Agile Financial Management
Continued ServiceNow CSDM alignment

July 26, 2023
8am PT | 11am ET | 4pm BST | 5pm CEST

John Wilson
Voting Member,
Standards Committee

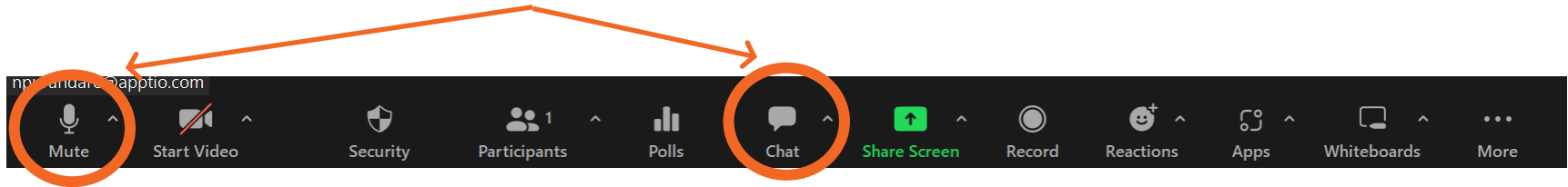**Kelley Wendelborn**
Sr. Manager TBM,
Lowe's Companies Inc.

Matt Temple
Transformation Excellence
Manager, Accenture

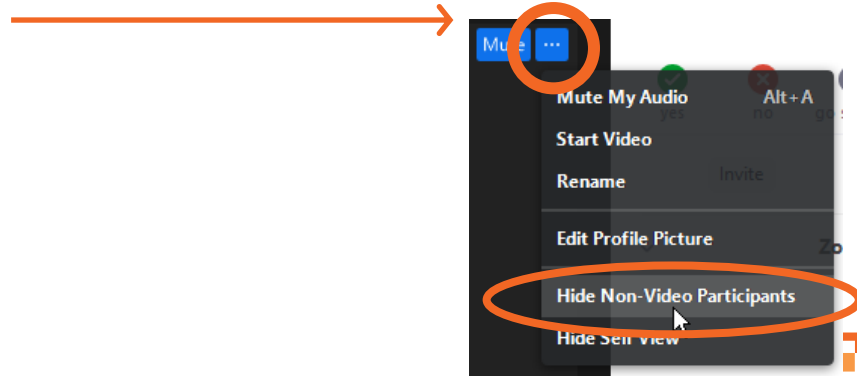**We will begin shortly!**

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Zoom Meeting Recording / Questions

▸ This session is being recorded.

▸ **Please unmute your audio to ask a question – jump on in! OR you can submit questions via the Chat button in your Zoom toolbar**

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Atticus Tysen

SVP Product Development, Chief Information
Security & Fraud Prevention Officer, Intuit
Standards Committee Chair, TBM Council

TBM Standards Committee Members

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Improved Accessibility to TBM Taxonomy Materials
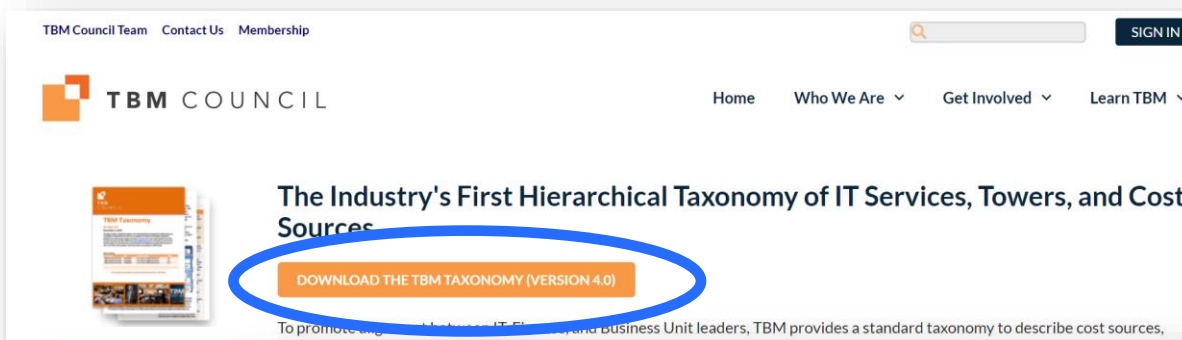
Coming Soon!
Utilities Extension

Standards Committee 2023 Charter

Mission:

Promote standard frameworks, processes and taxonomy for TBM; show alignment to new & existing operating models driven by evolving trends in technology.

