IT Financial Management: Business Decisions for IT

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EMA
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The Roots of IT Financial Management

While IT has been busy maturing in all areas – technology, process, business standing – the discipline of IT Financial Management has moved forward sluggishly until quite recently. Certainly, IT has been making progress aligning with business needs, but not necessarily operating itself as a business. Broader IT financial requirements and associated transparency have now become an imperative in this economic climate. And though enterprises have had the luxury of an IT Finance function, the role of this group has largely been focused on routine budgeting and procurement processes that support IT operations.

> Broader IT financial requirements and associated transparency have now become an imperative

ENTERPRISE MANAGEMENT ASSOCIATES® (EMA™) consulting and research with IT and service provider organizations has revealed again and again, that while nearly two-thirds of the organizations contacted had or were planning to move to a service model for their financial planning, virtually none had a fully integrated capability to support cross-domain business planning with clear insights into business impact. And while the issues of costs are becoming more and more cohesively addressed, the complexities of assigning precise value to IT services – as they impact not only employee productivity, but also new ways of doing business – remain in the most nascent stages of dialog and planning. In effect, a meaningful language for assigning value to IT services has yet to emerge.

This report looks at key technologies and process changes that, nonetheless, are beginning to open the door to a more cohesive and effective approach to IT Financial Management.

Service Management for the "Business"

A service management model for financial planning represents a giant step forward in bringing IT closer to the business. Many contemporary CIOs and IT executives understand this well and have been gearing up to serve business on its own terms for well over a decade. EMA research from 2008 shows that nearly two-thirds of IT executives and other respondents are currently or planning to tie asset and service management domains together as shown in Figure 1. Core to this understanding is the notion that enterprises can only be served well through a deep understanding of business requirements. It is easy to see why all types of businesses would have a need for WAN connectivity and messaging services. Serving the business beyond "technical services" demands a thorough understanding of what makes the business successful and how priorities are achieved to support the business objectives.

Asset Management Dynamics

- 1%
- 29%
- 37%
- 34%

- Asset management and service planning are managed separately
- Asset management and service planning are managed together
- Asset management and service planning are managed separately today but will be managed together in the future
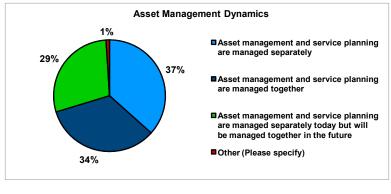- Other (Please specify)

Figure 1: Corporations Linking Asset and Service Management in a Unified Strategy

Consider the scenario where a physician is at a patient's bedside and needs immediate access to patient records and diagnostic data in order to deliver appropriate patient care. This level of service requires yet another level of understanding; one that incorporates insight into the dynamics of the healthcare institute. Further, that physician is rushed and under pressure and must conform to regulations that protect patient privacy. The "business service" must accommodate the compliance needs without leaving it up to the chaotic environment of the hospital. Business service management is critical to supporting the business on its own terms. And each vertical will have its unique requirements, not to mention the variations that will exist within any given business segment.

The Need for IT Financial and Business Governance

IT is now reaching a higher level of maturity. Service management was limited primarily to network-centric Service Level Agreements (SLAs) in the mid-1990s, and now the concept has broadened considerably in order to achieve the delivery of business services. At the same time, building blocks for a more advanced approach to service management are in place with best practices, toolset maturity, integration capabilities made possible through the ITIL Configuration Management System, and more. Yet, at the same time, service management can go only so far in achieving success within IT. Clearly, service management has been responsible for laying the foundation of a "business perspective" within IT. Yet there is another dimension crying out for attention. A strategic approach for IT financial and business governance is needed as IT organizations continue to march ahead toward a service-oriented management paradigm.

This is beginning to be addressed in ITIL v3, with its unified recommendations in support of both asset and service lifecycle management. As the cost and complexity of IT continues to rise sharply, such a more unified, strategic approach can address investment planning, risk, vendor and contract management, human resource management and many other "business-oriented" domains that are necessary for any IT organization. These disciplines support service management and at the same time work in parallel for effective IT business management.

