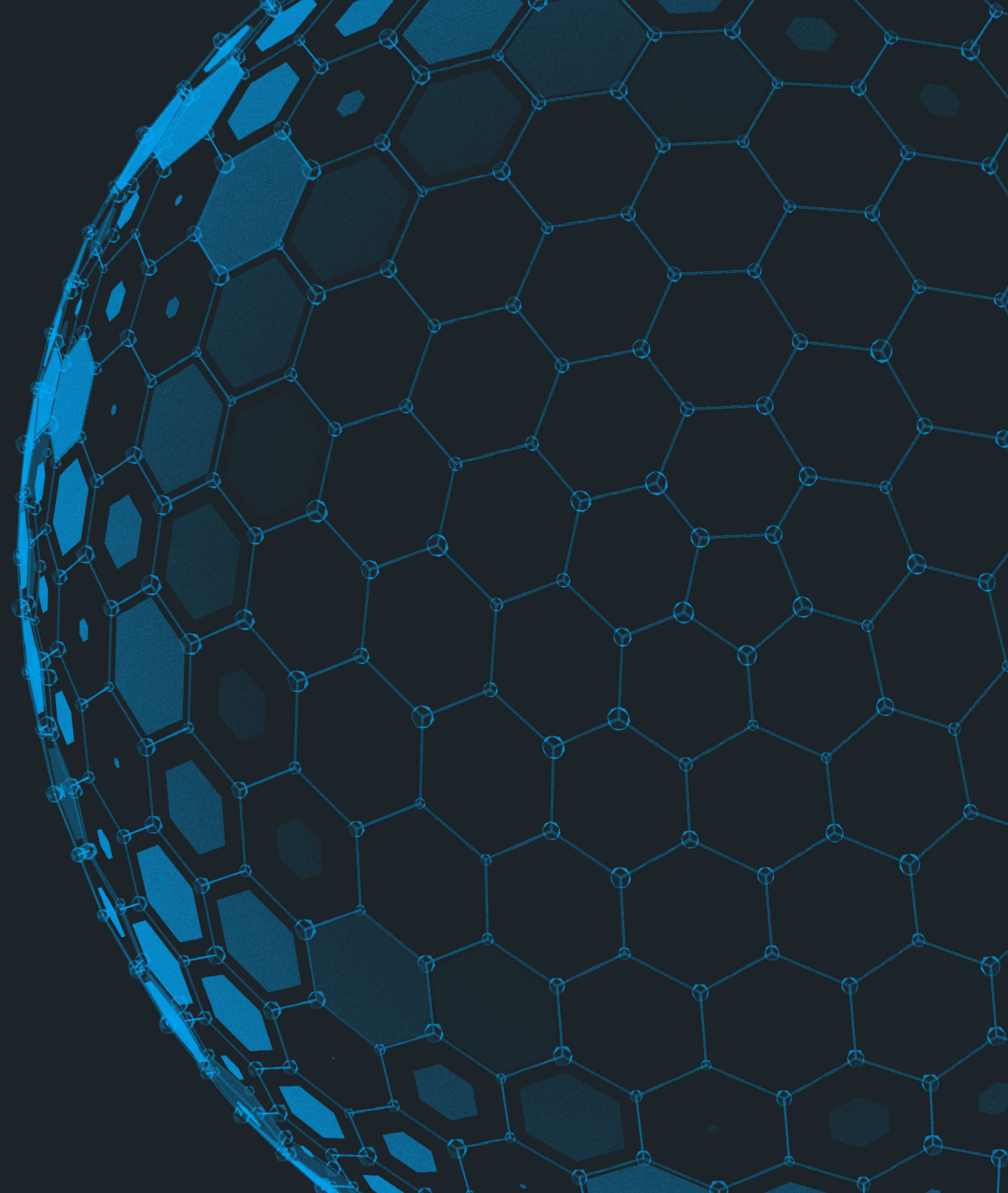




eBook

The IT Leader's Guide to Effective IT Financial Management



As technology continues to advance, IT spending growth shows no sign of stopping. The rapid adoption of new applications, generative AI tools, cutting edge infrastructure, and IT services is sending costs higher—all while budgets receive increased scrutiny. Gaining control of this spending presents a challenge, as the scale and complexity of IT within an organization exacerbates siloed data, obscuring usage and making it difficult to measure business impact. Moreover, IT spending is impacted by distributed procurement practices, with business units (BUs) independently subscribing to their own SaaS tools, contributing to what's known as shadow IT. Further complicating cost management, many teams have the autonomy to make decisions that impact infrastructure investments, like deciding to shift workloads between on-premises and cloud resources, or vice versa.

Getting a handle on all the variables impacting IT spending is challenging for CIOs and IT finance leaders, but it's essential for maintaining cross-departmental accountability, cost control, and strategic oversight. Ultimately, all this spending rolls up into the IT budget—which can be difficult to justify to leadership and other stakeholders when there's no traceability for spending or data supporting how IT benefits the business.

When considering the current state of IT investment in an organization, all IT finance leaders should ask themselves the following questions:

- How quickly and easily can you answer granular questions about your IT spend?
- Can you explain the value IT services are delivering to the organization?
- Are you confident your budget is supporting the highest-priority objectives and not going to low-priority legacy tools or defunct initiatives?
- Do you have the insights necessary to identify duplicate spending—as in when multiple BUs are subscribed to the same or equivalent SaaS applications?
- Are you able to leverage usage and consumption data to partner with BUs and influence behavior—are you seen as a strategic partner and not just a cost center?

When your organization lacks transparency in IT spending, it becomes difficult to justify new initiatives, prove the value delivered with the current budget, and help BUs understand their own consumption to guide strategic usage and help align with corporate goals. Long-term success requires granular insight and control of spending across the enterprise, enabling organizations to adapt and thrive in changing environments and with shifting corporate goals.

Step-by-Step: Build Your ITFM Practice for Tech Spend Control