Deliverables:
- ❏ Continued ServiceNow CSDM alignment
- ❏ TBM: Moving Beyond Costs
- ❏ Agile & TBM alignment
- ❏ TBM Taxonomy alignment to Security Framework (NIST)

Topics for Today's Session (90 mins)

0:00 – 0:10 | Standards Committee Overview & 2023 Charter

0:10 – 0:40 | Agile Financial Management

0:40 – 1:10 | Continued ServiceNow CSDM Alignment

1:10 – 1:25 | Closing thoughts

1:25 – 1:30 | Upcoming TBM Council Activities & Wrap Up

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Context & Intent

> It's time to talk Agile…but not about Agile. If you're a financial professional struggling to integrate Agile with Financial Management – you're not alone. A strength in Agile is the reorientation of discussion from cost to *value*. However, technology still requires fundamental financial management to operate. The below is a five-part journey which will take you through the 'behind the scenes' financial management of Agile. Let's go.

What's all this talk about Agile and why it matters

Getting from Agile to a traditional expense budget

Stable teams yield stable forecasts

Introduction	Teams	Budgeting	Cap & Amort	Forecasting	Benchmarking

Organizing into teams around value delivered

Agile developed software in US GAAP and IFRS

Are we spending the right amount?

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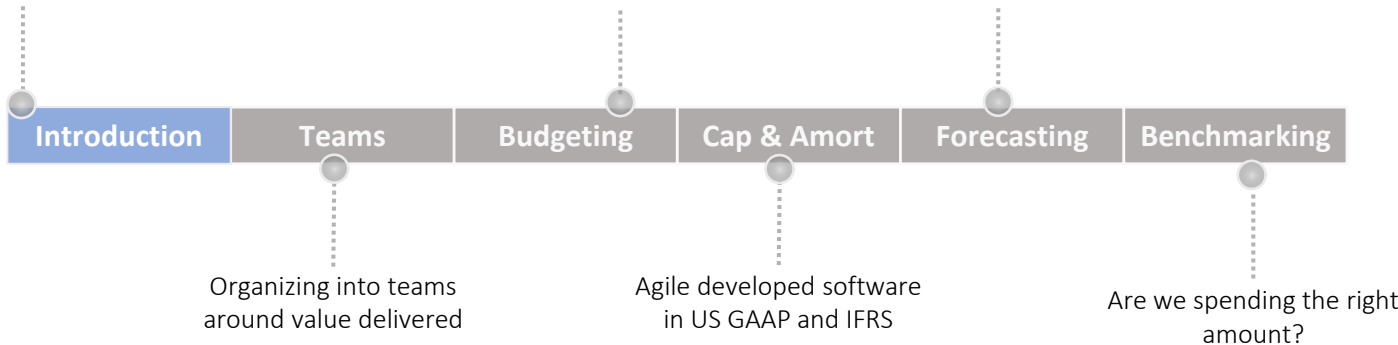
Agile Introduction

Agile Concepts-at-a-Glance

What was broken? Classical software development projects have long been ridiculed for low success rates related to budget, schedule, scope, or ability to deliver high-value business outcomes. The reasons are plenty – language barriers, deliverable rigidity, fractured attention, and sheer inability to transact modern-day work.

Close Language Gaps

Yesterday's functional operating models required (1) someone who "speaks business," (2) someone who "speaks technology," and (3) someone to act as a bi-lingual translator. This led to misunderstandings in requirements and intended outcomes.

Reduce <u>mental distance</u> with cross-functional teams

Bring Work to People

Yesterday's operating models meant a single project would pass through several functional teams – Development, Q&A, Infrastructure, Security, etc. Each team representing a hand-off, a prioritization, and re-orientation of attention.

Reduce <u>task switching tax</u> with persistent teams

Iterate with Feedback

Yesterday's project construct included intensive upfront requirement, cost, and benefit estimation. Once set, success was measured on ability to 'meet' this pre-defined outcome. This led and reinforced a focus on output instead of outcome.

Increase <u>relevance</u> with smaller increments & faster feedback

Value Orientation

Yesterday's projects were structured around the completion or building of systems and outputs. This led to a lack of clarity or recurring focus on the intended value delivery.

Increase <u>value delivery</u> with reframing of work objects

Introduction	Teams	Budgeting	Cap & Amort	Forecasting	Benchmarking

Agile Keyword Crash Course

What did they say? Agile, like any discipline, comes with a vocabulary-set. To successfully interpret or manage financial data on an Agile organization, it is imperative that you understand the language and its context. Many of upcoming financial solutions are only accessible due to constructs inherently in the operating model.

In Waterfall, work is traditionally broken down from Program, Project, Workstream, and Task.

In Agile, taxonomy is revised and shifts from task to value-orientation. Even the smallest piece of work is through the customer's eyes.

Work Object	~Duration
Epic	3-12 Months
--Features	1-3 Months
----Stories	1-2 Weeks
------Tasks	1-2 Days

Work is organized as outcome-oriented instead of task-oriented

Work Effort

Story Points

Work effort transitions from hours to relative-sizing using story points.

In functional operating models, people are organized to create economies of scale and quality within a set of tasks.

In Agile, people are organized around value delivery – from technology delivery to the interconnected business delivery.

People Groups

Value Stream

--Agile Release Train (ART)

----Team

------Individual

People and work are persistently organized around value.