> **IT executives are now reaching out for management technology that can help them become better, strong and responsible decision makers and business partners in enterprise.**

Business executives have a heightened "need" for IT financial transparency and IT business governance. Historically, the disciplines for IT around investment, risk management, and transparency for both costs and priorities have been largely cobbled together in an inefficient manner. IT executives are now reaching out for management technology that can help them become better, strong and responsible decision makers and business partners in enterprise. While IT is not a business unto itself, it has responsibility for many business-focused domains such as finance, human resource management, contract and vendor management and financial analytics. To be an effective business partner, IT must recognize and manage its service offerings in terms of business value. From a financial point-of-view, managing finances transparently while demonstrating responsibility and control over investments is needed for the broader corporate entity.

Somewhat paradoxically, the IT organization has frequently been left without the tools it needs to complete some of its own business activities while supporting the business critical applications used by the companies' leadership. IT managers have a host of tools to support day-to-day operations. But there still remain a number of activities for which too many senior IT leaders lack supporting tools. As discussed previously, these include internal and external user management, strategy that supports corporate goals, marketing inside and sometimes outside of the organization, financial management, risk management, supplier and contract management, and resource management including the portfolio of services offered, human capital, and tangible assets. Solving these challenges will demand a set of tools for managing the business of IT, in some ways equivalent to patient management within hospital environments, student records systems at the university level, or the ERP system for manufacturing. EMA research underscores key technologies that users feel apply directly to lifecycle asset and service management in support of IT financial management shown in Figure 2.

Importance of Technologies to Asset Management

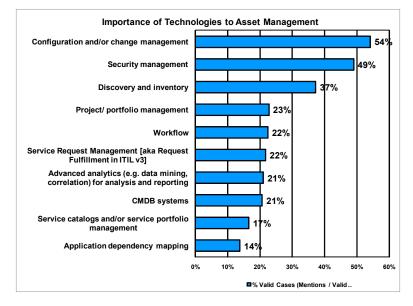| Technology	% Valid Cases
Configuration and/or change management	54%
Security management	49%
Discovery and inventory	37%
Project/ portfolio management	23%
Workflow	22%
Service Request Management [aka Request Fulfillment in ITIL v3]	22%
Advanced analytics (e.g. data mining, correlation) for analysis and reporting	21%
CMDB systems	21%
Service catalogs and/or service portfolio management	17%
Application dependency mapping	14%

■ % Valid Cases (Mentions / Valid ..

Figure 2: Key Technologies Important to Lifecycle Service and Asset Management in Support of IT Financial Management

As can be seen from Figure 2, effective lifecycle service and asset management depend upon a whole host of technologies, some of which will receive more in-depth attention in this report. But basic capabilities such as discovery and inventory, and new but critical technologies such as Configuration Management Databases (CMDBs) and Configuration Management Systems (CMSs) are also becoming more and more critical as foundational enablers. In fact, EMA respondents ranked configuration and change management as the number one technology most closely linked to Next-Generation Asset Management (NGAM), as assets need to be introduced, maintained and retired with an eye to both infrastructure optimization and service impact.

The Realm of IT Financial Management

The need for IT Financial Management is clear from a number of perspectives. Practically speaking, IT is beginning to get its arms around the meaning of IT financial management. This goes far beyond basic budgeting processes and ranges from strategic planning to practical aspects of project and vendor management activities. The goal of IT Financial Management is to continue IT's progression toward aligning itself with the business and to support IT's role in the enterprise as a strategic contributor. Some refer to this concept as operating IT as responsibly as other departments and business units. And others would simply characterize this as sound, business-focused best practices that offer visibility and decision-making based on business value for all aspects of managing an IT department.

> IT Financial Management is essentially business-focused best practices that offer visibility and decision-making based on business value for all aspects of managing an IT department.

Risk Management – Capital and Operational

Fundamental to IT Financial management is the management of investment risk. This aspect of risk goes beyond that of security and compliance domains, though those aspects are certainly important factors of IT risk management. However, in the context of this discussion, risk related to investment and value is the focus. For capital investments, will this investment in time, staff, and monetary resource pay off for the enterprise? Does it serve the needs of the business? Is it the best investment to make considering all of the potential opportunities? Operational investments are important as well. Each time an organization decides to continue spending operational resources to provide services, it is taking on a continuing risk. Many operational services provided by IT were put into place long ago. It can be difficult for IT to assess what purpose they serve, the ongoing cost to support these services, and just what resources are being consumed. Nonetheless, management toolsets are maturing toward providing the level of information that will be necessary for each of these operational risks for IT executive consideration.

