IT Business Management
Driving Cost Transparency, Value and IT Transformation
Consulting | Technology | Outsourcing
Cloud services are maturing and ushering in a new era of IT service delivery models. This changes how we think about the traditional IT function. And what we expect from IT. High performers in IT deliver a portfolio of services that scale up and down against business demand, track the impact of their investments and explore business scenarios as part of their IT planning process. IT Business Management (ITBM) helps CIOs make the right investment decisions and deliver services that meet business needs.

Recent economic downturns continue to impact IT spending. Technology advances present new viable alternatives to traditional on-premise delivery models. As a result, IT investments are under even more scrutiny.

Businesses are increasingly taking a front seat in cost optimization initiatives and IT technology decisions. More than 40 percent of companies expect that their CFOs will have more influence over IT spending.¹

The emergence of cloud services is contributing to a shift in how businesses approach IT spending. Gartner forecasts a 17% compounded annual growth rate (CAGR) for cloud services compared to 3.6% for overall IT spending through 2017.²³

Cloud services offer the business on-demand, pay as you go and rapidly provisioned self-service. These services scale up and down to match demand at fixed or known prices.

IT cannot compete with cloud services on price alone. Traditional shared service models cannot achieve the same economies of scale that cloud providers can. Many IT organizations have achieved short term target cost reductions but lack the capability to make the right, informed sourcing decisions now and in the future.

By 2016, 80% of the IT budget will be based on providing service integration for a broad portfolio of internally and external sourced IT and business services.

The transfer of investments from IT to line of business budgets will require 60% of CIOs to further reduce the cost of infrastructure and operations.³

Whereas most organizations are still focused on cost, the high performers have moved beyond cost as the primary imperative. Every business would like to become a digital business, yet only the high performers in IT can do this thanks to their relentless focus on IT agility, IT execution and IT innovation over time.

Businesses are focused on innovation to drive new revenue. To be a high performer in IT means having the capability to provide cost transparency, demonstrate value and lead IT transformation.

¹IT Services Spending Power Shifts Away From IT Leaders, CIO
Hybrid IT: Broker of IT Services

approaching new system architectures with a “cloud first” mentality—they are already migrating workloads to the cloud and looking at what can be achieved with the different forms of cloud, resulting in a hybrid cloud architecture.

High performers also recognize that a hybrid cloud approach will continue to be important as many organizations expect that a large part of their IT will be in traditional apps until at least 2020.

“Hybrid IT“ describes the new IT function and operating model for traditional IT organizations. Hybrid IT is a trusted broker, interface and provider for all IT services using cloud, whether private or public, internal or external, or traditional computing styles to meet business needs.

As more cloud computing services emerge, the value of a trusted broker for the business will increase. Leverage this trust to build strategic relationships with business leaders and drive transformation.

Successful Hybrid IT organizations are outcome driven and understand the dynamic relationship between business requirements and results. During the strategy and investment planning processes, they will calculate and link cost estimates to desired results.

The successful enterprises of tomorrow will be those that understand how technology and multi-sourcing (cloud and non-cloud, on-premises and off premises, private/public/hybrid cloud) can drive every part of their digital business.
Moving Forward with ITBM

Becoming a Hybrid IT organization doesn't happen overnight. To get there you need to build the necessary capabilities to become the trusted broker and value-added supplier for all IT-based services.

A cost model is a good place to start. You will need a cost model as the basis of comparison between your multisourcing solutions. The cost model must be flexible as more niche cloud services emerge.

Using this cost model, IT organizations can substantiate the business case for IT investments, learn which are paying off and compare operational benchmarks against industry standards.

IT Business Management (ITBM) is a systemic approach to designing IT services that meet the needs of the business, prioritizing investments, monitoring the impact of those investments and proactively tracking the performance of IT services from a cost and quality perspective to sustain continuous improvement.

Establishing ITBM as an organizational capability, not just a toolset, positions the CIO to lead the IT transformation to Hybrid IT.

Maintaining high-quality information to support ongoing business decisions is a critical success factor. Data must be collected, cleansed and correlated from a myriad of sources. Year over year metrics must be produced as the payback period for investments may extend beyond the budget cycle.

Your mission and IT strategy is at the core of your ITBM capability. All decisions and results must circle back to the strategy to ensure IT services meet the business goals.

