**ISG**™  imagine your future®

# A Multi-Dimensional Framework for Implementing Technology Business Management

**Alex-Paul Manders,** ISG TBM Practice Lead, Americas

The purpose of this white paper is to give the reader an initial glimpse into the evolving methodology of Technology Business Management (TBM) and a detailed explanation of ISG's multi-dimensional framework (MDF) for implementing TBM. The MDF extends the TBM Council's TBM taxonomy into six distinct areas: people, process, data, analytics, technology and strategy.

Many organizations in both the private and public sectors currently are on a TBM journey. With a deeper understanding of how the six dimensions of the MDF complement the TBM taxonomy, that journey can drive broader and deeper transformation throughout the organization. ISG's MDF is unique in the market and applies to any company on a defined TBM journey leveraging a standardized approach to IT costing. We've found TBM programs are strategically enhanced when they apply the endorsed TBM taxonomy to their IT cost and operational data.

The MDF was developed in the field by working with enterprises and gaining an understanding of their challenges to cost transparency. Though an understanding of software and taxonomies is important to drive operationalization and adoption, most companies are struggling less with software than with aligning people, process, data, analytics, technology and strategy to fully capitalize on the advantages of costing IT in a standard framework.

This paper will outline each of the six dimensions in the MDF.



A MULTI-DIMENSIONAL FRAMWORK FOR TBM

## WHAT IS TECHNOLOGY BUSINESS MANAGEMENT?

If you perform IT Financial Management (ITFM) activities, such as strategic and financial planning, IT budgeting and forecasting, benchmarking, developing IT show-back mechanisms or aligning IT finance with IT operational data to achieve any form of cost transparency, you've been practicing TBM. A key difference between TBM and ITFM is that TBM introduces software solutions and a standardized, automated taxonomy to aggregate IT finance and operational data.

In addition to having developed an automated framework referred to as the TBM Unified Model, market thought leaders also have developed strategic frameworks designed to embed the TBM taxonomy within an organization. These strategic frameworks take into consideration ITFM and IT service management (ITSM) best practices with the primary objective of using automation to drive enterprise IT initiatives. They do this along six dimensions: people, processes, strategy, technology, data and analytics.

ISG takes it one step further. We contend the real value of TBM is its transformational impact based on automating cost transparency in a standardized taxonomy. By leveraging software automation to drive ITFM best practices and methodologies, TBM allows organizations to analyze IT costs more quickly and use the findings to position themselves for better business outcomes. TBM is an approach that supports enterprise innovation and the adoption of emerging technologies, including big data, next-generation analytics, cloud models, digitalization and automation.

**"Technology Business Management (TBM) is a value-management framework instituted by CIOs, CTOs and other technology leaders. Founded on transparency of costs, consumption and performance, TBM gives technology leaders and their business partners the facts that they need to collaborate on business-aligned decisions. Those decisions span supply and demand to enable the financial and performance tradeoffs that are necessary to optimize run-the-business spending and accelerate business change. The framework is backed by a community of CIOs, CTOs, and other business leaders on the Technology Business Management Council."**

**-The Federal IT COST Commission Report**

A MULTI-DIMENSIONAL FRAMWORK FOR TBM

## ISG'S TBM MULTI-DIMENSIONAL FRAMEWORK AND IT TRANSFORMATION

A fundamental goal of TBM is to equip technology business leaders with insights as they execute enterprise initiatives. Many organizations in search of cost transparency that have implemented enterprise TBM programs built only on the standardized taxonomy find they require a broader approach to driving IT transformation. Once they achieve cost transparency, they are soon asking "So what?" and "What's next?" To answer these questions and to help companies drive IT transformation and support future IT initiatives, ISG developed the TBM Multi-Dimensional Framework (MDF).

Because IT transformation requires linkages across many disciplines, the ISG MDF addresses six dimensions: people, process, strategy, data, analytics and technology. The MDF is a way to educate the market on the tenets of TBM beyond the scope of a standardized taxonomy and data model. This is significant, as TBM should be viewed as the foundation of any strategic set of IT objectives.

## THE DATA DIMENSION

Advances in big-data processing not only drive a surge in the volume of data available for analysis, it exponentially compounds the data validation problem many businesses experience.

Certain process points across an organization can be particularly vulnerable to error. Pinpointing these vulnerabilities will help an enterprise see where key business decisions are most likely to be impacted by faulty data. Some of these vulnerabilities include:

- Improper categorization and mapping of data;

- Data migrations;

- Undocumented changes to source systems;

- Human error;

- Integration of external data;

- Siloed data that has not been captured (due to a lack of process owner involvement.

