Financial Management Advisory Committee

Technology Business Management (TBM) Presentation
What is TBM?

A methodology, community and category of software for data-driven management of the business of IT.

It integrates data about cost, technology, performance, supply and demand to provide a holistic picture of IT.

We use a SaaS product (Apptio) to support this program, but it relies on data from ‘systems of record’ including AFRS and HRMS, as well as agency-specific data sources, such as server monitoring tools, portfolio management tools, and manually maintained data.
IT Value Proposition

For every $1 invested in IT, overall cost of service is reduced by $3.50 to $4.00*

The TBM Program exists to help us understand, manage and articulate our investments in common language (not IT speak) so that:

1. We can achieve and PROVE overall cost reductions consistent with research and
2. Justify investments in a tough fiscal climate.

*Pang, Min-Seok, Do Information Technology Investments Lead to Bigger or Smaller Governments? - Theory and Evidence in U.S. State Governments (January 10, 2011). Available at SSRN: http://ssrn.com/abstract=1616862 or http://dx.doi.org/10.2139/ssrn.1616862
IT + Non-IT = Total Cost of Service
Where Are We Now?

Current Requirements for Participating

Participation requirement is based on IT spend as logged in AFRS using x/y coding.

- Threshold determination does not include monies agencies pay to central service agencies for IT (EB or EL)

Based on **FY15 AFRS-reported IT spend**,

- 16 agencies are REQUIRED to participate because of statute (annual IT spend exceeded $10m).
- Another 26 are required to participate because of OCIO Policy (which extended the spend threshold to $250k/year).
- 1 is opting in, and 4 dropped below participation threshold in FY15 but are still in the program
Who Is IN?

Optional Participant

PSP

CRAB, AGR, DEL, DNR, DVA, DFI, DSB, MIL, OAH, AGO, OIC, SAO, OST, SEC, PDC, SIB, PARKS, WSSB, SPI, UTC, GMB

*COM, DRS, LCB = opted up

**BIIA, HUM, RCFB, CJTC = dropped below threshold in FY15 but still ‘in’

CTS, DOC, ECY, DES, DFW, DOH, LNI, DOL, DOR, DOT, DSHS, ESD, HCA, WSP

***LOT and OFM = multi-agency (waivers)

FY15 IT Spend > $10M, Required by RCW 43.41A.025

$250K < FY15 IT Spend < $10M, Required by OCIO Policy 113

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Where Are We Now?
Current Architectural Implementation

Agencies
- 29 agencies
  - 26 required
  - 1 volunteer
  - 2 agency-specific
- 17 agencies
  - 14 required
  - 3 multi-agency

Available Data
- All Projects
  - IT spend – financial & functional
  - App Inventories
- PLUS
  - IT labor
  - IT assets (limited to CAMS, few agencies use)
  - Agency-specific data (few)
Partnerships with IT

Apptio is essentially a rules engine and a business intelligence software.

We need our fiscal partners to help us understand and set up the rules –

• How to interpret and handle the data from AFRS
• How best to modify or set up the chart of accounts for a given agency
• How to improve consistent entry of AFRS transactions into the system

We also need to work closely/partner with:

• Procurement/purchasing as it is often the bridge between IT and Finance.
• HR since the bulk of our IT spend is on labor.
Partnering on Rules & Ops

Some questions agencies using Apptio have to answer (IT people don’t know this stuff...)

1) Looking at the big pile of AFRS transactions, how do I know which are ‘IT spend’?
2) How can I use the AFRS data to identify corresponding ‘IT Budget’?

3) Once I have that subset, how can I further break that down into IT Resource Towers (the functional areas of IT)? OCIO Standard 113.30: TBM Taxonomy.
4) How much trouble will it be if I modify the taxonomy? (annual revisit, align to industry)

5) Should I be counting depreciation or would that screw stuff up? (Proprietary vs non-proprietary)
6) How would I best identify Agency Spend so I can use it for a benchmark?

7) How can we use these reports to build better/stronger Decision Packages or grant applications? To ensure we’re making wise choices about service providers? Etc.
Partnersing on Strategy & Policy

TBM includes activities to improve data quality/completeness in source systems. Sometimes, this means policy/process changes to support ‘apples-apples’ comparisons and the ability to aggregate/report data at enterprise level.

PRESENT:
• Representatives from agency TBM (IT & Fiscal) and OCIO worked closely with OFM Statewide Accounting to make updates/changes to the SAAM Manual (e.g. “Updated subobject EY to include subscription-based computing services”) and the IT Cost Coding Guidance to better align what is ‘IT spend’, and agency consistency in coding things like ‘Cloud Computing’.

FUTURE: One Washington ERP –
• Consultant will work on creating a new enterprise chart of accounts; part of this work will be to add a spot for ‘IT’ to better identify IT spend and alignment to IT functional areas (IT Resource Towers/subtowers) resulting in more data confidence/consistency.
Data-Driven Decisions
What Can We Do With TBM?

- Understand Current State
- Identify Opportunities for Efficiencies and Optimization
- Support Business Cases for New Investment
- Track Progress Toward Strategic Goals and ROI on Investments

WaTech TBM practice impacts all agencies because we are a service provider. We provide billing and utilization information and improve our strategic and operational decisions by analyzing data.
Partnerships within IT

TBM is broad in scope, and encompasses data from different disciplines WITHIN IT like...

1. Enterprise Architecture
2. Portfolio Management
3. Investment Planning
4. App Development & Maint
5. Infrastructure
Strategic Goals
Tracking Progress….

Cost, Labor
- Leveraging purchasing power
- Optimization & Efficiencies Achieved
- Increased Understanding (incl Fund Sources)

Infrastructure
- Migration to SDC
- Use of Cloud Computing
- Standardization & Virtualization

Applications
- Increased Use of SaaS
- Reduced Number of Legacy Systems
- ROI on Proposed Investments
Spiral to Accuracy

We’re not perfect, but we’re better than we were before!
Questions/Comments?

Mary Groebner
Statewide TBM Program Manager

mary.groebner@watech.wa.gov
360-407-8683
OR

Your Agency’s TBM contact