This 7-step guide will walk you through establishing and optimizing your ITFM practice, from creating and bringing together all your operational and financial data to fostering collaboration between IT and business leaders.

Unlock the Power of IT Financial Management

Implementing an IT financial management (ITFM) practice is a game changer for gaining control over your IT spending and outcomes.

ITFM a practice focused on analyzing, planning, and optimizing the costs and investments of IT to ensure financial transparency, alignment of all IT spending with business objectives, and to communicate the value of IT to the business. ITFM teams handle IT planning (budgeting and forecasting), cost allocation, and showback / chargeback processes. To guide strategy, they leverage operational and financial data related to the costs of applications, infrastructure, and services related to IT. With this information, ITFM teams can improve awareness and accountability among business units, fostering a strategic partnership with the business.

Whether you're just beginning your ITFM journey, or your organization could stand to shore up your current processes, there are numerous advantages to building out your practice. Primary benefits include:

- Improved transparency into IT costs and investments
- Identification of areas for cost reduction or cost efficiency improvements
- Accelerated planning, with increased budgeting and forecasting accuracy
- Increased shift from run-the-business costs to grow-the-business investments

FOUNDATIONS

Step 1: Establish a single source-of-truth

Bring together all your data for a comprehensive view of your IT costs and investments

Building an effective ITFM practice starts with consolidating all your operational and financial data into a single, unified workspace. This will include data from your company's general ledger and all the IT systems used by BUs across the organization. While your data may not be perfect at first, that's totally normal—it will improve over time.

These consolidation efforts provide visibility across your organization, enabling stakeholders at all levels to understand IT costs and consumption across business units. This process can be enhanced with ITFM tooling, which can automate data ingestion, ensuring your comprehensive view of IT spending is consistent and up to date, providing reliable insights and a foundation for improved decision-making. Furthermore, spend data can—and should—be mapped in a way that bridges the gap between finance and the business capability enabled by the IT spending.



Step 2: Trim excess spending

Identify overlaps, duplicates, and underutilized IT and technology

Technology sprawl often arises from shadow IT, unsupported applications, and systems acquired through mergers. Over time, these hidden costs accumulate and strain IT budgets.