Risk management is tightly linked with Project and Portfolio Management (PPM). As projects are considered for capital investment, the risk must be evaluated for the project proposal. This should include an assessment of usage and the assets supporting the service. Budgeting processes are also part of the investment risk analysis.

Project and Portfolio Management

PPM solutions and their supporting processes are central to the IT Financial Management picture. On one level, PPM supports daily project management tasks and activities. Perhaps more importantly though is PPM's more strategic role as a decision-support tool. Businesses must stay focused, and PPM can help to bring that focus to IT and provide the visibility and insight needed to keep important projects and initiatives on track. Projects move ahead, efficiencies are created, and innovation plans put into place. PPM helps IT sharpen its priorities and get the job done.

In its simplest of forms, PPM provides visibility for tracking and managing new and existing projects within an organization. It mitigates heavy demands on staff resources with projects and initiatives that compete for the same budget dollars. It's an easy topic to grasp if you merely look at the basic functionality required to manage projects. This "basic" functionality includes projects,

schedules, resources allocated, status, and actual versus projected budget allocations. These tools provide all of these capabilities, but they can do much more. If used well, they can be a CIO's best friend for keeping IT on track with business objectives.

> Mature PPM products include decision-support capabilities, dynamic forecasting, financial tracking, and linkages to other IT planning and management tools.

Not all PPM solutions are alike. However, mature PPM products include decision-support capabilities, dynamic forecasting, financial tracking, and linkages to other IT planning and management tools. For instance, much is needed to support effective decision-making for the CIO. With evolved solutions, he or she can get a look at how the IT organization is performing financially, by division, by strategic objective, and by schedule, along with many other criteria. Similarly, dynamic forecasting that is linked to staff assignments can be exploited to provide a leading indicator of cost variance. PPM can specifically help with decisions such as these that are commonplace for IT executives. The bottom-line is to look at the entire investment lifecycle for IT including both initial investments followed by total delivery costs.

IT Staffing and Resource Planning

Managing staff goes hand-in-hand with PPM solutions. IT executives can get a solid picture of resources available and how they are currently being used with an effective PPM solution. At the same time, solid PPM solutions will enable managers to do "what-if" analyses and shift human resources to better meet the company's current needs. Of course, the investment risk activities and budgeting processes both involve staff planning as well. Budgeting to provide a basis for new and ongoing staffing-related costs and capital investment risk must take into account the need for additional professional staff to support new endeavors.

The Sophisticated Role of Assets – Next Generation Asset Management

Alongside and intertwined with service management maturation, traditional IT asset management and its role has changed radically. No longer is IT asset management simply about managing the inventory, procurement and disposal of various pieces of equipment. Rather, asset management in its traditional sense is being swept up in the cultural and maturity changes that are moving IT to a service-based management paradigm. The concept of NGAM is multi-dimensional and rests at the intersection of IT finance, service management and asset domains. Many functions are part of this trio, all working toward meeting budgetary and governance concerns and delivering on business goals through quality service management.

EMA research shows that IT assets are increasingly being managed on a continuum with service management and IT financial management. Indicators suggest that early movers are beginning to adopt a "next-generation" approach to managing assets, and more than half of Enterprise Management Associates' most recent NGAM research indicates that they are currently or planning to manage assets and services together. This new world view of IT asset management is that the discipline has evolved to control costs, manage inventory and improve IT asset utilization across the enterprise. The goal is to manage the asset lifecycle from request and procurement through

retirement. Commonly considered an operational discipline, IT asset management now has strategic implications that bridge objectives for both IT operations and corporate finance. To succeed in this endeavor, users have identified communication, effective executive involvement and good process ownership, all of which can be furthered through PPM and related technologies.
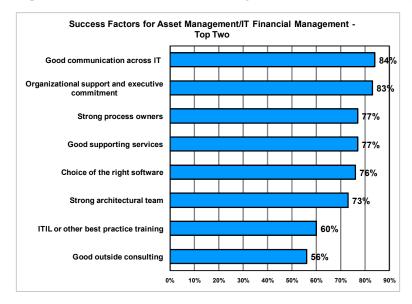
Success Factors for Asset Management/IT Financial Management - Top Two

