



The ITFM Pathway

Key Steps to Unlocking Clarity, Control and Value



Pete Hidalgo | Global Advisory Services Leader

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

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What's in a
Name?



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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 |

THE ITFM PATHWAY

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

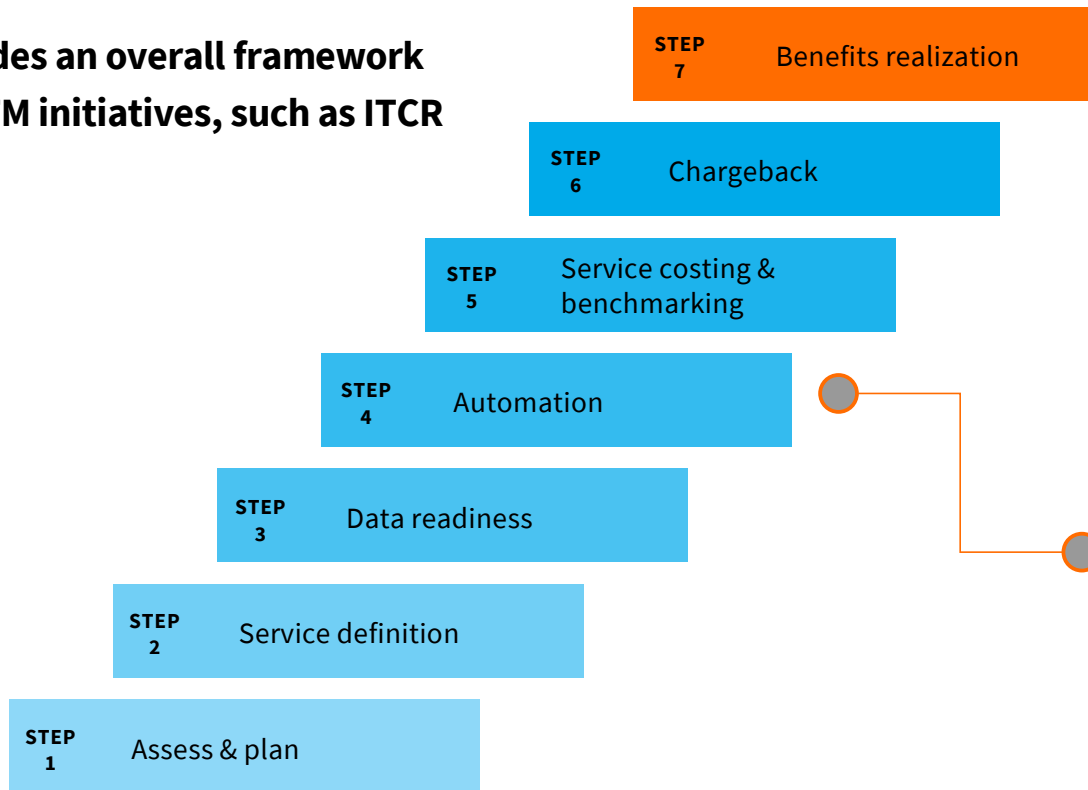
THE ITFM PATHWAY

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

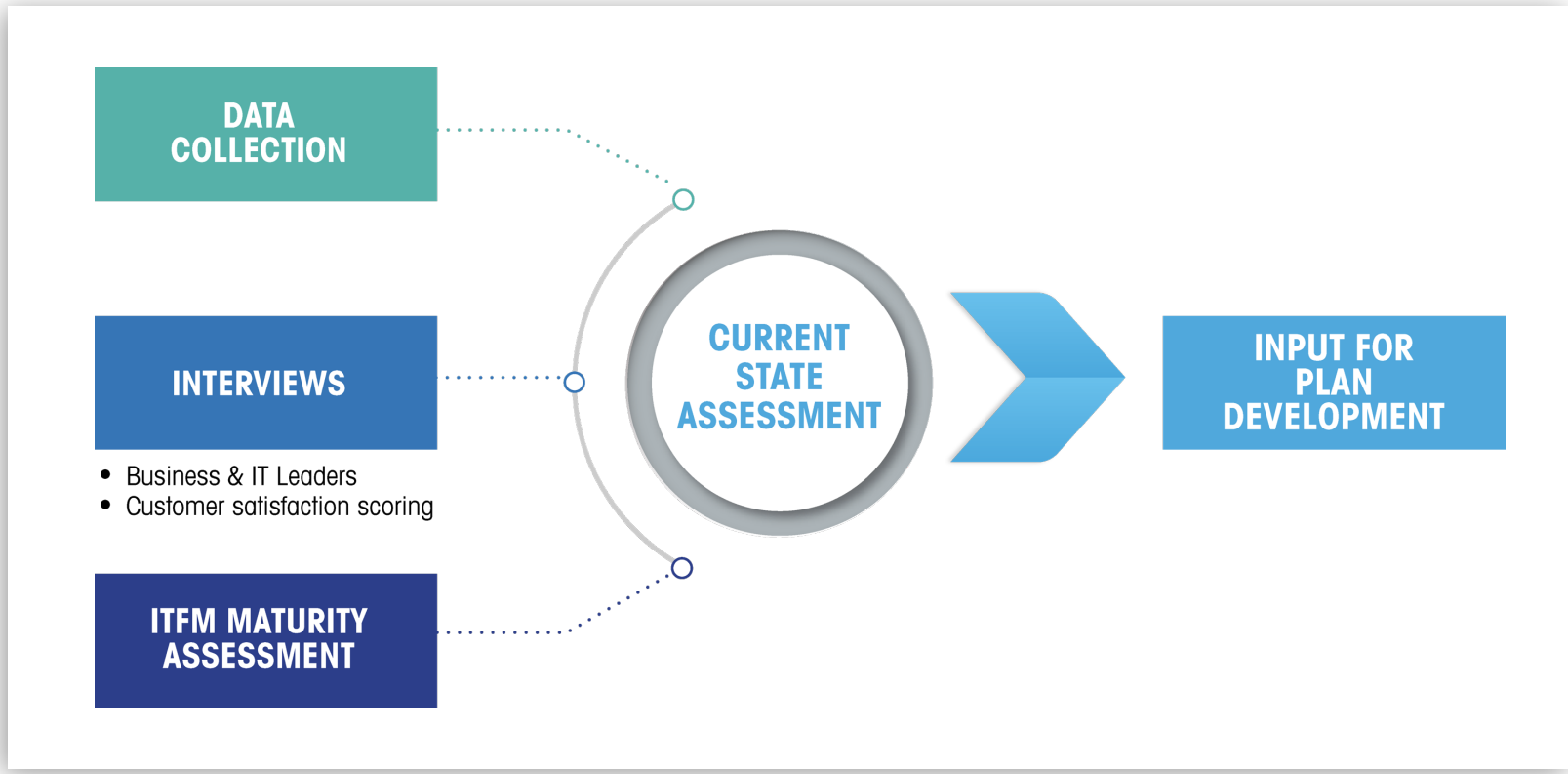
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STEP ONE

