
Lessons Learned along a TBM Journey

Kim Manigault, CPA
Executive Vice President
CFO Technology & Operations
KeyBank





The Journey to Transparency....

There comes a moment when you realize it's time to change your processes.....

That moment might start when you get asked one of these questions:

'How come I can buy a new computer for less money than you are charging me or allocating to my cost center?'



'We should move everything to 'the cloud'? Isn't 'the cloud' free?'



Our journey was launched to address budget variances and business partners' desire for increased transparency into tech costs.

The Journey to Transparency....Define a Process

Step One – Gather all the necessary information



Step Two – Analyze all the data and create reports



Step three – Share information with business partners



The Journey to Transparency....Reaction

How was the output of our efforts received?

The Journey to Transparency....Reaction

We were not expecting this reaction



The Journey to Transparency....Reaction

Now what???



Regroup -- Revise -- Reflect -- Resolve

The Journey to Transparency...Tipping Point

Regroup

- What went wrong?

Revise

- Too much data, not enough information
- Service catalogs are not relevant / current
- Data is not connected to cost drivers

Reflect

- Need to clearly articulate our story
- Do we need external assistance?

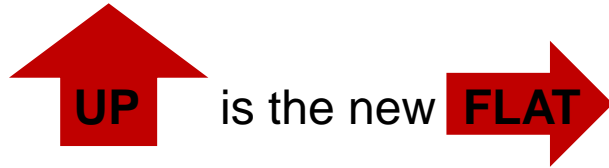
Resolve

- We need to get moving and demonstrate progress

The Journey to Transparency....Regroup

Private Sector - Business Partner Perspective

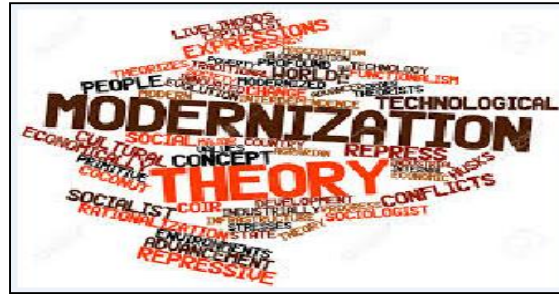
Revenue generating businesses might feel as if budgets are set using this logic:



To hit earnings goals, businesses are seeking innovative and creative ways to generate revenue. These include:



Digitization



Modernization



Innovation

The Journey to Transparency....Revise / Reflect

Uncovering the Disconnect – Differing Perspectives

| Role Based Perspectives | LOB Leaders Think | Technology Thinks | Finance Thinks |
|-------------------------|---|---|--|
| Digitization | <ul style="list-style-type: none">• Enhance Capabilities• Retain Clients• Increase revenue | <ul style="list-style-type: none">• More volume• Increased storage• Data Processing• Info Security• Fraud Risks | <ul style="list-style-type: none">• More money |
| Modernization | <ul style="list-style-type: none">• Speed to market• Attract Clients• Improve Sales• Increase Revenue | <ul style="list-style-type: none">• Redesign• Reengineer• Remediation• Automation• Interfaces | <ul style="list-style-type: none">• More money |
| Innovation | <ul style="list-style-type: none">• Disrupt the market• Gain Market Share• Create new capabilities• Increase Revenue | <ul style="list-style-type: none">• R&D• RFPs• Vendor POCs• Development• Testing | <ul style="list-style-type: none">• More money |

The Journey to Transparency...Critical Observation

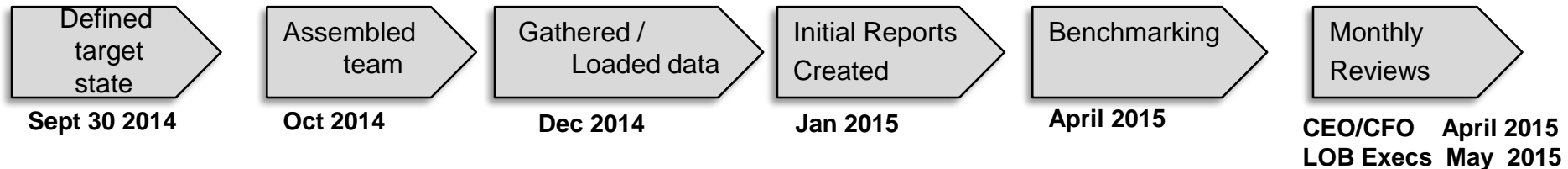
For TBM to work, Tech and Finance **must** be in sync

- Finance owns the numbers
 - Financial information is perceived as 'official' when delivered / sourced by finance
- Tech owns the data and the drivers
 - Although the detailed IT information is collected, managed and maintained by members of the IT team, when you connect a \$ the perspective shifts from tech data to finance data
- Demonstrate obvious connection between our teams, our process and our information
 - Historical presentations were disconnected – requiring reconciliations
 - Led to frustration / lack of credibility when source information was not easily linked for the users

The Journey to Transparency....Resolve

How did we launch TBM?

