

# FINANCIAL GUIDE TO MATURITY

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A successful IT Financial Management (ITFM) practice within an organization can significantly impact and enrich IT Operations. When operating at a higher level of maturity, an IT Finance function can take an active role in shaping IT's strategic vision and become a fundamental governance and controls vehicle. This can be achieved by providing adaptive, disciplined approaches to the organization and its customers, in making fact-based, insightful decisions. When ITFM is less successful, it can be viewed as a siloed and reactive team, providing inconsistent value with little insight and leadership into key areas such as IT service deliverables, resource consumption, service cost, and IT delivery efficiency.

An ITFM organization operating under an ideal maturity level would be a key component of a broader vRealize Business discipline. This team would interact with other functions such as governance, demand, and supply to altogether effectively run business IT. The maturity of a Finance team's People, Process, Data, and Technology shape the value that it delivers to the organization. The ability to increase capabilities in these areas will enhance and strengthen IT Finance's role over time.

Maturity assessments enable you to understand where you currently stand and provide a repeatable framework for comparison against other companies or for conducting self-comparisons over time.

Without adequate levels of maturity, companies may struggle to maintain capabilities. When faced with change, they can yield little to no return on investment, see limited cost transparency, and miss out on best practices usages.

This Financial Maturity Guide takes a standardized view on presenting the level of your organization's readiness and capability in relation to People, Processes, Data, and Technology practices already in place.

Maturity levels do not necessarily correlate to dollar spend or organizational size. A smaller IT organization is capable of having the rigor, discipline, and processes necessary to provide a solid ITFM solution. As complexity increases, it is beneficial to have a roadmap for organizational

improvement. With increased maturity, you are more adaptive, prepared to embrace change, and positioned to take better advantage of the opportunity it may provide.

## PEOPLE

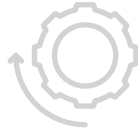
### Ability to Influence IT Service Delivery



As with most organizations, a primary driver of the effectiveness of IT Finance is the competency, expertise, and creditability of its people. At the low end of the maturity spectrum, organizations are either unprepared or reluctant to invest in an IT Finance team. These are typically startup organizations that are more focused on activities such as raising capital or increasing market share. At the Fundamental stage, financial support for an IT organization begins to materialize. Additional financial responsibilities are established within customary IT-centric areas, such as PMO or the CIO's Chief of Staff. As an organization becomes more focused on IT Finance, a dedicated team is established and staffed with individuals who have deeper financial expertise. The key characteristic that moves maturity from the Focused level to Advanced is for the team to possess business-increased knowledge on the depth of IT Operations. Mature IT Finance teams are capable of having in-depth conversations with operational managers and service managers regarding operational issues and their associated financial implications. Over time, mature ITFM organizations will be seen as true business partners, trusted advisors who guide service managers and owners. This type of interaction enables financial professionals to be truly influential within IT Operations and significantly accelerates operational transformation.

## PROCESS

### ITFM Integration into the Operational Decision-Making Process



At low levels of maturity, it's common to find decisions made from gut feeling rather than fact-based analysis. Little emphasis is placed on developing an operating or capital budget that aligns to long-term strategic targets. As companies mature, they should move away from centralized budgets to ones that are aligned by revenue or cost targets for specific areas of responsibility—be it programs, projects, or sub-functions. Budgets, metrics, and controls should be pushed down within organizations to align with specific operational activities. An ITFM organization's ability to provide structure, transparency, and discipline on relating operational outcomes to financial metrics provides insight into their maturity.

Let's use annual budgeting as an example. At the Fundamental level of maturity, budgets are established by Finance and may be well-documented. At this stage, however, operational teams often do not adhere to or perhaps even know or understand the budgets. In this scenario, Finance teams develop budgets, metrics, and targets based on financial information such as run rate, historical trends, and internal financial models—with little to no interaction from their IT operational partners. As the budgeting process matures, budgets become more services-based and are driven by expected direct project or program costs. In addition, IT Finance ensures that operational goals and objectives are captured within the Opex and Capex budgets and forecasts. In the Advanced stage of maturity, not only are operational and financial assumptions tightly aligned, but metrics and other leading indicators are also incorporated into operational workflows for approval and management oversight. As more businesses recognize the integral role IT plays in the overall success of the enterprise's transformation, executive and business stakeholders develop higher expectations on IT's performance and ability to prove valuable. A key ability in meeting these higher expectations is transforming legacy financial management practices, processes, and systems (if they exist) to adapt to efficiently leverage the various streams of data and information that previously existed in a siloed or disconnected manner.