ASSESS & PLAN

Understand Your Baseline Before Defining Your Target State



STEP ONE

ASSESS & PLAN

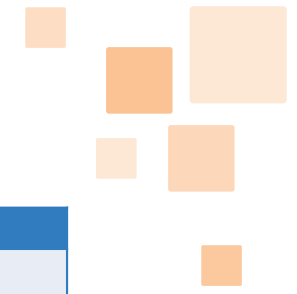
ITFM Readiness Assessment

- **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

STEP ONE

ASSESS & PLAN

ITFM Readiness Assessment

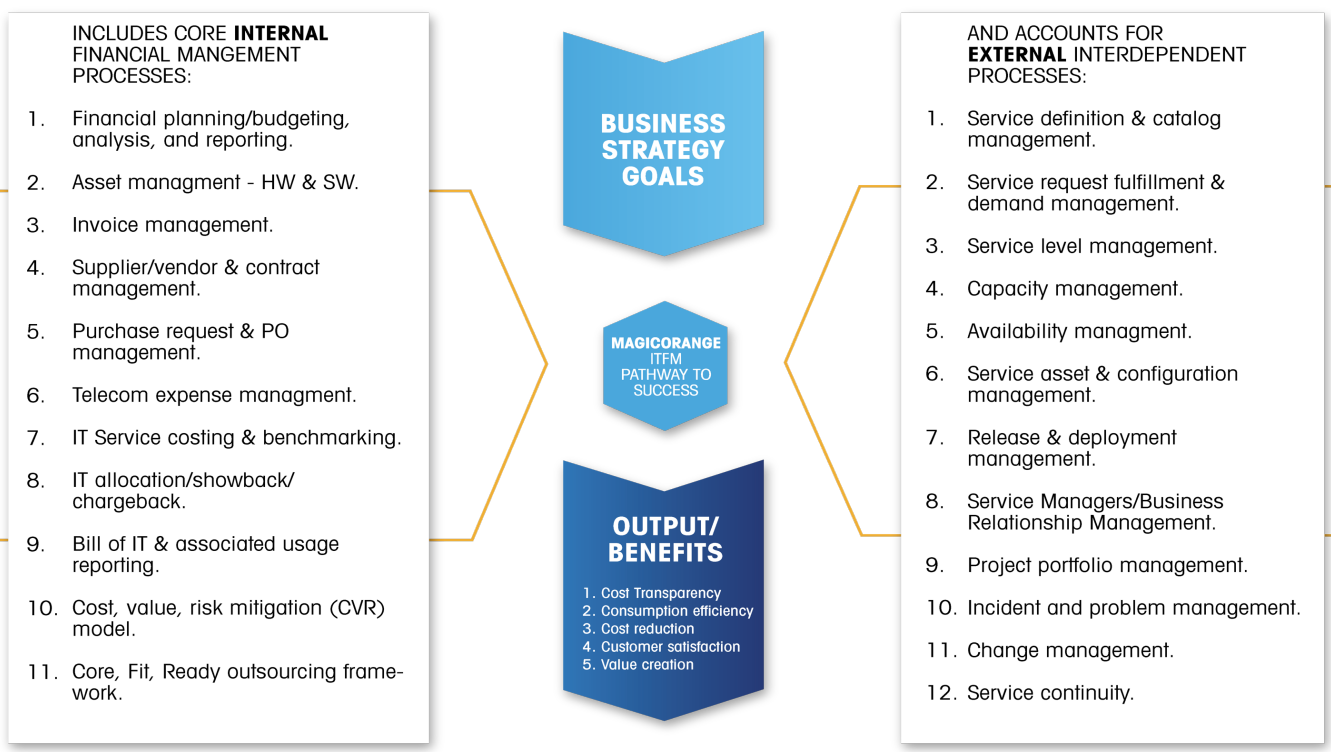
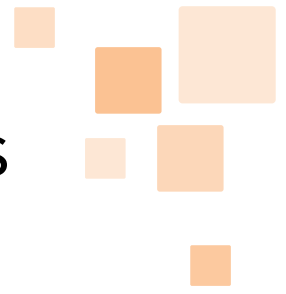


| INITIAL DATA SETS | BASELINE | DESCRIPTION |
|-----------------------|---|---|
| Company Information | Current Year To Date / Previous Full Year | <ul style="list-style-type: none"> Facilities (by locations with headcount by department) Revenue (Consolidated and by business unit) Major Initiatives (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) |

STEP ONE

ASSESS & PLAN

ITFM / TBM Framework - ITIL Learning Best Practices

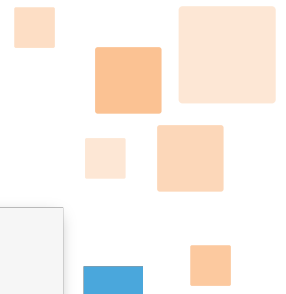
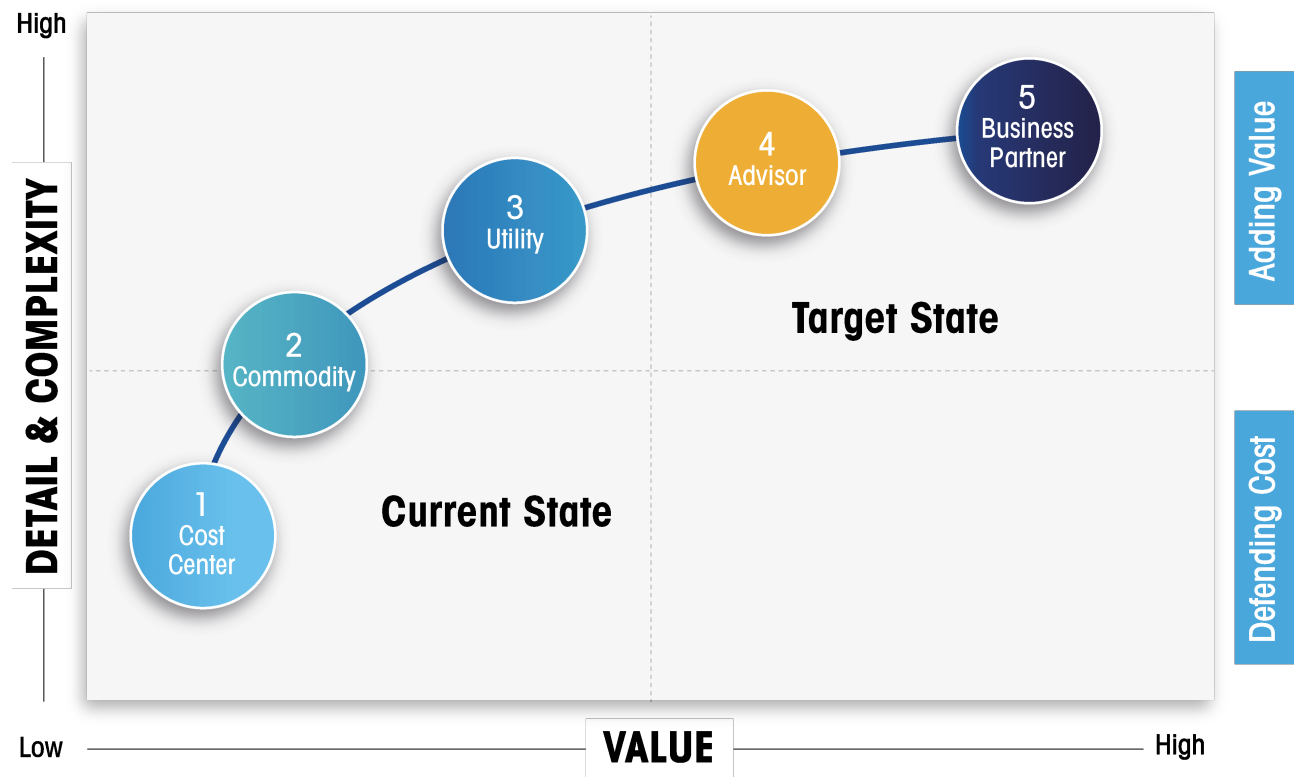


STEP ONE

ASSESS & PLAN

ITFM Maturity Model

Used To Determine Where You Want To Go



STEP ONE

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 |

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

STEP ONE

ASSESS & PLAN

Maturity Model – Typical Opportunities

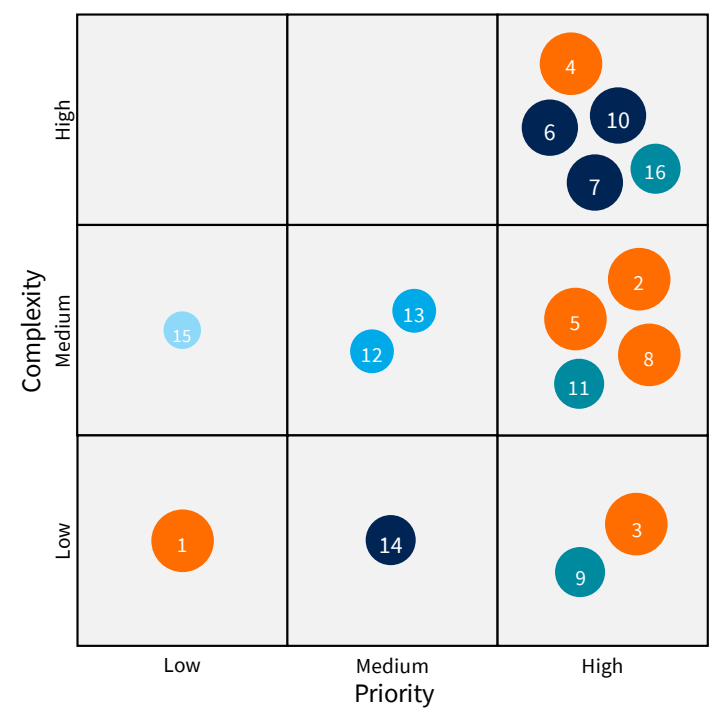
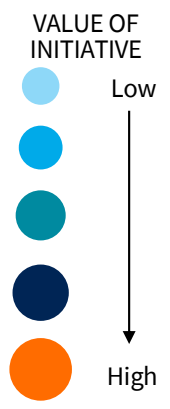


| # | IT CATEGORY | RECOMMENDATION DESCRIPTION | PRIORITY | COMPLEXITY | DURATION (MONTHS) | POTENTIAL ANNUAL SAVINGS | VALUE INDEX | CLIENT RESOURCE REQ. |
|---|-------------|--|----------|------------|-------------------|--------------------------|-------------|----------------------|
| 1 | IT Finance | <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 |