- Finance led project, Tech partnership, engagement and support
- Engaged stakeholders to define target state
- Leveraged the Taxonomy model to align data into services
- Assigned owners to towers to create accountability
- Leveraged benchmarking to identify potential opportunities
- Prioritized initial efforts to accelerate timeline



The Journey to Transparency....Resolve

Gather insights from peers / colleagues

- Focus on knowledge transfer – what do we need to know?
- Work with people who have a clear understanding of the struggle
- Organize a team that's close enough to our previous attempts, but open to the possibilities

The Journey to Transparency....Resolve

How do we use TBM today?

- Data / information is leveraged for monthly reporting
- Becoming the TCOA data source
- Used in business cases
 - In one of the first business cases since our launch, the revised reports helped identify a \$2.4M savings opportunity
- Division CIOs use new reporting to conduct App Rationalization exercises with LOB leaders

The Journey to Transparency....Resolve

What Did We Learn?

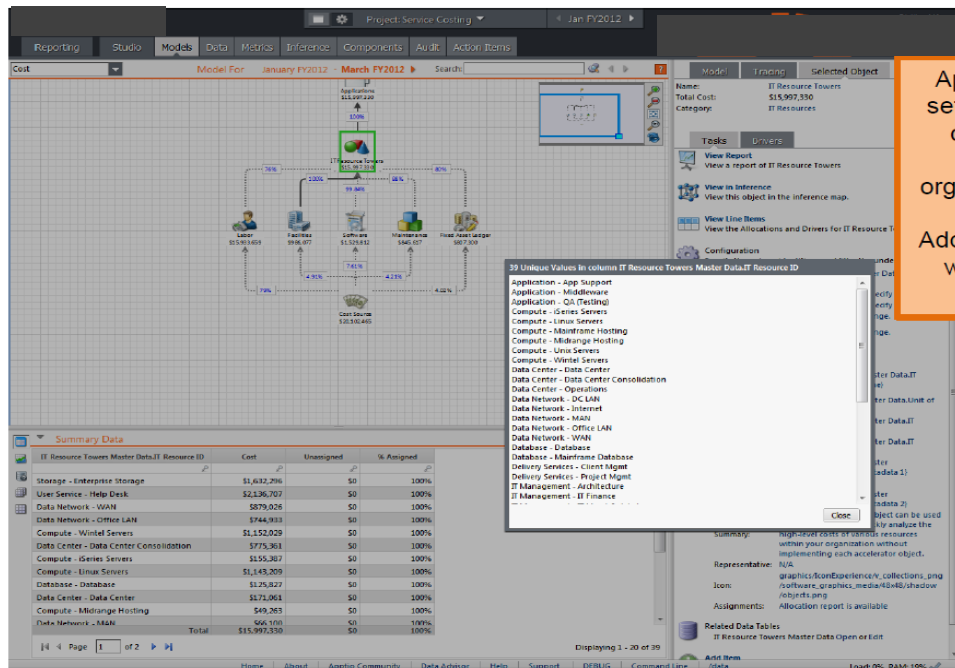
- 2 years behind where we could have been
- TBM was a critical step in propelling us along our journey
- Insights gained during data scrubbing were invaluable
- External perspective helped us stay out of our way
- Launching an official project enhanced the accountability to deliver
- We've changed the conversations
- TBM was the missing link to our puzzle



The Journey to Transparency....Report Examples

Aligning data into ATUM towers was a critical first step

Entry Level IT Cost Model – IT Resource Tower Example



Apptio leverages a model that follows a set of standards that has been proven by customers and validated by the TBM Council. Leveraging this model, organizations can quickly organize the GL into IT Products and Resources. Additionally, this allows customers to align with industry standard for purposes of benchmarking.

The Journey to Transparency....Sample Reports

Creating service and function based cost reporting helped frame discussions

IT Management – Summary

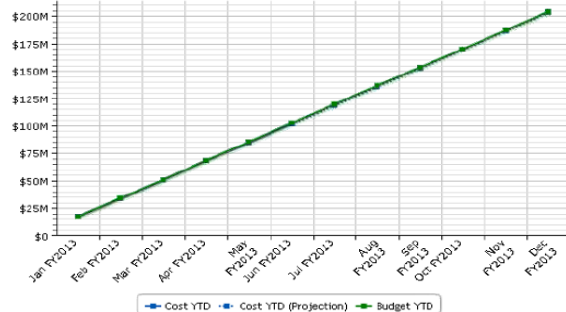
Cost YTD
\$101.26M
Budget YTD: \$102.05M

