move forward without knowing first where you are and what is a realistic maturation cadence
 - Critical to set proper expectations and align with CIO and other execs on prioritization
 - Management & execution of approved continuous improvement activities is vital for continued success

AUTOMATION

Implementation Challenges – Lacking ITFM Methodology

Educate the Organization and the key stakeholders on:

- What business case this is going to solve
- What resources will be needed and what % of FTE
- What thought leaders need to be available and at what time during implementation

ITFM team should have clear understating allocations and maturity levels:

- Education on IT finance and IT terms/definitions
- Understand what data is needed and when
- Understand the cost model strategy and objectives

End user training for ITFM Analysts and Report users

- Ensure that users complete the required training
- Make sure that there is common language used between users
- ITFM team have knowledge on model updates and the latest methodologies

Priority for organization to understand ERP systems and financial systems of record and how they connect

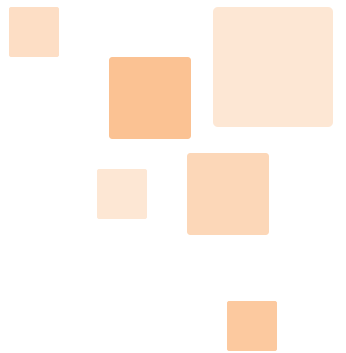
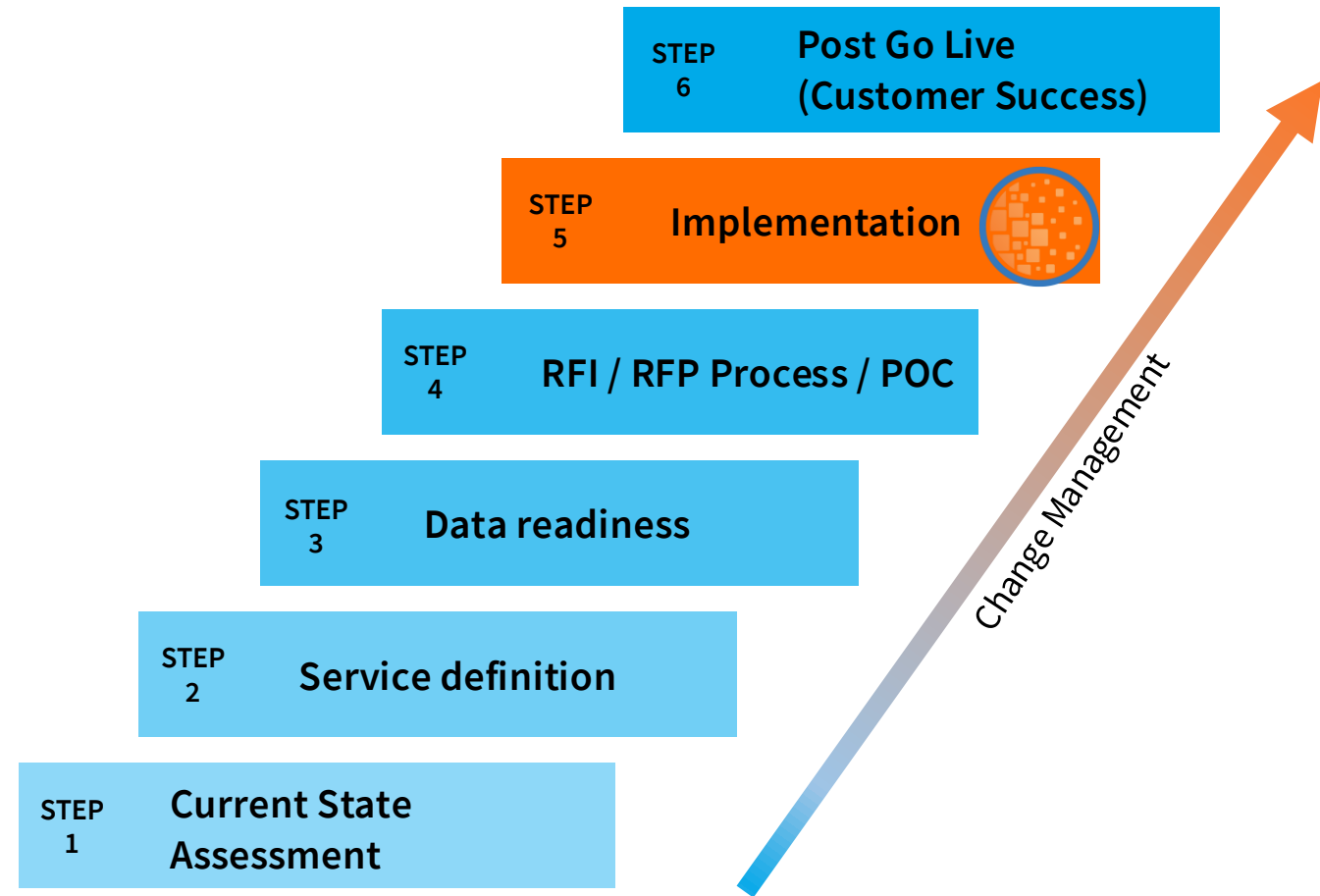
- Generic and lumped ledgers can turn into liability for transparency purposes and poor end user reporting experience

IMPLEMENTATION

ITFM Tool Pathway – Change Management

Benefits

- Make sure you are ready
- Choose the right tool for your use case
- Get the value and return on investment



IMPLEMENTATION

Current State Assessment

Essential to Understanding where you are and where you want to go

Before selecting and implementing a tool, ask these questions

What are our objectives?



Who are our stakeholders?

IT management, service owners, business customers, IT finance, etc.



Are services well defined?



What specific tool capabilities are desired and when?

Service costing, chargeback, planning, benchmarking, etc.



What is the availability and quality of service consumption and cost data?



Do you understand the one time and ongoing costs for a tool?



Who is going to manage and maintain the tool?

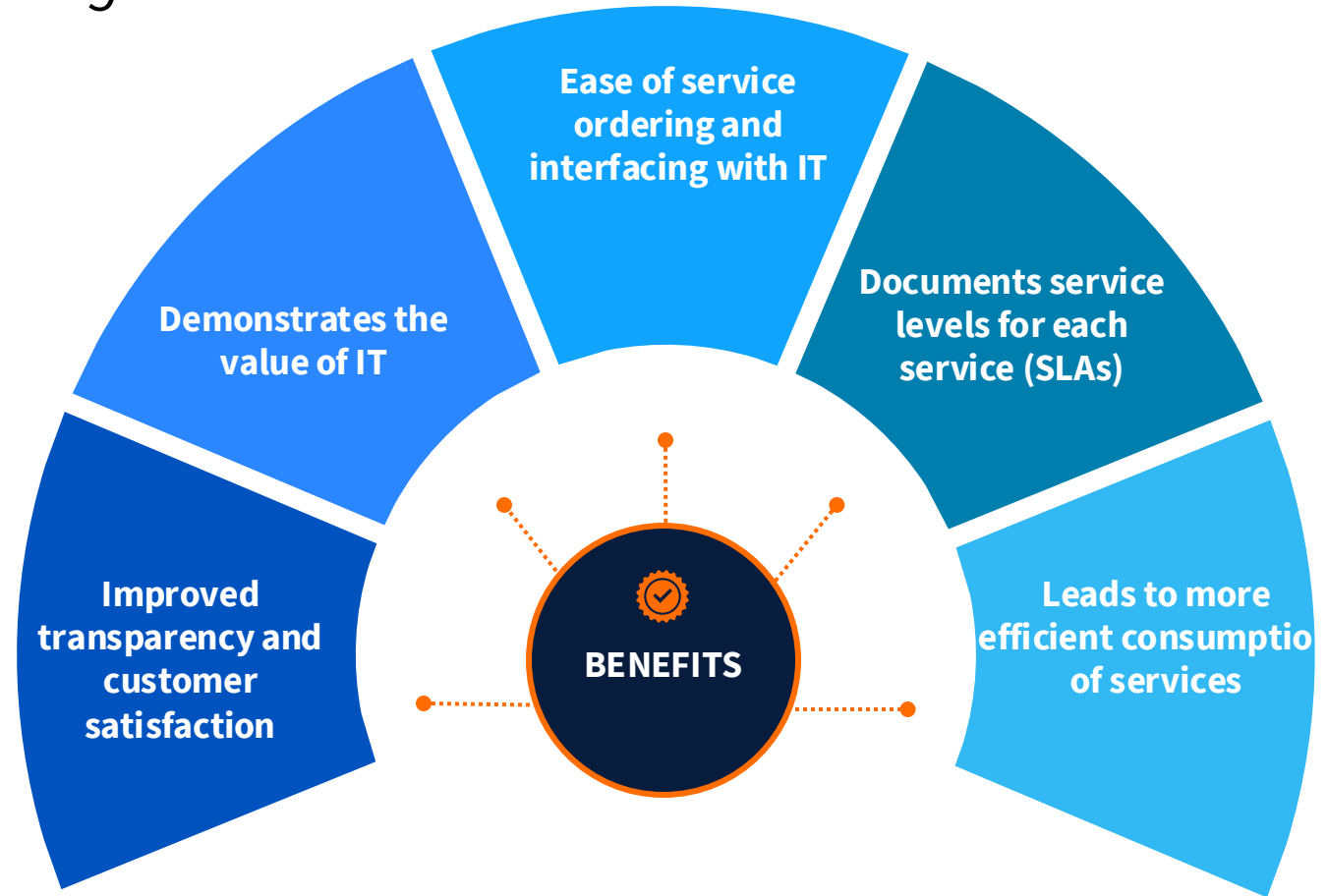


IMPLEMENTATION

Service Definition

Foundational Element for ALL IT Organizations

Provides a Single Customer Facing Reference Source for all IT Services Offered



IMPLEMENTATION

Data Readiness

Foundational Element for ALL IT Organizations



Which data sources are easily accessed, and which ones require a higher level of effort?



Have you identified the data owners for your disparate datasets?



Is the data accurate? Do you have a listing of true systems of record?

IMPLEMENTATION

Data Readiness

Requirements – Typical Data Sources for ITFM Tool Import

Data Sources	Description	Modeling Object
Finance - Cost Source	<ul style="list-style-type: none"> General Ledger (OpEx/CapEx actuals) Budget (Plan) IT Cost Centers Chart of Accounts Accounts Payable (Sub-Ledgers) 	Cost Source
Fixed Asset Ledger	<ul style="list-style-type: none"> List of assets actively being depreciated or amortized 	Fixed Assets
HR	<ul style="list-style-type: none"> Headcount FTE and Contractor type data Labor Time tracking data 	Labor
PPM / Projects	<ul style="list-style-type: none"> Time tracking Detailed project data (OpEx / CapEx) 	Projects
Support	<ul style="list-style-type: none"> Incident management / ticketing system used to track issues, problems and requests 	Service Desk
IT Infrastructure	<ul style="list-style-type: none"> All data related to current IT Infrastructure (CMDB) <ul style="list-style-type: none"> Servers, storage, Data Center, Network 	Multiple (Servers, Storage, Data Center, Network)
Application Library or Global Application List	<ul style="list-style-type: none"> Enterprise Application Portfolio or equivalent 	Applications
Service Library or Catalog	<ul style="list-style-type: none"> Repository of services that IT offers to internal LOBs 	Business Services

IMPLEMENTATION

RFI / RFP Process & POC

Evaluation & Proof of Value (POV)

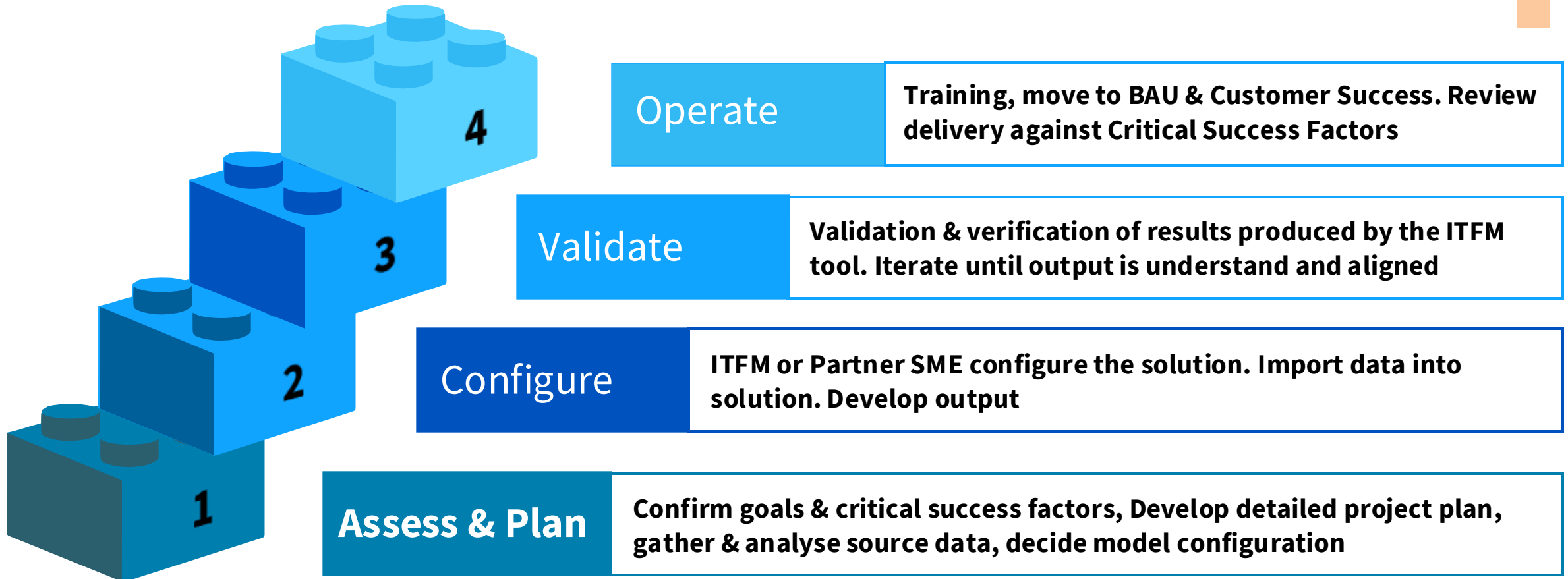
Take the time to conduct a thorough RFP and Selection Process:

- Conduct a Request for Information (RFI) – the more time you have to learn about the tools the better
- Define Request For Proposal (RFP) requirements, evaluation criteria, and use cases
- Use multiple teams to score RFP responses and ensure all stakeholders are included
- After demo, have selected vendor do a comprehensive Proof of Concept (POC) or Proof of Value (POV) before contract award

		Weight Score				Weighted Average Score %	
		Raw Score	Vendor 1	Vendor 2	Vendor 1	Vendor 2	
1	IT Services / Costing	115				20.0%	15.2%
1.1	Service Definition	3	15	4	5	2.61%	3.26%
1.2	Service Costing and Chargeback	5	25	4	2	4.35%	2.17%
1.3	Benchmarking	3	15	4	0	2.61%	0.00%
1.4	IT Performance Management	3	15	4	3	2.61%	1.96%
1.5	Service Consumption Reporting	5	25	4	4	4.35%	4.35%
1.6	Platform Integration	4	20	4	4	3.48%	3.48%
2	Budgeting, Planning, Forecasting	45				16.0%	9.3%
2.1	Budgeting, Planning, Forecasting, Analysis, and Reporting	5	25	4	1	8.89%	2.22%
2.2	Platform Integration	4	20	4	4	7.11%	7.11%
3	Use Cases	95				7.7%	3.8%
3.1	Replicate the Cost Model	5	25	5	0	2.63%	0.00%

IMPLEMENTATION

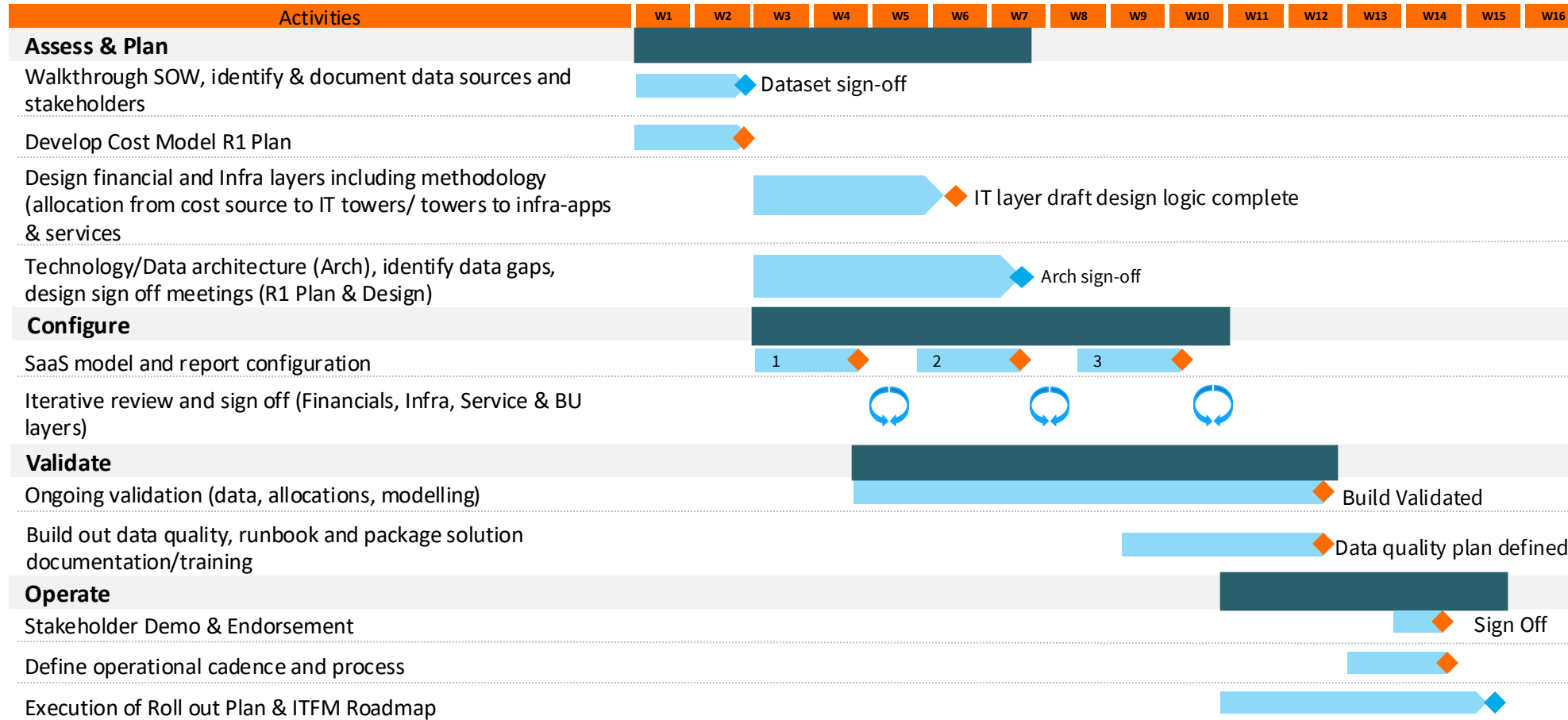
Core Implementation Steps



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ITFM Solution Project Timeline

Implementation timeframe



IMPLEMENTATION

Full Lifecycle Management



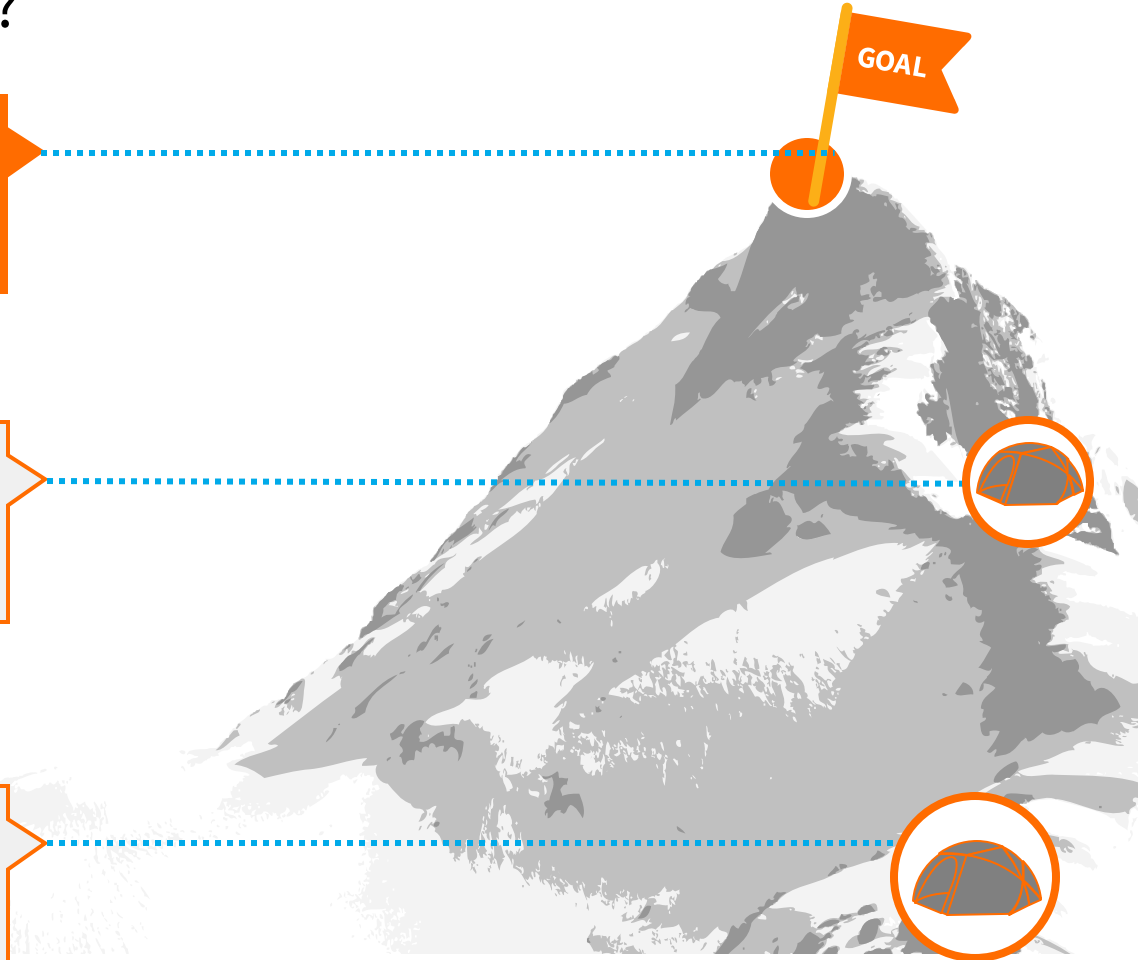
IMPLEMENTATION

Post Go-Live! ...now what?

