

White Paper

Modern IT Financial Management

Classic financial models, service cost allocation, FinOps & TBM

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Introduction

Classic financial models, service cost allocation, FinOps & TBM—many topics present organizational challenges for IT financial management today. The issue of the cloud is having a major impact on IT processes, which is increasing the pressure on IT Financial Management (ITFM) to modernize and embed them in cloud cost management. Modern IT financial management also means using modern tools. An ITFM tool must be flexible to use, geared to meet future challenges in terms of cost transparency and optimization and offer companies the opportunity for transformation processes.

In this white paper, we want to delve into the requirements for modern IT financial management with a special focus on the use of tools for a FinOps and TBM orientation.

IT Financial Management as an Element of IT Service Management

The service is the focus of integrated IT financial management and is ideally part of an existing IT service management system. The service catalog links the ITFM processes with the ITSM system. While IT service management focuses on service creation, ordering and procurement, provision as well as monitoring, IT financial management addresses the planning, calculation and pricing of services from a strategic or market perspective, as well as billing from a customer perspective.



360° service view

Service is the central element of **USUIT Service Management**. The data models can access service information from different perspectives in real time without needing a separate data transfer.

Pain points and organizational hurdles

Big companies often have different financial models. This can result in silo processes that lead to a lack of transparency and make standardizing systems and processes difficult. Integration into other systems is also much more complex, as many different interfaces are necessary. The rising use of cloud services also brings with it new dynamic cost structures that modern IT financial management must take into consideration. A recognizable shift in IT expenditure to the OPEX area is creating this new dynamic. IT financial management must ensure transparency of efficient business spending to support innovation and fast-changing provision of services. This is the big challenge.



What Characterizes Modern IT Financial Management?

Visibility, forecasting, invoicing, planning and close to real-time financial information as well as the speed of financial management processes are key to modern IT financial management.



TBM as a basic framework for modern IT financial management

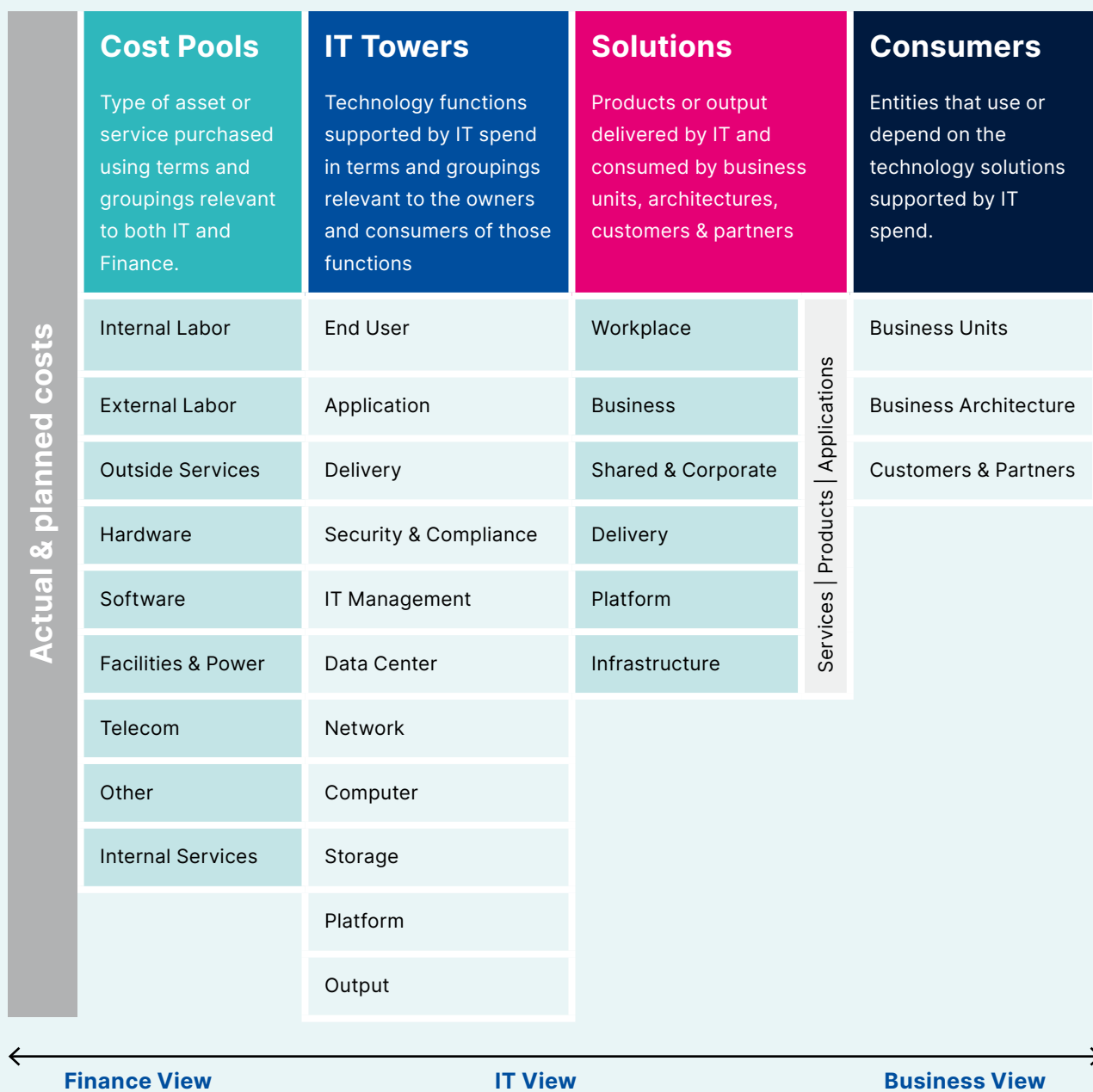
Technology Business Management (TBM) is a framework and methodology developed to help companies better manage their IT costs and investments and maximize IT value for the entire organization. TBM enables a transparent and data-driven view of the costs, performance and benefits of IT within an organization. The aim of TBM is to transform the management of IT at companies by promoting a data-driven, transparent and business-oriented approach. Overall, the implementation of TBM can help to significantly boost the efficiency, transparency and business benefits of IT. This is particularly important at a time when IT is playing a central role in almost all areas of business.