Budget Remaining
\$102.28M
Annual Budget: \$203.53M

Total Labor Cost
\$5.36M
Total Labor Budget: \$5.38M

Labor Headcount
2,000
Headcount Plan: 1,987

Cost With Projection vs Full Year Budget

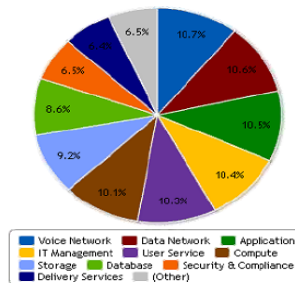


Budget Variance by Cost Pools



Cost Summary

Summarize Costs By: IT Resource Tower Name



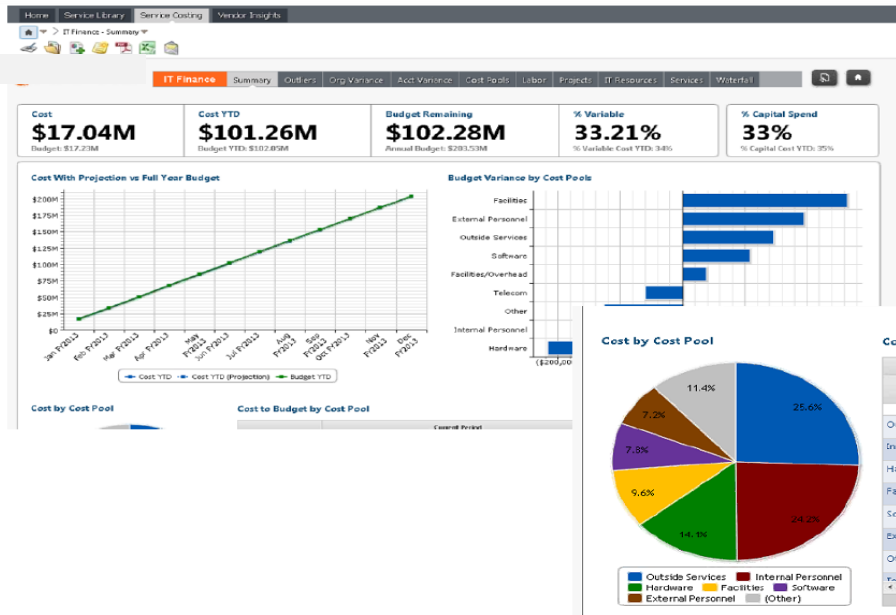
| IT Resource Tower Name | Cost | Previous Period | Previous Period Change | Previous Period % Change | Period Over Period Trend | Budget | Budget Variance F/(U) | Budget Variance F/(U) |
|------------------------|--------------|-----------------|------------------------|--------------------------|--------------------------|--------------|-----------------------|-----------------------|
| Voice Network | \$1,463,872 | \$1,398,853 | \$64,219 | 4.39% | 👉 | \$1,494,065 | \$30,994 | |
| Data Network | \$1,451,870 | \$1,313,484 | \$78,386 | 5.4% | 👈 | \$1,457,154 | \$5,283 | |
| Application | \$1,437,551 | \$1,448,727 | (\$11,176) | (0.78%) | 👈 | \$1,481,958 | \$44,407 | |
| IT Management | \$1,420,220 | \$1,352,582 | \$67,638 | 4.76% | 👉 | \$1,442,938 | \$22,719 | |
| User Service | \$1,403,785 | \$1,337,967 | \$65,817 | 4.69% | 👉 | \$1,435,803 | \$32,019 | |
| Compute | \$1,383,329 | \$1,370,027 | \$13,302 | 0.96% | 👉 | \$1,437,392 | \$54,063 | |
| Storage | \$1,256,187 | \$1,264,027 | (\$7,840) | (0.62%) | 👈 | \$1,364,193 | \$108,005 | |
| Database | \$1,169,644 | \$1,119,655 | \$49,988 | 4.27% | 👉 | \$1,240,788 | \$71,136 | |
| Security & Compliance | \$892,412 | \$914,260 | (\$21,848) | (2.45%) | 👈 | \$954,646 | \$62,228 | |
| Delivery Services | \$875,558 | \$893,888 | (\$18,330) | (2.09%) | 👈 | \$930,974 | \$55,416 | |
| IT Operations | \$605,396 | \$581,549 | \$23,847 | 3.94% | 👉 | \$652,045 | \$46,649 | |
| Data Center | | | | | | | | |
| Total | \$13,637,365 | \$13,271,762 | \$365,602 | 2.68% | | \$14,191,872 | \$554,507 | 3.9% |

The IT Management Summary provides general visibility into the key metrics used to measure an IT organization. Consumers of data can pivot across elements such as cost pools and resource towers thus driving more agile, and fact-based decisions within the organization.