## DATA

### Accuracy, Reliability, and Availability of Financial and Operational Data



Information is only as good as the quality of the data captured. The credibility of any report, analysis, and even to some extent the finance team lies within the quality of the data being interpreted. In many cases, the lack of consistent collection and analysis of accurate data negatively impacts decision-making, preventing IT organizations from responding quickly to operational issues. It is impossible for finance to facilitate a “fact-based decision” when the data being analyzed lacks integrity. At the low end of maturity, data reliability is compromised by several critical gaps such as consistency, accuracy, or timeliness. Organizations, therefore, might rely on industry averages, gut feeling, and best-guess assumptions. As data maturity improves and additional data sources are retained, organizations begin to struggle with how to effectively manage and integrate all their disparate data sources. Data issues take on a new form, as information pulled from multiple data sources can provide different results for the same request. These issues are often caused by inconsistent and duplicate data sources, primarily the result of source systems not being formally recognized along with contrasting systems refresh cycles. As ITFM organizations begin analyzing and reporting on operational activities, rather than basic cost center analysis, it becomes necessary to integrate operational and financial data. At this level, data should be systematically and periodically refreshed to maintain credibility and relevance. Incorporating operational and financial data allows the analysis of Technical Services (i.e., fully loaded unit costs of servers and fully loaded cost of tier II storage). In order to support analysis and reporting for IT Services consumed by the lines of business, additional information is required for IT services metering and consumption. At the Advanced stage of maturity, data is refreshed on a scheduled basis and is aligned with key processes across the organization such as month-end accounting close, IT billing statements, and monthly customer reviews. Accuracy of financial and operational data is no longer called into question, and source systems are identified across the organization.

## TECHNOLOGY

**Ability to Align Financial and Operational Data to Deliver Transparency**



By far, the lack of robust technology is the most common shortfall in IT Financial Management maturity. Until recently, investing in a solution designed specifically for IT Finance has not been a priority for many IT organizations. From a controls and risk-management perspective, this approach seems counter-intuitive, as increased financial transparency is paramount when investment levels increase. IT organizations have made considerable investments in Collaboration, Project Management, Asset Management, and Contract Management solutions, to name a few, but many organizations have failed to recognize the need for a dedicated IT Financial Management solution that binds all these solutions together. In these organizations, tens to hundreds of millions of dollars or more of IT spend is managed and analyzed within Excel spreadsheets. Many financial management capabilities have focused on using Excel, Access, and highly customized BI tools to accommodate the needs of IT Finance. The resulting efforts have led to difficulties in IT services' automation and transparency in consumption billing.

In perspective, spreadsheets form a reasonable starting point to provide modeling for an organization. Spreadsheets provide flexibility, and the skill sets required to maintain and create spreadsheets are pervasive across an organization. As organizations grow and deliver more complex services to more customers, however, the need to create a service catalog and develop standardized processes to deliver services grows. With this information in place, it becomes possible to financially represent the cost of IT services by developing and maintaining a cost model. In order to fully harness this ability, the need for a scalable system that integrates with source systems becomes a necessity. This shifts efforts in financial analysis away from data mining and more toward data analysis. Advanced maturity is fully realized when organizations are able to deliver a bill of IT that is aligned to consumption of IT services. As IT organizations move from more costly dedicated assets to shared assets in a cloud environment, metering and financial ownership of usage can be challenging. A standardized cost model and the use of an automated solution to extract data requirements will greatly improve IT Finance's ability to support operational teams and customers.