Job Roles

Product Owner

Scrum Leader

Introduction	Teams	Budgeting	Cap & Amort	Forecasting	Benchmarking

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Agile Resources

How can I go further? The following material will address key questions related to Financial Management of Agile organizations. To create the most impact, we encourage you further your learning of common Agile frameworks and resources. Below is a recommended list for education and further reading.

| Introduction	Teams	Budgeting	Cap & Amort	Forecasting	Benchmarking

Organizing around Value

Teams and Cost Centers

The Telephone Game. Ever play the telephone game where each person whispers into the next person's ear what they were told? Within 3-5 'telephones' the message is different. Organizing people for less hand-offs and less distance means less confusion, faster delivery, faster feedback, and higher job satisfaction.

Hand Offs

Four teams trying to align on objectives to two teams equipped with all skills to manage end-to-end (autonomy).

Analyst   Developer   Testers   Maintenance

Team 1   Team 2
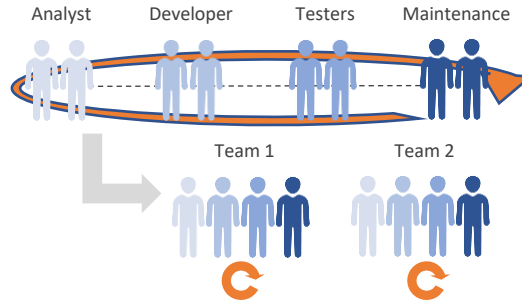
Awareness & Feedback

Feedback is faster as teams work closely, and persistent team alignment increases awareness of work and people.

Cost Centers. Choosing Functional or Team cost center structure depends on managerial reporting and cost pool capabilities and how they intersect with budgeting, billing, and accounting.

Option 1: Resources in Team cost centers with functional dotted line CoEs
Option 2: Resources are in Functional cost centers with Team Cost Pools

Introduction	Teams	Budgeting	Cap & Amort	Forecasting	Benchmarking

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Associates and Accounts

Persistently Predictable. Key to shifting focus from financials to value is creating predictable financials. Persistent teams represent predictable financial commitments. New Agile teams should avoid 'burst' capacity using discretionary funding with a preference towards predictable financials, capacity, and delivery.

Labor Types	Expense Accounts
Employees	Compensation, Benefits, Incentives
Consultants	Time & Material
Managed Services	Fixed Price & Milestone Delivery
Non-Labor	There are no non-labor costs in teams

! **Accounts.** Labor types will use classical industry accounts.
Outlay. Employee and Consultant spend should be relatively flat month-to-month.
Managed Services. Common practice exists in isolating managed services into independent teams.
Non-Labor. There are no non-labor expenses in Teams, allowing clean view of cost and capacity.

Introduction	Teams	Budgeting	Cap & Amort	Forecasting	Benchmarking

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Work and Financial Management

Parallel Mgmt. IDing resources on teams allows for work management and financial management activities to occur. Resources have attributes for team & role (work mgmt), as well as cost center & account (finance mgmt). This simplifies financials through persistency and focuses discussion on work prioritization in each team.

Work Mgmt View

Team	Role	Name	Type
Team A	Analyst	John	Employee
Team A	Developer	Chris	Consultant
Team A	Scrum Leader	Greg	Employee
Team A	Developer	Shivani	Consultant
Team B	Analyst	Holly	Consultant
Team B	Analyst	Dee	Employee
Team B	Developer	Luisa	Consultant
Team B	Developer	Melissa	Employee
Team B	Scrum Leader	Brannon	Employee

Financial Mgmt View

Cost Center	Account	Cost Pool	Amount
123	Compensation	Team A	100
456	Time & Material	Team A	125
789	Compensation	Team A	140
456	Time & Material	Team A	110
123	Time & Material	Team B	110
123	Compensation	Team B	105
456	Time & Material	Team B	130
456	Compensation	Team B	120
789	Compensation	Team B	125

Financial – Expense Summary

Cost Center	Account	Amount
123	Compensation	205
123	Time & Material	110
123	**Total**	315
456	Compensation	120
456	Time & Material	365
456	**Total**	485

Financial – Cost Pool Summary

Team	Account	Amount
A	Analyst	100
A	Developer	235
A	Scrum Leader	140
A	**Total**	475
B	Analyst	215
B	Developer	250
B	Scrum Leader	125
B	**Total**	590

! Cost Centers. In example, we assume a functional organization (leaders for development, business analysts, scrum leaders) but using cross-functional teams. Some companies may opt to organize directly around product; in which the expense and cost pool views would become the same.

| Introduction | Teams | Budgeting | Cap & Amort | Forecasting | Benchmarking |

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Funding & Sizing Teams

Capacity not Demand. Resources (capacity) are funded on a relatively long-term basis (semi-annual or annual) to create a known financial outlay and capacity for work. Allocation of funds to teams from business units is completed using historical point assessment with backlog assessment for upcoming period.

