Project Financials | PPM vs. Finance Views

Your Guide: Doug Greer and ProvenIT

Introductions

- Take 5 Minutes

- Turn to a Person Near You

- Introduce Yourself

- Business Cards

Agenda

- ITFM Introduction
- PMO & IT Finance Collaboration
- Where ITFM and PPM Meet
- Connecting PPM with ITFM

ITFM Introduction

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What is IT Financial Management (ITFM)?

- ITFM is not just accounting for IT, it's much more. Often used interchangeably with TBM (Technology Business Management) or ITBM (IT Business Management), it's running IT like a business.

- ITFM provides IT organizations with the solutions—strategies, methodologies, and tools— to manage the **cost**, **quality**, and **value** of their IT services.

- As organizations go through digital transformations, "analog" products are being replaced by digital ones. For these organizations technology doesn't just enable the business, it IS the business.

- Smart IT organizations are leading that digital change, but to get a seat at the table IT organizations need to become more business savvy. The key to doing that comes from ITFM.

Gaining Cost Transparency with ITFM

- By using data you are already capturing (e.g. support tickets, service requests, projects, contracts, etc.) you can intelligently link IT costs to applications, services, and business capabilities.

- By aligning IT costs with business objectives or revenue creation activities, the perception of IT can be changed from a black box cost center to a revenue-facilitating strategic partner.
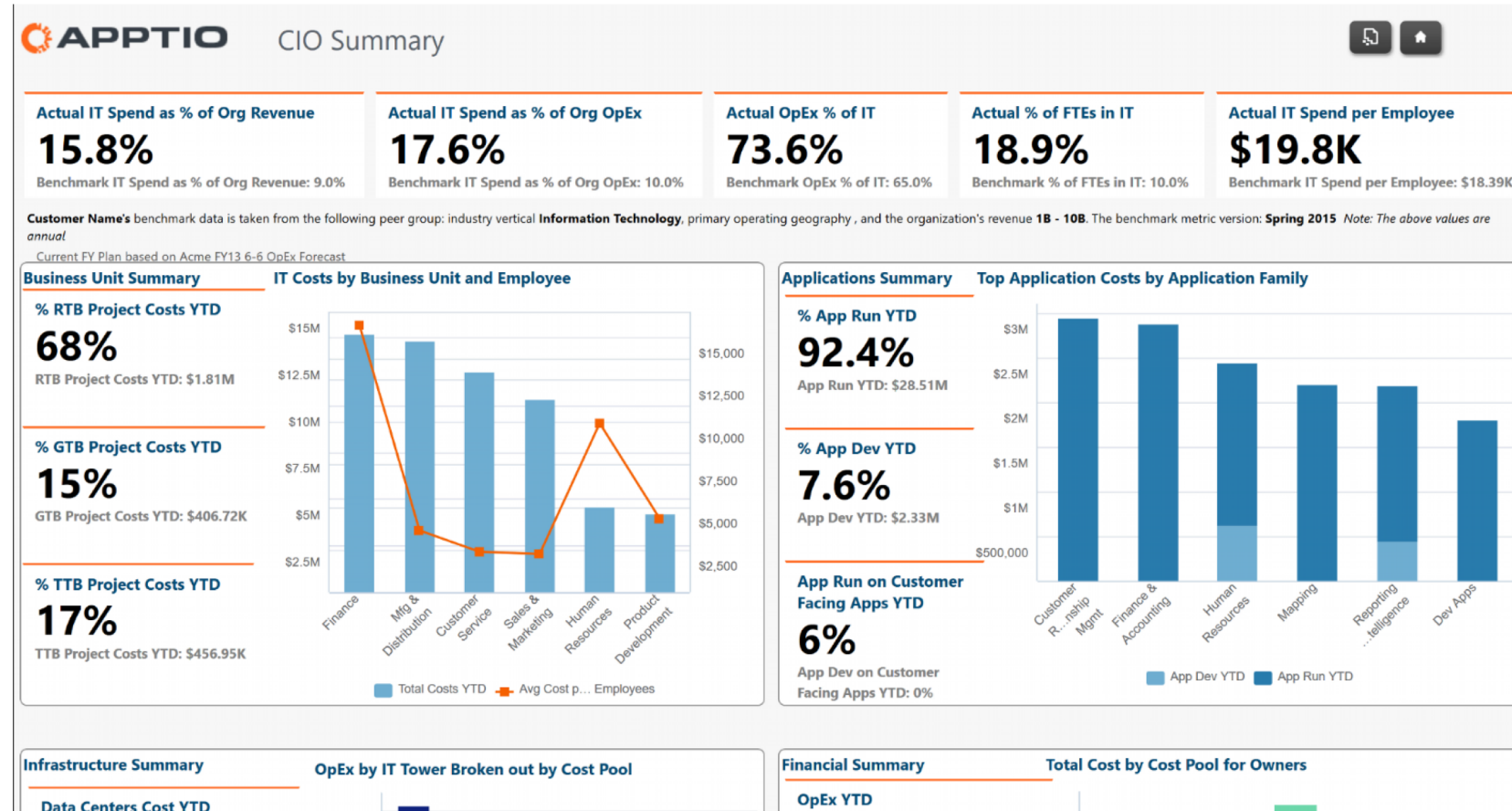
Benefits of Investing in ITFM

- ITFM can provide business partners with the per unit costs of their activities, usage, and showback statements, which will help curb the demand for IT services – allowing money to be better allocated to only the best investments.

