



6 best practices for

STRATEGIC IT FINANCE

Empowering IT Finance to align spend with business priorities.

Executive summary

For many IT Finance teams, manual budget processes make it difficult to see where planned spend is being allocated, how adjustments impact the overall plan, and whether business priorities are being met. These challenges stem from using spreadsheets to integrate disparate data and manage complex shared services allocations prevalent in IT. Too much time is spent in data preparation, formula manipulation, version control, and error correction, making it hard for IT Finance to help budget owners think strategically and align with business priorities.

To create confidence that IT investments are aligned with strategy, IT Finance needs to automate IT budgeting, variance analysis, and forecasting. The result is a repeatable, collaborative planning process with streamlined workflows and faster turnaround times.

In this executive brief, we recommend six best practices for strategic IT Finance. Employ these best practices to improve budget owner accountability and buy-in, free IT Finance from spreadsheet-driven processes, and secure time for IT Finance to provide strategic decision-making.

“Without visibility into the budget at the line item level, it was very easy to stray from the budget and there was no easy way to catch these quickly. We now account for every dollar planned and spent on IT and can trace this back to business decisions.”

James LaPlaine, Former CIO, AOL

Aol.

Driving strategic alignment

With each new year comes a new business strategy to drive decisions. Ideally, this strategy is one of the top considerations in the budget planning process. Unfortunately, IT budget owners are faced with a myriad of obstacles preventing them from viewing the annual budget through a strategic lens.

The most common source of pain in IT budgeting and forecasting is the disconnect between corporate finance's general ledger account taxonomy and the terms IT uses for the people, assets, and contracts they manage. Additionally, IT finance is stalled by manual data preparation that has to start months ahead of time. These issues lead to shortcuts to get the budget process completed quickly rather than digging into details and making strategic decisions.

Once shortcuts are taken, you can't be confident the new plan aligns with strategy. This results in a lack of accountability from budget owners, as well as a lack of buy-in from leadership. Hamstrung by manual data practices, IT Finance struggles to communicate exactly where planned IT spend is being allocated. To continuously stay aligned with business priorities, IT needs a holistic budget perspective. With quick, easy views by IT resource, vendor, and financial dimensions (account number, expense type, fixed/variable expenses), budget owners can make agile resource adjustments and communicate those changes clearly to executives.

The trouble with spreadsheets, email, and homegrown tools

Most organizations have a corporate performance management (CPM), accounting, or budgeting tool. These systems offer powerful revenue, expense, and corporate planning capabilities to manage overall company performance. However, they typically must be highly customized to provide the budget detail IT Finance needs.

These tools also do not provide effective resource planning by units, manage headcount forecasts to projects, or translate planned spend from dollars to IT deliverables. Although these tools can be customized to deliver the required flexibility, this is an expensive, time-consuming undertaking that leaves you with a system that still has to be maintained, upgraded, and routinely re-customized as needs change.

Challenges with current IT finance systems

Unable to continually align financial plans with business priorities	Lack of transparency on adjustments, process, and decisions	Require too much time and effort
<ul style="list-style-type: none"> • Difficult to set targets across spend areas • Almost impossible to run plan scenarios • Expensive to provide ongoing variance analysis to budget owners—limits ability to predict risk and regularly adjust plans • Infrequent or no routine financial forecasting 	<ul style="list-style-type: none"> • Difficult to view entire IT budget or forecast • Not everyone working off the same plan • Lack of decision context and justification • No audit trail • Errors difficult to discover or missed entirely 	<ul style="list-style-type: none"> • Error-prone and inaccurate • Version management nightmare • Expensive template management, roll up, and analysis for budget consolidation & review iterations • Low value in babysitting manual process

"The joke back at AstraZeneca when I was a CFO of IT was we were doing IT planning 13 months out of the year. That was a joy."

Craig Henzel, Former CFO of IT, AstraZeneca

To avoid this, many IT organizations cobble together a mix of spreadsheets, email communications, and homegrown tools to manage IT finance processes. These tools provide the granularity that IT needs, but come at a high price. They require manual, labor-intensive, and error-prone consolidation that adds an unwieldy layer of time and effort to planning. They also lack transparency into budget justifications, effective audit trails, and appropriate IT governance.

Furthermore, they require extensive data management and roll-up cycles that often lead to the loss of critical budget components. This is especially challenging when it comes to managing isolated or long-term expenses easily lost in email trails or random spreadsheets. Not to mention, because these tools are typically shared via email and intranet sites, they often create a version management nightmare.