Financial – Cost Pool Summary

Team	Account	Amount USDk
A	Analyst	100
A	Developer	235
A	Scrum Leader	140
A	**Total**	475

Work – Deliverables, Size, Beneficiaries

Feature	Beneficiary	Points
New Feature	Business Unit 1	8
Improve usability	Business Unit 1	5
Remove legacy interface	Business Unit 2	2
Fix Defect	Business Unit 3	1

Financial – Funding Recovery

Business Unit	AmounUSDk
BU 1	238
BU 2	207
BU 3	30

> ⚠ **Team Cost.** Calculated in prior slide as cost of all labor in persistent Team.

> ⚠ **Shared-Dedicated.** The above demonstrates a shared platform team. It is preferable, if possible, to create 1:1 relationships between Teams and beneficiaries to simplify prioritization.
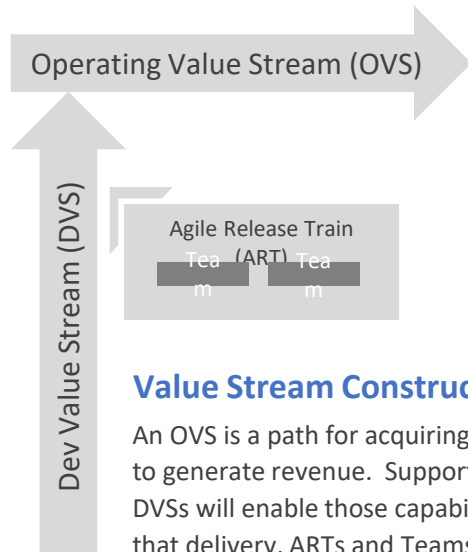>
> **Allocation vs Project**. Rather than sizing and 'paying' for a deliverable, beneficiaries fund a team on a semi-annual or annual basis based upon historical usage and forecasting.
>
> **Points**. Confused about points? See intro to Agile for details but the basic premise is that they represent a relative size of effort compared to other work completed by the same Team.

Introduction	Teams	Budgeting	Cap & Amort	Forecasting	Benchmarking

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Teams in Context

Value Flow. Autonomous teams capable of delivering outcomes is a fundamental to realizing Agile; however, we've skipped the broader context. How do these outcomes (teams) relate to each other and how do they relate to our overall success is a question worth exploring. This will be highly dependent on company maturity.

Operating Value Stream (OVS)

Dev Value Stream (DVS)

Agile Release Train (ART)

Team   Team

| Strategic Business Area |
| Business Capabilities |
| Product Families |
| Products |

Cost Centers. Most frequently, these constructs are managed using Cost Pools rather than classical cost center hierarchies.

Clarification. As significant variation occurs in the industry, it's best to consult with your internal Agile and/or Product transformation teams on the specifics of your organizational construct.

Value Stream Construct

An OVS is a path for acquiring and using resources to generate revenue. Supported by Technology, DVSs will enable those capabilities. Internal to that delivery, ARTs and Teams may be formed.

Product Construct

Within product models, Teams will reside within the Product tier, unless related to an allocated governance function.

| Introduction | Teams | Budgeting | Cap & Amort | Forecasting | Benchmarking |

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Continued ServiceNow CSDM Alignment

Matt Temple

Transformation Excellence Manager
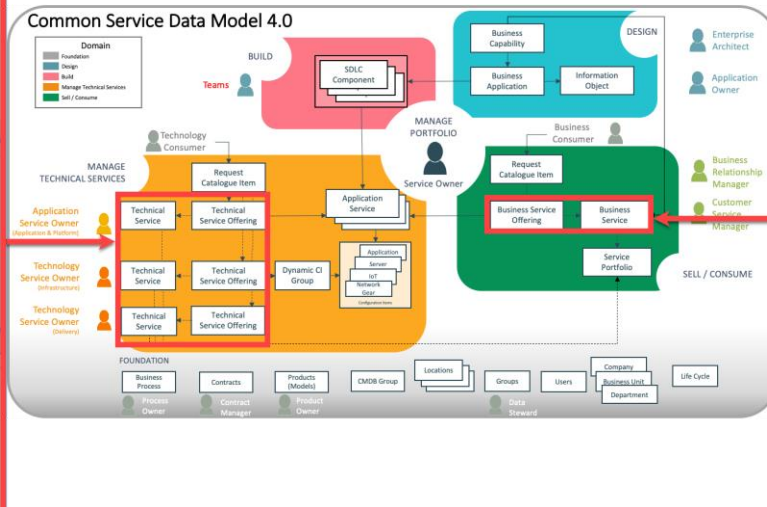Accenture

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Improved Integration Guidance