Companies that adopt TBM can make better-informed decisions about their IT investments, allocate resources more efficiently and ultimately increase the value of their business. The implementation of TBM is ideally supported by the use of special software and tools to collect, analyze and allocate data according to actual usage.



TBM framework and taxonomy

The TBM taxonomy is a core concept in the TBM framework and forms the basis for the classification and categorization of IT costs and services within an organization. The taxonomy helps create a uniform and standardized method for recording and presenting IT data so that companies can better understand and manage their IT expenditure and performance, but also compare them with the market. The TBM taxonomy is composed of a hierarchical structure of categories and subcategories that cover the various aspects of IT. IT expenditure is assigned to four “pillars”: cost pools, IT towers, solutions and consumers.



Source: tbmcouncil.org

The importance of TBM in the orientation towards FinOps

Hardly any companies make well-informed decisions as to which IT services run in the cloud in order to save X amount of money. Decisions are often based on gut instinct. There is no top-down approach. Most companies are happy to have transparent cloud costs and to be able to predict them. How will moving servers to the cloud affect my business services? Can we provide the service faster and even cheaper? How will response times or change times change? Will we even lose efficiency in some areas? To this end, **FinOps** is an important framework in terms of adding value to the costs of cloud services.

FinOps and TBM are two related approaches that focus on improving IT and technology-related cost and financial transparency in organizations. While FinOps focuses on cloud-specific cost optimization, TBM gives you a broader view of IT spend and enables more comprehensive management and monitoring of IT financial data. Although they have different focuses and approaches, they can combine effectively and complement each other in various aspects:

01 | Cost optimization and transparency

both FinOps and TBM have the common goal of better understanding, monitoring and optimizing IT costs. They recognize that IT expenditure accounts for a significant proportion of the company budget and that better financial transparency and monitoring is important.

02 | Perspectives and focus points

the main difference between FinOps and TBM lies in their perspectives and focus points. FinOps focuses primarily on optimizing costs and managing cloud resources, while TBM takes a broader approach that spans a company's entire IT landscape, including internal and external IT services.

03 | Cloud focus

FinOps is particularly relevant for companies using cloud computing. There are special services and tools that support the FinOps framework in the management of cloud resources. FinOps aims to monitor the costs of cloud services and ensure that resources are used efficiently.