IT Financial Management (ITFM) is the foundation of your ITBM capability. Financial data will drive the whole investment planning process.

Business relationship management, service portfolio management, ITFM, demand management, and governance are integrated together to create a holistic ITBM capability.

ITBM Key Processes

- Business Relationship Management
- Service Portfolio Management
- IT Financial Management
- Demand Management
- Governance

Aligning Supply and Demand of IT Services with ITBM
ITBM Key Enablers

Business Relationship Management
Alignment of the IT and business strategy emerges from dynamic dialogue and interaction with business leaders and internal customers. It is then possible to understand business priorities, develop a clear sense of where the business is heading and how the IT function can create new business opportunities.

Service Portfolio Management
Portfolio managers design a menu of IT products and services with service levels and price points that their customers’ desire and that meet their business needs. They are accountable for managing the portfolio P&L and driving sustainable cost reduction. Portfolio managers analyze financial, quality and performance data for investment planning and exploring “what-if” scenarios.

They attempt to predict what the future will look like if you make an investment or if you do not make an investment.

IT Financial Management
Simple cost recording, budgeting, and forecasting on a spreadsheet is not an effective way to build the foundation of your ITBM capability. IT must have access to the historical and current costs and benefits of IT services for investment planning and continuous improvement. ITFM will drive IT cost transparency and enable IT to run like a business. The business can give you the run-down of their costs; with ITFM you can do the same. This will help you articulate the business value of IT and become the recognized financial steward of IT services.

Demand Management
Integrating Demand Management enables IT to explore budgets and business scenarios as part of their IT planning process. Current and future demand for IT services is collected and aggregated into a business view. Demand is then rationalized in the context of the business’s ability to consume and IT’s ability to supply the services.

Governance
Effective IT governance is principally an issue of alignment – getting the IT strategy aligned with the business strategy, having the right people lined up to make the necessary decisions, and aligning IT spending with critical business priorities. Well defined structures and partnership with the business often lead to finding better ways to invest funds and improve IT operations.
Although a relatively young market, ITBM vendors have mostly standardized the functionalities offered in toolsets to provide transparency and control over costs and quality of IT services.

Platforms address the specific needs of different IT stakeholders by providing role-based dashboards and reports. Executive-level dashboards provide CIOs and their staffs a holistic view of financial and quality metrics across the IT organization, making it easier to evaluate services individually and by business unit. This level of detail is critical for CIOs and their teams to effectively engage line-of-business owners around the cost and value specific IT services delivered to the business. Recently, vendors have now begun to integrate a benchmarking function into the platforms.

An IT Business Management toolset enables IT to easily integrate multiple enterprise data sources and use this data to model and report on service costs, owners, and consumption by automating data capture and integration. IT Finance teams can model full IT service costs over all relevant physical and virtual cost dimensions—compute, storage, network, software, and personnel—and represent these services in the most meaningful ways to different stakeholders including the business, the CEO, and the CFO.

Toolset Example: VMware ITBM Suite & Included Components

ITBM software also supports IT finance teams who need to provide key information into investment planning, including ROI and TCO analyses. By automating service-costing processes, IT finance teams can devote less time to data gathering and more time to analyzing performance and opportunities to optimize IT spend.
ITBM Drives High Performance

Leveraging ITBM capabilities can help tighten the link between IT services and business strategy.

Benefits include:

- More efficient Capex/Opex spending strategy, leading your organization down a path of realizing more business value
- Enable partnership between IT and the business to provide services to meet consumer needs
- Analytical insight into investment, budgeting and performance to enable decision making and determine transformation opportunities

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**ITBM Capability**
- IT Budgeting
- Benchmarking
- Performance Metrics
- Chargeback / Showback
- Cost Optimization
- Investment Planning

**Improvement Opportunities**

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<tr>
<th>Opportunity</th>
<th>Efficiency Gains</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Service Integration</td>
<td>10%-20%</td>
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<tr>
<td>IT Strategy / OpModel Design</td>
<td>5%-15%</td>
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<tr>
<td>Application Rationalization</td>
<td>10%-20%</td>
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<tr>
<td>Infrastructure Transformation</td>
<td>15%-20%</td>
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<tr>
<td>Data Center Transformation</td>
<td>15%-35%</td>
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