Revised Application Definition

Application Identification Guidance

Service Portfolio Management & CSDM

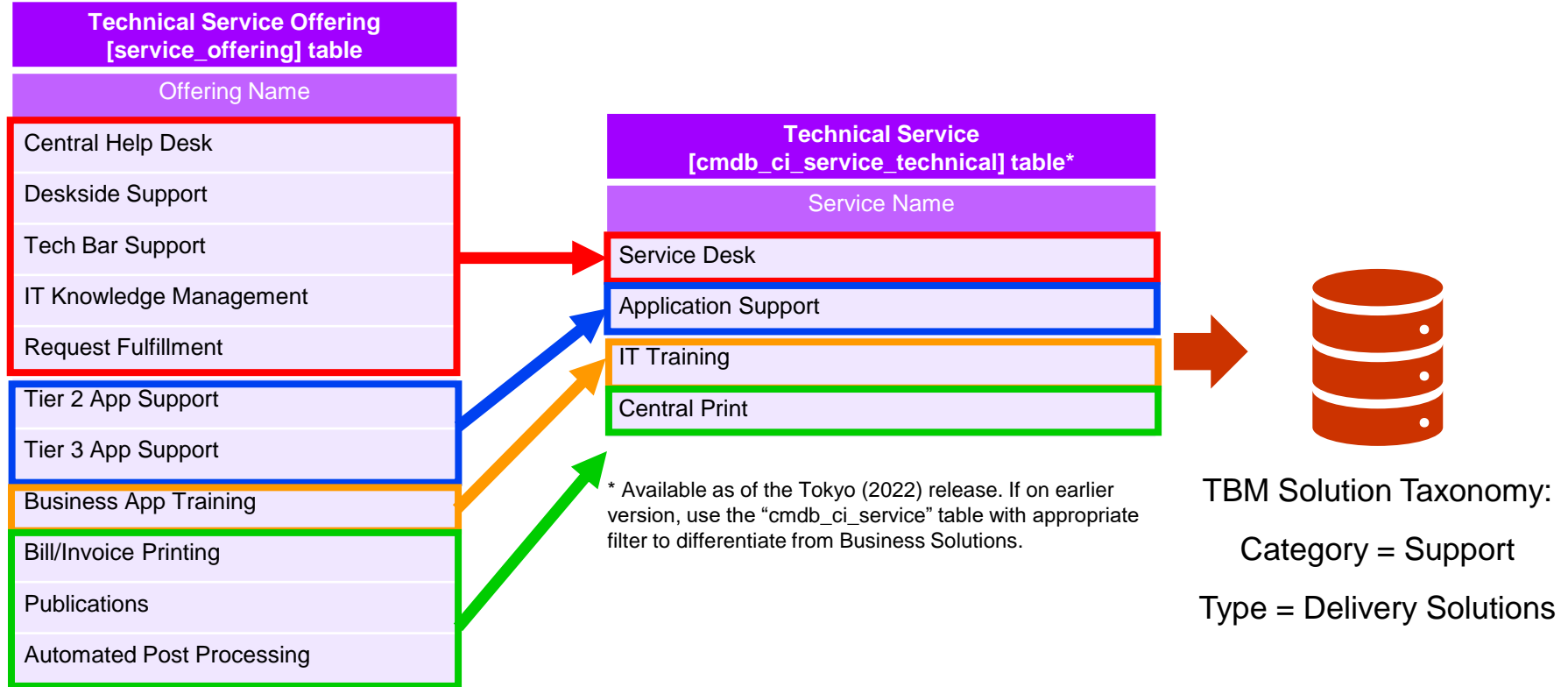CSDM v5 preview

Integration Guidance:
TBM Solutions + CSDM

Integration Guidance:
TBM Solutions Taxonomy Structure

Hierarchy

1.   Type

   2.   Category   Standardized TBM Taxonomy

      3.   Name

      4.   Offering   Internal Organization-specific Offering

                 (custom-named offering)

Example

- Delivery

  - Operations

    - Event Management

      - Logging Analytics

Integration Guidance: Technical Solution Example

Technical Service Offering [service_offering] table
Offering Name
Central Help Desk
Deskside Support
Tech Bar Support
IT Knowledge Management
Request Fulfillment
Tier 2 App Support
Tier 3 App Support
Business App Training
Bill/Invoice Printing
Publications
Automated Post Processing

Technical Service [cmdb_ci_service_technical] table*
Service Name
Service Desk
Application Support
IT Training
Central Print

* Available as of the Tokyo (2022) release. If on earlier version, use the "cmdb_ci_service" table with appropriate filter to differentiate from Business Solutions.

TBM Solution Taxonomy:

Category = Support

Type = Delivery Solutions

Integration Guidance: Business Solution Example

Business Service Offering [service_offering] table

Offering Name

Standard Desktop
Developer Workstation
Standard Laptop
Ultra-Portable Laptop
iPhone 14 Pro Max
iPhone 14 Pro
iPhone 14 Plus
Personal Computer
Personal Smartphone
Virtual Desktop
Virtual Workspace

Business Service [cmdb_ci_service] table

Service Name

Computer
Mobile
Bring Your Own Device
Virtual Client

TBM Solution Taxonomy:

Category = Client Computing

Type = End User Solutions

Revised Application Definition

Identifiable software or tightly coupled software components providing functions required by a Solution (eg Service, Product).