Factor	Percentage
Good communication across IT	84%
Organizational support and executive commitment	83%
Strong process owners	77%
Good supporting services	77%
Choice of the right software	76%
Strong architectural team	73%
ITIL or other best practice training	60%
Good outside consulting	56%

Figure 3: The Success Factors for Managing Services, Assets, and IT Finance

Decision Support Analytics

Decision-support analytics are critical for IT financial management solutions if IT leaders are to use them for real business decisions. IT has an inordinate amount of data at its disposal delivered by far-reaching management toolsets deployed that exist in most enterprise IT shops. Analytics serve to connect the dots and transform this data into decision-making tools for financial and business management. How do you translate the number of help desk tickets that are resolved on the first call to a dollar value gain? If improvements can be made in automation and knowledge management tools to increase first call resolution, what will the organization gain financially? Looking across the demand for services and how they support business activities, which services can be delivered at a lower cost to gain resources for another purpose? Is there a vendor underperforming, yet being overpaid for its equipment or services? These are all questions that should be answerable and are critical to a CIO under the gun to most efficiently use resources and demonstrate financial transparency.

Meaningful analytics will require information from a number of sources. For IT financial management, data will necessarily be drawn from all areas where IT is investing and contributing to the financial picture of the organization. This will mean data from asset details, project and risk planning activities, staffing costs which often make up the bulk of any given IT department budget and service delivery costs along with many other details. How will this information be processed? Can or should it be stored in a separate repository designed for ITFM? What role will the ITIL

CMS have in blending financial and technical details? Integrations across solutions that gather this information are most certainly an approach. The question is whether or not efficiencies, accuracy and intermediate processing can be effectively handled in this manner. In the end, whether short-term or long-term storage methodologies are used, multi-layered analytics will of IT executives and business leaders the most relevant and transparent financial details.

Contracts and Vendor Management

Because of the needs of service outsourcing and asset management, IT has its hands full with vendor and contract management. Every time IT makes an outsourcing decision, there are contracts for service quality and delivery to be managed. NGAM has close ties to vendor and contract management. There are a lot of dimensions to contracts and vendor management. The most practical has to do with vendor management. Systems are in place to track vendor performance using data gathered from many systems in the environment, such as trouble-tickets from a service desk solution, alarms from operational management tools that allow for vendor tracking, etc. Contracts, on the other hand, must be monitored for compliance and renewal. Any IT Financial Management strategy must account for both of these dynamics.

> Contracts and Vendor Management is no easy task. Effective IT managers must:
> - Track vendor performance
> - Keep an eye on contract terms and clauses
> - Ensure compliance
> - Have an eye on the competitive landscape searching for better opportunities
> - Review SLA compliance and potential penalties that apply

IT Financial Management as a Support for Corporate Finance

IT Financial Management is not equated to Corporate Financial Management. It is the case that IT Financial Management must fit within the context of the overall corporate financial structure. There are many differences though, and several points of intersection that should be considered. The following sections review ways in which IT Financial Management supports the overall corporate financial management efforts.

IT Asset Management and Corporate Procurement

Most organizations have a process for procuring assets that is largely based on the type of asset, or asset class. In medium and large organizations, the procurement itself is handled through an ERP system and involves a detailed cycle of request, authorization, order processing, receiving, acceptance, and invoicing. Most corporate assets are handled in this way without any issues. It's quite simple in that the asset is ordered, received, accepted, and put into place for company use.

IT Asset management has moved from inventory tracking to lifecycle management where the asset's life begins at procurement and ends at retirement and disposal. NGAM involves demand management, cost control, and asset utilization by services along with traditional inventory management. The role of asset management is clearly shifting to a more prominent place in IT as IT

Financial Governance and Risk Management is taking a growing role in driving NGAM initiatives, surpassing "Operations as a whole" according to EMA data. This parallels a trend surfacing in CMS initiatives as Service Management is growing in importance and eroding the less defined "Operations" category for ownership. Significantly, this shift has also heralded improvements in maturity and business impact.