Without a clear understanding of how data flows through its systems, an enterprise lacks an auditable trail and the processes needed for effective IT governance. Enterprises with no organizational structure in place to support their ongoing data requirements and change management procedures face the challenge of making strategic business decisions without fact-based, defensible data. Addressing data isn't a one-time effort. If a structure to deal with the ongoing flow of data does not exist, investments in validating it will not be sustainable.

Data is an important component of the MDF. With a foundational program in place to support data cleansing in support of an enterprise-wide data strategy, companies can mitigate data challenges and align data to support integrated data-collection systems and a best-in-class IT transformational program. A solid data validation process depends on involving the right people and deploying software that automates key parts of the collection cycle.

Enterprises considering how to address their data-validation process need to first answer the following questions:

- How do we map our data to a standard taxonomy?

- Who owns the data?

- How do we know the data is valid?

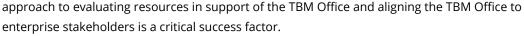- How do we know if we are missing data?

Data is foundational to IT cost transparency and provides key insights that are applicable to a variety of business initiatives. By implementing a process of discovery and maturity, your organization can create a plan to track, measure and monitor data improvements to support desired business outcomes.

## THE PEOPLE DIMENSION

Any organizational design strategy or enterprise team depends on the people who manage it, and this is no different for launching a TBM initiative. The best-practice approach to implementing a TBM program includes designing a TBM Office staffed by people who are directly accountable for the management of cost transparency software solutions and taxonomies, with representatives from IT, Finance and lines of business. Rarely do two TBM Offices share the same business outcomes. Staff within the TBM Office can take on varying degrees of ownership, participation and accountability.

Progressive organizations on a TBM journey are looking beyond the requirements of owning a software product to evaluate how software can support business stakeholders with a new level of transparency. A comprehensive approach to evaluating resources in support of the TBM Office and aligning the TBM Office to enterprise stakeholders is a critical success factor.

The market likes to create the perception that the CIO or the CFO is the ultimate benefactor of cost transparency. And while they may be the big winners, they are not the only winners. Individual line leaders, business unit owners and even a colleague who can now automate a specific metric and save him or herself two days of manual effort every month are the real victors. These are the people who drive change with automation. Wringing the most value out of TBM starts with identifying internal customers and listening to the business.

A MULTI-DIMENSIONAL FRAMWORK FOR TBM

Before a single person is assigned to a TBM Office team, be sure you have a full understanding of the enterprise initiatives the team is meant to support. These can include a range of corporate IT transformations, from data center consolidation to sourcing initiatives. When a company aligns IT cost insights with the Finance organization, and, more specifically, when it considers how Finance is involved in funding the IT budget and supporting the budgets of business units outside of the IT function, it is addressing enterprise-wide transformation.

Who are the people driving these initiatives? How are they supporting them? And how can the TBM Office support enterprise stakeholders outside of the core team? Answering these questions will create a foundation for maximizing the potential return of what could be just another software tool.

Select your team based on the outcomes you are trying to achieve. Assigning a half-time resource to support a software solution may seem realistic, but it may not be the right investment to support a TBM journey. If you do not invest in the people dimension of your TBM equation, you will soon find it is not your software investment that has failed to deliver value.

## THE ANALYTICS DIMENSION

One of the primary benefits of the TBM taxonomy is the analytics that can be produced to help an enterprise discover market and data insights that drive real business outcomes and achieve viable opportunities. Analytics come in all shapes, sizes, classifications and customizations with common applications across industries. An example of an important metric is one that measures how much of IT as a percent of operational expense is delivered as private or public cloud services to the business.

According to the TBM Council's IT COST Commission Report—the first-ever joint public/private sector initiative focused on maximizing the value of the government's technology investments through transparency into spending—primary metrics should include those that show:

- Improvement in cost for performance
- Alignment of the IT portfolio to (enterprise) goals and missions
- Investment in innovation
- Increased agility

Before you begin generating data analytics, consider how your data supply chain can make the data analysis process faster. The more quickly data flows through a supply chain of technology, process and people, the more quickly it can generate analytics and the more

quickly it can produce insights to drive business value. Near real-time analytics has been shown to increase the velocity of change in an enterprise. Organizations interested in self-funding their TBM journey, for example, can position themselves to produce and analyze metrics that drive cost savings they can apply to their IT transformation.