None of these approaches provide out-of-the-box analytics to quickly see how adjustments impact any aspect of the IT plan, instantly compare multiple plan scenarios, or inform budget owners of their actual vs. plan variance. This makes it difficult to rapidly iterate IT budgets and forecasts to align with changing corporate needs.

Six ways to improve IT finance

Thankfully, there is a better way. Applying the six best practices below can help you overcome your greatest IT budgeting, variance analysis, and forecasting challenges. With these best practices, you can better align IT spend to changing business priorities; improve cross-functional planning, agility, and transparency; increase accuracy; gain insights; improve IT governance; and engage stakeholders to drive accountability.

1. Align technology decisions to business priorities

According to Gartner, the main focus of any budget process should be to ensure that the business decisions being made are consistent with corporate strategy. By working closely with budget owners to understand business objectives, you can better align IT investment decisions with enterprise strategic goals. The challenge is finding the time to do this. When you eliminate manual, spreadsheet-driven processes, your team has more bandwidth to better analyze future spend against strategic objectives. You finally have the time to proactively evaluate run-, grow-, and transform-the-business tradeoffs. You can also better understand the full implications of investments in IT resources. By aligning IT planning with business priorities, you ensure IT investments drive more strategic, enterprise-wide value.

Outcome: Make more informed decisions on technology investments.

2. Engage budget owners to drive accountability

Planning is a collaborative process, but IT and finance don't always speak the same language. To drive budget owner accountability, you need to foster communication and engage all key stakeholders. Start by making your IT plans accessible to everyone involved in the process. Ensure plan components are easy to identify, understand, and adjust, and that cost center owners can interact with the budget to enter changes and instantly see the impact on their plans.

Giving budget owners greater control fosters transparency and instills accountability for the final plan. It also encourages ongoing collaboration between IT and finance teams. When budget owners actively build, understand, and buy into IT plans, the entire team is better aligned to hit financial targets and achieve strategic goals.

Outcome: Improve cross-functional collaboration and transparency.

"We are no longer being asked 'do I have this budgeted?' or 'is this in there?' Instead, budget managers are asking for clarification about the value they're getting from services, the effect demand has on specific areas of the budget, and the impact of adjustments we can make throughout the year. Apptio has helped us get back to financial analysis, which is where we longed to be."

Stephanie Rendon, Director of Finance,
CHRISTUS Health



3. Provide frequent variance reports

Business leaders typically don't like surprises. We recommend tying your IT budgets to operational plans, and giving budget owners frequent, detailed, self-serve, IT spend-to-plan variance analysis. This helps them quickly recognize overspend, underspend, and opportunities for adjustment. Over time, as budget owners get accustomed to seeing budget variance, they can better understand their budget drivers. This visibility lays the foundation for starting or refining an ongoing forecast cycle.

In addition, at the top-level budget view, variance-based insights allow you to make tradeoffs and move or adjust spend across cost centers. You are better able to identify sources of budget padding and the impact of "use it or lose it" policies. Best of all, you can provide more predictability to corporate finance and prepare a stronger narrative in advance for every steering committee and business planning meeting.

Outcome: Understand, predict, and proactively adjust plans to achieve financial goals.

4. Capture decision justifications and manage all plan versions

Your plan accuracy increases when you capture decision justifications and document changes in a single process. A single system of record eliminates the risk of misplacing ad hoc, midcycle changes that may otherwise get lost in emails. Run-rate expenses like maintenance or vendor contracts that are easy to misplace can be fully documented. Plan errors are minimized, and you avoid the need to "find the money" somewhere else during the year by eliminating the source of budget surprises. The seamless communication of all plan versions and decisions upstream, downstream, and across the organization that results from this change also reduces "budget gaming" and improves planning efficiency. The resulting transparency in decision justifications lets you quickly build a narrative on what's changed and why. It also provides a convenient audit trail so everything you need is in one place to easily justify and explain past decisions.

Outcome: Increase transparency, accuracy, and effective IT governance.

5. Establish or increase cadence of forecast cycles

IT organizations are often challenged to achieve significant cost reductions, support higher business demand for services and apps, and sustain ever-growing run rates to maintain applications and projects. With frequent forecast cycles, you can easily adjust plans as needed when corporate finance sets or changes budget targets well into the planning cycle.

An ongoing view of forecasts and variance drivers allows you to reduce spend to meet changing financial realities, increase spend to support more aggressive corporate growth targets, or make other necessary adjustments. Frequent forecasts also enable stakeholders to make more informed decisions, improve plan accuracy, and adjust spend levels and allocations to effectively support strategic initiatives.

Outcome: Drive a predictable planning process that continually aligns to changing business needs.

"At the end of the day, people want to be accountable but they have to be empowered. Apptio builds a bridge from financial planning to IT planning so the technology team is empowered to be accountable to the business."