## VALUE

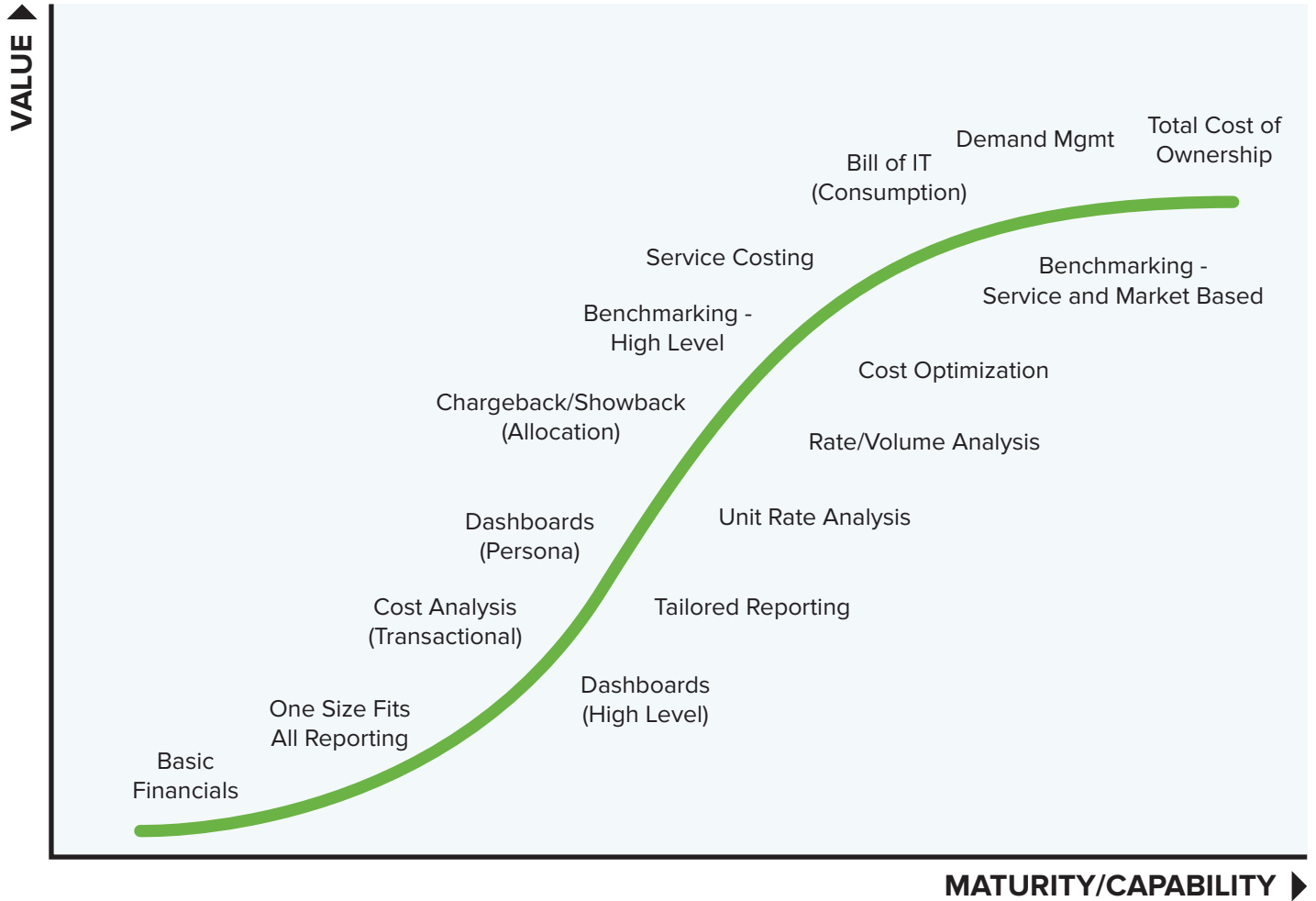
**ITFM Practice's Organizational Impact**



The collective maturity of People, Process, Data, and Technology drives the level of value that an IT Financial Management (ITFM) organization can provide an enterprise. At the low end of maturity, IT Finance organizations are primarily reactionary. As an example, monthly reporting is distributed, but there is limited insight into trends and potential outcomes. These ITFM teams operate siloed from both the larger operational teams and the end customers of IT. As maturity increases, ITFM teams begin to better integrate and align themselves with operational teams across IT. This team begins to be more proactive, providing the broader organization with useful analyses, as well as providing insightful recommendations to overcome current and future challenges. As a result, these finance teams become highly respected across the IT organization. As maturity continues to increase, IT Finance teams gain the insight and knowledge necessary to engage IT customers and provide them with meaningful insight into consumption and to offer options on balancing the costs and quality of the IT services they consume.

Increasing the value of your ITFM practice is the direct result of improving the maturity level of the People, Process, Data, and Technology, which leads to a value-centric IT business management discipline. Advancements in maturity can be achieved by utilizing industry best practices, standardizing processes across the organization, employing automated solutions that align output from source systems, and using peer benchmarking. Although this can seem like a difficult undertaking for many companies on the surface, an evolved approach over time (a "crawl, walk, run" approach) will ensure the highest probability for success.

**BUSINESS VALUE INCREASES WITH GROWTH IN ITFM MATURITY**



## Next Steps

You've taken the first step to increasing your maturity by taking the initial maturity assessment. With this snapshot, you should have an initial impression of where you fall within the maturity spectrum. Once you complete the detailed assessment, you'll have a more accurate perspective on your maturity, and receive recommendations to increase your level of maturity.

As you begin your journey, you should understand your limitations. Identify a starting point, be it People, Process, Data or Technology and create a roadmap for organizational improvement. The end goal should be to have a strategic, disciplined organization that has the trust of the business and is aligned to its needs.

For additional information on what it takes to be a more mature organization, check out Five Steps to Achieving IT Financial Maturity at <http://vmware-erdos.com/>

To learn more about how VMware vRealize Business can help accelerate your maturity transformation:

- Review the product benefits – [vRealize Business brochure](#)
- Visit <http://www.vmware.com/products/vrealize-business>
- Contact your local VMware representative