With your single source of truth in place and spend mapping completed, you can identify overlapping applications, redundant infrastructure, and underutilized tools. Often, you may be paying for software licenses that aren't fully used or infrastructure that isn't tied to active applications.

These insights allow you to eliminate wasteful spending, freeing up funds for more strategic initiatives.



Step 3: Ensure adherence to plan

Leverage cost transparency to monitor budget variance, improve forecasts, and avoid surprises

Siloed data and decentralized budgeting and forecasting complicate IT planning. By consolidating data into a single view and enhancing cost transparency, IT leaders can more effectively monitor budget variance, assess spending against forecasts, and adjust course as needed. Automating this process with the right tools provides real-time insights, increasing agility and accelerating planning cycles. Improved visibility not only helps prevent surprises like unforeseen spending and missed budget targets but also improves forecast accuracy and ensures stronger alignment with business units.

“ It changes behavior if people are charged for what they use. Our [ITFM] journey was started by finance to demystify IT and to explain to our businesses the functions we support. We’ve done a lot in the last couple of years to tell that cost story better, and now that we’re talking about value, we’re becoming a key part of Cargill’s strategy. ”

James Pleis

IT Finance Lead for Global IT
Cargill

Step 4: Create accountability

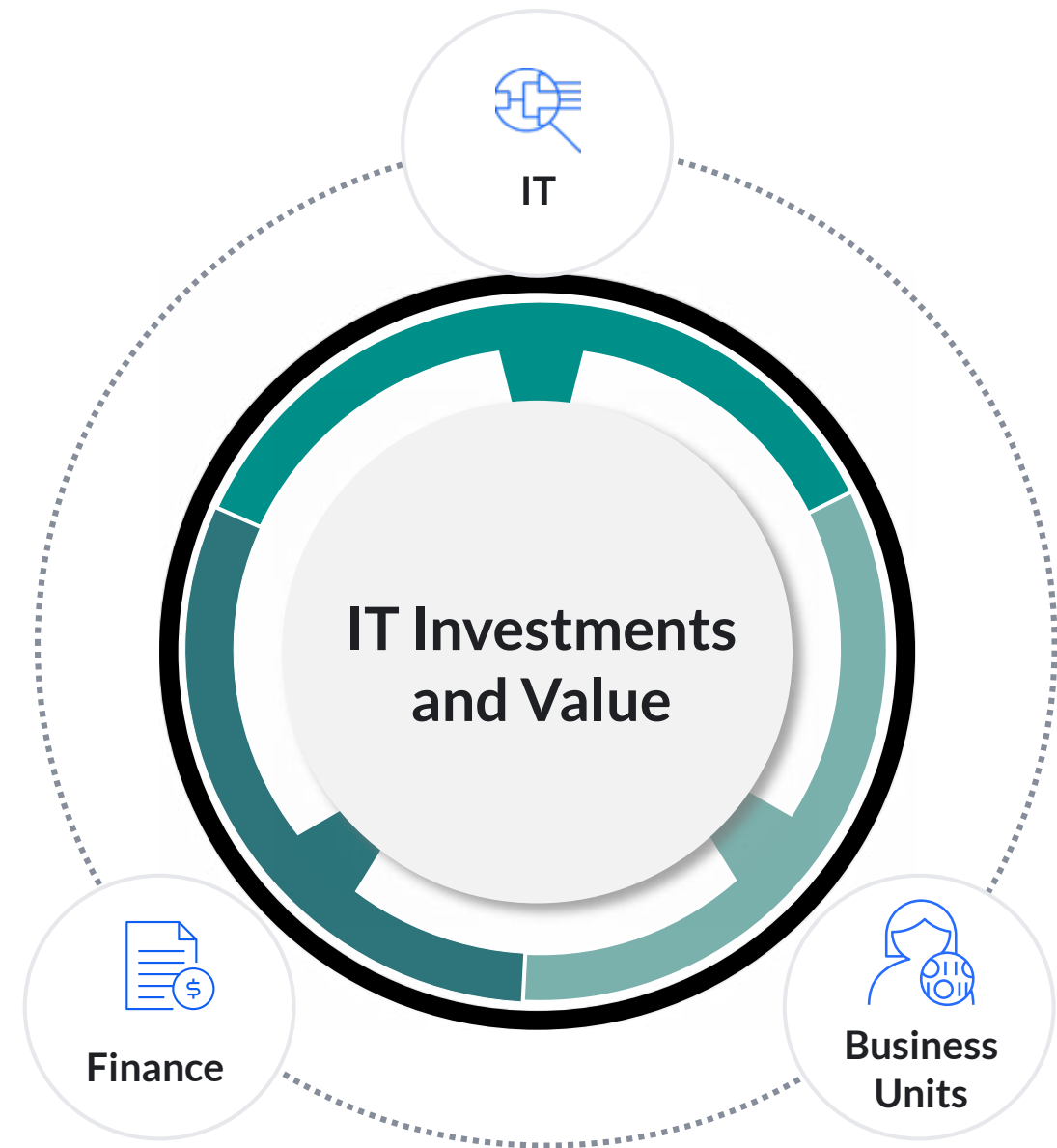
Equitably share IT costs with showback and chargeback