STEP ONE

ASSESS & PLAN

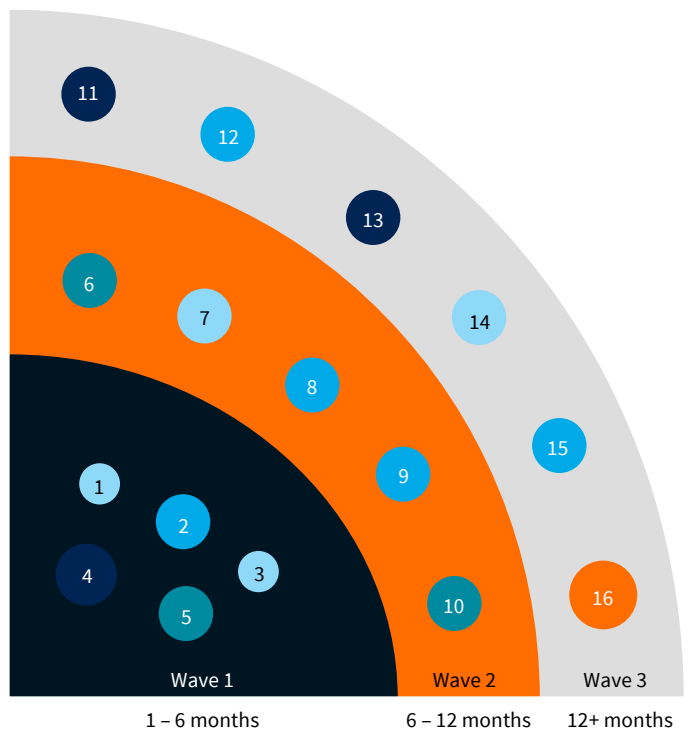
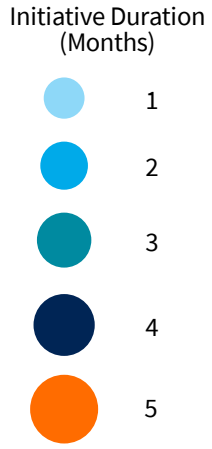
Priority & Complexity View – Facilitates Prioritization



STEP ONE

ASSESS & PLAN

Implementation View – Facilitates Prioritization



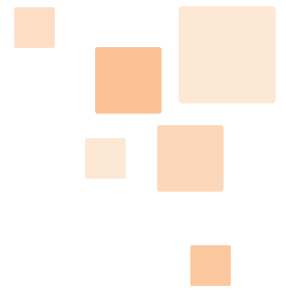
Initiative Analysis

- 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

STEP ONE

ASSESS & PLAN - SAMPLE INITIATIVE

Develop A Detailed 'One-Pager' For Each Initiative



Sample Initiative

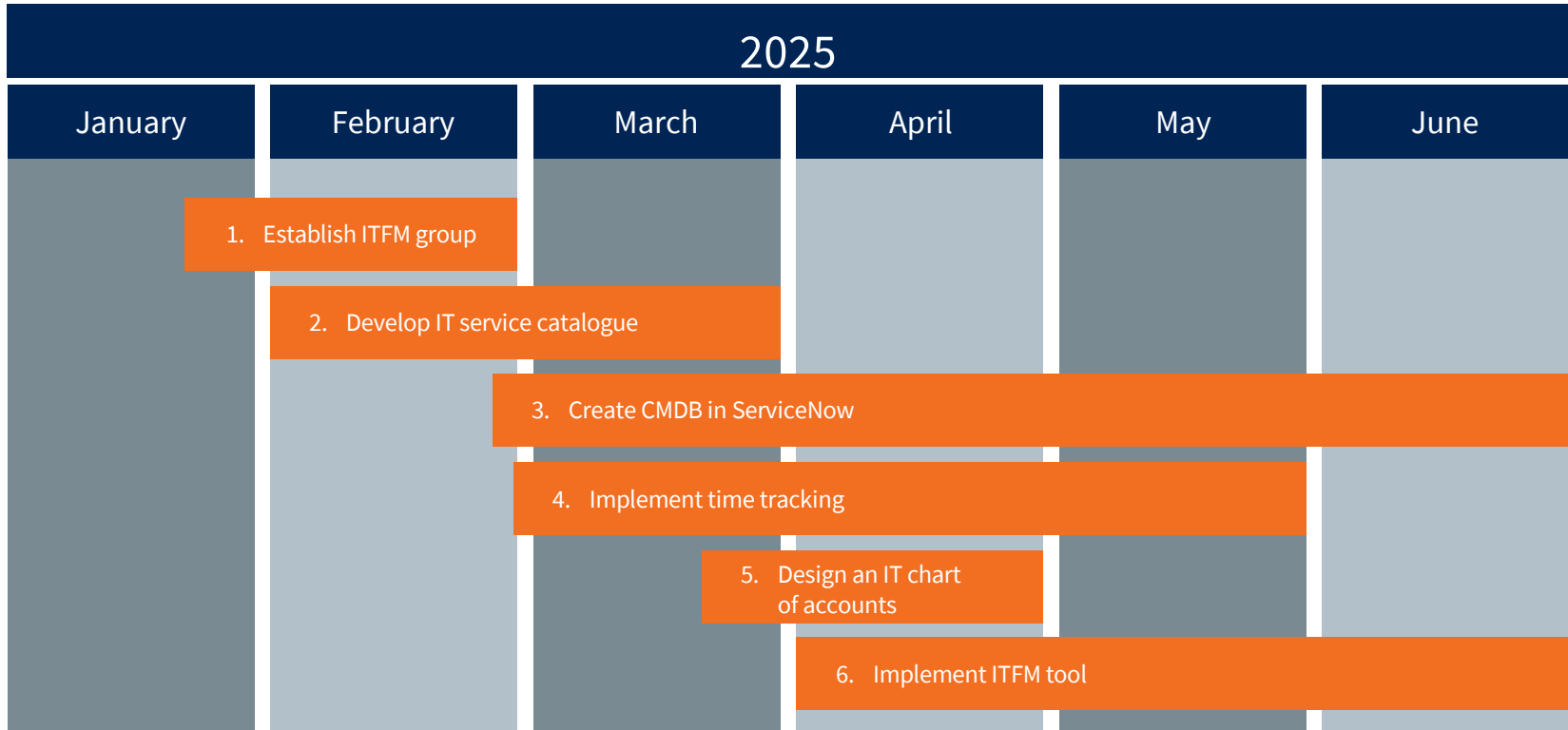
RECOMMENDATION 1
Design a chargeback model

| 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 | <div style="margin-bottom: 10px;"> <p>Value </p> <p>Priority </p> <p>Complexity </p> </div> <div style="display: flex; justify-content: space-around; font-weight: bold; font-size: 0.9em;"> Low Med High </div> | | | | | | | | | | |
| 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"> 1. Design & develop ITIL-based Financial Management chargeback & cost allocation process 2. Design & document processes for sustainment 3. Implement in an ITFM tool using Bill of IT module | | | | | | | | | | |
| INITIATIVE DETAILS | <table style="width: 100%; border-collapse: collapse; font-size: 0.7em;"> <tr> <td style="width: 20%; border-right: 1px solid #ccc; padding: 2px;">Value Index</td> <td style="width: 20%; border-right: 1px solid #ccc; padding: 2px;">94%</td> <td style="width: 20%; border-right: 1px solid #ccc; padding: 2px;">MO Cost Estimate</td> <td style="width: 20%; border-right: 1px solid #ccc; padding: 2px;">\$ XX</td> <td style="width: 20%; border-right: 1px solid #ccc; padding: 2px;">Duration</td> <td style="width: 20%; border-right: 1px solid #ccc; padding: 2px;">3 Months</td> <td style="width: 20%; border-right: 1px solid #ccc; padding: 2px;">Client Resources Req.</td> <td style="width: 20%; padding: 2px;">5</td> <td style="width: 20%; padding: 2px;">Potential Savings</td> <td style="padding: 2px;">\$2M - \$4M</td> </tr> </table> | Value Index | 94% | MO Cost Estimate | \$ XX | Duration | 3 Months | Client Resources Req. | 5 | Potential Savings | \$2M - \$4M |
| Value Index | 94% | MO Cost Estimate | \$ XX | Duration | 3 Months | Client Resources Req. | 5 | Potential Savings | \$2M - \$4M | | |