Truly successful ITFM automation allows for maximum cost efficiency and defensible ROI

If you are organized and align with your colleagues on initiatives and goals, the path will be much easier

Start with a clear plan and be realistic with time to value



IMPLEMENTATION

Customer Success

CREATE YOUR ITFM ROADMAP

- Develop your own ITFM Roadmap, refresh every few months. Ask your solution provider for input
- Have your solution provider advise how they can solve for your new use cases as they arise

COMPLETE SOLUTION

- Select a provider that has Customer Success (post implementation) capabilities beyond just the tool. Include these in your selection criteria
- Understand capabilities and processes for account management, new releases, Community, Academy, webinars, best practices, product briefs, etc

FUTURE PROOF

- Understand your providers Product Roadmap and how it aligns to your needs now and in the future
- Familiarize yourself with their service offerings such as advisory, managed services, maintenance, support offerings

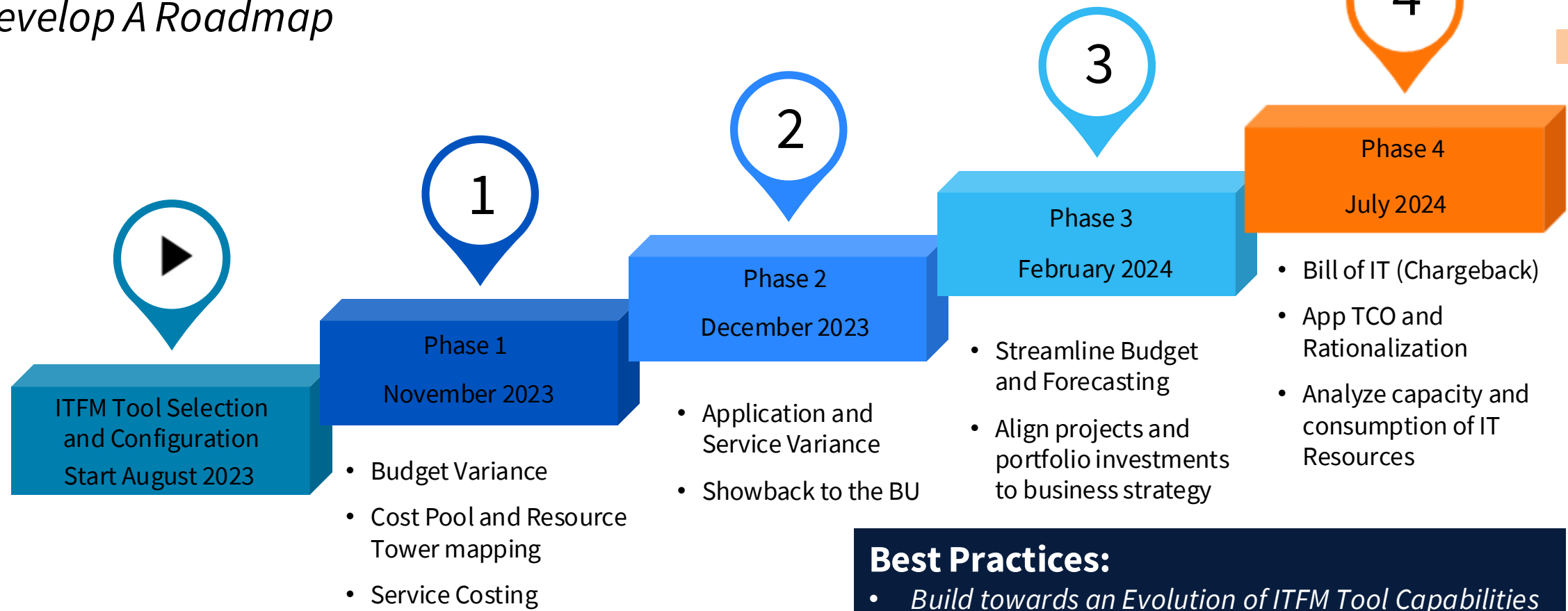


**The proactive approach
of ensuring customers
achieve their desired
outcomes and
maximize the value of a
product or service.**

IMPLEMENTATION

Post Go-Live!

Develop A Roadmap



Best Practices:

- *Build towards an Evolution of ITFM Tool Capabilities*
- *Choose Initiatives based on Effort and Reward*

IMPLEMENTATION

Change Management

Ensure Proper Governance for Running the ITFM Office & Tool Ownership

Understanding system governance both current and future state is critical to the success of the ITFM organization

- Build a **steering committee** for the onboarding
- Ensure **representation** from the stakeholders (provider and consumers)
- Provides a path for **accountability and issue resolution** within the organization and with the project team



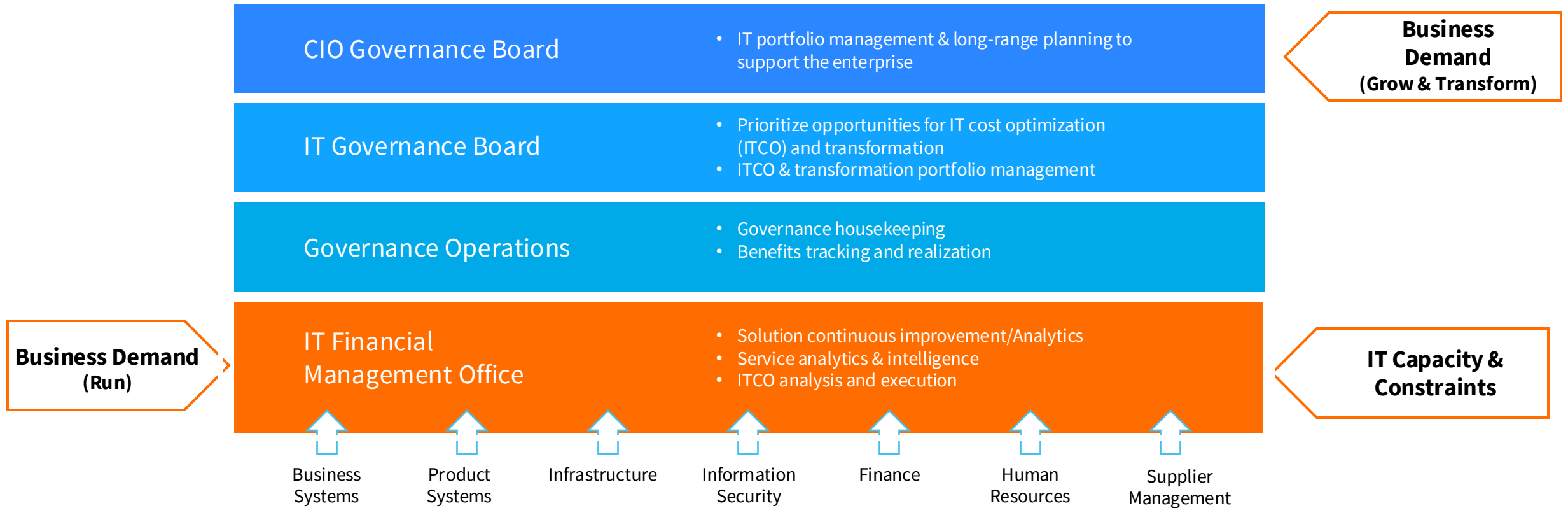
IMPLEMENTATION

Change Management

ITFM Office

Note – Before an ITFM solution is in place, you need to ensure all related processes are mature.

- *Having a well-structured ITFM office compliments existing IT Governance whose objective is to ensure the right IT work is being done*



IMPLEMENTATION

Change Management

Roles & Responsibilities for ITFM Tool Deployment



Executive Sponsor

- Involved in stakeholder engagement and executive management
- Overall promotion and education facilitator to key stakeholders and business units



Project Manager

- Day-to-day project management tasks related to implementation
- Status reporting to stakeholders and members of engagement team
- Issues & Milestones
- Manage deliverables and work products throughout engagement lifecycle
- Leads UAT and validation



Functional Subject Matter Experts IT & Finance

- Area knowledge and experience
- Owner of relevant data related to their area of specialty to be used within MagicOrange
- Assists in validation of metrics and reporting related to their specialty
- Support engagement team in required data collection and analysis



Software Solution Analyst/Configurator

- Analyze and upload data
- Model configuration
- Report build
- Environment maintenance
- Report troubleshooting
- Validation of data and reporting
- Perform upgrades when necessary

IMPLEMENTATION

What If I Already Have An ITFM Tool?

How to Optimize & Achieve Expected Value

Perform a gap analysis

Using this material as a leading practice, review the recommended steps of the journey and note where there are gaps

Develop a plan

Now that you know what the gaps are, develop a plan to address and fill them. Prioritize the gaps so that you focus on the most important ones first.

Implement the plan

Sounds easy but having a good plan with well understood objectives and the right support will make a big difference!

AUTOMATION

Executive Summary

PEOPLE

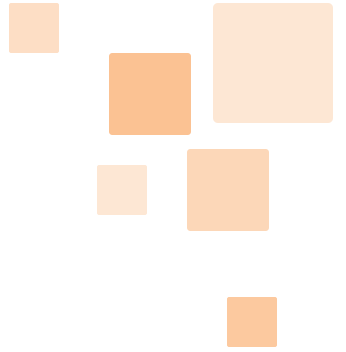
- Should not need an external specialist to operate and maintain
- Should offer a fully outsourced / managed service model

PROCESS

- Start simple with stable data sources and iterate
- Avoid dependency on external teams (handle data import yourself)

TECHNOLOGY

- It should be based upon existing tools that you are familiar with such as Excel, Power BI, Power Automate, etc., to minimize the learning curve
- Coding or scripting should not be required
- Ability to connect, clean and transform data yourself
- Ability to import data in multiple ways (UI, Excel import, Excel push, API)



Workshop Exercise

Automation

Refer to your Workbook

IMPLEMENTATION

Current State Assessment

Essential to Understanding where you are and where you want to go

Before selecting and implementing a tool, ask these questions

What are our objectives?



Who are our stakeholders?

IT management, service owners, business customers, IT finance, etc.



Are services well defined?



What specific tool capabilities are desired and when?

Service costing, chargeback, planning, benchmarking, etc.



What is the availability and quality of service consumption and cost data?



Do you understand the one time and ongoing costs for a tool?



Who is going to manage and maintain the tool?



AGENDA

- Introductions
- Company Overview
- The ITFM Pathway
- Service Definition
- Data Readiness
- Automation
- Service Costing & Benchmarking
- Showback & Chargeback
- Benefits Realization



SERVICE COSTING & BENCHMARKING

MagicOrange ITFM Pathway to SuccessSM

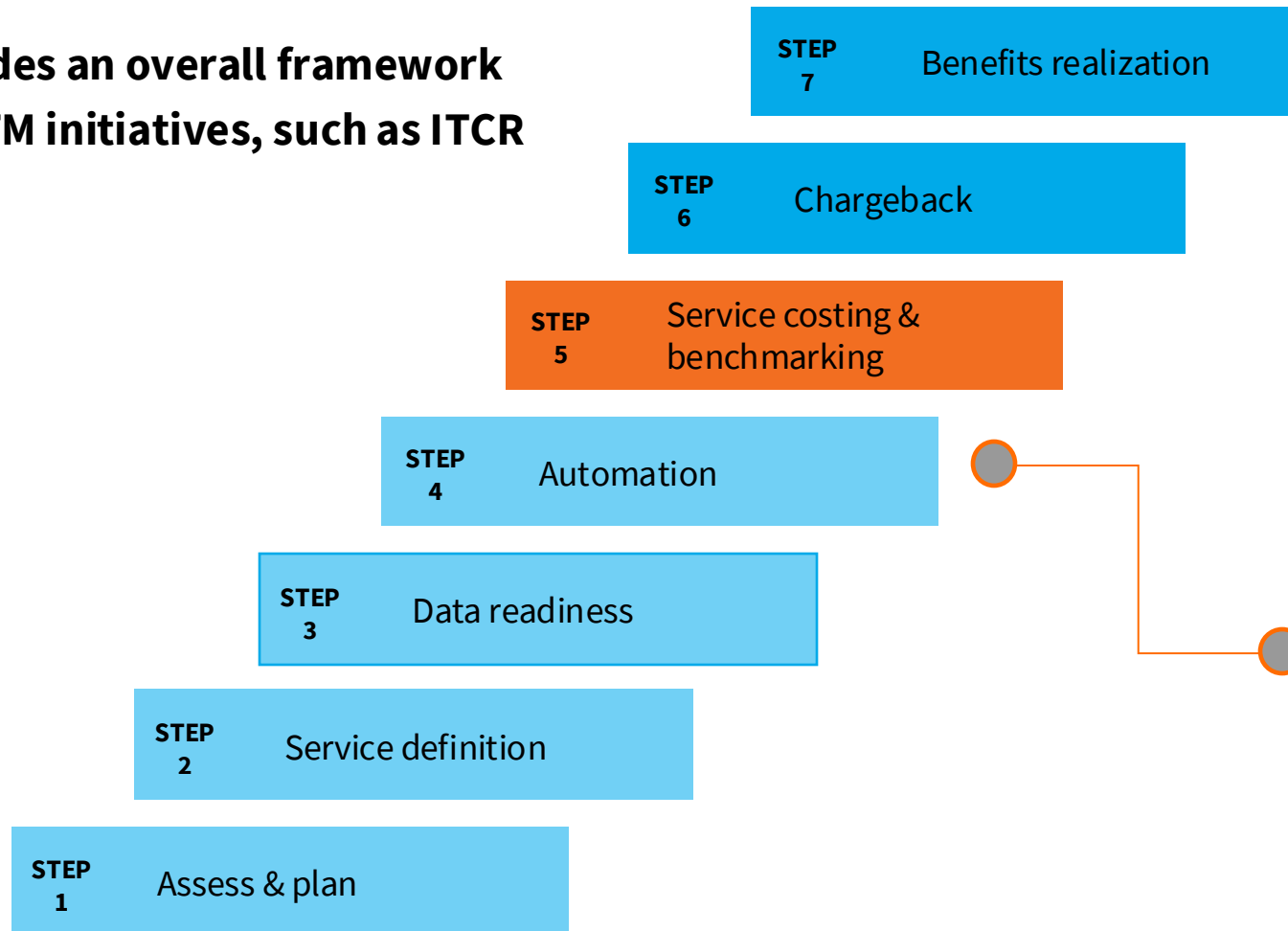
The ITFM Pathway provides an overall framework for pursuing multiple ITFM initiatives, such as ITCR

Framework Benefits

Transparency

Cost efficiency

Customer Satisfaction



Continuous improvement

MAGICORANGE

Highly Granular Bill of IT
Showback / Chargeback Modeling
Compare across business lines

SERVICE COSTING & BENCHMARKING

Unit Cost Calculation for IT Services

KEY TAKEAWAYS

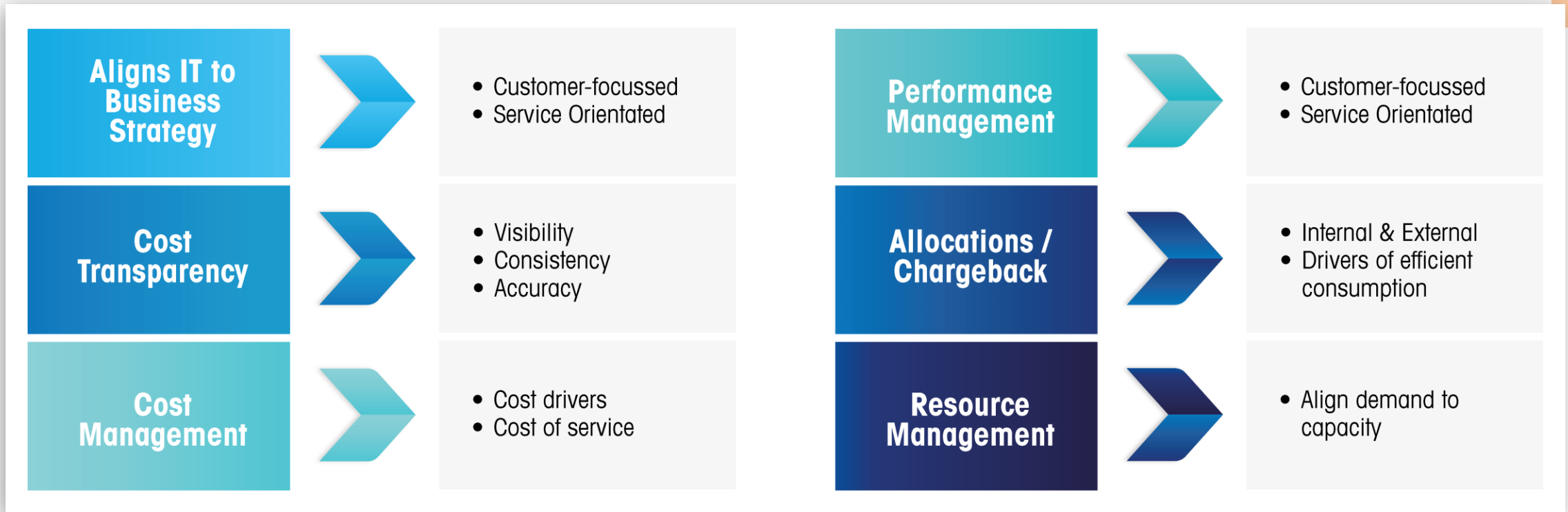
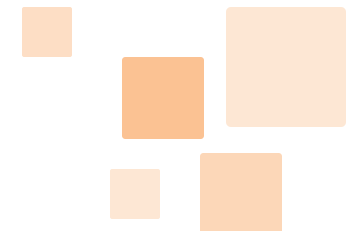
- Once actual unit service costs are determined they can be benchmarked to identify potential savings opportunities
- **Calculating total cost of ownership (TCO) for applications / products is essential to understanding actual Profitability for the business**
- One key goal for the IT organization is to have the cost of their services be at or below benchmarks and comparable to external service providers

DEPENDENCIES

1. Services must be defined first
2. Must have good consumption data
3. Need cost data that is aligned with services
4. Effective chargeback implementation requires unit service costs