The ISG MDF proposes automating critical analyses software that either stands alone or is part of an integrated solution. An organization's ability to leverage automation to generate TBM analytics is impacted by its ability to collect IT performance data across the enterprise. Automated ITFM solutions allow an enterprise to build a total-cost-of-ownership model for each application/service in scope. Data should also be gathered for others areas, such as productivity, quality, configuration, activity volumes, process maturity and end-user satisfaction.

Deciding what types of analytics to produce can be a daunting task, and market-leading firms such as ISG have a number of metrics that define cost, quality, performance, value and business criteria.

## THE STRATEGY DIMENSION

The overall strategy of a TBM initiative is to drive innovation and achieve enterprise value. By collecting data through a data supply chain and aggregating data in a structured and standardized way, automated IT cost transparency in and of itself becomes a key strategy at the core of many other organizational strategic initiatives, such as IT sourcing, including in-house, offshore and cloud services.

To make cost transparency an enterprise strategy, the single most important factor is aligning the cost transparency initiative, such as implementing the TBM taxonomy and related data models, to actionable enterprise objectives. For example, the AOL CIO James LaPlaine believed that if his team could tie TBM to IT transformation projects, they would achieve a groundswell of support from the organization. LaPlaine aligned IT cost transparency with two key strategic IT transformation projects, including the organizations' interest in the public cloud. Aligning IT cost transparency driven by TBM to public cloud adoption provided AOL the baseline for comparisons, utilization and adoption of assets both on- and off-premises. Without a clear set of defined goals that benefits the enterprise, desired outcomes will not be clear and political silos and agendas are likely to impede progress.

Let's explore a simple approach to making IT cost transparency a strategy. Assume you have cost transparency automation in place or are exploring technology options. You must next answer some key questions: Who are the key stakeholders that should be included in the strategy? What is the core team's vision for cost transparency? Does the core team's vision

align to enterprise initiatives, and if so, what is the order of priority for execution? And finally, who are the business consumers of IT cost transparency, and what are their individual priorities?

Failing to elicit feedback from the business and align cost transparency to a broader set of enterprise initiatives will ultimately put your strategy in a silo. When organizations operate in distinct siloes, they struggle to drive adoption, operationalization and IT transformation of any type. To align foundational strategies around data, organizational design, cost transparency and analytics is to support enterprise initiatives and drive IT transformation.

Some best practices to consider when approaching this dimension include:

- Openly share cost transparency practices across the business outside of core IT or Finance teams to build stakeholder buy-in;

- Align internal resources to drive enterprise innovation and strategy with the TBM Office;

- Elicit feedback from the business and develop a collaborative approach to drive innovation based on insights offered by new IT cost insights;

- Design an approach to data governance that includes people, process, policy and technology.

## THE PROCESS DIMENSION

The traditional operating environment relied heavily on human resources and the support of software technologies to conduct business processes. But that is changing. Today, we are in the early phases of a paradigm shift in which business processes will depend more and more on software automation and smart technology. Less emphasis will be placed on people, who will, instead, focus on reviewing technology outputs. The same thinking holds true when we consider TBM as a transformational program that leverages insights offered by a standardized IT costing taxonomy.



From an MDF perspective, TBM processes must wrap around IT cost transparency and integrate with ITSM processes. By definition, cost transparency is an organization's ability to aggregate IT cost and operational data for the purpose of achieving insights that promote optimal IT services to the business. When designing a strategic framework that leverages TBM processes (many of which are founded on the principles of traditional ITFM processes), a company needs to break down the phases required to align cost transparency with the TBM process framework and the broader enterprise process landscape.

Benchmarking management, for example, includes best practices supported by automation and the TBM taxonomy in addition to process inputs and outputs that support broader

enterprise initiatives, such as detailed IT cost benchmarks by tower. When we extend our previous example from James LaPlaine of AOL, the benchmarking management process can support IT service procurement initiatives, such as analyzing cost-comparators for on- and off-premises services solutions.

Phase one typically requires understanding the relationships between the current processes for ITFM, ITSM and known business frameworks. Phase two includes understanding how cost transparency can drive an integrated and inter-connected TBM process framework. Later phases include designing customized processes that interconnect IT cost transparency by linking ITFM and ITSM to drive IT improvements in a closed-loop process enhancement cycle.