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ASSESS & PLAN

Sample Execution Roadmap



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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

STEP TWO

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



STEP TWO

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

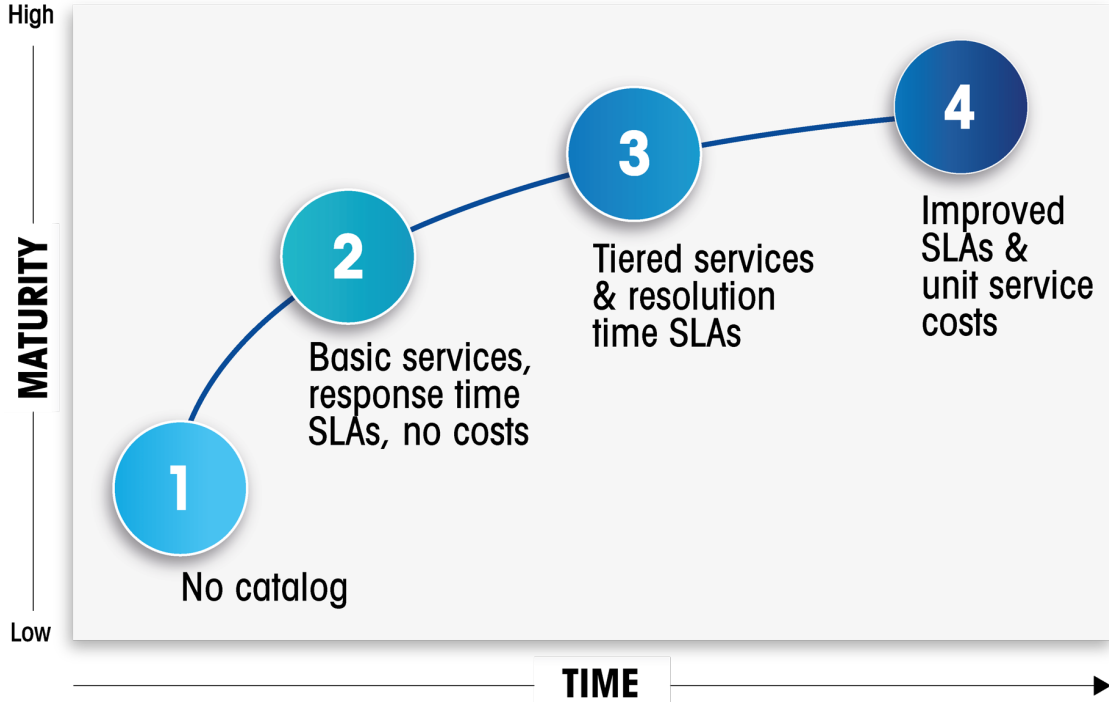
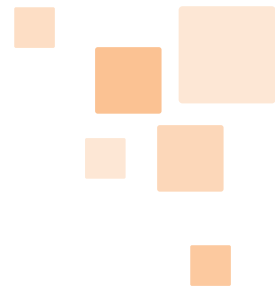


A **detailed technical process list** that shows how to deliver IT services

STEP TWO

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

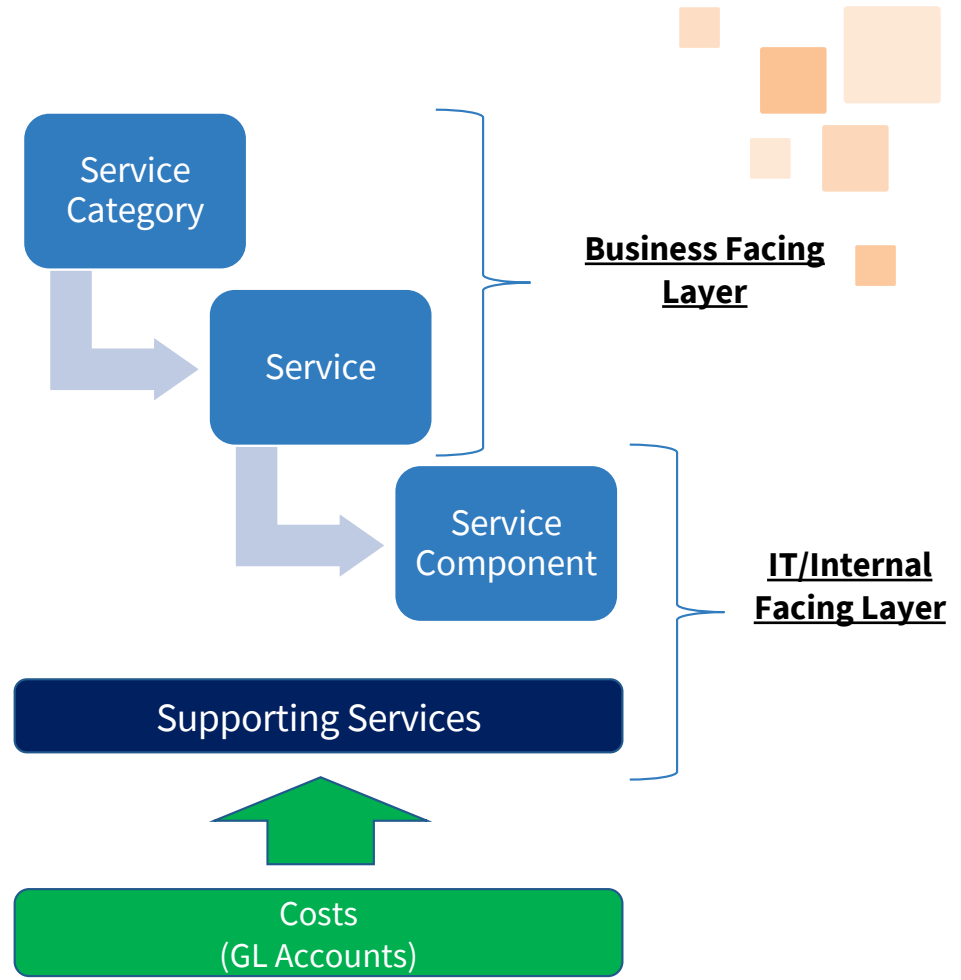
‘DON’T LET THE PERFECT BE THE ENEMY OF THE GOOD’

STEP TWO

SERVICE DEFINITION

Service Approach

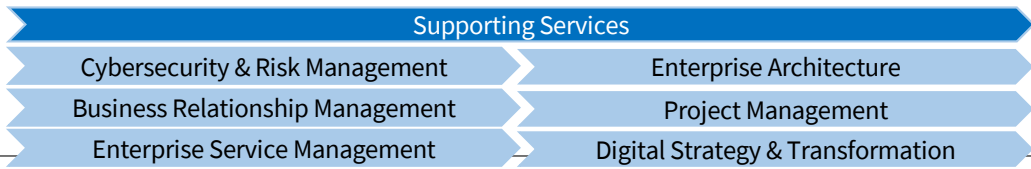
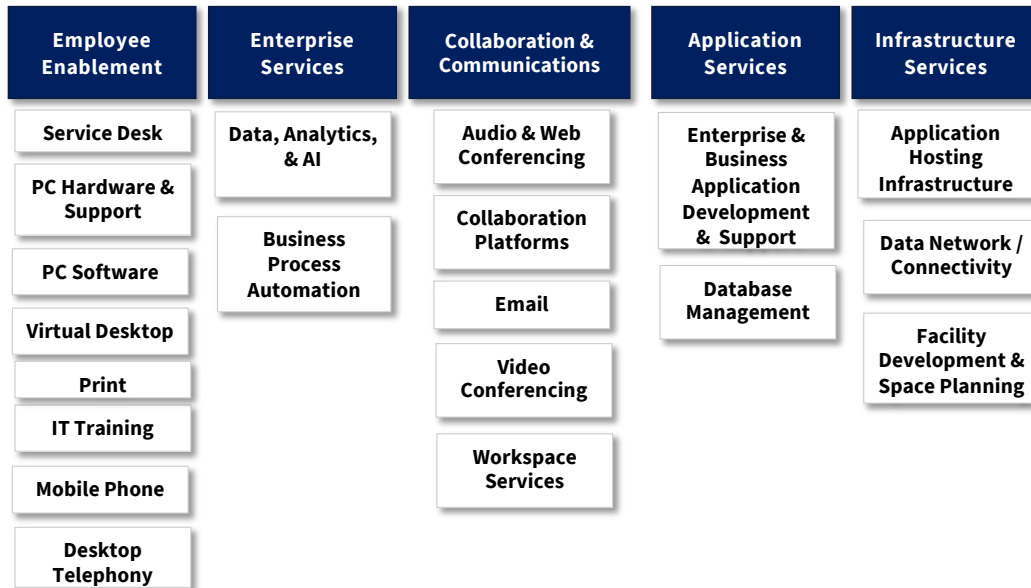
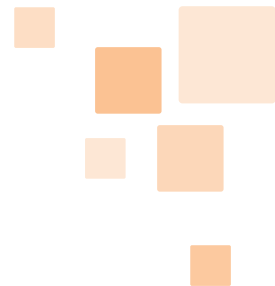
- MO uses the IT Service Management and ITIL standard, coupled with leading practices developed over 10 years working with the executive leadership of many Fortune 100 companies
- As shown on the right, we start with a **Service Category** which is a logical grouping of services that have a common objective, 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