04 | TBM as a comprehensive approach

TBM offers a more comprehensive method of managing IT costs and performance at companies. It includes recording and analyzing costs and performance in various areas of IT such as applications, infrastructure, personnel and more. TBM aims for a holistic view of IT expenditure that goes beyond the cloud and also takes on-premise resources into account.

05 | Integration

companies can integrate FinOps practices into a broader TBM approach. This means that FinOps methods and tools can be integrated into the TBM taxonomy and processes to improve financial transparency and monitoring over the entire IT landscape.

06 | Monitoring

To be able to make decisions about cloud costs after FinOps, a transparent financial model according to TBM can provide the additional relevant financial data. Customized tools provide mechanisms with alarm functions. This means that budget limits can be set more precisely and managers can be informed if actual values are exceeded.

07 | Business value

If IT costs are transformed in an IT financial management tool according to TBM, the business value of IT costs can be understood more comprehensively. This pays off in the long term when it comes to increasing the business value of IT costs and, according to FinOps, also in terms of optimizing cloud costs within the company.

Tool-Supported IT Financial Management

With **USU IT Financial Management**, USU offers a flexible solution for companies, regardless of their cost model. The ITFM tool not only supports various cost models, it also standardizes data. It makes it easy to get started, can flexibly map current cost structures and helps advance the necessary transformation processes. This allows companies to switch from existing cost models to standardization with TBM.

How can companies start?

Companies may have different entry points or objectives for modern and future-proof IT financial management. For example, these can be companies that

- already have an existing and well-established service management system but are now under significantly increased cost pressure.
- use a classic ERP view based on cost centers and chart of accounts for budget planning, but have too little transparency when it comes to the cost structures of IT services.
- have introduced an IT financial management model but now want to undertake value consideration or benchmarking.

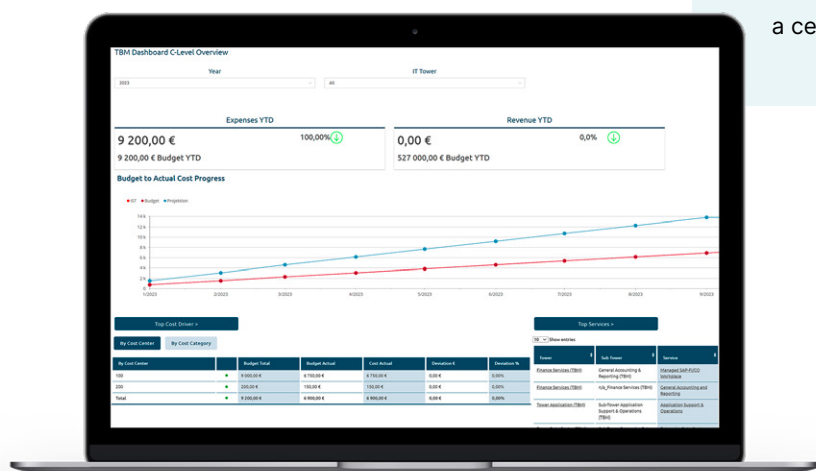
How is the connection to TBM established?

Customer data is related to a standardized model such as TBM via a data transformation. Depending on the data situation, this is done from the classic ERP structures to cost pools and from the IT service-providing cost centers/internal order structures to IT tower structures. If the company has already allocated costs up to the service level, these can continue to be used and are embedded in the TBM model as allocation logic.



High-level overview

USU IT Financial Management enables simple and target group-oriented CxO reporting with a central TBM dashboard.



What added value will I get from TBM?

The added value is enabled very quickly through the presentation of different perspectives such as finance, IT or business view. Various KPIs in the relevant

perspectives provide a good overview of the respective area or cost structure.

Conclusion

Is the use of the right tools for modern IT financial management critical for you? The increasing use of the cloud comes with new challenges for IT financial management due to its dynamism and speed. Modern cost planning and management must adapt to this highly dynamic IT infrastructure environment. As a solution provider, we support you to structurally align yourself with cloud costs and optimize the interaction of cost structures. USU IT Financial Management, as part of the powerful USU IT Service Management Suite, helps companies modernize their IT financial management. Our experts will advise you on the alignment with the FinOps framework and the transformation of your IT processes to the TBM financial model.



Get in touch for further information.

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