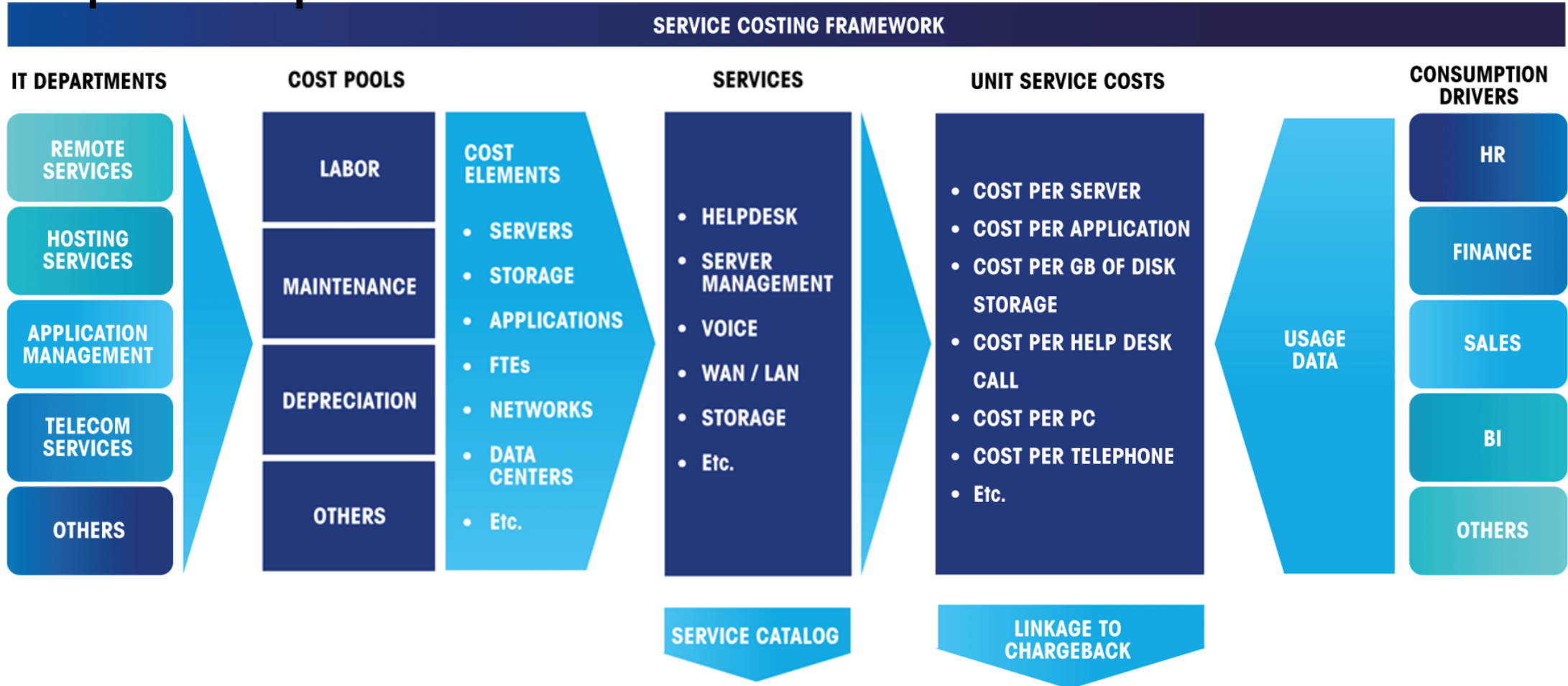
SERVICE COSTING & BENCHMARKING

Clear IT Costs Drive Smarter Decisions



SERVICE COSTING & BENCHMARKING

Maps IT Spend to Services To Be Measured

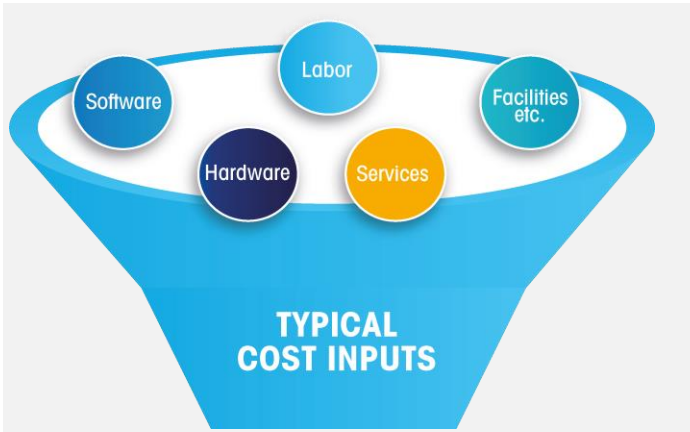


SERVICE COSTING & BENCHMARKING

The Art And Science of Benchmarking

- NOTES**
- Start with Level 1 Benchmarks
 - If Spend appears high, perform Level 2 benchmarking
 - View Benchmarking holistically to understand the full picture

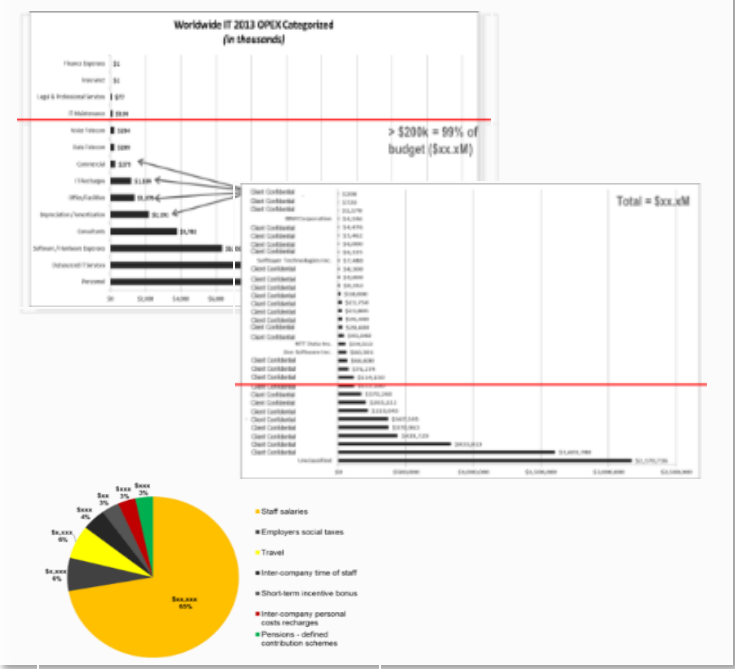
IDENTIFY INPUTS AND CONFIRM METRICS AND DATA



GENERATE SUMMARY LEVEL DATA IN ORDER TO PERFORM INITIAL LEVEL 1 BENCHMARKS

- 1 - IT Opex as % of total Opex and Capex
- 2 - IT Capex as % of total Capex and Opex
- 3 - Contractor % of IT org
- 4 - IT personnel as % of total employees
- 5 - IT Opex as % of total revenue
- 6 - IT Opex as % of total Opex
- 7 - IT Opex per employee
- 8 - % of personnel IT Opex

DATA ANALYSIS FROM STEP 1 INFORMS BENCHMARKING



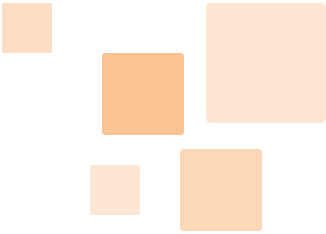
Considerations

- Data inputs are normalized to map to correct categories
- Data is aligned with available benchmark data

SERVICE COSTING & BENCHMARKING

Benchmarking Methodology

- Gartner’s 2023 IT Spend Metrics report was the source for benchmark data, which is comprised of 2022 data for State and Local government agencies
- SITSD falls within the \$1B to \$10B Budget Size for applicable metrics categories



Gartner

IT Key Metrics Data 2023: Industry Measures — Government — State and Local Analysis

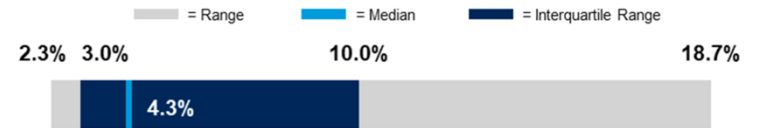
Published 8 December 2022 - ID G00779705 - 8 min read

By Analyst(s): Eric Stegman, Jamie Guevara, Nick Michelogiannakis, Shaivya Kaushal

Initiatives: [IT Cost Optimization](#), [Finance](#), [Risk and Value](#)

IT Spending as a Percent of Operating Expense

Government — State and Local



YoY Trend



Breakouts by Operating Budget Size

Operating Budget Size	IT Spending (%)
Under \$250M	11.6%
\$250M - \$500M	5.5%
\$500M - \$1B	5.3%
\$1B - \$10B	3.5%
\$10B+	N/A

Source: Gartner (2022)

* Range includes the 10th to 90th percentile of the sample.

* Projected figure, based upon projected 2023 IT spending provided by Gartner clients.

ID: 779705

Gartner.

SERVICE COSTING & BENCHMARKING

Benchmarking Approach

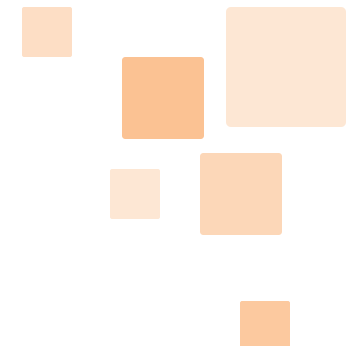
- Benchmarking should be used to gain an understanding of overall spending and staffing levels and to highlight areas for additional analysis
- Benchmarks should be taken as a group, rather than individually. For example, if multiple spending benchmarks show variances that are significantly higher or lower, then further benchmarking (Tier 2) is warranted to better understand the cause of those variances
- A two-tier benchmarking approach was used, where first the seven Tier 1 benchmarks shown below were done, to understand the overall spending and staffing profile by the IT organization
 - 1) IT OPEX as a % of total IT CAPEX + IT OPEX
 - 2) IT CAPEX as a % of total IT CAPEX + IT OPEX
 - 3) IT OPEX as a percentage of revenue
 - 4) Contractor % of IT org.
 - 5) IT personnel as a percentage of total employees
 - 6) IT Total Spend per employee
 - 7) Percentage of IT OPEX spent on personnel
- More detailed Tier 2 benchmarks should then be performed to better understand the drivers of any significant variances. Data that included IT costs at the agency level was not available, so no additional benchmarking could be performed as part of this project.

SERVICE COSTING & BENCHMARKING

Tier 2 Benchmarking

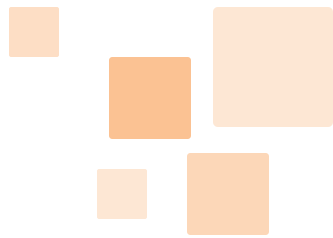
- Depending upon the results of the Level 1 benchmarks, moving to Level 2 benchmarking may be warranted
- As shown on the right, these additional benchmarks provide a comprehensive view on spending and staffing levels for the IT organization which can uncover additional cost reduction opportunities

Spend Distribution	
Run Spend	64%
Grow Spend	22%
Transform Spend	14%
Spend Distribution	
HW	15%
SW	22%
Personnel	43%
Outsourcing	20%
Staffing Distribution	
Finance, Governance, and Control	12%
Infrastructure Operations and Software Engineering	61%
Process and Technology Management	27%
Staffing Domain Distribution	
Data Center	16%
End-User Computing	11%
IT Service Desk	10%
Voice Network	4%
Data Network	5%
Application Development	22%
Application Support	20%
IT Management	7%
Finance and Administration	5%
Spend Domain Distribution	
Data Center	22%
End-User Computing	11%
IT Service Desk	7%
Voice Network	6%
Data Network	8%
Application Development	17%
Application Support	18%
IT Management	7%
Finance and Administration	4%



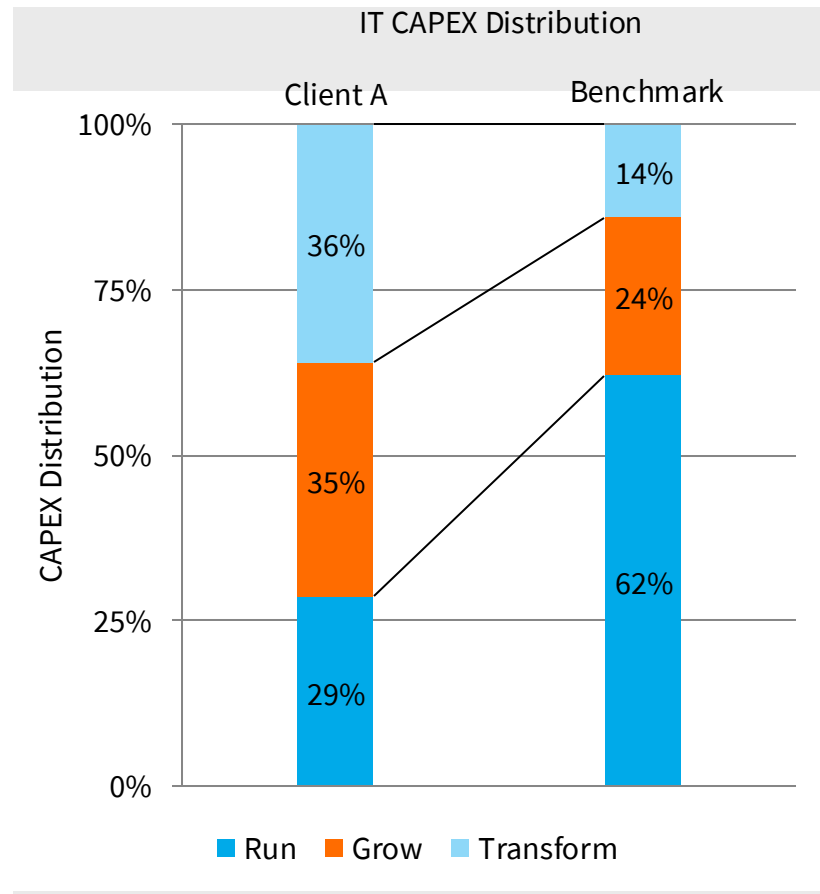
SERVICE COSTING & BENCHMARKING

Benchmarking – Example



Run - Grow - Transform

- **Sample Benchmarking Report** - Benchmarking results for OPEX/CAPEX, Run/Grow/Transform and Headcount are intended to be directional in nature and may point to areas that should be investigated further



Run – Client A’s run expenditure (29%) is significantly below the industry benchmark of (62%)

Grow – Client A’s grow expenditure (35%) is significantly above the industry benchmark of (24%)

Transform – Client A’s transform expenditure (36%), is significantly above the industry benchmark of (14%)

Industry	Run	Grow	Transform
Food and Beverage Processing	67%	19%	14%
Government	73%	12%	15%
Healthcare	67%	19%	14%
Hospitality and Travel	65%	20%	15%
Information Technology	60%	23%	17%
Insurance	58%	24%	18%
Manufacturing	70%	18%	12%
Media	62%	24%	14%

**Data is illustrative. Client name is not disclosed in accordance with privacy policies.*

SERVICE COSTING & BENCHMARKING

Benchmarking Data Definitions

Required Client Data

Data Description - For 2022	ORG NAME	Definitions
Total revenue/State Budget	\$ 6,320,571,128	The enterprise revenue associated with the business units/agencies supported by the IT organization
Total OPEX	\$ 6,320,571,128	The total expense associated with the business units supported by the IT organization. This includes items such as selling, general and administrative expenses, cost of goods sold (or cost of revenue), research and development, depreciation, and depletion and amortization expenses. For insurance, this includes underwriting expenses and loss and loss-adjustment expenses; for banking organizations, it includes interest expenses and noninterest expenses; for government and nonprofit organizations, it is represented by the enterprise operating budget.
IT OPEX	\$ 53,136,462	The total day-to-day operations and maintenance expenses for this fiscal year that have not been capitalized. These do not include any amortization and depreciation expenses.
Shadow IT OPEX	\$ 216,367,166	IT costs/spend that exist outside of the IT organization and budget, such as in the business units/agencies
IT Personnel OPEX	\$ 74,178,797	Total costs for all IT employees, to include all non-salary costs such as employment taxes and benefits
IT Contract Personnel OPEX	\$ -	Total costs for all contractor spend by the IT organization
IT CAPEX	\$ 15,054,853	The total capitalized IT spending for the fiscal year (that is, the full value of capitalized assets acquired in the fiscal year). This includes investments in new application development and IT infrastructure.
Total # of employees / users	16,000	The total number of users that consume IT services, such as internet access, telephone, or computing platforms
Total # of IT contractors	-	Contract FTEs (contractors) who are supplemental to your staff and are 'operationally' managed by the in-house staff. These include all full-time, part-time and temporary contractors supporting the IT environment.
Total # of IT employees	1,073	FTEs who are employed by the IT organization (excluding contractors and consultants). These include all full-time and part-time employees supporting the IT environment.

SERVICE COSTING & BENCHMARKING

Benchmarking Data

The client data for 2022 was used to perform the initial Tier 1 benchmarking

<u>Client Data - 2022</u>	<u>Org Name</u>
Total revenue	\$6,320,571,128
Total OPEX (Spend)	\$6,320,571,128
Total IT Spend (IT + Shadow)	\$269,503,628
IT Spend	\$53,136,462
Shadow IT OPEX	\$216,367,166
IT Personnel OPEX	\$74,178,797
IT Employee OPEX	\$74,178,797
IT Contract Personnel OPEX	0
IT CAPEX	\$15,054,853
Total # of employees / users	16,000
Total # of IT contractors	0
Total # of IT employees	1,073
Total # of IT personnel	1,073

SERVICE COSTING & BENCHMARKING

Benchmarking Tool

Client: **Organization Name**
 Industry: **Government - State**

Currently
Excel based

Client Data - 2022	Org Name
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Benchmark Source Data	Gartner - 2023	Average	Org Name	Variance	% Variance	Variance Comments	
IT OPEX as a % of total IT CAPEX + IT OPEX	83%	83.0%	95%	11.7%	14%	IT Opex spend is significantly higher than the benchmark	
IT CAPEX as a % of total IT CAPEX + IT OPEX	17%	17.0%	5.3%	-11.7%	-69%	IT Capex spend is significantly lower than the benchmark	
Contractor % of IT org.	18%	18.0%	0.0%	-18.0%	-100%	Contractor staffing is significantly lower than the benchmark. Contractors enable IT to flex up and down with demand, providing cost flexibility. Taking a fixed cost of personnel and making it variable instead.	
IT personnel as a percentage of total employees	3.2%	3.2%	6.7%	3.5%	110%	IT personnel staffing is significantly higher than the benchmark.	
IT OPEX as a percentage of revenue	3.5%	3.5%	4.3%	0.8%	22%	IT Opex spend is significantly higher than the benchmark	
IT Total Spend per employee	\$9,100	\$9,100	\$16,844	\$ 7,744	85%	IT total spend is significantly higher than the benchmark	
Percentage of IT OPEX spent on personnel	38%	38.0%	28%	-10.5%	-28%	IT personal Opex is significantly lower than the benchmark	
Spend Distribution			Org - %	Org - \$			
Run Spend	79.0%	79.0%	85%	\$ 241,875,559	6.0%	8%	Higher than the benchmark
Grow Spend	7.0%	7.0%	10%	\$ 28,455,848	3.0%	43%	Significantly higher than the benchmark
Transform Spend	14.0%	14.0%	5%	\$ 14,227,924	-9.0%	-64%	Significantly higher than the benchmark

SERVICE COSTING & BENCHMARKING

Benchmarking Tool

Tier 2 Benchmarks

Spend Distribution			\$			
Personnel Salaries & Benefits	38.0%	38.0%			-38.0%	-100%
Hardware	12.0%	12.0%			-12.0%	-100%
Software - On Premise	16.0%	16.0%			-16.0%	-100%
Software - SaaS	9.0%	9.0%			-9.0%	-100%
IaaS and Public Cloud	4.0%	4.0%			-4.0%	-100%
Network Transport	10.0%	10.0%			-10.0%	-100%
Traditional Outsourcing	11.0%	11.0%			-11.0%	-100%
Staffing Domain Distribution			FTEs			
Data Center	9.0%	9.0%			-9.0%	-100%
Network Transport	8.0%	8.0%			-8.0%	-100%
Digital Workplace Services	10.0%	10.0%			-10.0%	-100%
IT Service Desk	10.0%	10.0%			-10.0%	-100%
Application Development	20.0%	20.0%			-20.0%	-100%
Application Support	21.0%	21.0%			-21.0%	-100%
Governance and Business Management	11.0%	11.0%			-11.0%	-100%
IT Security	5.0%	5.0%			-5.0%	-100%
IT Operations Management	5.0%	5.0%			-5.0%	-100%
IT Service Continuity / DR	1.0%	1.0%			-1.0%	-100%
Spend Domain Distribution			\$			
Data Center	15.0%	15.0%			-15.0%	-100%
Network Transport	10.0%	10.0%			-10.0%	-100%
Digital Workplace Services	10.0%	10.0%			-10.0%	-100%
IT Service Desk	4.0%	4.0%			-4.0%	-100%
Application Development	17.0%	17.0%			-17.0%	-100%
Application Support	24.0%	24.0%			-24.0%	-100%
Governance and Business Management	9.0%	9.0%			-9.0%	-100%
IT Security	6.0%	6.0%			-6.0%	-100%
IT Operations Management	3.0%	3.0%			-3.0%	-100%
IT Service Continuity / DR	2.0%	2.0%			-2.0%	-100%

SERVICE COSTING & BENCHMARKING

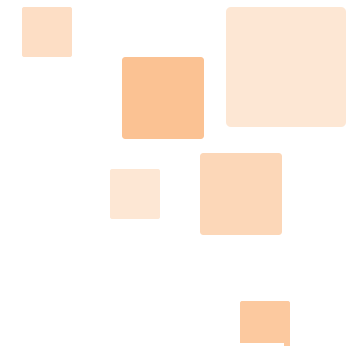
Benchmarking Results

Based upon the initial seven Tier 1 benchmarks that were performed:

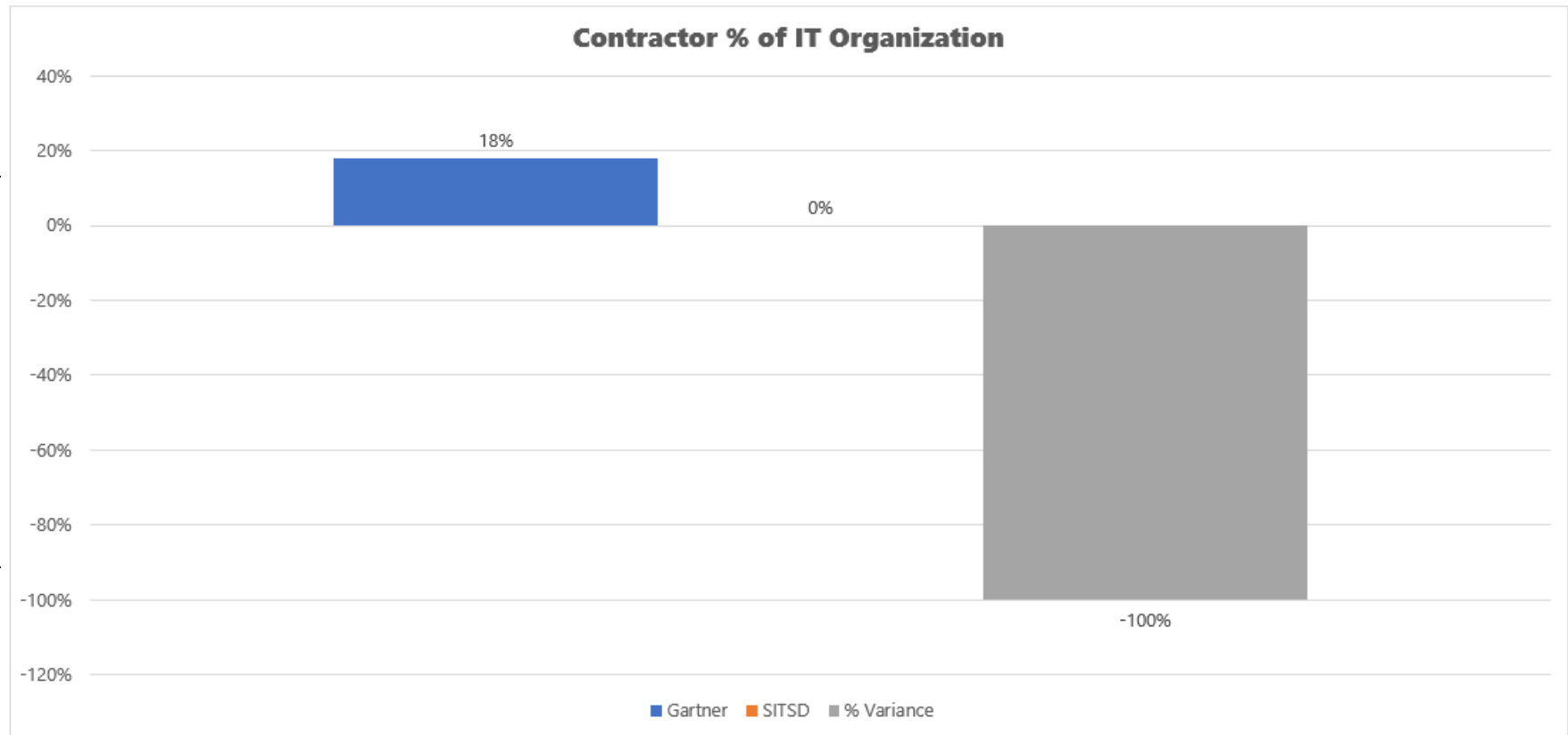
- Total IT spending is significantly higher than benchmark at 4.3% of revenue vs the benchmark of 3.5%
 - If spending could be lowered to the benchmark, that would equate to annual savings of \$50.6 million
- Total IT spend per employee is also significantly higher than the benchmark
- IT personnel spending is significantly lower than benchmark
- Number of IT personnel is significantly higher than benchmark
- Number of IT contractors is significantly lower than the benchmark
- IT OpEx spending ratio is significantly higher than the benchmark
- IT CapEx spending ratio is significantly lower than the benchmark
- Additional analysis and Tier 2 benchmarking needs to be performed to identify the specific areas that are driving IT costs to be higher than the benchmarks

SERVICE COSTING & BENCHMARKING

Contractor Percent of IT Organization



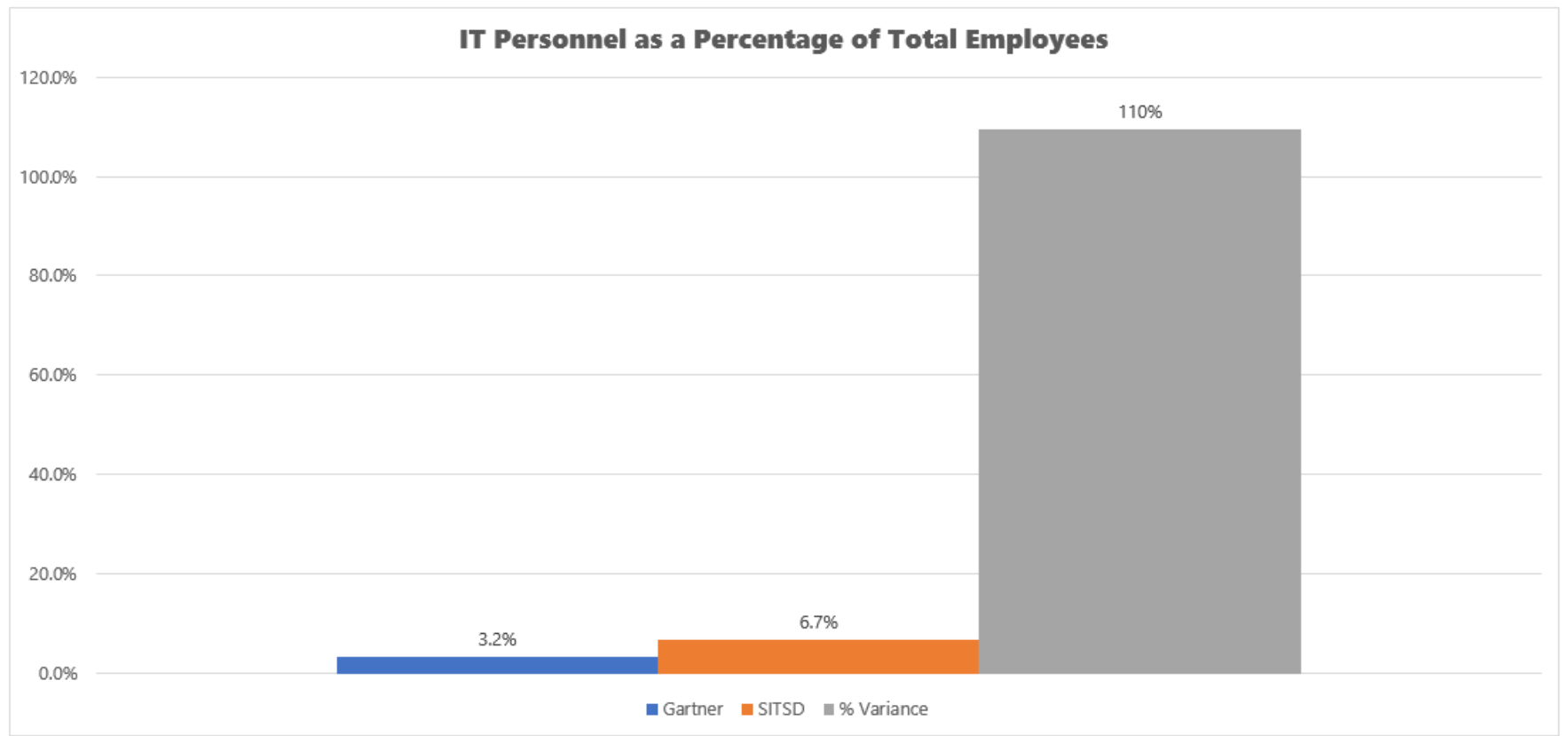
Percent of contractors at 0% is significantly lower (100%) than the benchmark of 18%



SERVICE COSTING & BENCHMARKING

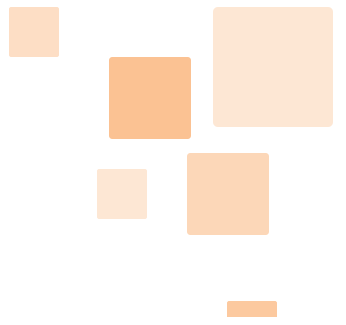
IT Personnel As A Percentage Of Total Employees

IT personnel at 6.7% is significantly higher (110%) than the benchmark of 3.2%

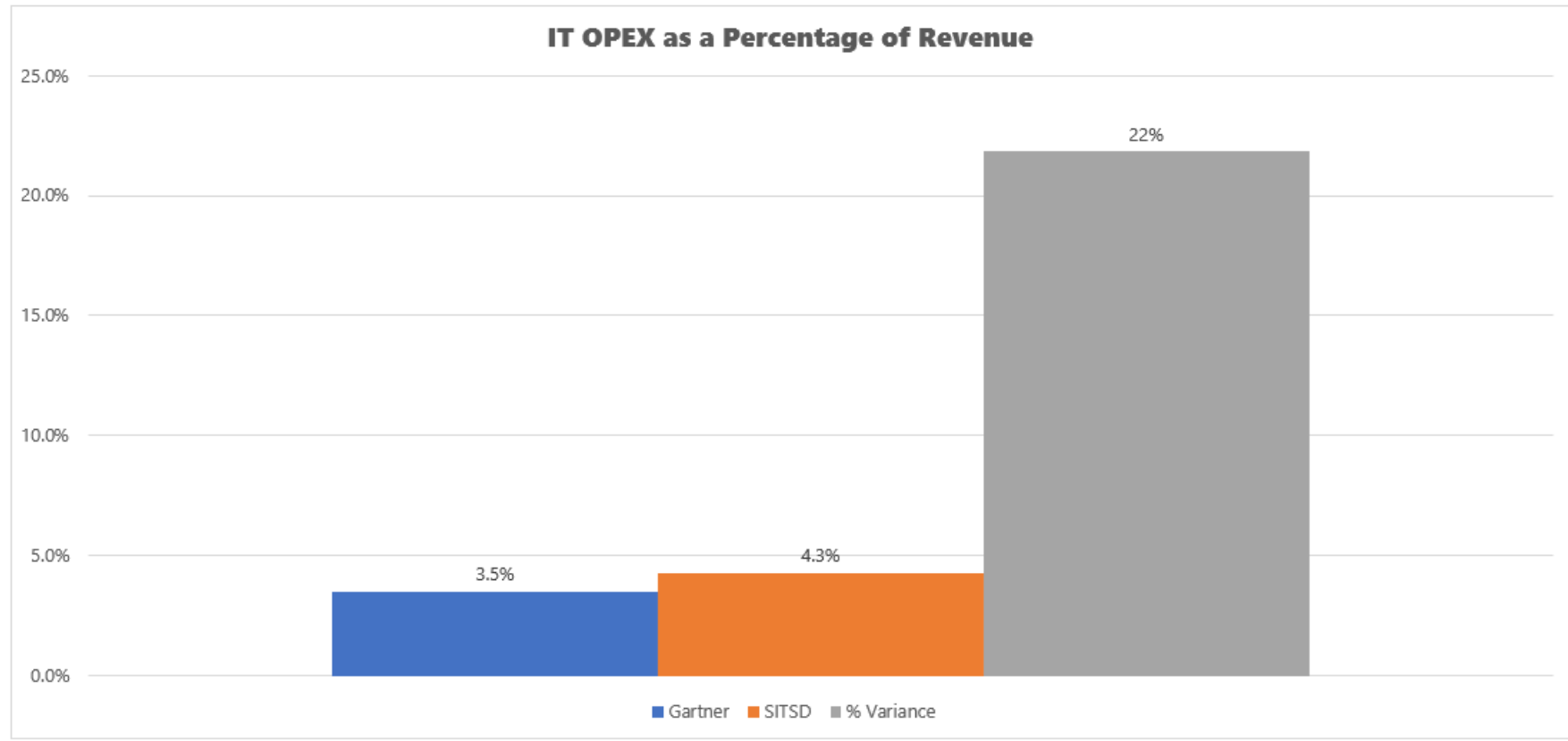


SERVICE COSTING & BENCHMARKING

IT OPEX As A Percentage Of Revenue

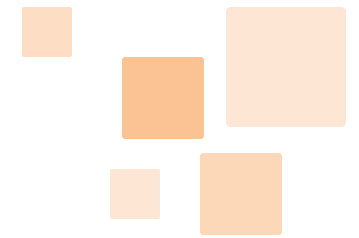


IT OPEX as a percent of revenue at 4.3% is higher (22%) than the benchmark of 3.5%

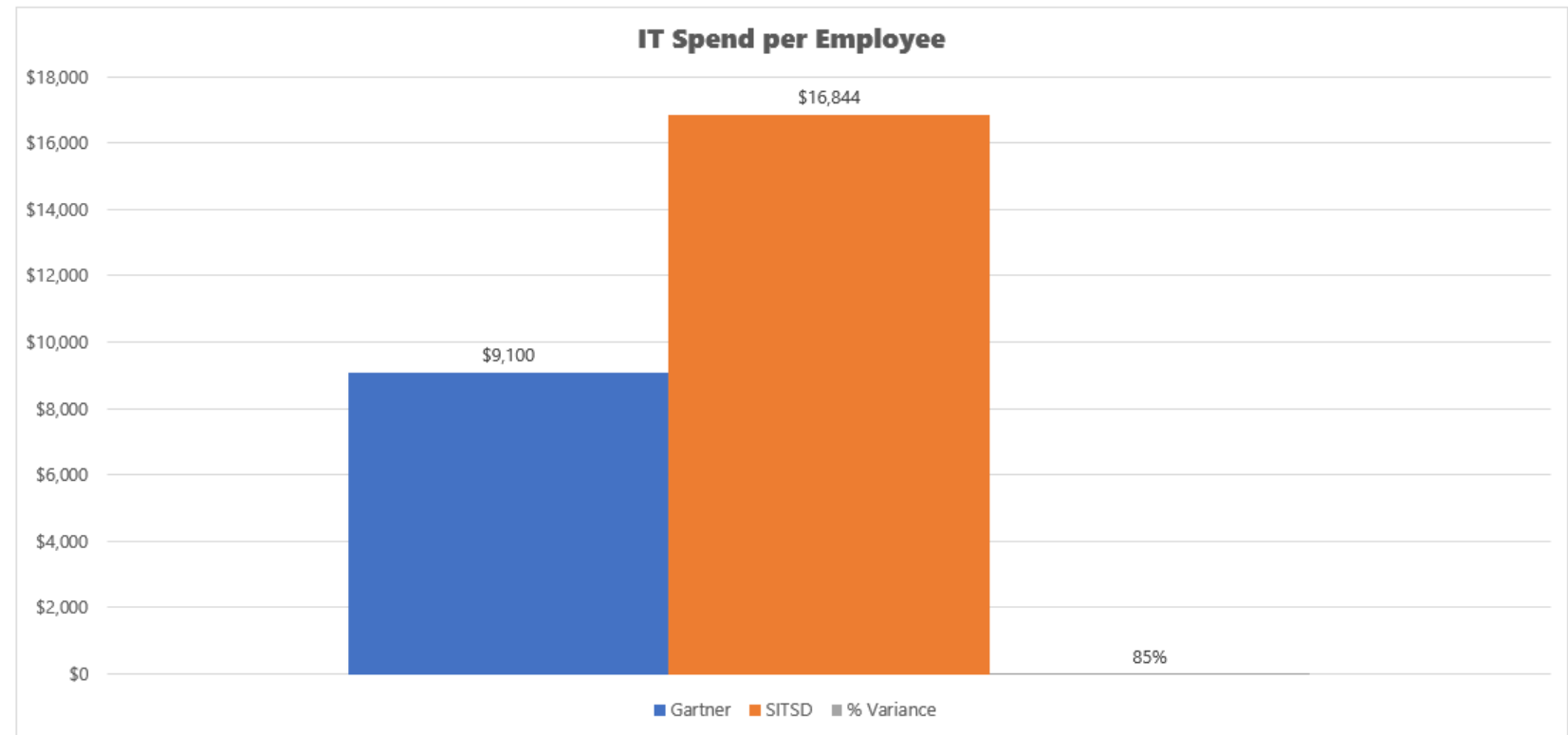


SERVICE COSTING & BENCHMARKING

Total IT Spend Per Employee

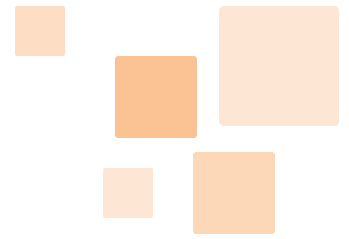


Total IT spend per employee at \$16,844 is significantly higher (85%) than the benchmark of \$9,100