STEP TWO

SERVICE DEFINITION

Business Services - Example



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STEP THREE

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

STEP THREE

DATA READINESS

Assessment Framework

- Financial and service usage data quality should be assessed on a quantitative and weighted basis, so that gaps can be clearly identified, and improvements can be measured over time
- The assessment should be done for each service and weighted according to cost
- We have created a tool to enable this scoring process and provide outputs to identify gaps

DATA QUALITY ASSESSMENT TOOL

| Data Category | Budget | Service Area | Service Cost | Quality | Dimensional Data | | | Usage Data | | | Data Accuracy | Data Completeness | Data Timeliness | Data Consistency | Data Validity | Overall Data Quality | |
|------------------------------|--------|--------------|--------------|---------|------------------|--------------|------------|------------|--------------|------------|---------------|-------------------|-----------------|------------------|---------------|----------------------|------|
| | | | | | Accuracy | Completeness | Timeliness | Accuracy | Completeness | Timeliness | | | | | | | |
| Billing | 1 | 100 | 100 | 100 | Accuracy | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | |
| | | | | | Completeness | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | | 100% |
| | | | | | Timeliness | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | | 100% |
| | | | | | Consistency | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | | 100% |
| Financial Reporting & Budget | 2 | 200 | 200 | 100 | Accuracy | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 82% | |
| | | | | | Completeness | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | | 100% |
| | | | | | Timeliness | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | | 100% |
| | | | | | Consistency | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | | 100% |
| Local Support | 3 | 300 | 300 | 100 | Accuracy | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 82% | |
| | | | | | Completeness | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | | 100% |
| | | | | | Timeliness | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | | 100% |
| | | | | | Consistency | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | | 100% |
| Regional Support | 4 | 400 | 400 | 100 | Accuracy | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 82% | | |
| | | | | | Completeness | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | | 100% | 100% |
| | | | | | Timeliness | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | | 100% | 100% |
| | | | | | Consistency | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | | 100% | 100% |
| Head Office | 5 | 500 | 500 | 100 | Accuracy | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 82% | | |
| | | | | | Completeness | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | | 100% | 100% |
| | | | | | Timeliness | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | | 100% | 100% |
| | | | | | Consistency | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | | 100% | 100% |
| Executive Office | 6 | 600 | 600 | 100 | Accuracy | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 82% | | |
| | | | | | Completeness | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | | 100% | 100% |
| | | | | | Timeliness | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | | 100% | 100% |
| | | | | | Consistency | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | | 100% | 100% |

STEP THREE

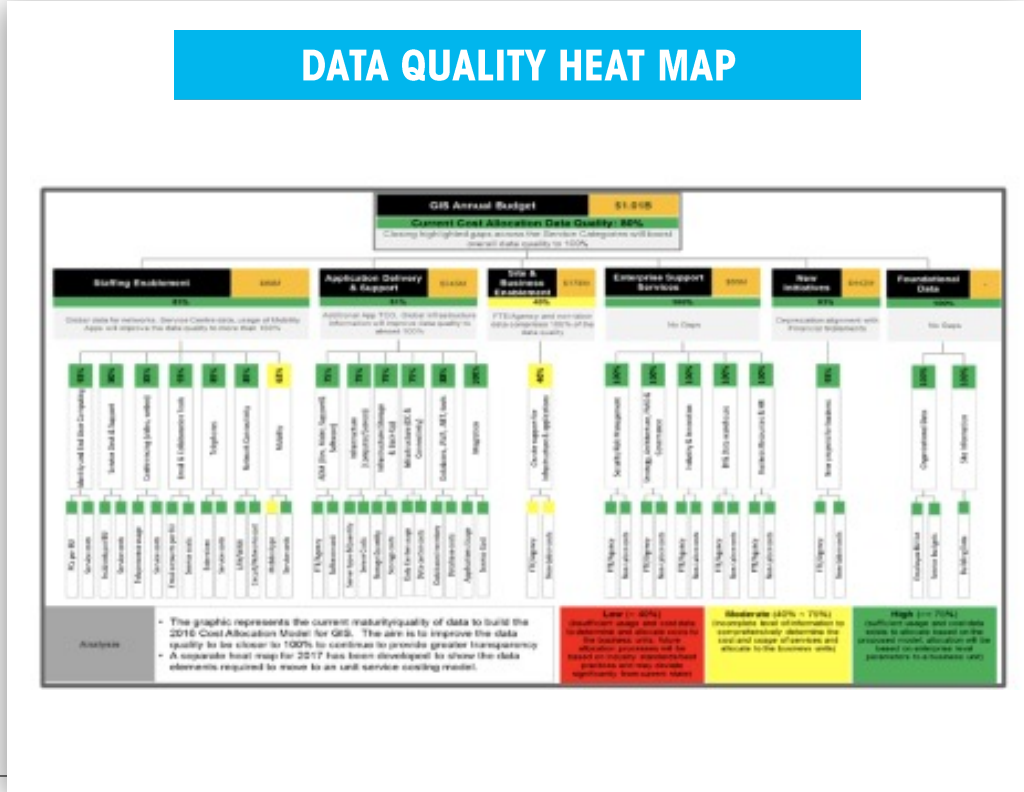
DATA READINESS

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 QUALITY HEAT MAP



STEP THREE

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 65% 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