The Journey to Transparency....Sample Reports

Creating service and function based cost reporting helped frame discussions

IT Finance - Summary



The IT Finance Summary provides general visibility into the key metrics used to measure an IT organization, as well as, providing granular visibility into cost pools (Hardware, Software, Labor, etc.) and how they vary from a month over month and annual standpoint.

End users can drill all the way into GL line items, Fixed Asset records, and more.

| Cost Pool | Current Period | | | | Year to Date | | | |
|--------------------|----------------|--------------|-----------------------|-------------------------|---------------|---------------|---------------------------|-----------------------------|
| | Cost | Budget | Budget Variance F/(U) | Budget Variance % F/(U) | Cost YTD | Budget YTD | Budget YTD Variance F/(U) | Budget YTD Variance % F/(U) |
| Outside Services | \$4,368,502 | \$4,515,934 | \$147,431.93 | 3.26% | \$24,961,472 | \$26,115,239 | (\$653,233) | (3.27) |
| Internal Personnel | \$4,127,407 | \$3,956,976 | (\$170,430.39) | (4.33%) | \$22,768,089 | \$24,277,312 | \$1,509,223 | 6.22 |
| Hardware | \$2,405,466 | \$2,181,554 | (\$215,911.78) | (9.86%) | \$13,758,744 | \$12,651,066 | (\$1,107,679) | (8.76) |
| Facilities | \$1,630,689 | \$1,895,984 | \$265,295.39 | 13.99% | \$10,355,466 | \$10,108,206 | (\$247,260) | (2.45) |
| Software | \$1,333,067 | \$1,441,332 | \$108,264.31 | 7.53% | \$1,473,523 | \$8,482,746 | \$1,018,223 | 11.9 |
| External Personnel | \$1,232,517 | \$1,421,899 | \$189,382.35 | 13.66% | \$4,336,731 | \$8,670,566 | \$339,834 | 3.9 |
| Other | \$946,789 | \$921,455 | (\$125,330.12) | (15.26%) | \$4,923,026 | \$5,315,579 | \$392,553 | 7.3 |
| Total | \$17,042,793 | \$17,227,284 | \$184,581.80 | 1.07% | \$101,255,649 | \$102,649,297 | \$793,648 | 0.78% |

The Journey to Transparency....Benchmarking

Benchmarking categories via TBM Taxonomy

TBM Taxonomy

IT Towers & Sub-Towers

| Data Center | ▲ Compute | | ▲ Storage | ▲ Network | Communication | Output | ▲ End User | Application | Delivery | Security & Compliance | IT Management |
|------------------------|--------------------------|----------------------|---------------|---------------|---------------|-----------------|----------------|-------------------|--------------|-----------------------|-------------------------------|
| Enterprise Data Center | ▲ Windows | Database | ▲ Tier 1 | ▲ LAN | Circuits | Central Print | ▲ Workspace | App Dev | Ops Center | Security | IT Mgmt. & Strategic Planning |
| | ▲ Linux | Middleware | ▲ Tier 2 | ▲ WAN | Usage | Post Processing | Mobile Devices | App Support & Ops | Project Mgmt | Compliance | |
| Other Facilities | ▲ Unix | Mainframe Database | ▲ Tier 3 | ▲ Voice | | | ▲ Service Desk | | Client Mgmt | Disaster Recovery | Enterprise Architecture |
| | ▲ Mainframe | | ▲ Tier 4 | Other Network | | | Field Service | LoB Software | | | IT Finance |
| | | Mainframe Middleware | | | | | | Cloud Apps | Cloud Ops | Cloud DR | |
| | Converged Infrastructure | | Cloud Storage | Cloud Network | | | Cloud Desktop | | | | IT Vendor Mgmt. |
| | Cloud Windows | Cloud Platform | Cloud Archive | | | | | | | | |
| | Cloud Linux | | | | | | | | | | |

Drills Down To

Cost Pools & Sub-Pools

| ▲ Internal Labor | ▲ External Labor | ▲ Hardware | ▲ Software | ▲ Outside Services | ▲ Facilities & Overhead | ▲ Telecom | ▲ Other |
|------------------|------------------|-----------------------|-----------------------|--------------------------|-------------------------|-----------|---------|
| Internal Labor | External Labor | Depreciation | Depreciation | Consulting | Depreciation | Telecom | Other |
| | | Lease | Lease | Managed Service Provider | Lease | | |
| | | Expense | Expense | Cloud Service Provider | Expense | | |
| | | Maintenance & Support | Maintenance & Support | | Maintenance & Support | | |

Source: Apptio documents

The Journey to Transparency - Continues...

We have:

- Enabled better dialogue and collaborative decision making
- Established a process for timely, transparent reporting
- Given LOB partners access to browse, point and click through financial data in ways we were never able to do before
- More work to do...

We are:

- Paving our path towards transparency

And.....

- We feel good about the work we have in flight.