James LaPlaine, Former CIO, AOL

Aol.

6. Integrate IT Financial Management (ITFM) into a single, standardized process

The only way to gain complete confidence in your IT finances is to have everyone working from a centralized process. Adopt a single system that offers automated workflows, built-in governance, and instant access to variance analysis, plan adjustments, and forecasts. With a single plan of record, you can eliminate undocumented hand shake agreements, expensive template management efforts, lengthy budget consolidation iterations, and low value, manual data preparation.

A standardized system such as Apptio ITFM Foundation helps you to roll up or roll down plans to any budget center at any point in the process. You can instantly view and communicate how planned spend is allocated—by service, vendor, project, or fixed/variable expenses. When all budget decisions are coordinated in a single process, you have instant visibility into planned IT spend, sources of budget variance, and opportunities for adjustment and alignment.

Outcome: Create, consolidate, and compare plans in real time. Improve communication and coordination across IT.

“Initially, we invested in Apptio for the huge time savings we knew we’d achieve. But it has also changed the conversations we’re having with the business and fostered better, more collaborative relationships with budget owners.”

Stephanie Rendon, Director of Finance,
CHRISTUS Health



Benefits

Implementing best practices to align IT spend with business priorities produces big benefits for stakeholders.

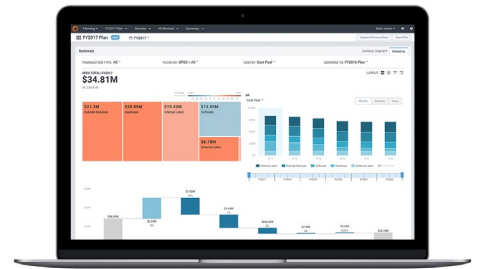
IT Finance	IT budget owners/managers	CIO/IT leaders
<ul style="list-style-type: none"> • Reduce manual work and effort • Increase plan accuracy and predictability • Improve visibility to budgets and variances • Increase budget owner accountability • Allow teams to do more scenario planning 	<ul style="list-style-type: none"> • Simplify budget creation/adjustments • Allow instant visibility to budget impact • Capture budget decisions & justifications • Foster communication and collaboration 	<ul style="list-style-type: none"> • Increase plan accuracy and predictability • Reduce planning time and free IT teams to focus on strategic decision-making • Align IT financial plans to business needs • Improve transparency and justifications

Apptio can help

The best way to achieve IT financial agility is to use a single, end-to-end IT financial management system to build budgets and manage forecasts. But only if this system also provides the budget detail and general ledger-to-IT translation you need in order to review spend-to-plan variance and make informed staffing decisions.

Apptio ITFM Foundation offers faster, easier, more accurate ITFM processes based on a single source of truth. With one system, you can streamline approvals, speed consolidations, shorten planning cycles, accelerate communication, and improve cross-functional collaboration. In addition to greater financial agility, save time and effort, increase transparency, and engage budget stakeholders for greater accountability. Business owners can see historical forecasts, actuals, and unit costs to drive better consumption and spend decisions. Because IT financial plans are more accurate, you can better predict budget shortfalls and proactively align plans for changing financial conditions. Best of all, you free IT Finance to focus on higher-value strategic analysis to drive more informed technology decisions.

First Citizens, the largest family-controlled bank in the United States, used Apptio ITFM Foundation to integrate plan and actual data into one solution. Robert Winchester, IT Financial Consultant at First Citizens said, “Within 30 days of implementing the IT planning tool, we had it populated with all our GL information, two years of budgets, and two years of actuals. We rolled it out and had a tool in front of our end users.”



Key capabilities with Apptio ITFM Foundation

Centralized and simplified annual planning

- Tools to gather planning data and shape the budget prior to review and approval
- Resource-based planning for simplified budget owner engagement
- Interactive analytics for every budget stakeholder

Ongoing variance analysis and forecasting

- Automated mapping of actuals to planned spend for monthly variance analysis by budget owners across all of IT
- Monthly or quarterly forecasting management with simplified reporting out to corporate finance systems
- Investment analytics at any level of your plan, to continually align spend with the changing needs of the business

Return on Apptio investment example

Total Economic Impact™ (TEI™) certified

FORRESTER

4x / **6 mo.**
ROI / Breakeven

Assumptions:

\$50M annual operating budget

80% Run-the-business spend

20% Grow-and-transform spend

Get started

Apptio is the leading provider of cloud-based Technology Business Management (TBM) software that helps IT finance leaders manage the business of IT. For more information about Apptio ITFM Foundation, visit apptio.com/ITFMFoundation.