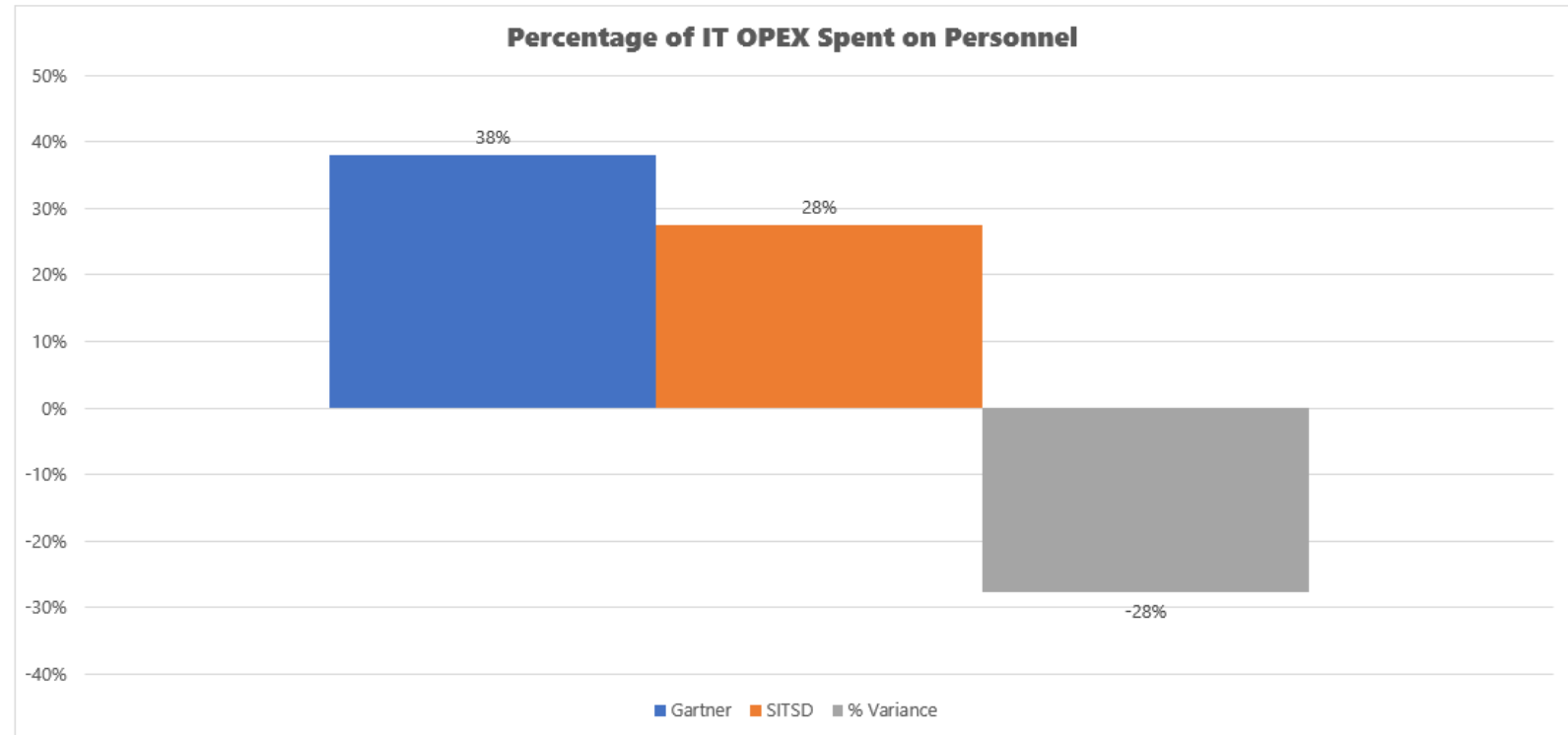


SERVICE COSTING & BENCHMARKING

Percentage Of IT OPEX Spent On Personnel



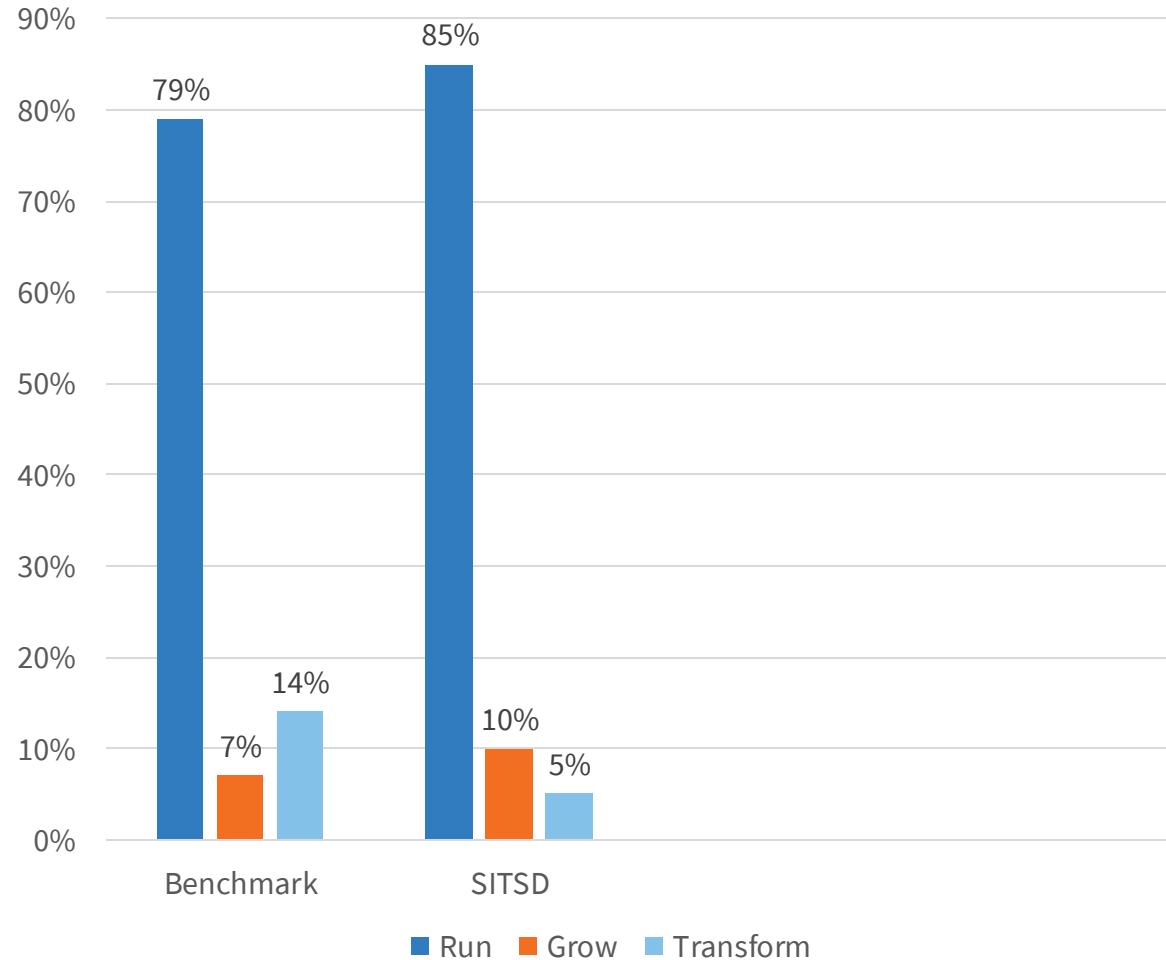
IT OPEX spent on personnel at 28%, is 28% lower than the benchmark of 38%

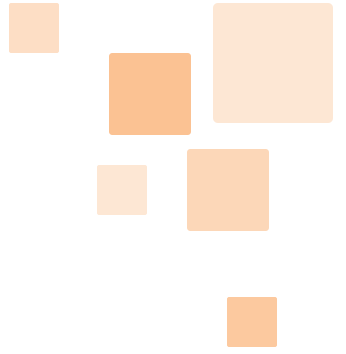


SERVICE COSTING & BENCHMARKING

Run / Grow / Transform View Of IT Spending

- Run spend is 8% higher than benchmark
- Grow spend is 43% higher than benchmark
- Transform is 64% lower than benchmark





Workshop Exercise

Benchmarking

Refer to your Workbook

SERVICE COSTING & BENCHMARKING

Benchmarking Data Capture

Required Client Data

Data Description - For 2022	ORG NAME	Definitions
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AGENDA

- Introductions
- Company Overview
- The ITFM Pathway
- Service Definition
- Data Readiness
- Automation
- Service Costing & Benchmarking
- Showback & Chargeback
- Benefits Realization



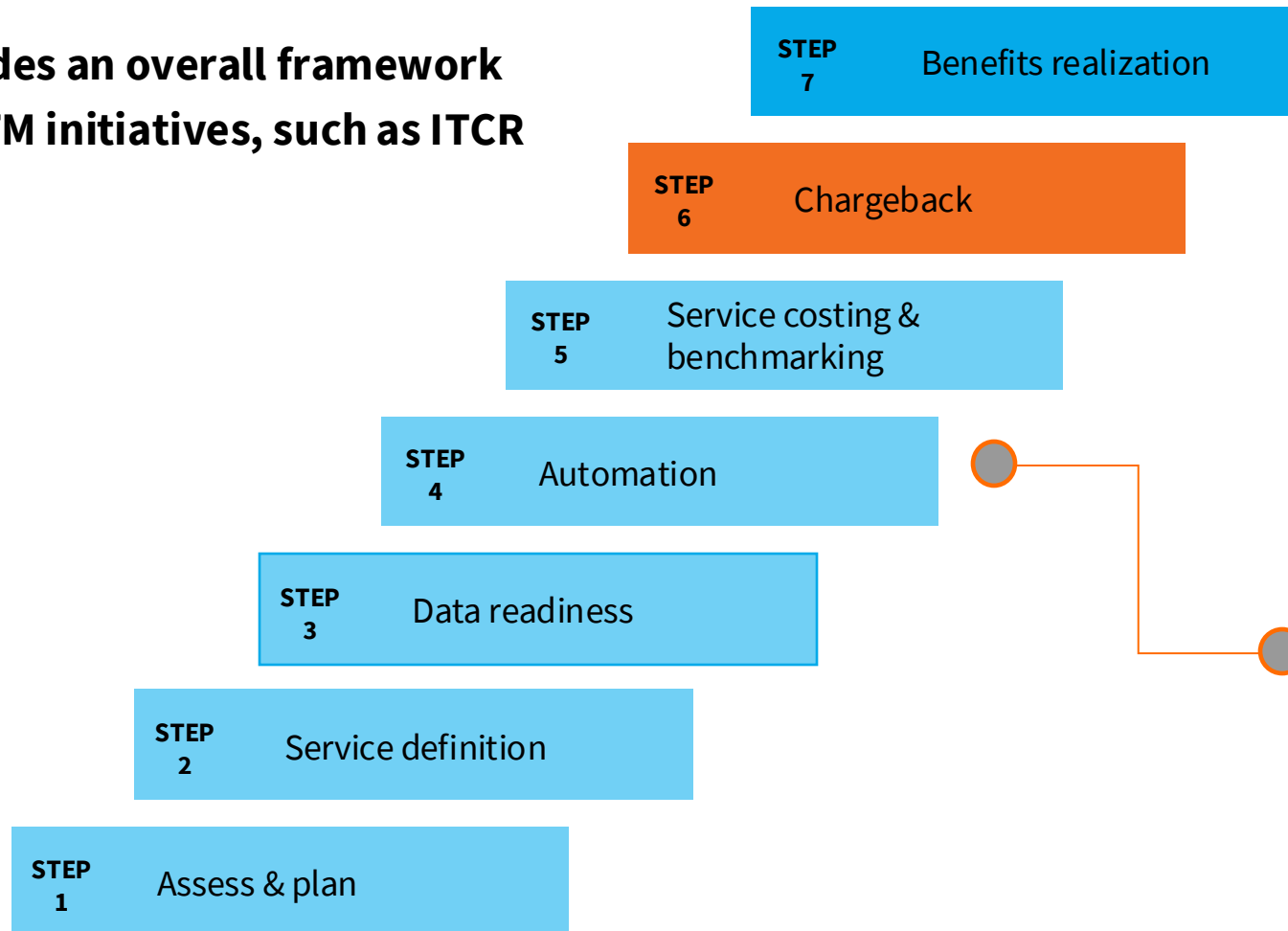
SHOWBACK & CHARGEBACK

MagicOrange ITFM Pathway to SuccessSM

The ITFM Pathway provides an overall framework for pursuing multiple ITFM initiatives, such as ITCR

Framework Benefits

- Transparency
- Cost efficiency
- Customer Satisfaction



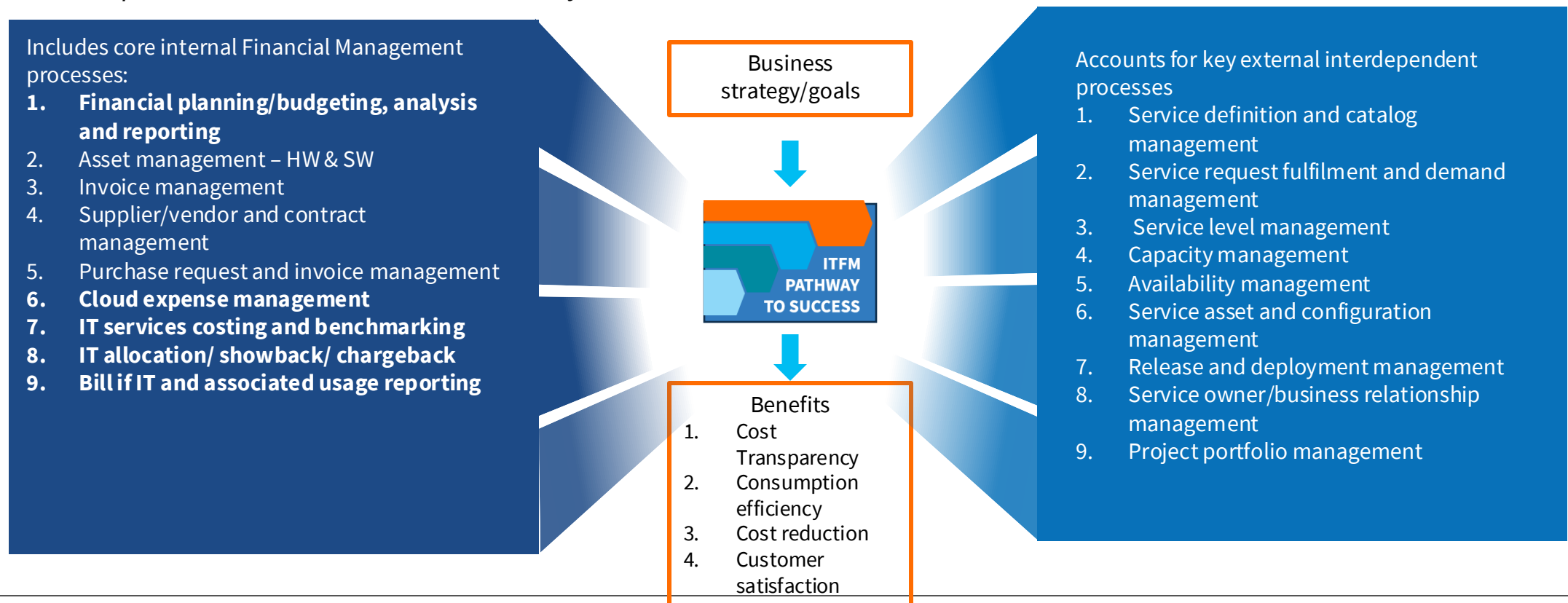
MAGICORANGE
Highly Granular Bill of IT
Showback / Chargeback Modeling
Compare across business lines

SHOWBACK & CHARGEBACK

The Big Picture

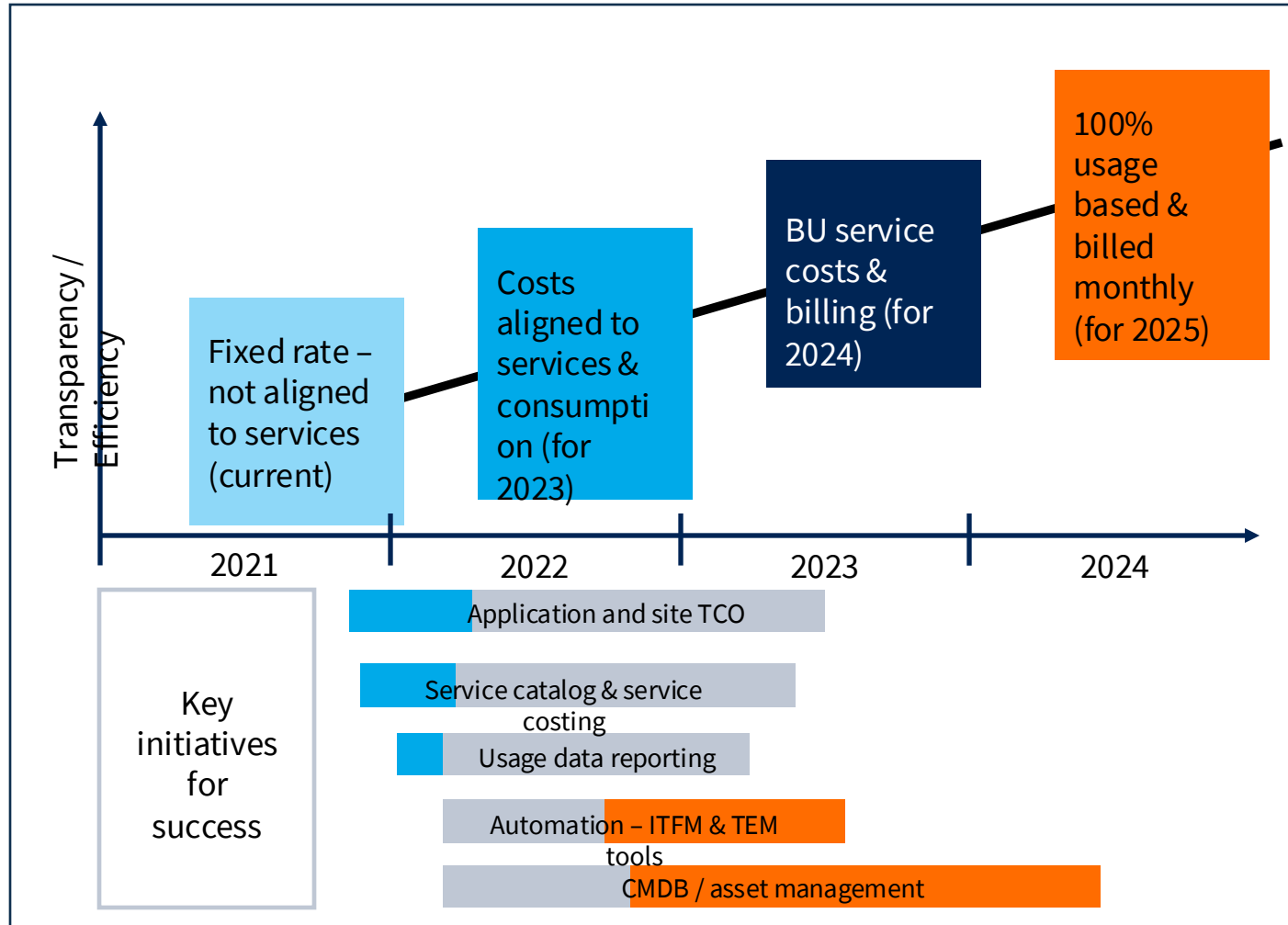
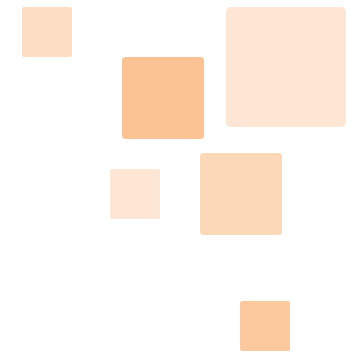
MagicOrange ITFM Pathway to Success Framework – based on ITIL and leading practices

***Bold** indicates processes that can be automated by a ITFM tool*



SHOWBACK & CHARGEBACK

The Chargeback Journey



Best Practices

To improve Cost Transparency, Efficiency and Business Levers, a multi-year IT Financial and Service Management transformation journey must be undertaken to implement supporting processes and tools

SHOWBACK & CHARGEBACK

The Chargeback Journey

Allocation Model Criteria	Allocation Model Year		
	2023	2024	2025
Overall cost transparency			
Usage transparency			
Service alignment and definition			
Application TCO			
Fairness and consistency			
Sustainability / automation			
Levers / influence over costs			

(High) ----- (Low)

Key Learnings

- Significant improvements to the model are proposed for 2024, but data processes and tools are needed to get to the desired state of unit service costing and billing by BU; enabling a target level of 6 on the chargeback maturity scale
- Service usage data does not presently exist at the BU level which limits the proposed 2024 model
- A foundation and framework has been created to achieve the end state in 2025

What Is Chargeback?

“

A process by which an I.T. organization can recover its costs of providing services to its customers

”

SHOWBACK & CHARGEBACK

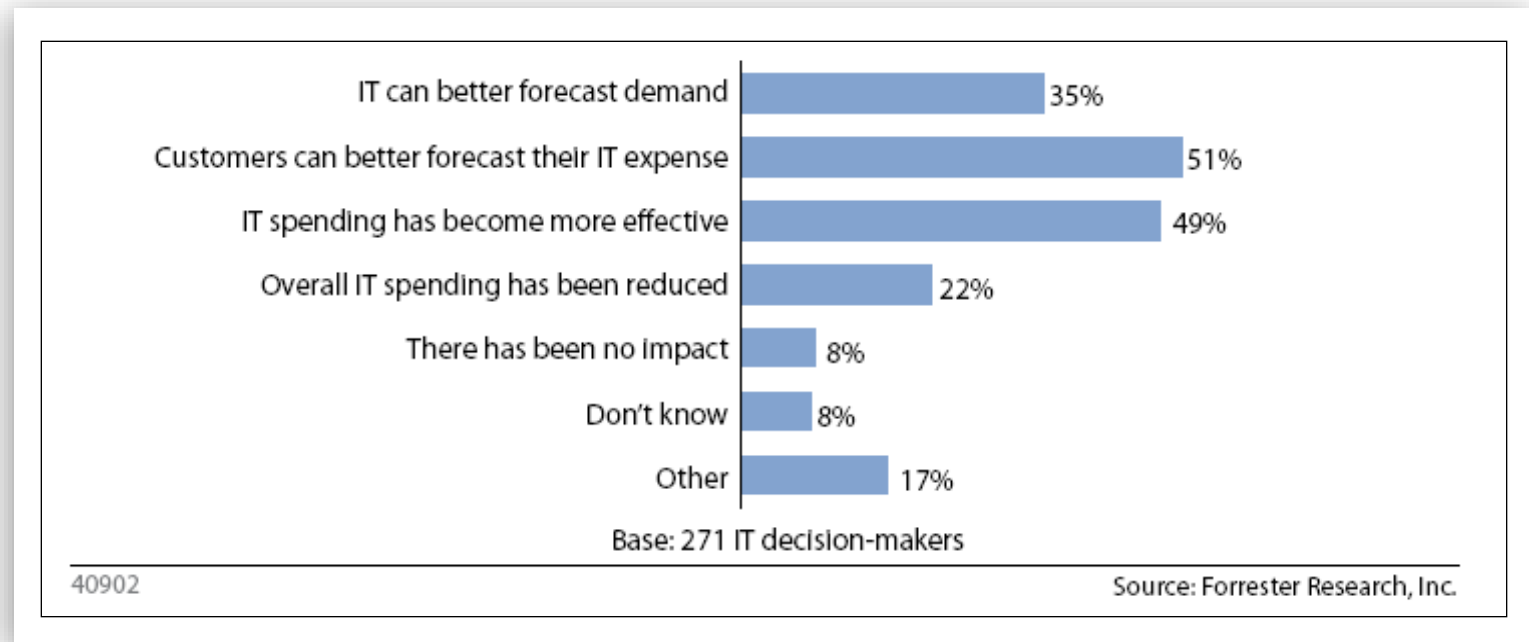
Why Implement Showback Or Chargeback?