Is ran or hosted on one or more Servers or Clients.

May be part of one or more Solutions.

Application Identification Guidance: CSDM Tables

1. **Business Application**
   (cmdb_ci_business_app)
   Logical listing of applications. A single record represents all software and infrastructure environments configured to provide business functionality.

2. **Application Service**
   (cmdb_ci_service_auto)
   A logical representation of a deployable Business Application and all related software and infrastructure assets.

3. **Application**
   (cmdb_ci_appl)
   A deployed program, module, or group of programs. The installed bits & bytes.

Common Service Data Model 4.0
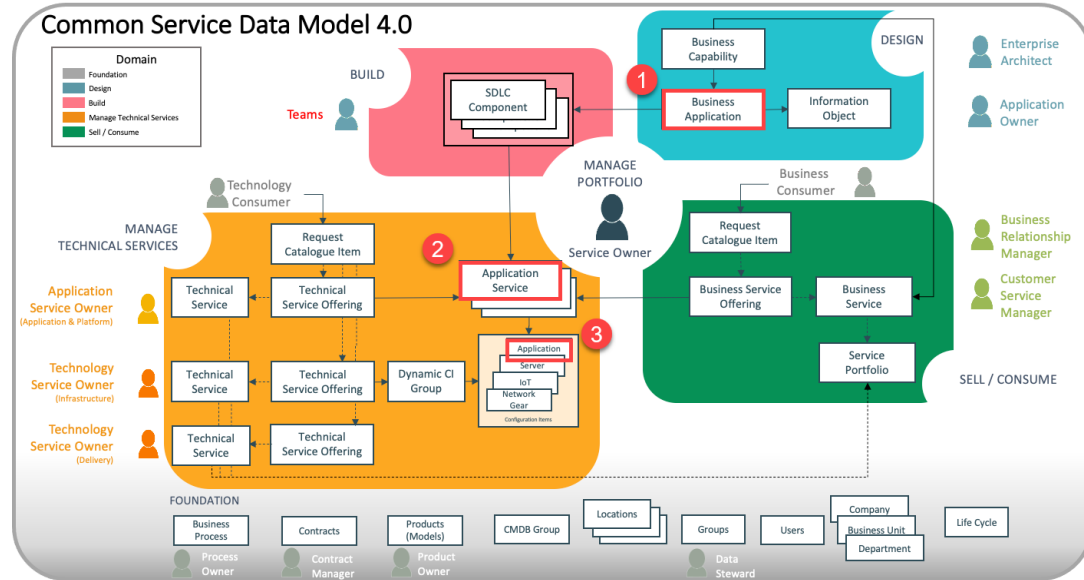
Application Identification Guidance: End User Compute

Applications are typically identified by querying the Business Application (cmdb_ci_business_app) table.

ServiceNow has clarified records in the table should be limited to server-hosted applications.

If your use case dictates a more complete application portfolio, identify end-user compute applications by querying the Software Model (cmdb_software_product_model) table.

The Software Model table is created when the Software Asset Management plugin is activated.

Application Portfolio	
Business Application	**Software Model**
Server-hosted Applications	End User Compute
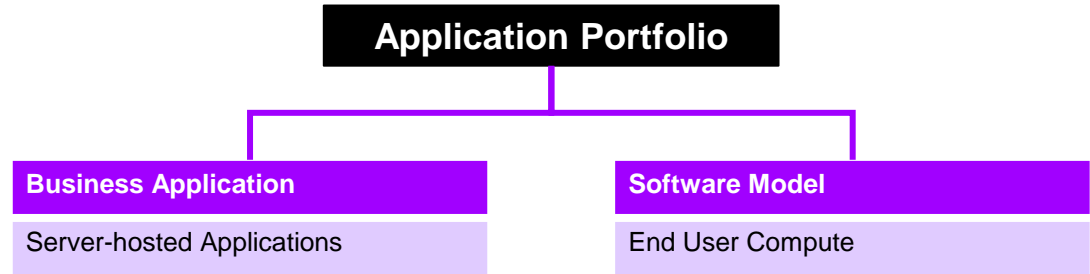
Service Portfolio Management & CSDM

Tables managed by SPM:

1. Service Portfolio
   spm_service_portfolio

2. Service
   cmdb_ci_service

3. Service Offering
   service_offering
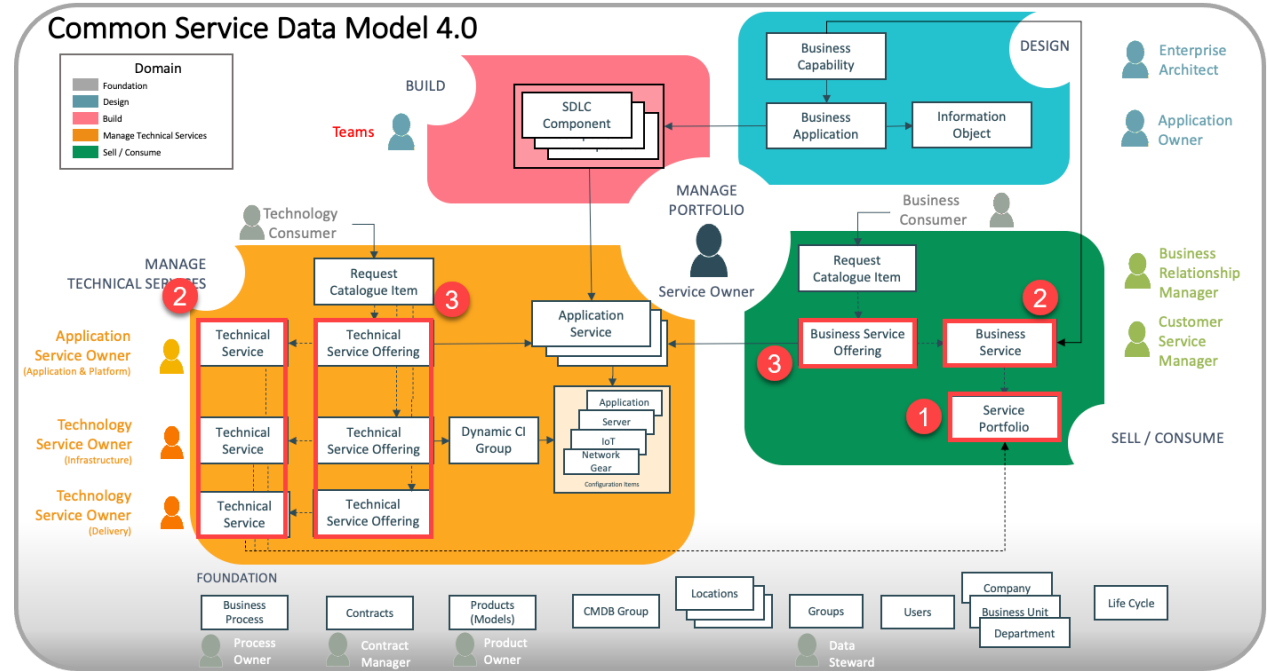
Service Portfolio Management & CSDM: Taxonomy Example
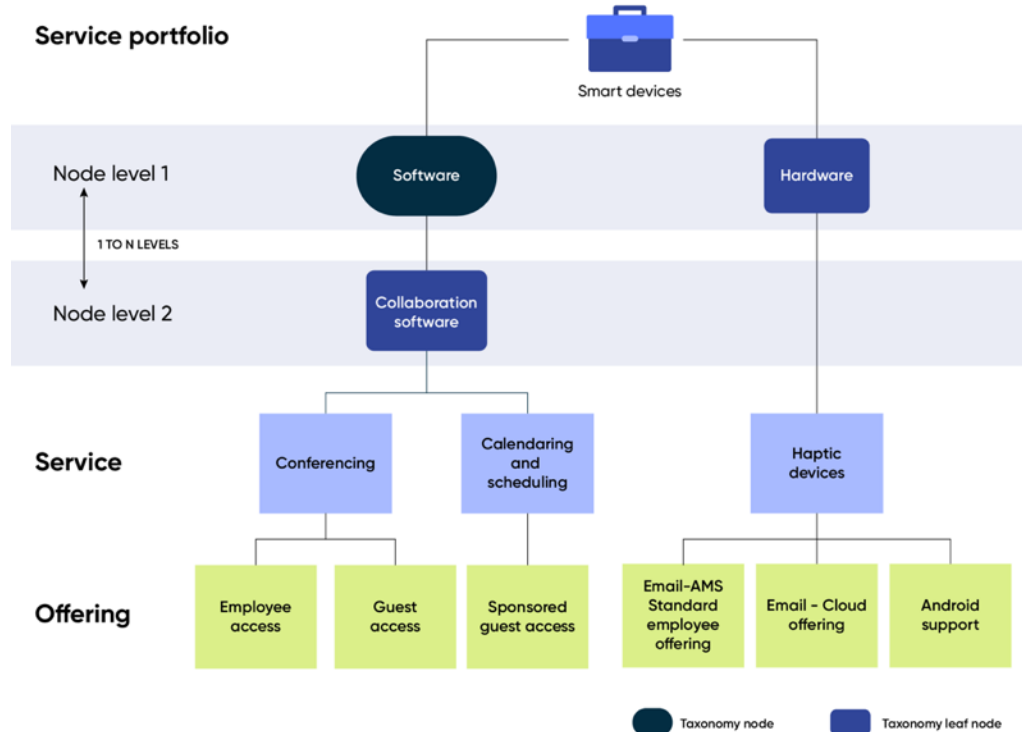
Common Service Data Model v5 (draft)
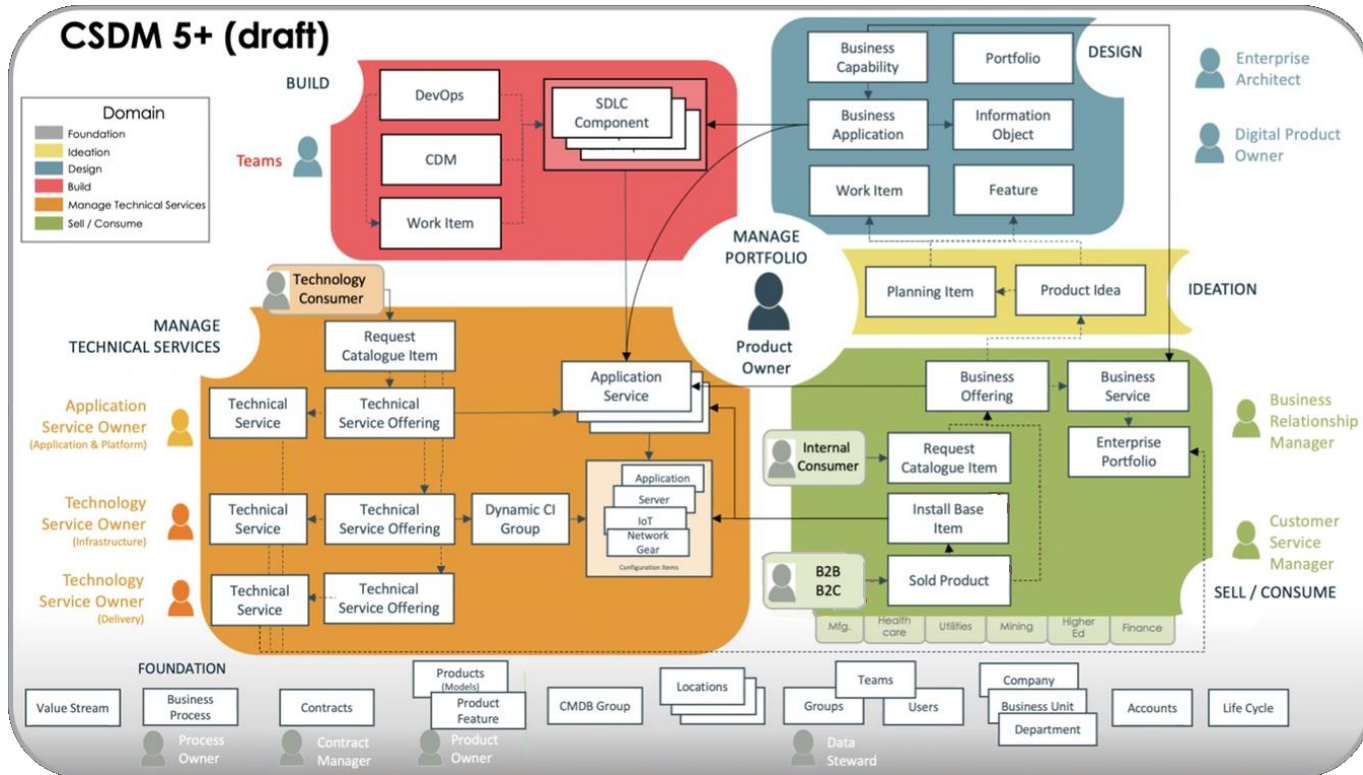
Upcoming programs