| 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 | Source | Weight | Data Received | Score | | | | |
| Employee Enablement | Service desk - incident management and service requests | ITSD | SNOW data - email summary | 0.5 | 70% | 0.35 | D&T Financials | 0.5 | 50% | 0.25 | 0.6 | 60% | 55% | 65% |
| | PC hardware provisioning and support | ITSG | SNOW CMDB | 0.5 | 70% | 0.35 | D&T Financials | 0.5 | 50% | 0.25 | 0.6 | 60% | | |
| | PC software provisioning and support | ITSG, ITBU | SAM data | 0.5 | 90% | 0.45 | D&T Financials | 0.5 | 70% | 0.35 | 0.8 | 80% | | |
| | Virtual desktop (VDI) | ITSG | | 0.5 | 0% | 0 | D&T Financials | 0.5 | 50% | 0.25 | 0.25 | 25% | | |
| | IT Training - Office 365 and collaboration tools | ITBU | | 0.5 | 0% | 0 | D&T Financials | 0.5 | 50% | 0.25 | 0.25 | 25% | | |
| | Print - office/network printers | ITBU | Printer listing | 0.5 | 75% | 0.375 | D&T Financials | 0.5 | 50% | 0.25 | 0.625 | 63% | | |
| | Desktop Telephones | ITSI | | 0.5 | 0% | 0 | D&T Financials | 0.5 | 50% | 0.25 | 0.25 | 25% | | |
| | Mobile Phones & Tablets | ITSI | Mobile device listing | 0.5 | 100% | 0.5 | D&T Financials | 0.5 | 100% | 0.5 | 1 | 100% | | |
| Enterprise Services | Data and Analytics | ITDT | | 0.5 | 50% | 0.25 | D&T Financials | 0.5 | 75% | 0.375 | 0.625 | 63% | 50% | 65% |
| | Cybersecurity | ITIS | | 0.5 | 50% | 0.25 | D&T Financials | 0.5 | 75% | 0.375 | 0.625 | 63% | | |
| | Business Process Automation | ITBC | | 0.5 | 0% | 0 | D&T Financials | 0.5 | 50% | 0.25 | 0.25 | 25% | | |
| Collaboration & Communications | Audio and Web Conferencing | ITBU | SAM data | 0.5 | 100% | 0.5 | D&T Financials | 0.5 | 90% | 0.45 | 0.95 | 95% | 60% | 65% |
| | Collaboration Platforms | ITBU | SAM data | 0.5 | 100% | 0.5 | D&T Financials | 0.5 | 90% | 0.45 | 0.95 | 95% | | |
| | Email | ITBU | SAM data | 0.5 | 100% | 0.5 | D&T Financials | 0.5 | 90% | 0.45 | 0.95 | 95% | | |
| | Workplace Services | ITBU | | 0.5 | 0% | 0 | | 0.5 | 50% | 0.25 | 0.25 | 25% | | |
| | Video Conferencing | ITBU | Device listing | 0.5 | 50% | 0.25 | D&T Financials | 0.5 | 50% | 0.25 | 0.5 | 50% | | |
| Infrastructure Services | Compute - physical/virtual servers | ITSI | Server inventory | 0.5 | 50% | 0.25 | D&T Financials | 0.5 | 50% | 0.25 | 0.75 | 75% | 44% | 65% |
| | Compute - cloud | ITSI | Google, Azure, AWS invoices | | 33% | | Vendor invoices | 0.5 | 50% | | | | | |
| | Storage - physical | ITSI | | 0 | 0% | 0 | | 0.5 | 50% | 0.25 | | | | |
| | Storage - cloud | ITSI | Google, Azure, AWS invoices | 0.5 | 33% | 0.165 | Vendor invoices | 0.5 | 50% | 0.25 | 0.415 | 42% | | |
| | Backup & Archive | ITSI | | 0.5 | 0% | 0 | | 0.5 | 50% | 0.25 | 0.25 | 25% | | |
| | DC Network - LAN & WAN | ITSI | Circuit listing, Network maps | 0.5 | 100% | 0.5 | D&T Financials and vendor invoice | 0.5 | 75% | 0.375 | 0.875 | 88% | | |
| | Data center space and power | ITSI | D&T Financials & Network | 0.5 | 100% | 0.5 | D&T Financials and vendor invoice | 0.5 | 100% | 0.5 | 1 | 100% | | |

AGENDA

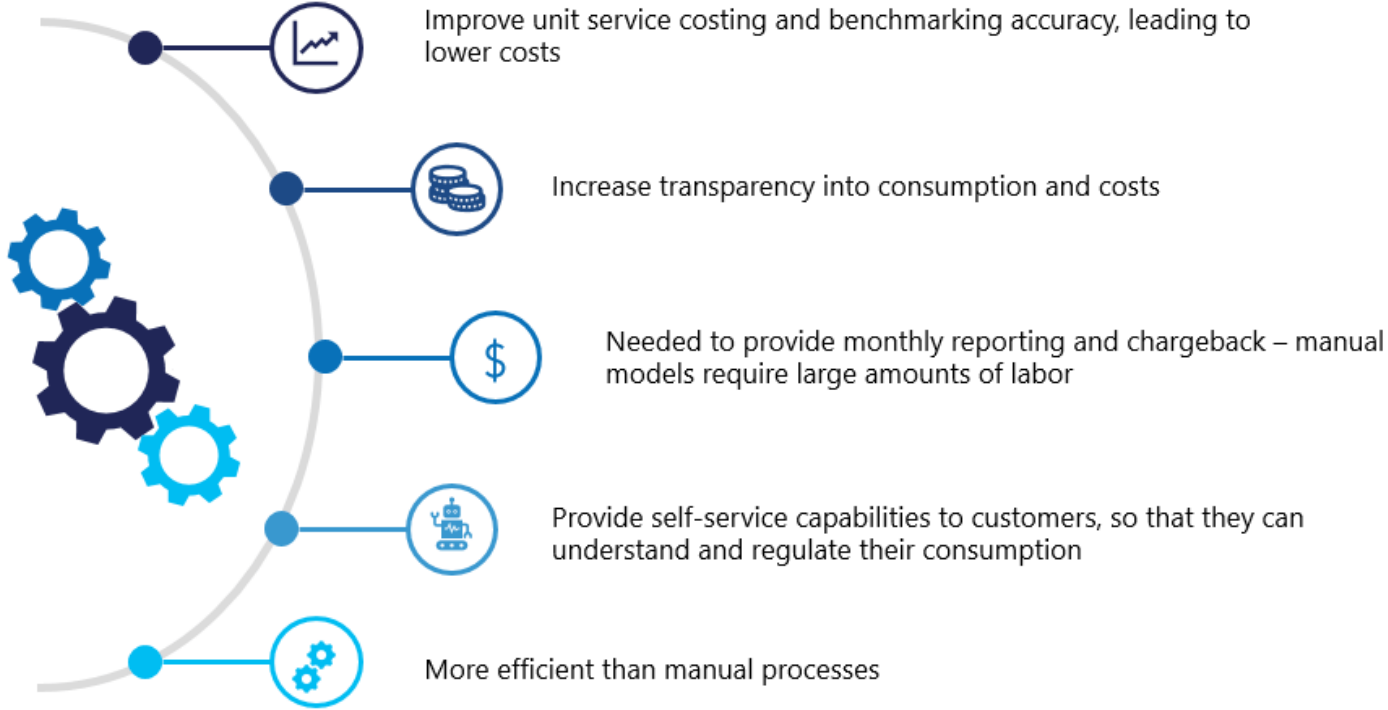
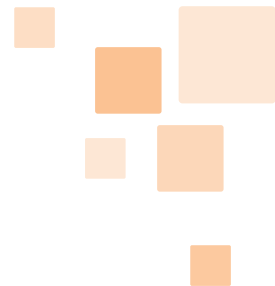
- Introductions
- Company Overview
- The ITFM Pathway
- Service Definition
- Data Readiness
- Automation
- Service Costing & Benchmarking
- Showback & Chargeback
- Benefits Realization



STEP FOUR

AUTOMATION

Why Automate?



STEP FOUR

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)

AGENDA

- Introductions
- Company Overview
- The ITFM Pathway
- Service Definition
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STEP FIVE