- To understand the true costs of providing IT services
- To educate IT customers on the value of the IT services that are being provided
- As a tool to improve operating efficiencies and lower costs
- To enable customers to manage their own consumption of services and associated costs

SHOWBACK & CHARGEBACK

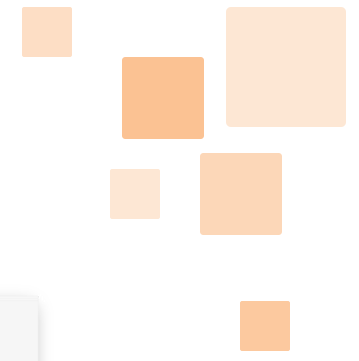
Benefits Of Implementing Chargeback

- Reduce spend/costs
- More effective IT spending
- Improve demand & expense forecasting for the IT organization and its customers
- Key component of ITIL Financial Management / TBM

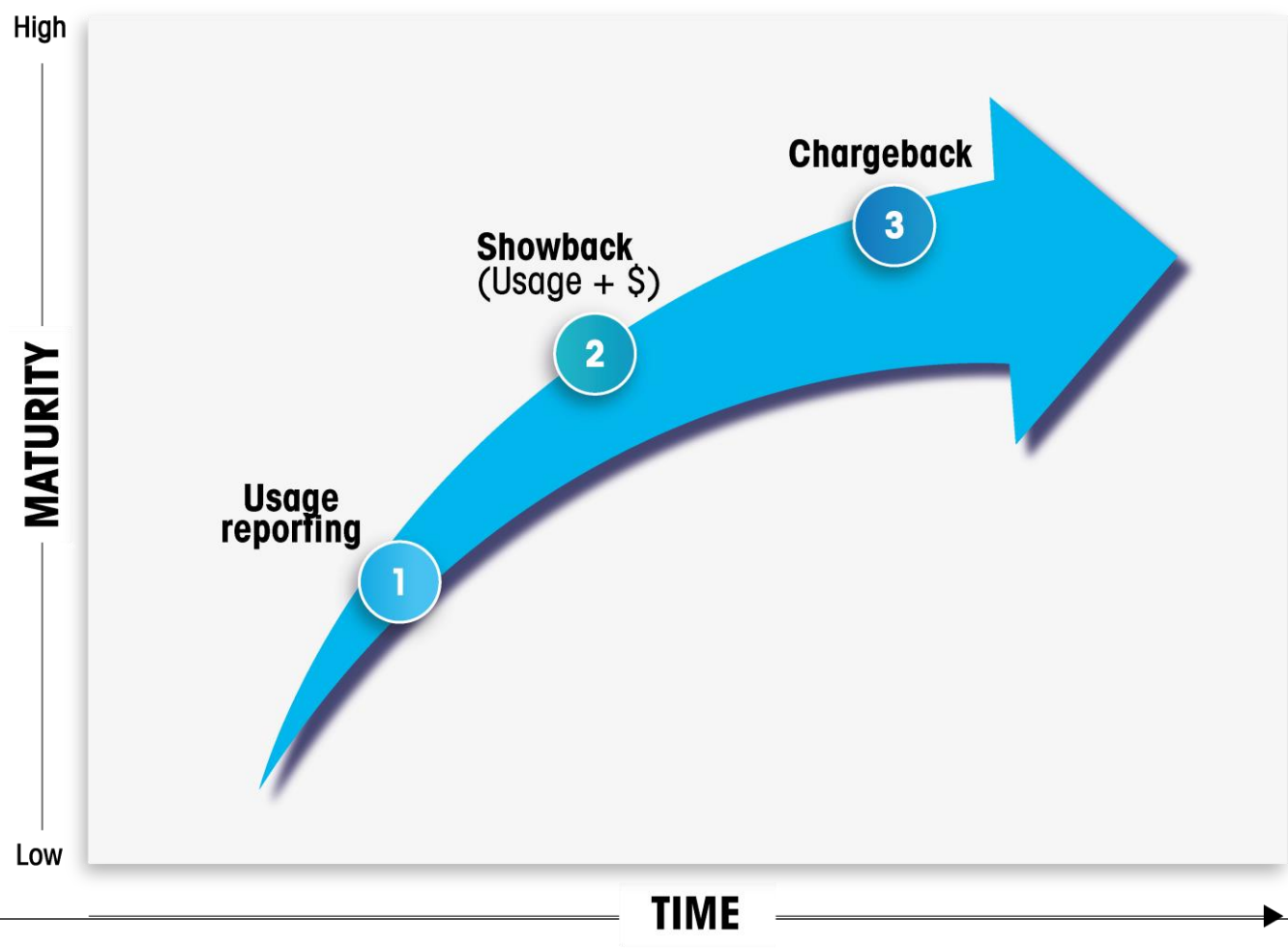


SHOWBACK & CHARGEBACK

The Chargeback Journey



Implementing Chargeback Is An Evolutionary Process Vs. 'Big Bang'



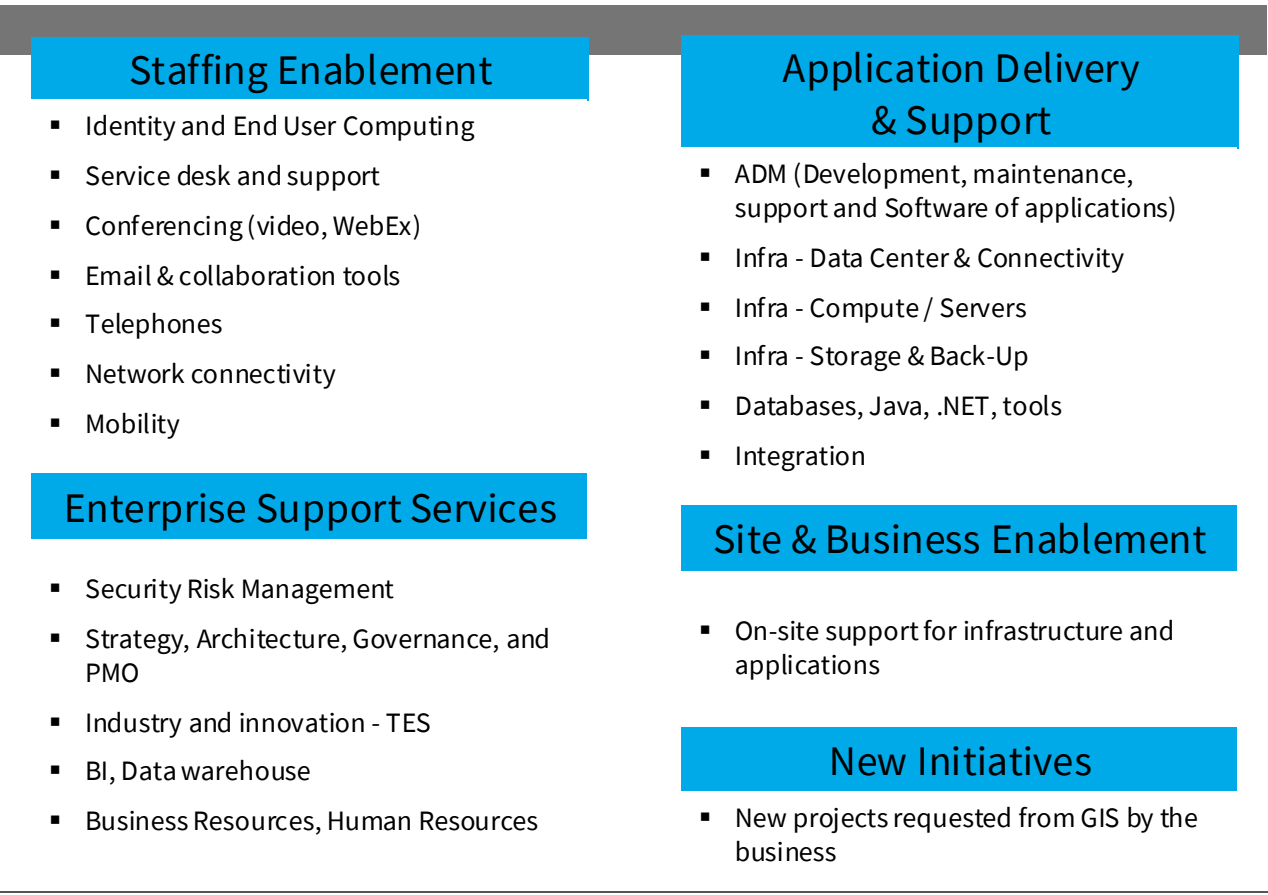
SHOWBACK & CHARGEBACK

Service Definition – First Year Example

IT Services can be initially organized into five portfolios comprised of 20 individual services



- *You must first Define Services to Allocate Costs*
- *Portfolios and Services can be Expanded as Process Maturity Increases*



SHOWBACK & CHARGEBACK

Service Definition – First Year Example

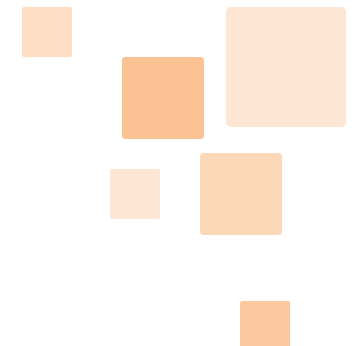
This Service List creates a foundation for the development of a complete service catalog in the future

#	Service Name	Service Owner	Service Description
Staffing Enablement			
1	Identity and End User Computing	TBD	Lifecycle management of End-User devices including procurement, imaging & patching, installation of software, identity and access management services, desk-side support and printers.
2	Service desk and support	TBD	Resolution (incl. management) of service requests, incidents and tickets raised by end-users to the help desk.
3	Conferencing (video, webex)	TBD	Solutions enabling employees to organize meetings, conferences & other sessions using Telepresence, Webex, video, & enterprise audio conferencing, network based broadcast services, Video@work, and enterprise supported digital signage (facility messaging).
4	Email & collaboration tools	TBD	Enabling communication and collaboration across the organization through email, messaging, and enterprise collaboration tools.
5	Telephones	TBD	Telephony services including Call Center, voice mail, extension licensing & fees, softphone (IPC and Jabber) and associated equipment and maintenance (Excludes circuit & toll charges and equipment such as phones sets & headsets installed at sites).
6	Network connectivity	TBD	Data and voice networks per site that allow secure connectivity across the enterprise (Data Centre related networks costs are captured separately).
7	Mobility	TBD	Mobile device security and management, mobile application standards, and corporate owned cell phone management/standards.
Application Delivery & Support			
8	ADM (Development, maintenance, support & Software)	TBD	Application development, maintenance and support activities for all applications including software purchased from 3 rd party vendors.
9	Infrastructure - Data Center & Connectivity	TBD	Management of Data Centers including equipment, labor involved and network connectivity in providing the service.
10	Infrastructure - Compute / Servers	TBD	Management of Servers and Operating Systems including equipment and labor involved in providing the service, directly for business applications and other GIS key services (Mainframes, Windows, Linux, Unix).
11	Infrastructure - Storage & Back-Up	TBD	Management of Storage & Back-Up including equipment and labor involved in providing the service, directly for business applications and other GIS key services (NAS, SAN).
12	Databases, Java, .net, tools	TBD	Primarily; Database platforms, licenses and the labor associated for DB maintenance (Oracle, MySQL, DB2, SQL Server). Supporting JAVA type tools for ad-hoc support and development.
13	Integration	TBD	Services related to developing, supporting and maintaining the integration functionality across the multitude of enterprise and local applications.

SHOWBACK & CHARGEBACK

Services & Chargeback Model Progression

From High-Level bundle in Year 1 to a individual services and Per-Unit Pricing In Year 3



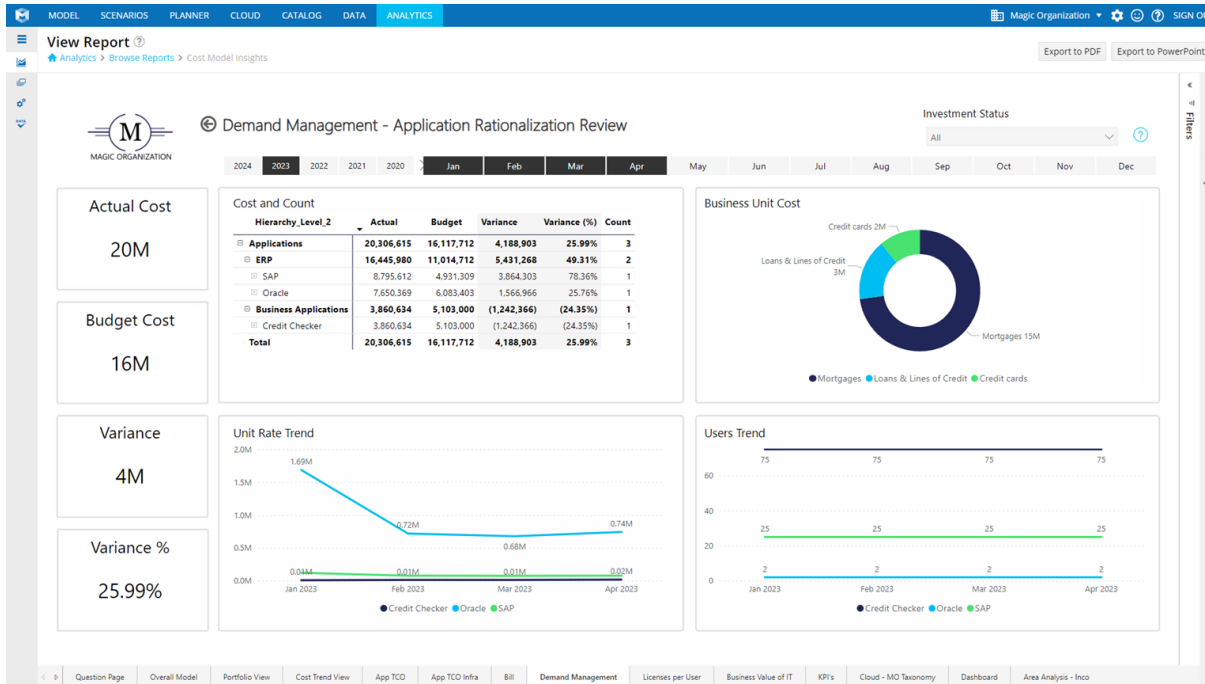
Staff Enablement			
Service	2023	2024	2025
Identity and End User Computing	Primarily bundled and allocated by total headcount	<ul style="list-style-type: none"> Bundled and allocated to the BUs by the # of assigned PCs Standardized methodology Set-up structure to move to Service Based Costing in 2025 	By # of PCs per BU
Service desk and support			By ticket-count per BU
Conferencing (audio, video, web)			By # of telepresence locations per BU
Email and collaboration tools			By # of Email accounts per BU
Telephones			By # of extensions per BU
Network connectivity			Direct cost per Site / BU
Mobility			By # of Mobile Devices per BU

SHOWBACK & CHARGEBACK

Usage Reporting Example

Customers need to first understand their Service Consumption and Costs before being charged

Automated Example

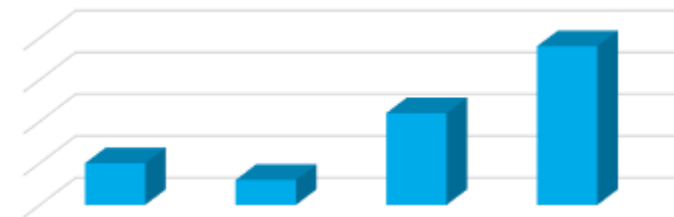


Manual Example - Excel

HMD Network Usage Report (for the period of March 2025)

Number of Locations 11

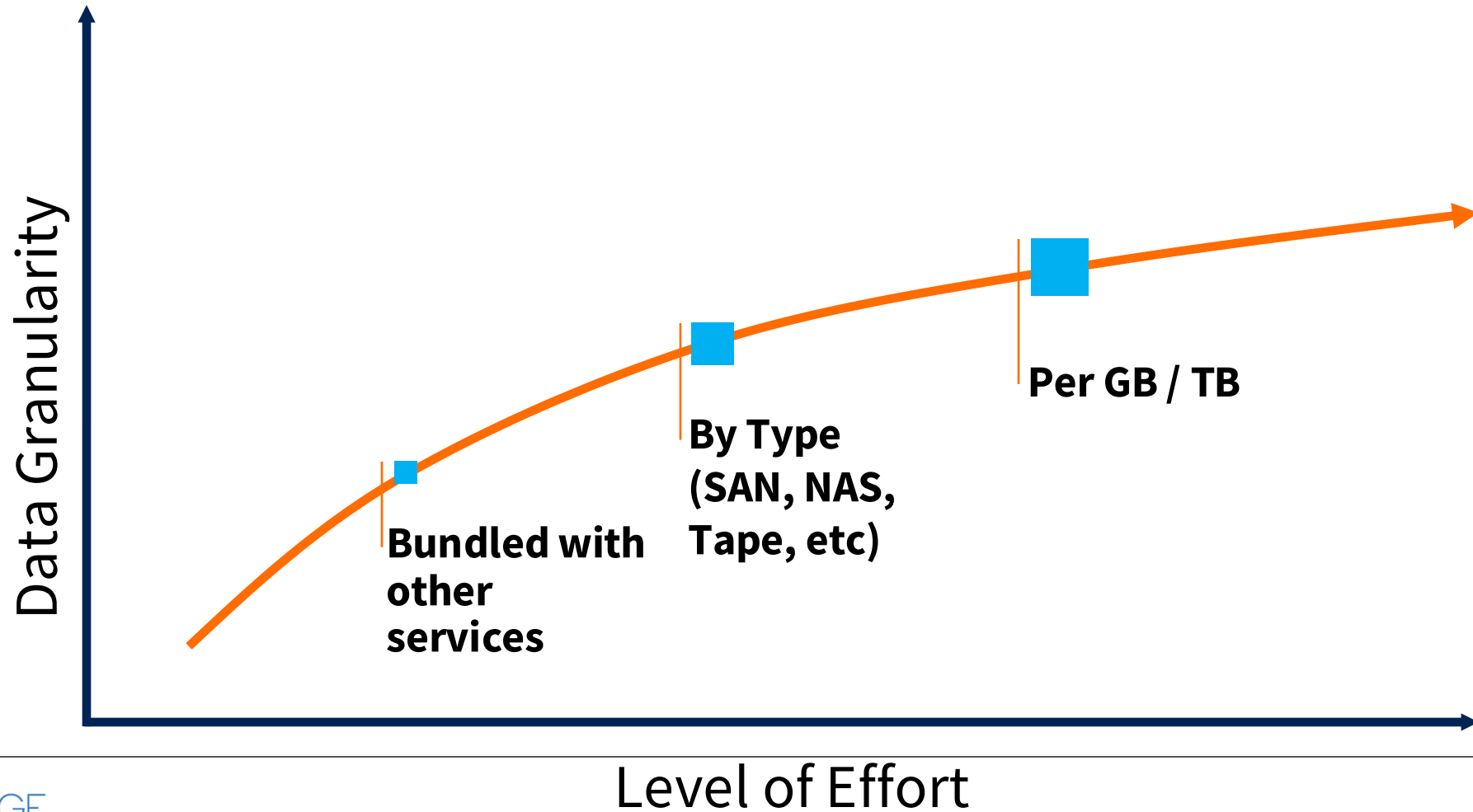
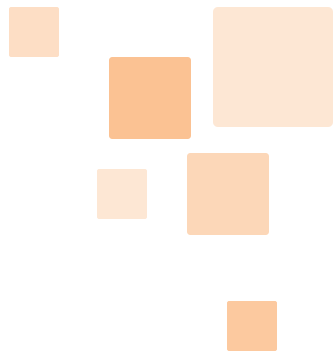
Circuits by Type	March 2023 Quantity	April 2023 Quantity	May 2023 Quantity	June 2023 Quantity	July 2023 Quantity	August 2023 Quantity
Internet	5					
MAN	3					
MPLS	11					
Total	19	0	0	0	0	0



SHOWBACK & CHARGEBACK

Chargeback Data Requirements

To Chargeback on a Unit-Cost Basis, both Unit Consumption and Cost Data is necessary