When business units adopt IT independently, it can lead to a lack of accountability for spending. Building on your ITFM foundation allows you to improve accountability through equitable cost-sharing processes like showback and chargeback. These processes are important because they help business leaders and stakeholders understand IT consumption and ensures they're mindful of the relationship between use and cost.

Showback provides visibility into IT costs by showing business units their actual usage without directly billing them. Managers are able to see detailed line items of their expenses, helping them understand how their IT consumption compares with the budget. Likewise, they're empowered to make more informed decisions while justifying IT spending.

Chargeback goes further by billing departments directly based on their IT usage. This model ensures that costs are allocated fairly, with each unit paying for its consumption. Chargeback helps IT recover costs while promoting responsible usage across the organization.

An ITFM tool can automate the monthly billing cycle, providing clear and consistent invoices that reflect each department's usage. This level of transparency ensures a culture responsible IT usage, accountability, and alignment between business leaders, finance, and IT.



Step 5: Gain stakeholder trust

IT must gain the trust of business leaders responsible for IT costs through data accuracy and cost transparency

Trust is built on hard data, not gut feelings. A mature ITFM practice enables IT to quickly respond to ad hoc requests for budget, billing, and planning information, providing stakeholders with the data they need to make informed decisions. IT managers should be able to trace spending down to individual transactions, justifying every line item in the budget—from top-level totals to specific charges. Transparency at this level of detail provides the accountability needed to defend the budget during scrutiny or audits.

IT can provide feedback early and often by using a system that offers complete cost transparency, helping BUs modify usage behaviors to optimize resources. Automation reduces reliance on manual, error-prone processes and allows department managers to self-serve, monitoring their expenses with the level of granularity they prefer—increasing trust by improving accuracy.



Step 6: Collaborate and plan with business leaders

Focus on planning to increase business value and strategic alignment

Planning for IT expenditures used to be much less structured, with every department buying what they needed when they needed it. With the adoption of cloud and proliferation of SaaS applications, centralized IT departments now negotiate most contracts. This is great for controlling rogue spending on shadow IT, but it leaves business leaders unaware of how much the IT they use costs.

To achieve a deeper level of trust and elevate the perception of IT to that of a strategic partner, it's best practice to establish regular planning meetings to understand different business leaders' goals, discuss their IT needs, and share relevant data and insights. By actively involving business leaders as partners in the decision-making process, you will create an environment of transparency and collaboration in IT planning.

This approach can improve synergy between IT and BUs, aligning goals and driving better outcomes. In the long term, this collaborative model ensures that IT initiatives are not pursued in isolation but are congruent with broader organizational objectives. By linking IT investments to business goals, IT becomes even more crucial to your company's success.