While ERP applications are meant to maintain the financial integrity of the organization, they are not equipped to provide any linkages to service usage, adequate utilization or even audit as the asset is retired and must be cleaned for compliance reasons. Advanced asset management solutions can reallocate existing asset inventory when it becomes available, eliminating the need in some cases to procure a new piece of equipment. This applies to hardware that has a tendency to move around in corporate environments as well as software licenses, both of which can be repurposed during the course of its lifecycle. Taking an asset lifecycle approach, the fulfillment request represents the start of the lifecycle and a logical point to capture data elements about the asset such as vendor, related contracts, user and serviceability, and geographical location. It serves as a great point of integration between the ERP solutions and IT asset management products.

Software License Management for Cost Control

Software Asset Management (SAM) is primarily geared toward managing the efficient and effective use of licenses. It is a key area for cost control and again for a handshake with ERP systems. Like hardware IT assets, SAM has a lifecycle, and many times assets can be tracked and re-allocated. Organizations keen on implementing a SAM plan would be looking at questions such as these: What do we own? What do we need to own? Have we over-purchased or under-purchased? Is there a savings opportunity or perhaps a compliance risk? There is plenty to keep track of when it comes to software assets.

IT managers responsible for budgets must constantly question whether or not the enterprise will require additional software licenses for a multitude of applications. At times, there may be too many licenses purchased for the current need, and yet, over time those over-purchases will be consumed by corporate growth. This results in a constant "push-pull" of buying too many licenses, effectively utilizing those that are owned, and ensuring there is adequate resource available to support corporate growth. IT management tools for software assets can pick up where ERP solutions leave off with procurement and allocation serving as the handshake between SAM and ERP.

Linking HR to IT Management and Financial Planning

More and more, employee information is both relevant and important for the management of IT. Access to job information, department or business unit, security details and more are all critical to the planning and operational efforts for IT. Employee details including department, status, hire date and role within the organization exists clearly within the human resources (HR) domain. That said, IT shops need an integration that provides access to this information. In each of the following scenarios, IT must have some intelligence about the employee:

- Deployment and changes in IT asset usage
- Trouble-ticket information in order to provide problem resolution in an adequate timeframe and dispatch technical personnel when needed

- Project management to assign staff to important strategic projects
- Performance reporting at the individual and departmental level as the company assesses training and skills upgrade requirements
- To apply security policies for application access
- Service provisioning in order to assign adequate service quality provisions to segments of staff.

Employee data is extremely sensitive and it makes sense for its "source of truth" to be maintained in an HR system and to be used and accessed by external systems with very stringent security policies. For IT Financial Management, integration with HR systems streamlines automation and workflow for activities related to employee's roles and responsibilities.

A case in point would be an example where a new executive was hired and needed to be on-ramped as an employee. In an ideal and mature IT shop, the Service Catalog would have a service to assist HR with driving employee on-boarding procedures. The technology and provisioning aspects of this could be automated to trigger a number of provisioning steps, provided that IT financial, service and asset management systems are integrated with HR systems. For instance, the new hire process could initiate the request for a laptop or desktop computer, create a software image based on entitlements and availability of software licenses for this employee, and assign basic security policies and service packages typical of an executive-level employee. The integration can be two-way, indicating status of this deployment back to HR's records. Meanwhile, HR staff can be continuing on with its forms, confidentiality agreements, training plans, etc.

This association between personnel data and asset and financial management for IT has many implications. It adds value throughout the employment cycle by tracking very specifically the asset details. Documentation exists to ensure that assets are recovered should the employee leave the company or have a significant change in role. There is also value in enabling a cost-centered budgeting approach. Assets and their financial details can be tied directly with the cost centers in which they are utilized for tracking chargeback and service costs.