SHOWBACK & CHARGEBACK

Data Quality Assessment Tool

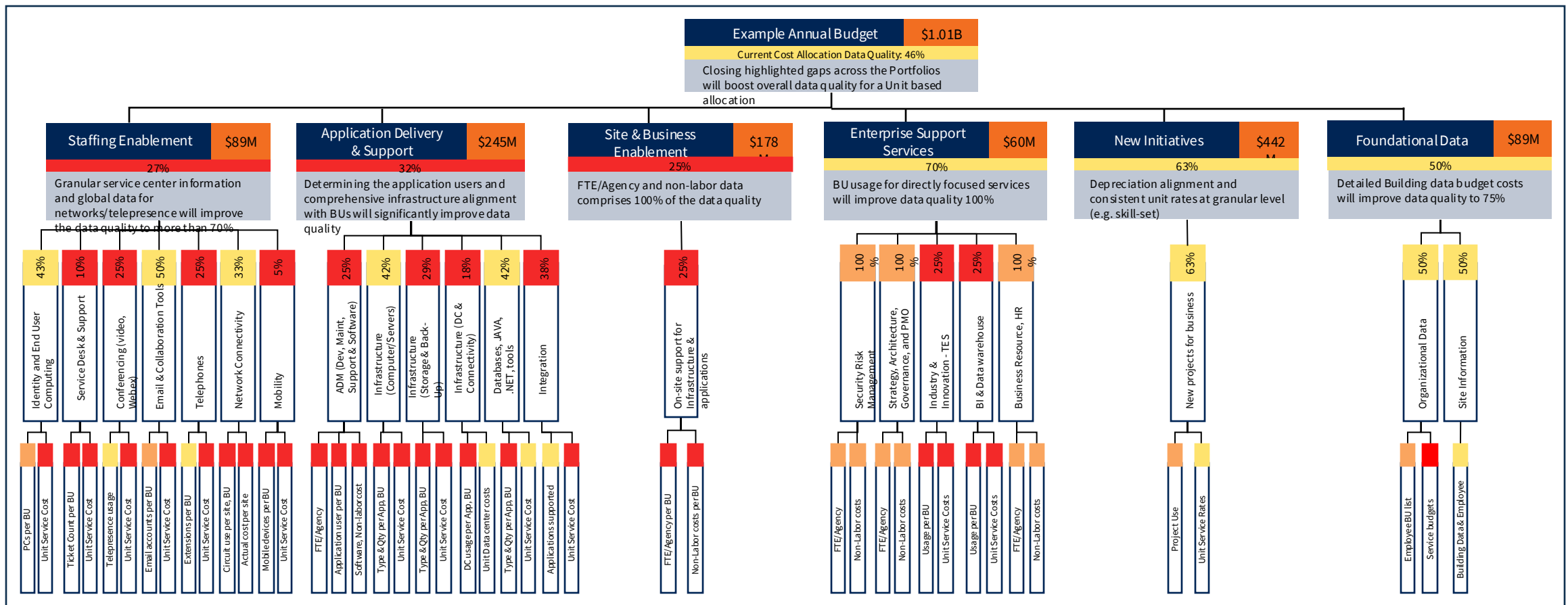
- Quality scores are computed for each service, each service category (average of services in that category), and an overall score (average of all service categories)
- The scores will be color coded per the previously stated criteria and will serve as a quantitative baseline to then enable the planning of next steps to improve the scores to the needed level

Data Quality Assessment													
Service Category	Service / Service Component Name	Cost Center	Cost Data					Notes	Gaps	Total Weighted Score	Data Item Quality	Category Quality	Overall Data Quality
			Source	Weight	Data Received	Score							
Employee Enablement	Service desk - incident management and service requests	ITSD	D&T Financials	0.5	50%	0.25	SNOW costs are not in this cost center	Need to map vendor costs and headcount to individual service	0.6	60%	55%	65%	
	PC hardware provisioning and support	ITSG	D&T Financials	0.5	50%	0.25		Need to map vendor costs and headcount to individual service	0.6	60%			
	PC software provisioning and support	ITSG, ITBU	D&T Financials	0.5	70%	0.35	-	Need to map vendor costs and headcount to individual service	0.8	80%			
	Virtual desktop (VDI)	ITSG	D&T Financials	0.5	50%	0.25	-	Need to map vendor costs and headcount to individual service	0.25	25%			
	IT Training - Office 365 and collaboration tools	ITBU	D&T Financials	0.5	50%	0.25	-	Need to map vendor costs and headcount to individual service	0.25	25%			
	Print - office/network printers	ITBU	D&T Financials	0.5	50%	0.25	-	Need to map vendor costs and headcount to individual service	0.625	63%			
	Desktop Telephones	ITSI	D&T Financials	0.5	50%	0.25		Need to map vendor costs and headcount to individual service	0.25	25%			
	Mobile Phones & Tablets	ITSI	D&T Financials	0.5	100%	0.5		For D&T only	1	100%			
Enterprise Services	Data and Analytics	ITDT	D&T Financials	0.5	75%	0.375		Need to map vendor costs and headcount to individual service	0.625	63%	50%	65%	
	Cybersecurity	ITIS	D&T Financials	0.5	75%	0.375		Need to map vendor costs and headcount to individual service	0.625	63%			
	Business Process Automation	ITBC	D&T Financials	0.5	50%	0.25		Need to map vendor costs and headcount to individual service	0.25	25%			
Collaboration & Communications	Audio and Web Conferencing	ITBU	D&T Financials	0.5	90%	0.45		Need to map vendor costs and headcount to individual service	0.95	95%	60%	65%	
	Collaboration Platforms	ITBU	D&T Financials	0.5	90%	0.45		Need to map vendor costs and headcount to individual service	0.95	95%			
	Email	ITBU	D&T Financials	0.5	90%	0.45		Need to map vendor costs and headcount to individual service	0.95	95%			
	Workplace Services	ITBU	D&T Financials	0.5	50%	0.25			0.25	25%			
	Video Conferencing	ITBU	D&T Financials	0.5	50%	0.25		Need to map vendor costs and headcount to individual service	0.5	50%			
Infrastructure Services	Compute - physical/virtual servers	ITSI	D&T Financials	0.5	50%	0.25		Need to map vendor costs and headcount to individual service			45%	65%	
	Compute - cloud	ITSI	Vendor invoices	0.5	50%	0.25		Google invoice has no detail. Azure invoice is 26 pages. Nothing on AWS yet.	0.75	75%			
	Storage - physical	ITSI		0.5	50%	0.25		Need cost data for this service					
	Storage - cloud	ITSI	Vendor invoices	0.5	50%	0.25		Google invoice has no detail. Azure invoice is 26 pages. Nothing on AWS yet.	0.415	42%			
	Backup & Archive	ITSI		0.5	50%	0.25		Need cost data for this service	0.25	25%			
	DC Network - LAN & WAN	ITSI	D&T Financials and vendor invoice	0.5	75%	0.375		Need to confirm all costs are captured	0.875	88%			
	Data center space and power	ITSI	D&T Financials and vendor invoice	0.5	100%	0.5		Need Colo provider invoices	1	100%			
	DR Services	ITSI		0.5	50%	0.25		Need to map vendor costs and headcount to individual service	0.25	25%			
	Data Network - WAN	ITSI	D&T Financials and vendor invoice	0.5	75%	0.375		Need to map vendor costs and headcount to individual service	0.875	88%			
	Data Network - Voice	ITSI	D&T Financials and vendor invoice	0.5	75%	0.375		Need to map vendor costs and headcount to individual service	0.875	88%			

SHOWBACK & CHARGEBACK

Chargeback Data Requirements

- Heat Map View of Data Quality Assessment to Determine LOE and Measure Improvement
- Data Quality will Determine the Maturity Level of the Desired Model



Methodology

1. At an overall level, services are weighted based on portfolio spend as a % of total.
2. For each service, sum of their distributed weights (subjective) is equal to 1.
3. For each item within a service; based on the level of data received, a quality % is assigned & score calculated (weight x %).
4. The sum of all item scores within the service will provide the total weighted score for the service. The total weightage score multiplied by 100 and rounded off to its nearest integer is the service data quality %.
5. Please refer to the "Data Quality Impact" that describes the effectiveness of the data quality calculated.

Low (<40%)
 (insufficient usage and cost data to determine and allocate costs to the business units; future allocation processes will be based on industry standards/best practices and may deviate significantly from current state)

Moderate (40% - 75%)
 (incomplete level of information to comprehensively determine the cost and usage of services and allocate to the business units; allocation will be based on enterprise-level parameters with minimal granularity)

High (>75%)
 (sufficient usage and cost data exists to determine how much of a given service is consumed by a specific business unit and the cost of that usage can be accurately determined and allocated to that business unit)

SHOWBACK & CHARGEBACK

Guiding Principles for Chargeback Model Design

Fairness

- To what degree should chargeback be based on actual consumption versus an estimated allocation?
- What costs should be included/excluded?

Influence

- What behaviors, if any, should chargeback drive (e.g. reduced consumption, investment in new products, incentives to move users from old technologies, etc.)?

Transparency

- What insight should customers have into how IT manages IT—including which costs are fixed and which are variable?

Effort

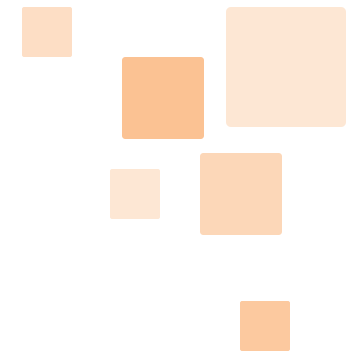
- How much effort (e.g., data collection, transformation, calculation, reconciliation, and billing) is appropriate and is it in keeping with the value provided?




Consistency

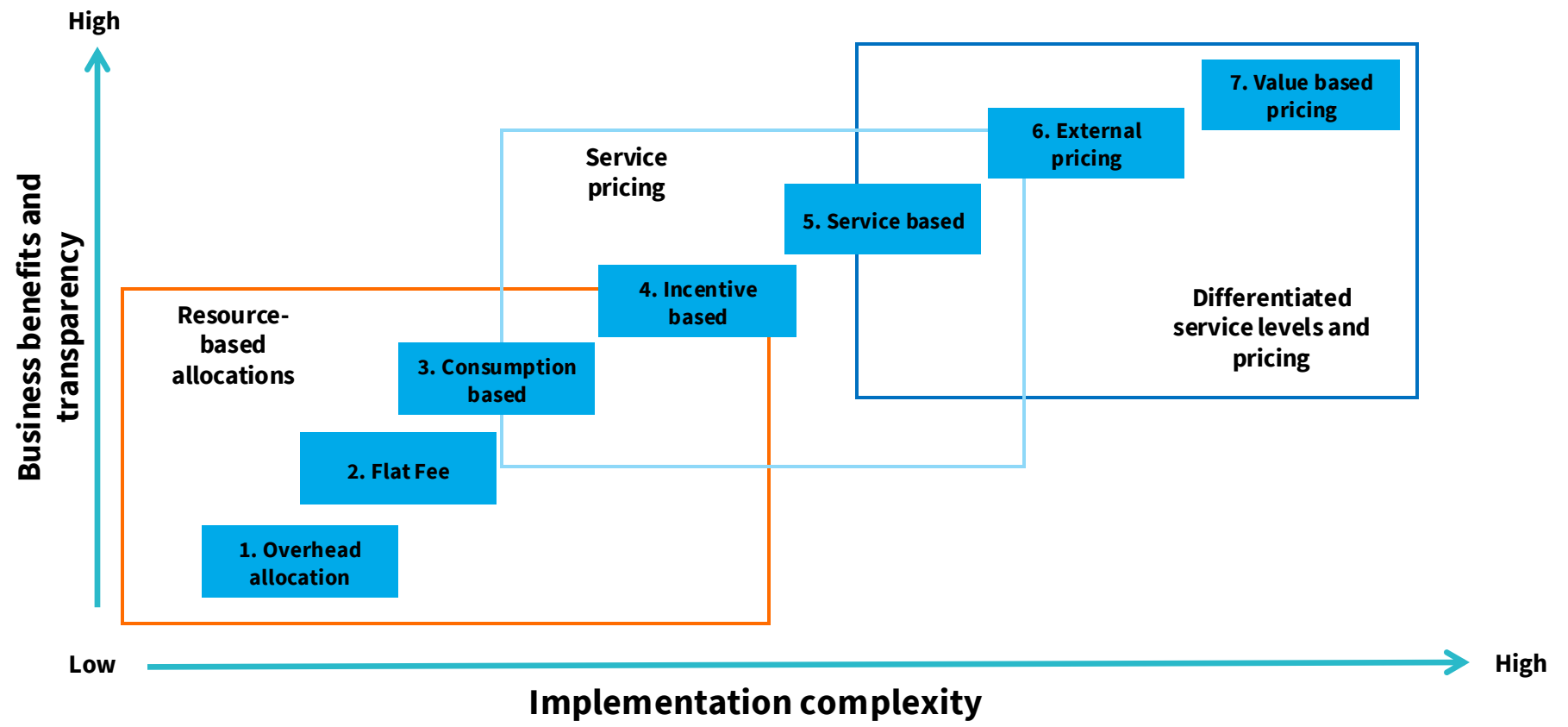
- Are IT chargeback methods aligned with cost allocation and profitability measurement used throughout the organization?

SHOWBACK & CHARGEBACK

Chargeback Models – No One Size Fits All



-  Resource-Based Allocations distributes costs through allocations or simple consumption estimates
-  Service Pricing measures specific consumption and drives behavior through tiered services and prices (e.g. incentives for off-peak usage)
-  Differentiated Service Levels and Pricing reflects a more market-based approach to cost recovery



SHOWBACK & CHARGEBACK

Chargeback Models Details

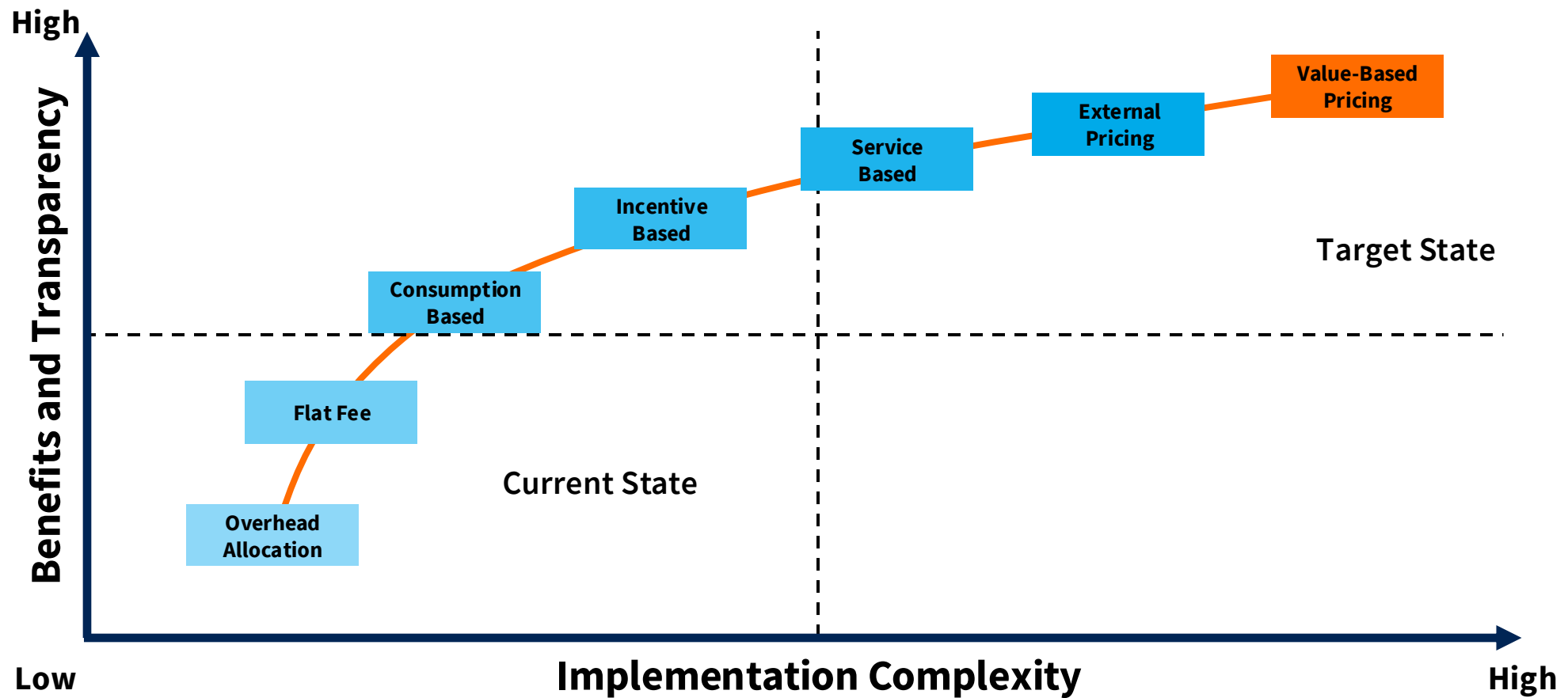
Key: ● (High) ◐ (Medium) ○ (Low)

Chargeback Model	Model Description	Cost Awareness	Cost Measurement Effort	Cost Management Effort	Cost and Complexity
0. No Chargeback	IT costs are not charged back	○	○	○	○
1. Overhead Allocation	IT costs are allocated to Business Partners (BUs) as a corporate overhead cost based on a simple driver not directly related to resource consumption	●	○	○	○
2. Flat Fee	Fixed annual cost negotiated with BUs; normally based on a “crude” estimate of resource consumption	●	◐	◐	◐
3. Resource Based Consumption	IT costs are allocated based on specific unit of resource consumed (e.g., number of dedicated servers, network ports, etc.)	●	●	◐	◐
4. Incentive Based	IT charges are manipulated to drive specific behavior (e.g., lower charges to influence use of network or servers during off-peak times)	●	●	●	◐
5. Service Based	IT service charges to BUs are based on consumption of specific activities; quality and availability of services are explicitly defined, service “choice provided for key products	●	●	●	◐
6. External Pricing	IT service fees are based on market (external) prices; products offered are comparable to those available in the marketplace	●	●	●	●
7. Value Based Pricing	IT service fees are based on perceived value delivered to BUs (e.g., business value created, customer satisfaction, timely delivery of new financial products)	●	●	●	●

SHOWBACK & CHARGEBACK

Chargeback Model Maturity

Used to understand where you are, where you want to go, and to measure progress



SHOWBACK & CHARGEBACK

Chargeback Model Maturity Criteria

1. Overhead Allocation

- IT costs are allocated to Business Partners (BUs) as a corporate overhead cost based on a simple driver not directly related to resource consumption

2. Flat Fee

- Fixed annual cost negotiated with BUs; normally based on a “crude” estimate of resource consumption

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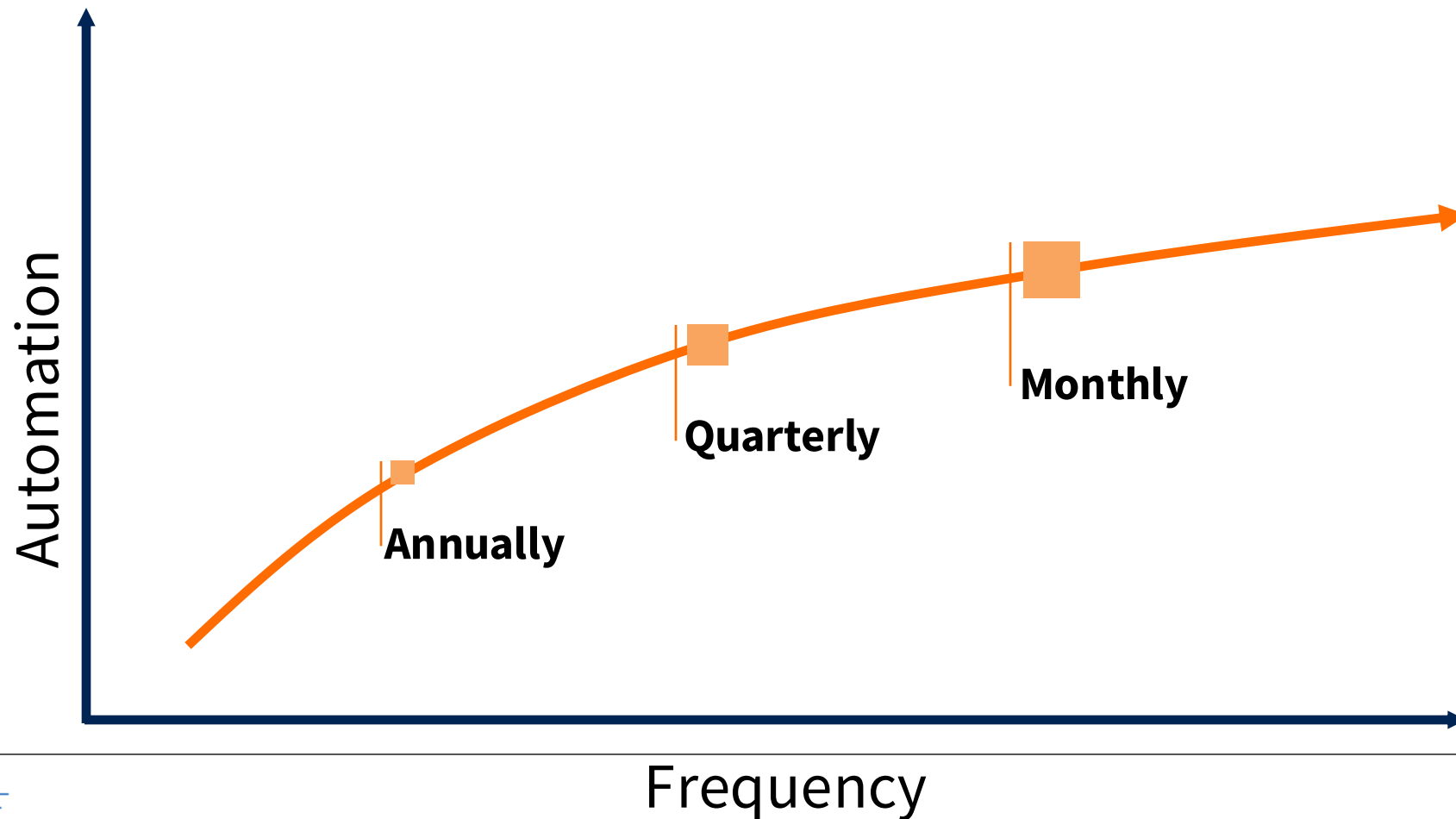
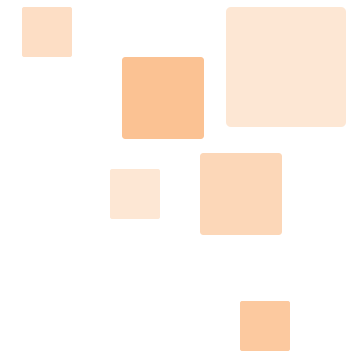
7. Value Based Pricing