Bank of Ireland moved to an ITFM platform to establish a more structured and transparent application portfolio management process. This move aimed to enhance visibility into application stability, maintainability, lifecycle, and costs, and to facilitate strategic and operational decision-making regarding IT investments.

“ When we started looking at Apptio ITFM, it was primarily from an application portfolio management perspective. But now, we have many different business and use cases that we're using [it] for. The power of ITFM in giving us that granular level of financial detail that feeds into how roadmaps are funded and what the return on investment is has been hugely beneficial. ”

Ronan Hughes

Principal Architect for Core Banking and Group Manufacturing, Bank of Ireland

Step 7: Drive growth through innovation

Keeping up with the latest technology is IT's job, but so is justifying it to business leaders

It's an exciting time in tech, with generative AI-powered agents, increasingly powerful cloud computing, and sophisticated applications that keep the global workforce in sync and productive. IT leads the way in deciding what new technology is cost effective and suited to the business goals of today and tomorrow. However, just as accurate, real-time accessibility of IT-related financial data is critical for IT leaders to gain trust, so is the ability to lead IT investment strategy and collaborate with business leaders on new processes, systems to enhance efficiency, and ways to grow the business.

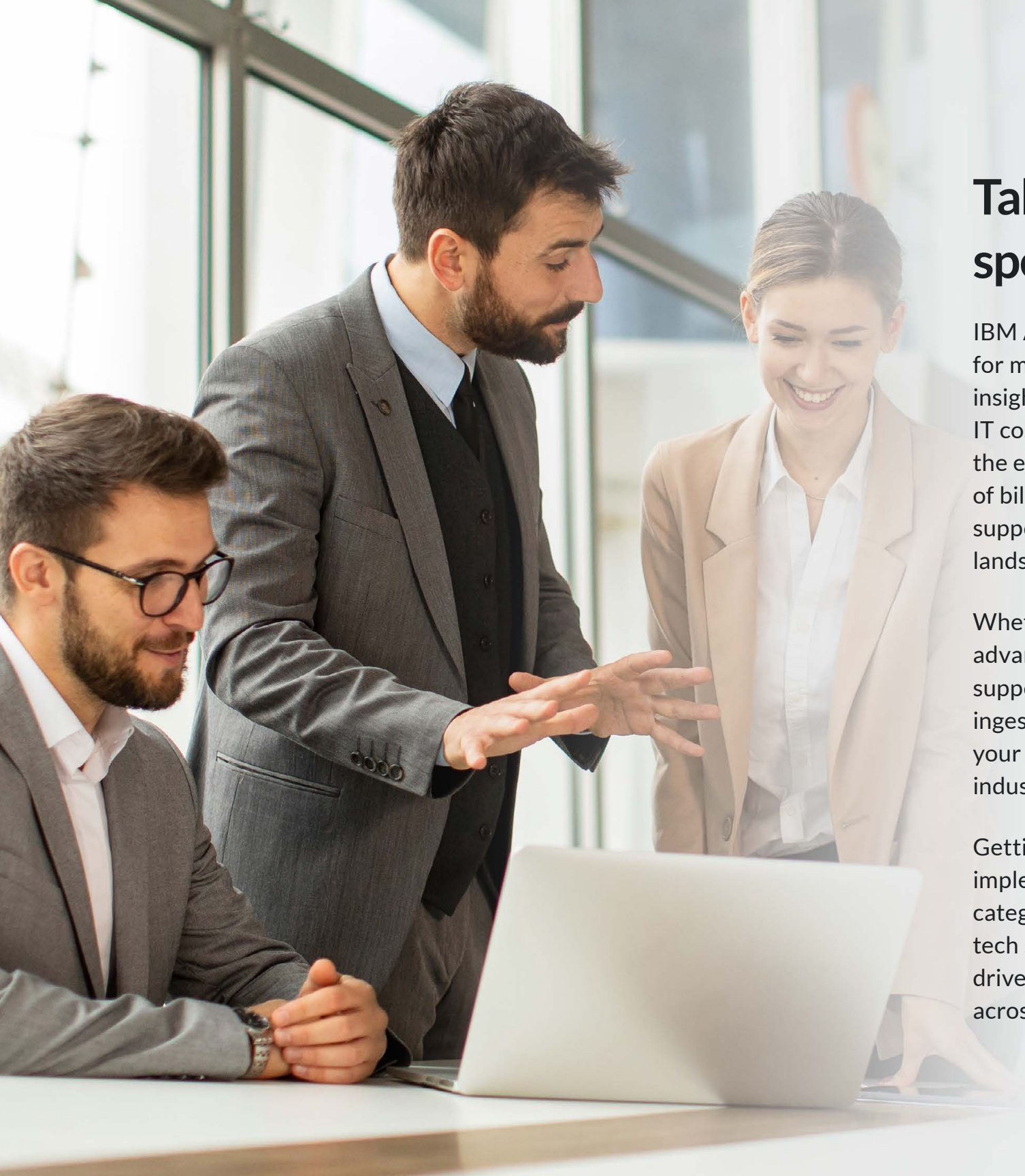
ITFM enables you to intelligently invest in high-stakes innovation projects while keeping a data-driven eye on the business impact. When your organization can move beyond run-the-business costs to grow-the-business initiatives, then perceptions change from seeing IT as merely a cost center to that of a critical strategic partner.