IT Finance and Service Management Complements Corporate Finance

It also makes good business sense to link IT Financial Management with Corporate Finance and ERP systems. IT Finance offers depth in managing IT resources and planning for their strategic use. At the same time, IT Finance in no way can provide the larger financial picture for the company. ERP systems, human resource management tools, and other corporate financial management systems are in the best position to manage the "big picture" for the enterprise. IT Financial Management picks up where corporate systems leave off. It essentially fills in the details and manages the day-to-day transitions that occur with assets, risks and investments, and human resource utilization. Although some IT management capabilities are being broadened to provide more advanced levels of automation and visibility to areas such as utilities, transportation and manufacturing lines, where core monitoring and process capabilities are most natively extensible.

> IT Finance offers depth in managing IT resources and planning for their strategic use. At the same time, IT Finance in no way can provide the larger financial picture for the company.

Managing assets as an extension of service management is one opportunity for realizing significant value. By tracking service requests on a per-user and per-departmental basis, the resulting charges can feed directly into an IT asset management and financial application. This is an example of the financial transparency that is desperately needed by IT executives. It offers a perspective on actual and accrued costs as they are associated with a service and supported by assets and insight into another dimension of labor-related overhead. As a result, accurate chargeback to business units or departments can be realized and reported back through the ERP systems that are integrated sufficiently with asset and IT financial management solutions.

Similarly, the connection between PPM as a tool for risk and investment visibility is another. PPM cannot effectively operate in isolation. It has the potential to assess necessary and on-going labor costs and map budget planning processes to results within IT. The connection between corporate and IT finance is clear. PPM then extends this connection to serve as a tool for accountability in the delivery of applications and their services that result at deployment.

Integrating these major mission-critical domains has many benefits for the organization including cost savings, service improvement and risk mitigation. Cost savings is achieved when IT deploys a lifecycle asset management solution because it can provide financial visibility as it tracks an asset throughout its lifecycle, improving upon corporate financial accuracy. Service improvements can be achieved simply by having access to appropriate employee information earlier and more often in the process. In the past, identifying employee details was a separate effort required to on-board a new employee. This only became more onerous when changes in role or department occurred. Finally, risk mitigation can be enhanced by IT asset lifecycle management solutions that include audit and reporting capabilities back to corporate financial systems and ultimately to the executive team for decision-making. Risk mitigation also can be the result of the effective use of PPM by IT management teams that now have visibility into the result infrastructure and personnel overloading with initiatives that may not support current corporate goals. The net-net of all of these benefits is that they are a result of significantly better visibility due to the interaction of key systems in the corporation.

Moving Toward IT Financial Management

Strong IT financial management has great value for IT and the corporation at large. While IT has traditionally been in the position of being a cost center for the enterprise, this type of reporting and visibility available through advanced analytics, next generation asset management and sophisticated PPM linked with corporate finance can and will shift the dynamics. The IT organization can now clearly show the cost of its services to its customers and the impact of investments and on-going operations. Ultimately, this puts IT in a much more fiscally responsible posture and improves the credibility of the CIO's office.

The key will be moving from a traditionally minimal financial model for IT to one that reflects the maturity of risk management, project oversight, analytics and the links between services, finance, and assets. As with many service management domains, an IT financial management strategy will be most effective when deployed in manageable chunks of work that can demonstrate success to corporate executives. The idea is to take the challenge on in manageable pieces. The following sections address many of the aspects of building a successful ITFM strategy. IT should tackle those most critical to a given organization first before addressing ITFM in totality.

Building Blocks for IT Financial Management

Pulling the pieces together for IT Financial Management is no easy task. Smart IT leaders will tackle this challenge building a piece of the foundation at a time. The underpinning technologies must be in place and bridges built across technologies before the team can reap the rewards of a business basis for managing IT finances. The reality is that much of this is already in place. Some steps for getting started are:

- **Lifecycle Asset Management** – Begin with the end in mind as many life coaches explain. In the case of asset management, look beyond the basics of inventory control and tracking. A very good first step is to consider the beginning, middle and end-of-life for assets. What do they touch along the way? How do they add value to the enterprise? Who is realizing that value? Gaining control and insight on these factors serve as the basis for moving ahead with IT Financial Management.

- **Human Assets Capture Loaded Labor Costs** – Capture the "loaded" labor costs of all aspects within IT. Just as physical assets are necessary to support service delivery, human resource costs make up a significant part of IT's budget. Understanding what these expenses currently look like and how they will need to change based on decisions for IT applications and services will be critical to sound IT financial management decisions.