- IT service fees are based on perceived value delivered to BUs (e.g., business value created, customer satisfaction, timely delivery of new financial products)

SHOWBACK & CHARGEBACK

Chargeback Automation & Frequency

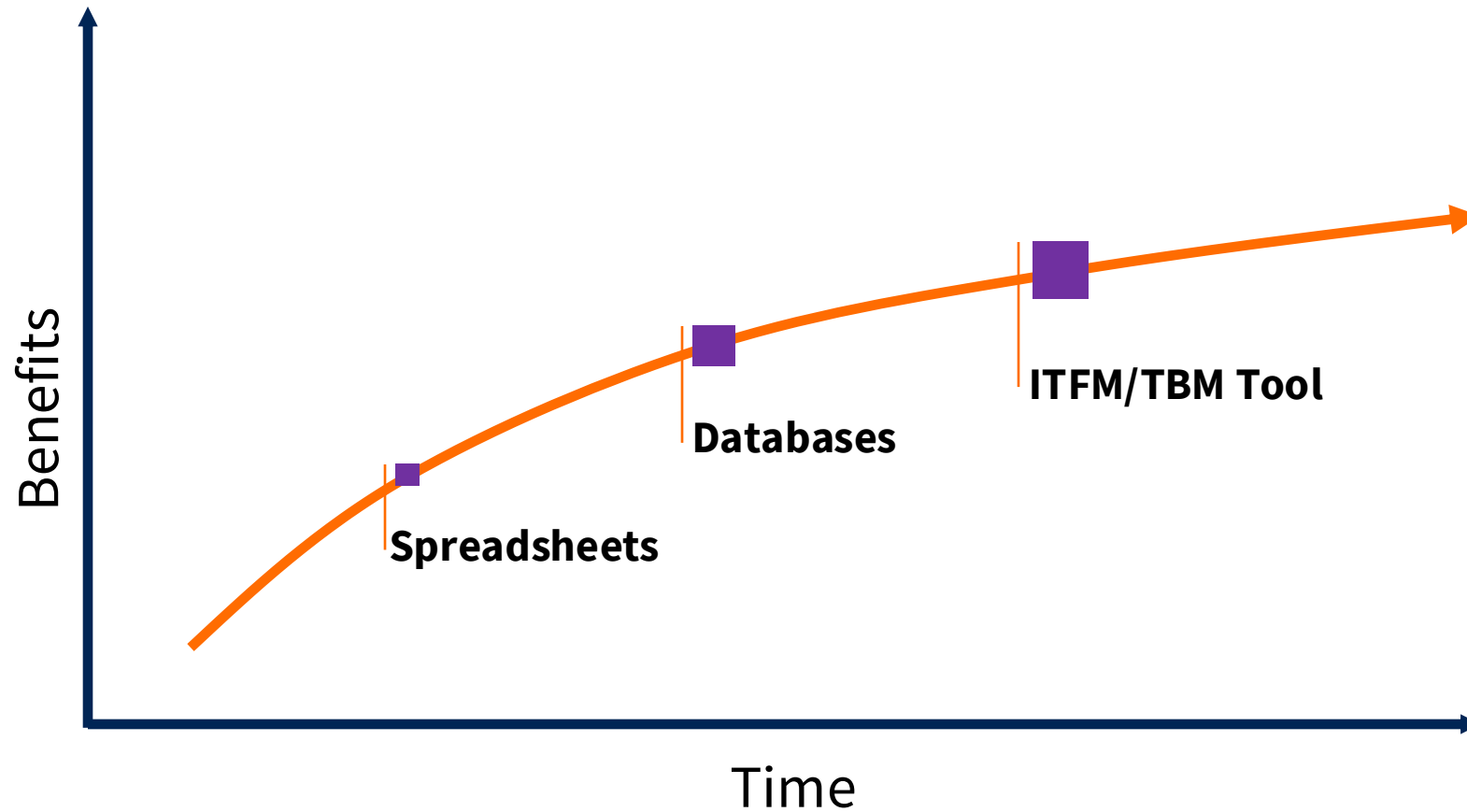
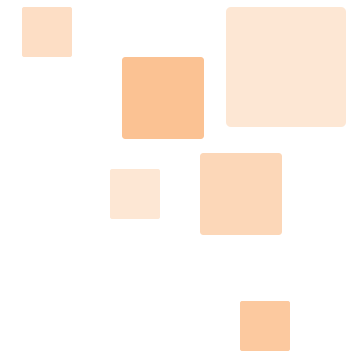
To perform more frequent chargebacks, increasing levels of Automation are needed



SHOWBACK & CHARGEBACK

Chargeback Model

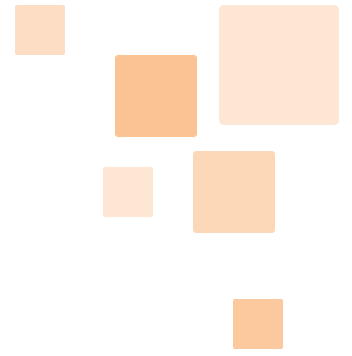
Need to automate to drive efficiency and fully realize the benefits of chargeback



SHOWBACK & CHARGEBACK

Client Key Results

- Achieved full cost transparency for all IT services, applications, personnel, and vendor spend
- Implemented a monthly, usage-based chargeback process for all business units
- Enabled more effective decision making
 - Retired multiple hardware platforms
 - Retired hundreds of applications
 - Reduced application customization and associated support and development costs
- Drove significant savings – over 15% reduction in annual IT spend



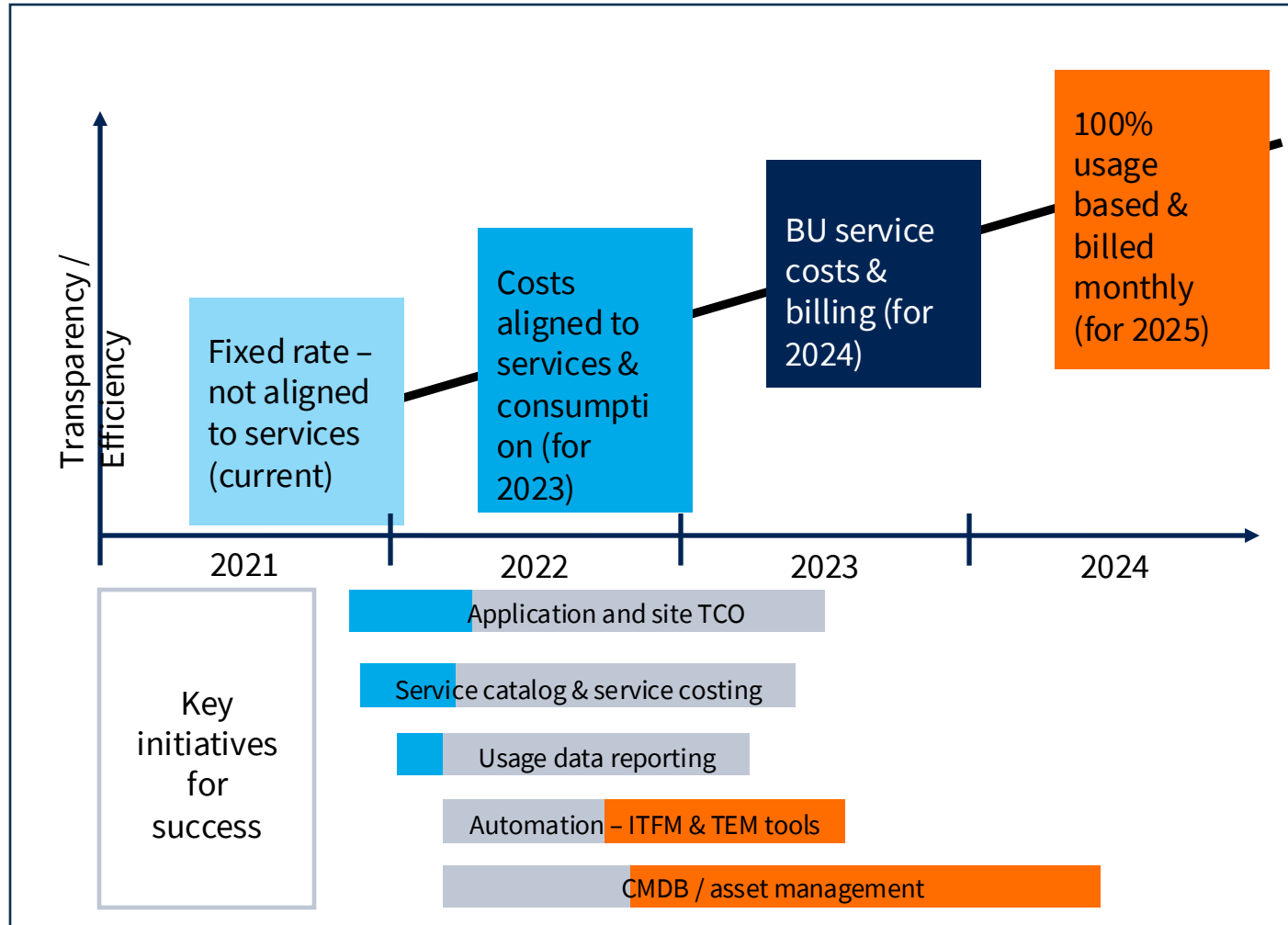
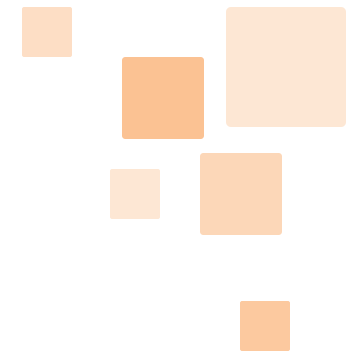
Workshop Exercise

Chargeback Model Selection

Refer to your Workbook

SHOWBACK & CHARGEBACK

The Chargeback Journey



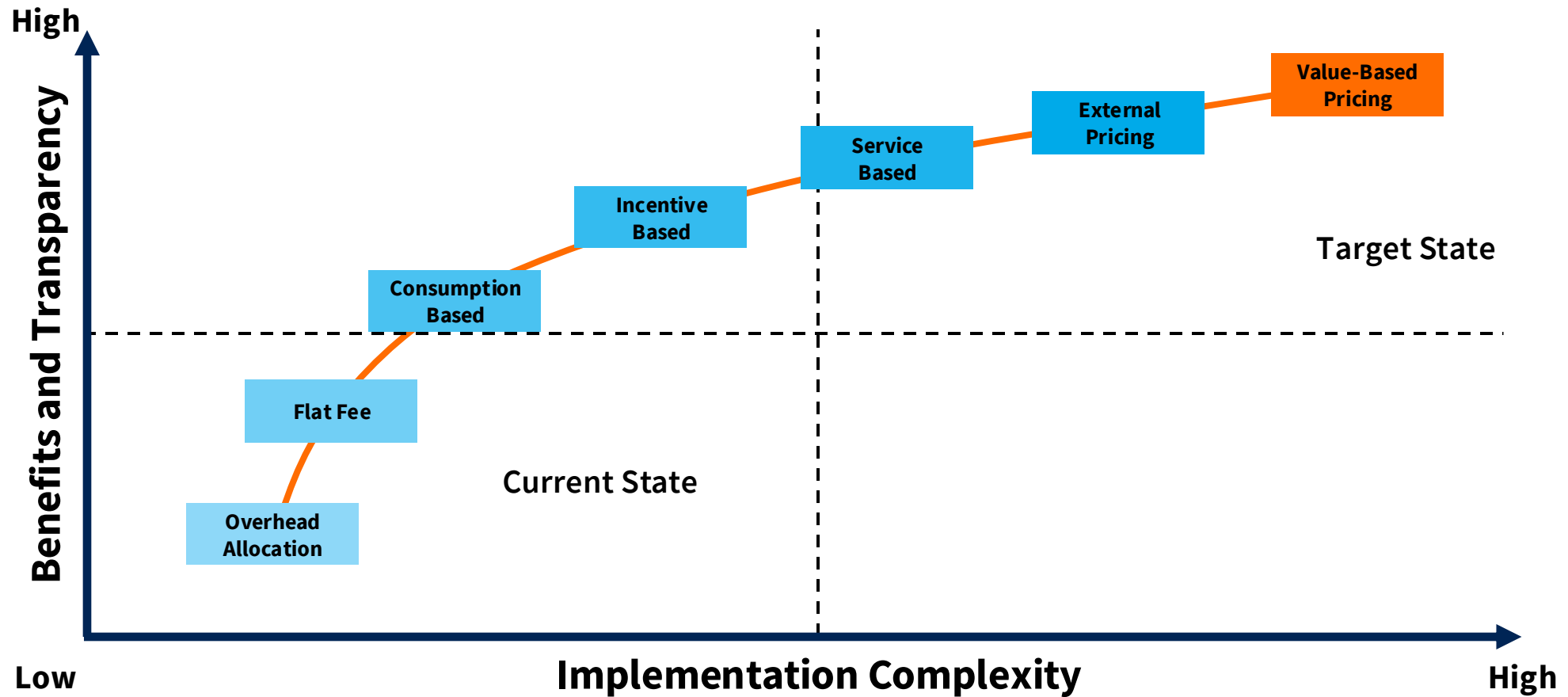
Best Practices

To improve Cost Transparency, Efficiency and Business Levers, a multi-year IT Financial and Service Management transformation journey must be undertaken to implement supporting processes and tools

SHOWBACK & CHARGEBACK

Chargeback Model Maturity

Used to understand where you are, where you want to go, and to measure progress



SHOWBACK & CHARGEBACK

Chargeback Model Maturity Criteria

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AGENDA

- Introductions
- Company Overview
- The ITFM Pathway
- Service Definition
- Data Readiness
- Automation
- Service Costing & Benchmarking
- Showback & Chargeback
- Benefits Realization



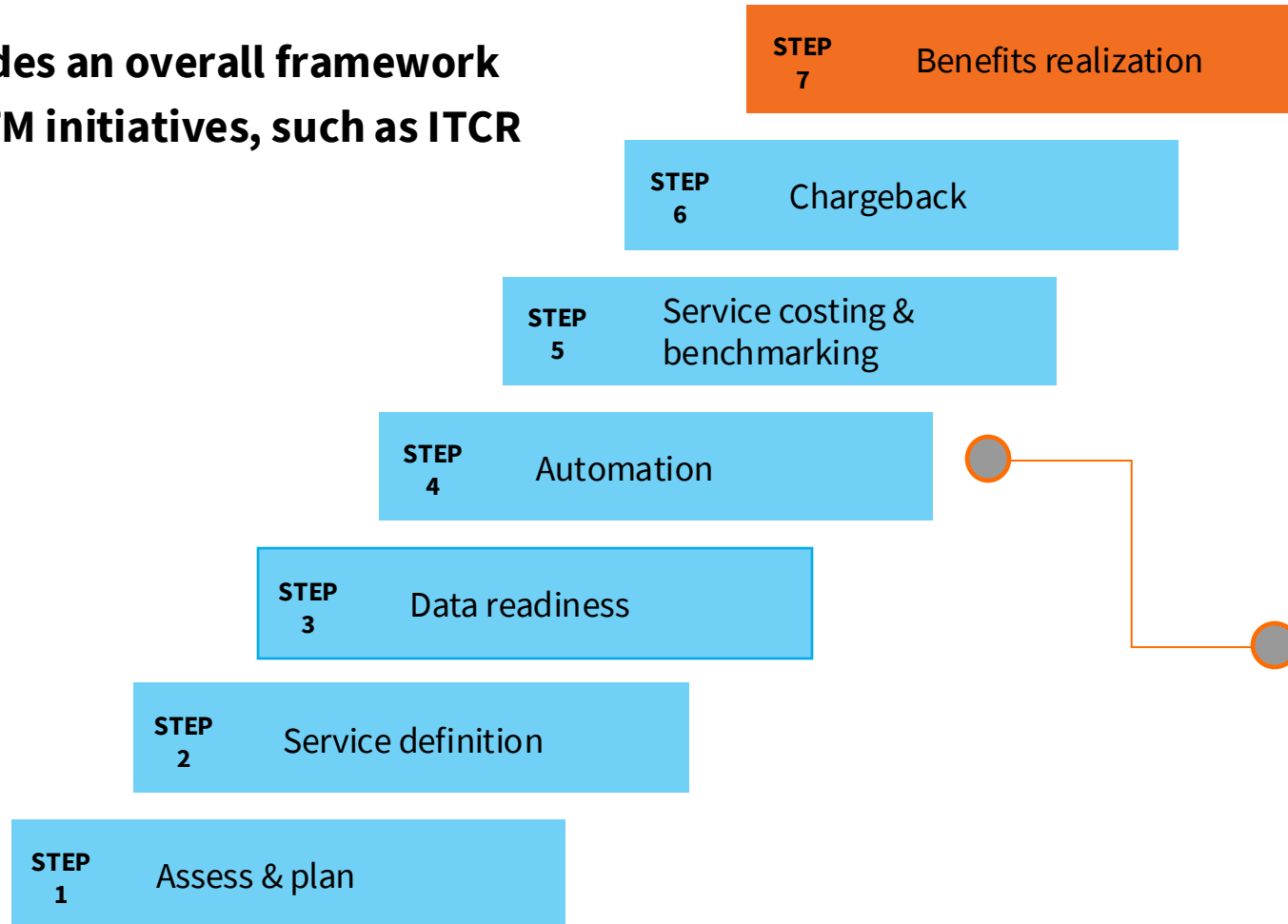
BENEFITS REALIZATION

MagicOrange ITFM Pathway to SuccessSM

The ITFM Pathway provides an overall framework for pursuing multiple ITFM initiatives, such as ITCR

Framework Benefits

- Transparency
- Cost efficiency
- Customer Satisfaction



Continuous improvement

MAGICORANGE

Highly Granular Bill of IT
Showback / Chargeback Modeling
Compare across business lines

BENEFITS REALIZATION

Ensuring Stakeholder Benefit

BENEFITS REALIZATION

Once you have successfully completed the ITFM pathway, you need to periodically assess the effectiveness of your ITFM program & determine if you are realizing the benefits that you expected

You should perform follow up Interviews with the same business leaders that you first spoke with at the beginning of this project to gauge their level of satisfaction

INTERVIEWS

- Use the same questions & have them rate their level of overall satisfaction with IT, then you can compare & measure the differences before & after the project & respond accordingly.

BENEFITS REALIZATION

Customer Satisfaction Interview Questions

Ratings are done on a scale from 1 to 5, with 5 being the highest score

- 1) How satisfied are you with the services that the IT department provides?
- 2) How satisfied are you with the costs of those services?
- 3) How satisfied are you with the Value that IT provides?
- 4) How satisfied are you with the level of communication with IT?
- 5) Do you feel like IT is a partner in providing the services that you need to be successful?

BENEFITS REALIZATION

Client Success Stories

Financial Services

- ▶ **Identified over \$50 million USD in annual savings (7.2% of IT spend)**
- ▶ Performed detailed benchmarking and leveraged the MagicOrange platform to analyze data and built a cost transparency model to understand TCO of services and products, which drove identification of cost savings
- ▶ Savings opportunities identified included reducing service desk demand via incident and problem management process changes, shifting to greater utilization of Off The Shelf software, implementing time tracking and resource management, consolidation of data centers, and network optimization

Industrial Manufacturing

- ▶ **Identified over \$100 million USD in annual savings (10% of IT spend)**
- ▶ Savings were the primary objective of the engagement. Performing in depth benchmarking and application TCO on over 4,500 applications were key requirements and outcomes.
- ▶ Savings opportunities identified included elimination of redundant software licenses and modules, restructuring of the IT organization, reduction of application development, development of an outsourcing strategy, rationalization and reduction of contractors and adjusting labor rates, implementing an ITFM program and tool, launching of a monthly IT service cost chargeback process

BENEFITS REALIZATION

Potential Benefit Realization Projects

- 1) Project Evaluation & Prioritization – VCR Process
- 2) Application TCO
- 3) ITCO / ITCR
- 4) ITFM Process Automation
 - On Demand Service Usage and Cost Reporting
- 5) Showback and Chargeback
- 6) Benchmarking
- 7) Resource Management
 - Time Tracking



MAGICRANGE

THANK YOU





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