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

STEP FIVE

SERVICE COSTING & BENCHMARKING

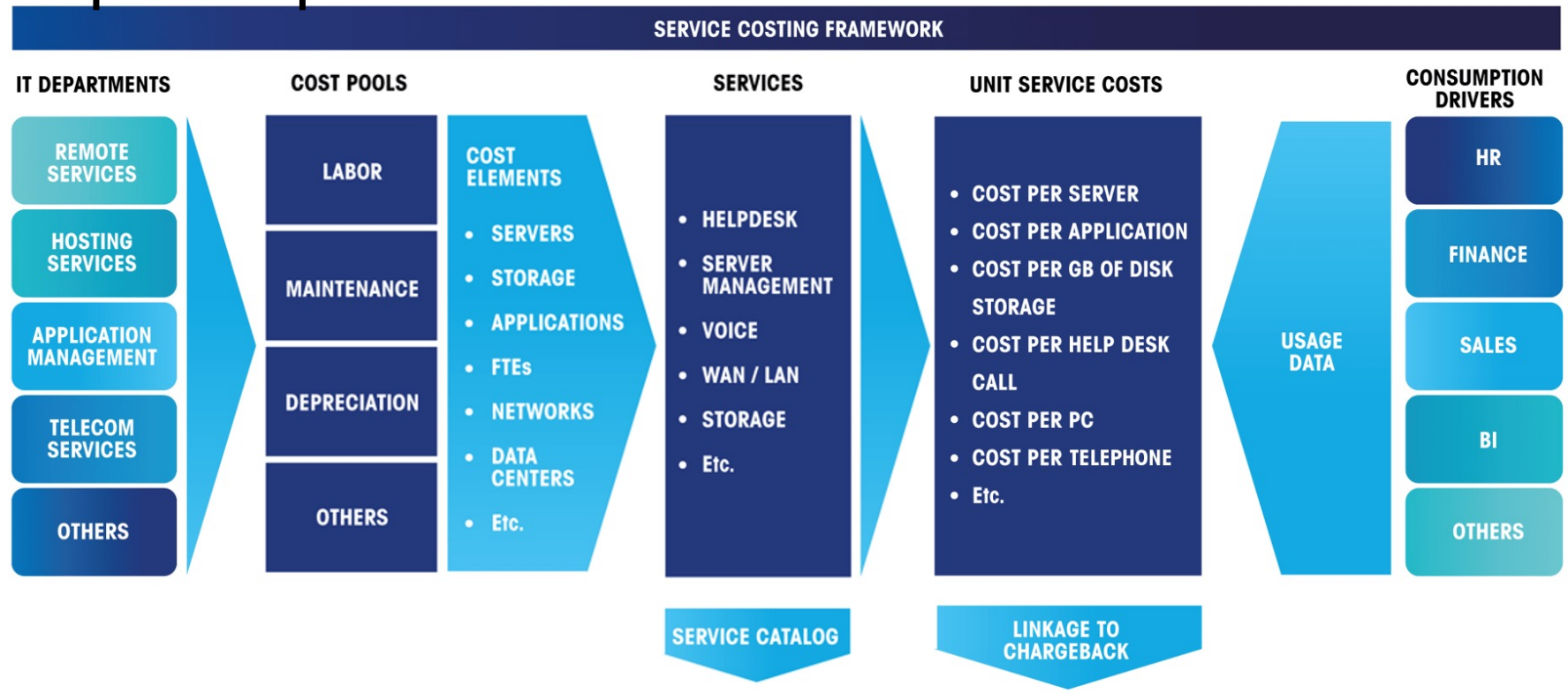
Clear IT Costs Drive Smarter Decisions



STEP FIVE

SERVICE COSTING & BENCHMARKING

Maps IT Spend to Services To Be Measured



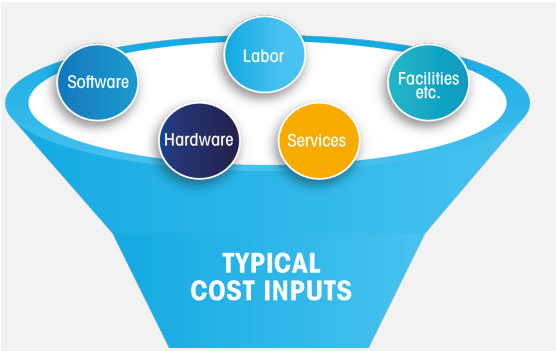
STEP FIVE

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



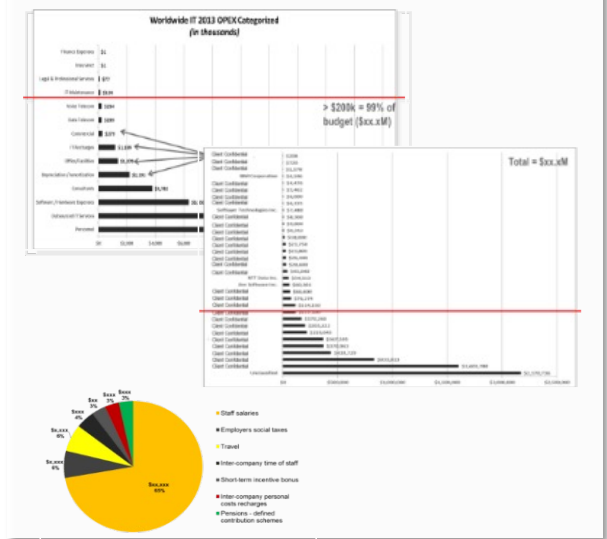
Considerations

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



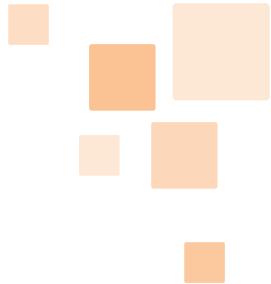
STEP FIVE

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

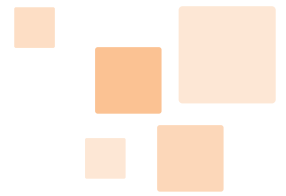
| | |
|--|-----|
| Spend Distribution | |
| Run Spend | 64% |
| Grow Spend | 22% |
| Transform Spend | 14% |
| Spend Distribution | |
| HW | 15% |
| SW | 22% |
| Personnel | 43% |
| Outsourcing | 20% |
| Staffing Distribution | |
| Finance, Governance, and Control | 12% |
| Infrastructure Operations 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 Doman 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% |



STEP FIVE

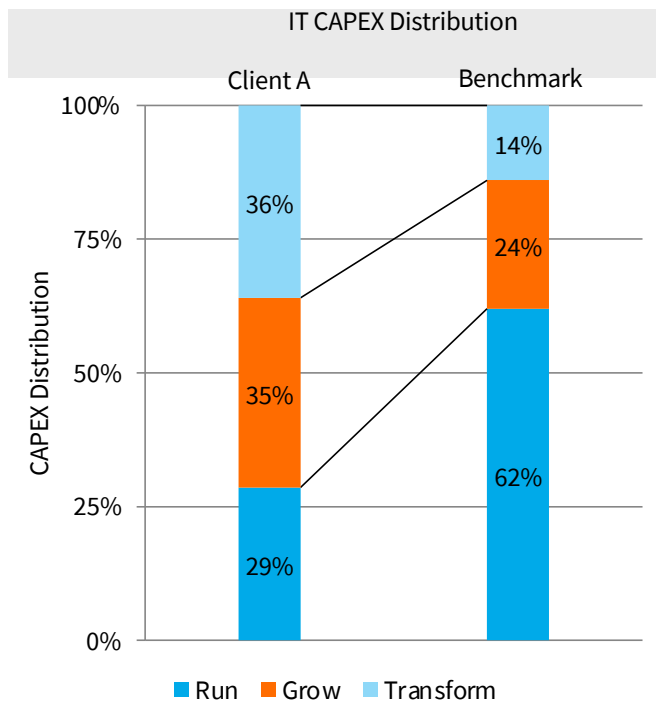
SERVICE COSTING & BENCHMARKING

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.*

SHOWBACK & CHARGEBACK

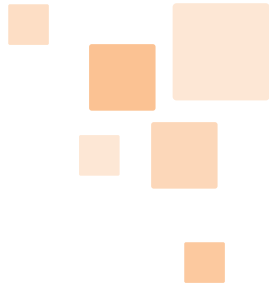
Why Implement Showback Or Chargeback?