- **Connecting the Dots with Service Management** – Assets do not stand alone. They support business functions and roles that take the form of services provided to the organization. Not all asset management solutions can show the role of an asset within the context of the services it supports. Similarly, not all service management solutions drill deep enough to understand assets that support business-critical services. Bridging this is a good second step to take in preparing for more advanced IT Financial Management.

- **Project and Portfolio Management** – No assets or services can be deployed without first considering new initiatives through projects. It is true that all enterprise shops carry with them legacy projects and services. Still, even those legacy services began as a project at some point in time. A robust PPM solution to capture new projects, their value, risk and impact, as well as looking at existing services is needed to understand how resources are and "could" be utilized.

- **Decision Support Analytics** – IT management tools offer many layers of analytics for managing and monitoring IT operations. These analytics have moved up the stack to assess service performance. However, enterprises moving toward financial transparency and business governance for IT will need to find solutions that take it a step further. Decision support analytics provide a translation of sorts between technology and service performance and the impact to the business from a risk and financial perspective. These offer CIOs and business executives an opportunity to assess the financial performance of varying aspects of IT.

- **Linking to Corporate Finance and Mission-Critical Applications** – The final step is to thoroughly integrate with corporate financial applications including, but not limited to, human resource management and ERP systems. This integration is ambitious, but bears fruits that cannot be achieved by other means. At this point, IT has become a true business partner. Business leaders running these applications must understand IT financial dynamics in order to facilitate the integration. Likewise, the IT team must understand in detail aspects of corporate financial management in order to share the appropriate data in a meaningful way. IT organizations tackling this challenge should be able to demonstrate a high degree of organizational maturity.

EMA Perspective

Managing the "business" of IT is paramount in the current economic climate. The good news is that service management supporting technologies and best practices have been laying the groundwork for many years. Financially sound decision-making along with financial transparency for both business and IT executives is no longer an option when cost containment and accountability are paramount. By taking proactive control of IT-specific business activities rather than just IT operational activities, the IT organization can have far greater impact on the bottom line of the business. Even where IT is structured as a cost center that does not generate revenue for the business, IT can have a large impact on overall business productivity, quality and costs, and sometimes even enables new ways of working and more effective business models. Each of these ultimately flows to the business bottom line of profit. And impacting business profit is one sure way to a seat at the executive table. The trick for IT executives is being able to demonstrate that impact.

A few examples drawn from EMA consulting should help to reinforce these values:

"Over the past three years, we've tied advanced technology investments into the change process, and then made sure that it would be supportive of the financial processes and financial systems; and over the course of three years we successfully disputed $2.5M out of a $9M spend."

"With the right technologies we could automate business audits that done manually cost us $15 million dollars over a period of two years. Our calculations for an effective financial planning system that would have automated this process would have been $7.5 million, netting us a savings of $7.5 million with ongoing levels of automation and dynamic adaptability."

Great value can be added to the organization by investing in the right technologies to enable more innovative and automated approaches. Yet IT will never be in a position to take on the corporate financial world all on its own, nor should it be. IT financial management must in all cases support the overarching corporate financial objectives just as service management has been in a position of needing to support business priorities in defining and executing on services. Therefore, IT asset and financial management solutions must integrate with corporate ERP and other financial and business applications. While corporate finance and ERP solutions support procurement and fixed asset accounting at a macro level, the micro-level detail provided by IT asset and service management is mission-critical for cost management and regulatory compliance.

To achieve this, IT executives need a set of tools that can help them manage the business of IT and provide the financial transparency that is so desperately needed in these times. The requirement is every bit as critical as CRM systems are for sales and marketing; ERP for corporate finance and manufacturing. Asset management tools for IT are on the market and mature. Yet those systems that address the connectedness between assets, finance and services continue to be few and far between. Other financial governance tools for IT are emerging – and many are designed to leverage existing data. Decision-making tools are also emerging that help put context behind assets and their costs and usage in support of services. These analytics will provide IT leadership with support for decision-making in the areas of investment, risk, vendors, contracts and projects. In the end, this will further raise the profile of IT as a key contributor to the economic health of the enterprise.

About Hewlett-Packard

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