## THE TECHNOLOGY DIMENSION

When we approach the technology dimension of TBM, we approach it by looking at how to maximize the business value of IT spending by delivering greater financial transparency and better collaboration between IT and the lines of business through software products. The market for software that supports ITFM and ITSM is large and growing; buyer requirements are continually evolving.

The first key to leveraging software is understanding and assessing the software solutions already in place within your firm. The second is to understand what the software market has to offer in terms of automated solutions that can be integrated with existing technologies. Because of firm-specific dynamics, business requirements, strategic objectives and investment budgets, there is not a one-size-fits-all approach to designing a comprehensive solution to support all enterprise requirements.

When organizations approach a TBM journey, they often begin by trying to identify the challenges that a software solution (or set of solutions) will mitigate. These include reducing the time it takes to prepare an IT cost benchmark, centralizing a "source of truth" for IT cost and operational data, establishing a foundational approach for IT and Finance to collectively make IT services investments and having the ability to compare current IT cost structures to off-premises solutions provided by the cloud. More often than not, a software vendor will establish business-use cases to demonstrate how a product can mitigate business challenges and drive value.

Aligning business requirements to enterprise objectives will establish a baseline for evaluating the benefits of TBM software products. Software solutions on the market today address data

validation, IT cost transparency, analytics and metrics for business reporting, visualization solutions, governance, IT planning, IT budgeting, IT forecasting, business performance management, ITSM and cloud solutions designed for "what-if" scenario modeling. Each of the solutions available in the market will address an organization's desired set of outcomes, business-use cases and future state requirements.

A common challenge then becomes defining and communicating what a firm's TBM journey will include, and aligning it to the correct software solutions to satisfy the organization's business requirements. The opportunity—and challenge—lies in how these options work with existing software products and applications within the business. The MDF technology dimension supports the concept of implementing software to automate IT costing insights, in addition to linking and interconnecting other non-IT costing software products together as a strategy in support of all six dimensions in the MDF.

Many of the benefits of software and automation that support a TBM journey are directly mapped to enterprise initiatives. Some common benefits we see in the market include:

- Enhanced analytical insights and visualizations;

- Improved accuracy and insights with benchmarking studies;

- Ability to effectively and efficiently rationalize enterprise applications;

- Improved capabilities around scenario modeling related to infrastructure consolidation;

- Enhanced ability to produce sourcing strategies in line with cloud services arrangements;

- Integration of IT Finance/services processes to create end-to-end cost transparency solutions;

- Better consumption management of IT services based on demand requirements;

- Increased awareness of data quality issues requiring data governance.


## CONCULSION

To date, the enterprise users that have adopted the TBM taxonomy as a standardized framework have seen varying degrees of success. Many enterprises, mature and new alike, have begun to look beyond simply having a TBM taxonomy in place as a "one-stop" solution to address challenges and have instead used the MDF to consider how they might drive maturity and adoption of TBM throughout their organizations.

**A Multi-Dimensional Framework for Implementing Technology  Business Management**

**Published 2016**

**ALEX-PAUL MANDERS**

TBM Practice Lead, Americas

Alex-Paul works closely with enterprise leaders, IT finance managers and IT business unit leaders to help implement the discipline of Technology Business Management (TBM) into their organizations and optimize their enterprise IT. He advises both commercial and public sector organizations on the adoption of TBM programs, designs fact-based analytical strategies and supports broader IT transformation initiatives. His development of a strategic TBM multi-dimensional framework addressing people, process, data, analytics, technology and strategy is part of ISG's industry-leading set of market best practices and methodologies. His thought leadership has been featured in CIO Review, *MiddleMarket Executive* and the TBM Council's book *The Four Value Conversations CIOs Must Have with Their Businesses.*

**✳ iSG™**

imagine your future®

**Information Services Group** (ISG) (NASDAQ: III) is a leading global technology research and advisory firm. A trusted business partner to more than 700 clients, including 75 of the top 100 enterprises in the world, ISG is committed to helping corporations, public sector organizations, and service and technology providers achieve operational excellence and faster growth. The firm specializes in digital transformation services, including automation, cloud and data analytics; sourcing advisory; managed governance and risk services; network carrier services; technology strategy and operations design; change management; market intelligence and technology research and analysis. Founded in 2006, and based in Stamford, Conn., ISG employs more than 1,300 professionals operating in more than 20 countries—a global team known for its innovative thinking, market influence, deep industry and technology expertise, and world-class research and analytical capabilities based on the industry's most comprehensive marketplace data. For additional information, visit www.isg-one.com.

**Let's connect NOW...**