- 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

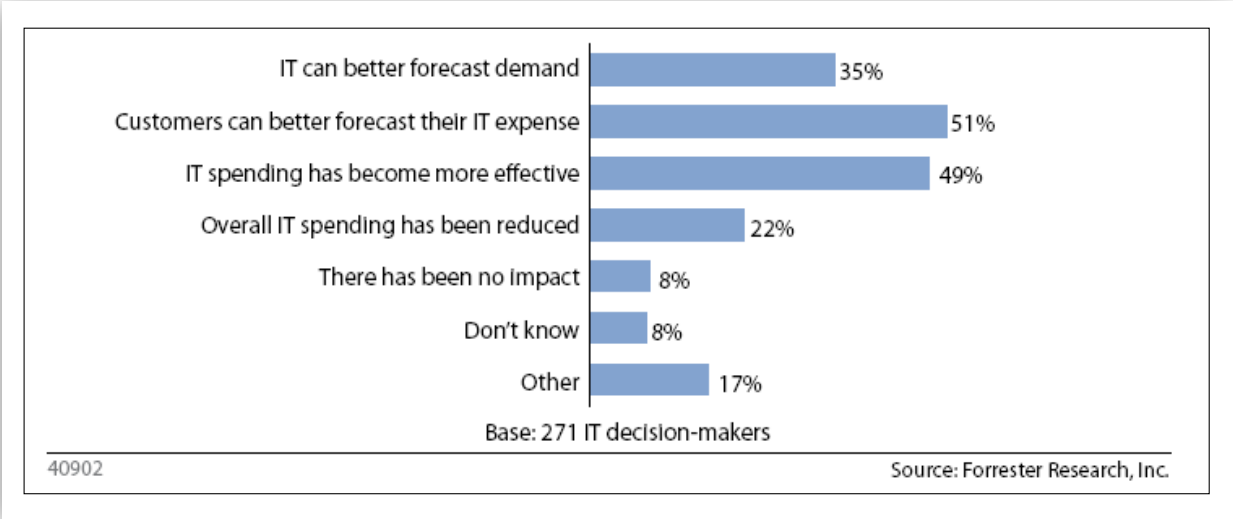
STEP SIX

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

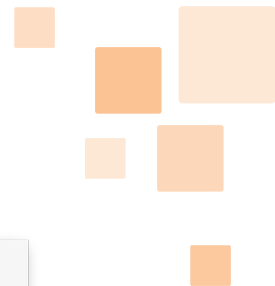
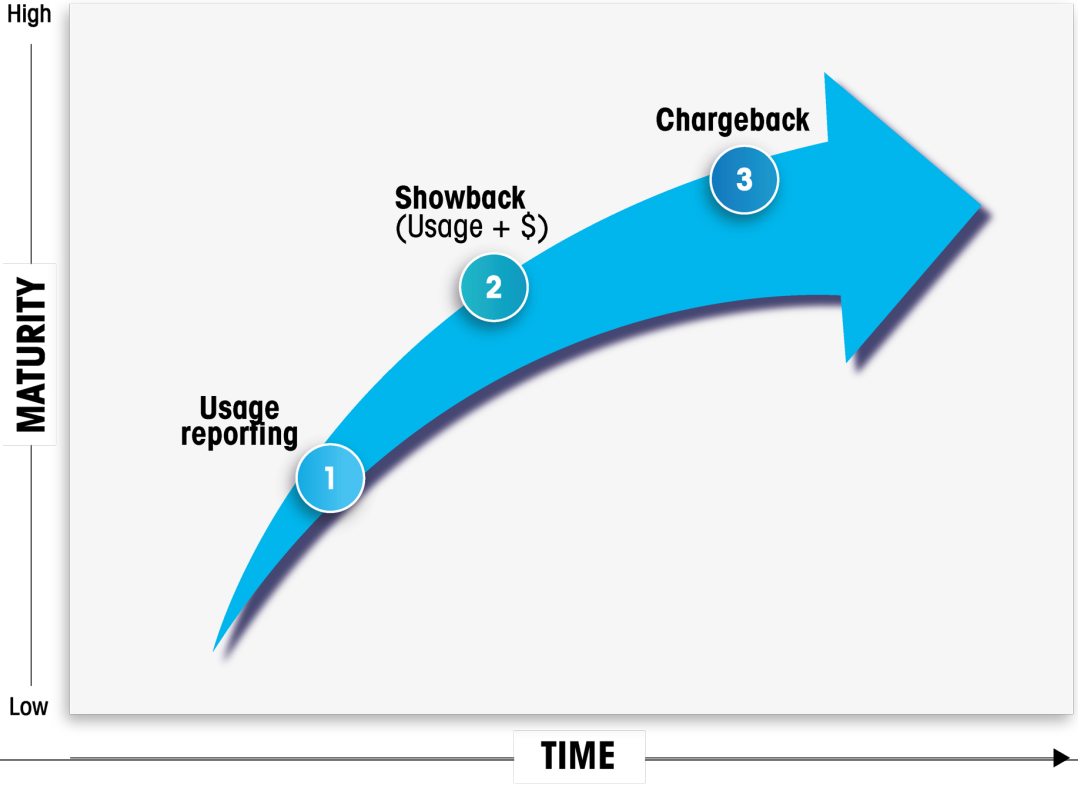


STEP SIX

SHOWBACK & CHARGEBACK

The Chargeback Journey

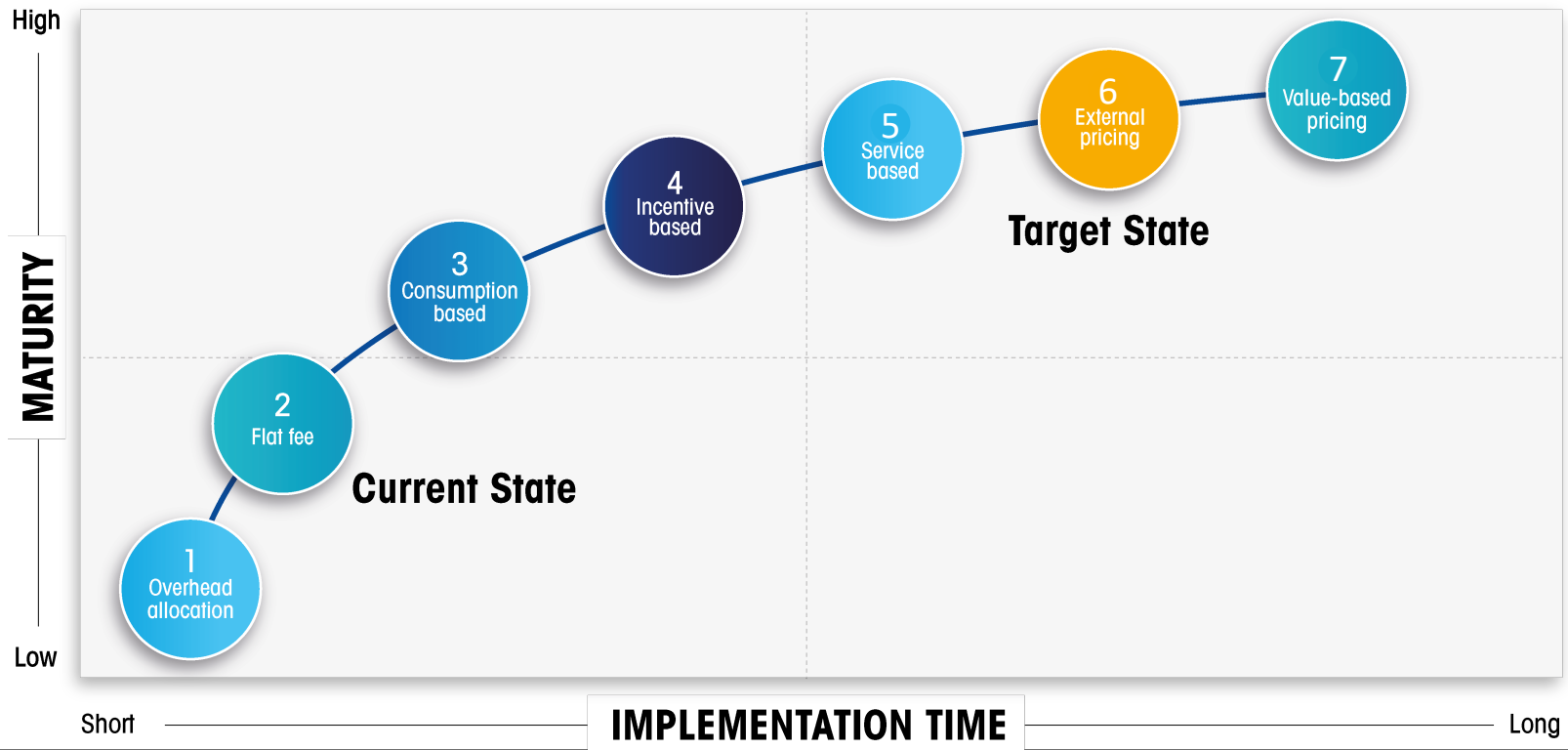
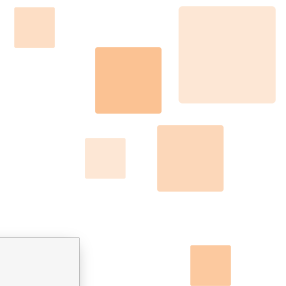
Implementing Chargeback Is An Evolutionary Process Vs. 'Big Bang'



STEP SIX

SHOWBACK & CHARGEBACK

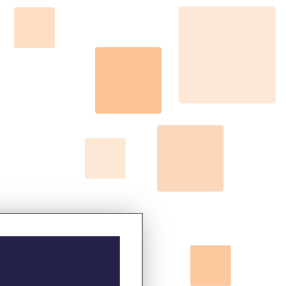
Chargeback Model Maturity Curve



STEP SEVEN

BENEFITS REALIZATION

Ensuring Stakeholder Benefit



BENEFITS REALIZATION

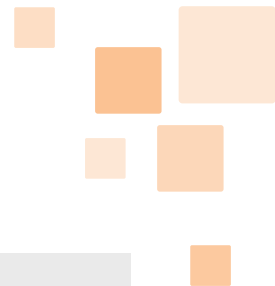
Once you have successfully completed the ITFM pathway, you need to periodically assess the effectiveness of your ITFM program & determine if you are realizing the benefits that you expected

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.

STEP SEVEN



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

STEP SEVEN

BENEFITS REALIZATION

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MAGIC  **RANGE**

THANK YOU!