Let's embark on your ITFM journey together!

The process of bringing together all your financial and operational data can feel daunting when you're first connecting the dots across all your IT spending. IT leaders who rely on isolated point solutions and manual spreadsheets struggle to track and report on IT costs across departments and initiatives. These methods are time-consuming and error-prone, making accuracy challenging and planning activities cumbersome.

However, there are ITFM solutions that can help connect the dots for you, offering critical visibility and control over IT spending. By automating the ingestion of data, analysis, and reporting, an ITFM solution provides critical insights into IT budget tracking, spending rates, and IT consumption. With a real-time single-pane-of-glass view of IT costs across the organization, it becomes easier to determine the value of IT and justify future investments. Moreover, it increases IT's agility to adapt to changing conditions and shifting corporate goals.



Take control of your IT investments: spend smarter, with greater impact

IBM Apptio is an industry-leading ITFM solution that provides a single-source-of-truth for managing IT spending, planning, billing, and benchmarking. Providing fast, accurate insights into IT costs and investments, IBM Apptio gives business leaders visibility into all IT costs and investments, enabling spending optimization and improving alignment with the enterprise's strategic goals. Infused with 16 years of innovation based on hundreds of billions in IT spend and over 1,800 successful deployments, it provides a key tool for supporting ITFM practices and equips you with everything needed to navigate the complex landscape of IT financial management.

Whether you're taking your first steps in monitoring IT costs or preparing to tackle more advanced IT investment challenges, IBM Apptio has a full spectrum of capabilities to support your ITFM practice. The proprietary IT financial modeling engine automatically ingests and maps spending data using the industry-standard TBM taxonomy, accelerating your access to insights and time to value. With successful deployments across a variety of industries, IBM Apptio can tackle even the most intricate of IT estates.

Getting started with IBM Apptio is easy because there's no one rigid or lengthy implementation path—no matter the state of your data. You can use the solution to quickly categorize and allocate costs across technology domains while surfacing key insights into tech spend and impact. With IBM Apptio, you can elevate IT to the position of key value driver—and have the data to prove it, ensuring alignment of financial and strategic goals across technology, finance, and the rest of the business.

Get Started

Apptio, an IBM company, is the leading technology spend and value management software provider. Apptio's AI-powered data insights empower leaders to make smarter financial and operational decisions across information technology (IT), multi-cloud FinOps, and digital product development. Apptio's mission is to deliver business value with every technology investment and team. Powered by Apptio's cloud platform, Apptio's SaaS applications translate technology spend into clear business outcomes and financial ROI. As a pioneer and category leader in Technology Business Management (TBM), FinOps, and Agile Portfolio Management, Apptio works with thousands of customers, partners, and community members worldwide.

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