Be Sure to Engage Online

- Join on TBM Connect to:
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  - Connect with peers from our member community
  - Attend our annual global conference and regional events and networking groups
  - Access best practices and other resources on our community site
  - Take advantage of the TBM Council's education offerings and certification program
  - Take pride in contributing to the rapidly growing discipline of Technology Business Management

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TBM Executive Foundation Course & Certification

A 4-day (16 hour) course and certification exam providing the essential knowledge that drives business transformation within IT by running a successful TBM program.

Sign up at www.tbmcouncil.org/events

Recommended For:

- Heads of IT Finance (CFOs of IT, VP/Director of IT finance)
- TBM Program Directors (including aspiring program directors)
- Members of the Office of the CIO (OCIO)
- IT Vice Presidents (tower or silo leaders)
- Senior FP&A professionals supporting IT departments
- IT program and portfolio management (PPM/PMO) leaders
- Service management leaders
- IT strategy and transformation professionals
- Senior IT project managers
- IT governance and risk management professionals
- Independent consultants providing TBM, ITSM, IT4IT, GRC and related offerings

What You Will Learn:

- The need for TBM and how it drives significant cost optimization and more effective business-technology management practices
- How to build a TBM program in your organization, including essential roles, responsibilities and skillsets
- The essential tools of TBM, including the framework, taxonomy, model, and metrics
- The key TBM disciplines including creating transparency, delivering value for money, shaping demand and planning for value
- The four value conversations of TBM and their associated management metrics
- How to drive continuous improvement with TBM
- How to apply the tools and disciplines of TBM beyond IT

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THANK YOU