- With cloud alternatives, the value internal IT provides often comes into question. By running IT more like an external service provider, IT organizations can demonstrate how indispensable they really are.
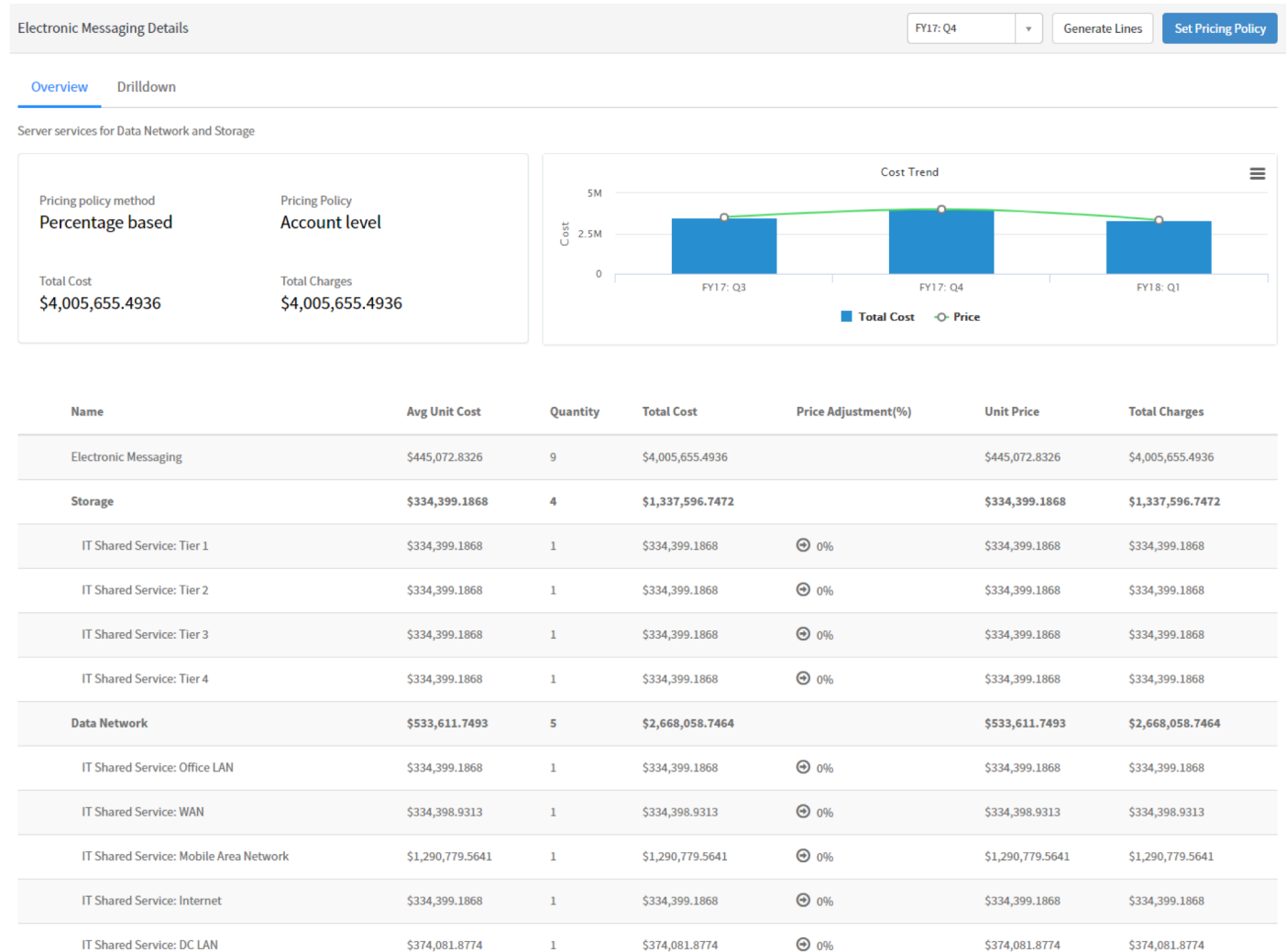
Our ITFM Deployment Approach

Evaluate source data and make plans to improve it if needed

Understand the why – what goals and outcomes are we looking for?

Work backwards from your goals to develop models, metrics, and reports

Remember that ITFM is a journey – Crawl/Walk/Run

Provide a Quick Time to Value

Our ITFM Customers

Proud Sponsors of the TBM Council & ITFMA

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The Technology Business Management (TBM) Council is an organization dedicated to advancing the discipline of ITFM. TBM provides technology leaders with standards and validated best practices to communicate the cost, quality, and value of IT investments to their business partners.

The IT Financial Management Association (ITFMA) was established in 1988 and founded the ITFM profession. ITFMA is the national leader in the education of IT financial management professionals and the only recognized provider of certification.

PMO & IT Finance Collaboration

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Points of Collaboration between PMO & IT Finance

Capex/Opex
Rules for classifying labor as capital or operating.

Integration Points
Integration points between PMO-owned and IT Finance-owned systems

Blended Rates
Level of detail for rates, as well as the rates themselves

CIP
Trigger to CIP account for capital project completion (i.e. go-live)

Systems of Record
Systems of record for financial data

Budget Data
Required project budget/forecast data dimensions

Functional Map

		PPM	IT Budgeting / Forecasting	IT Cost Modeling
	Project/Program Mgr	Submit project budgets & forecasts Review actual hours & costs		
	Portfolio Manager	Distribute portfolio budget to projects Approve project budgets		
	IT Leader	Review project financial metrics	Approve budgets Review budget variances	Review cost model outputs Use as decision making framework
	Cost Center Owner		Submit cost center budgets & forecasts	
	Financial Analyst		Facilitate budget submission & approval process Facilitate forecast submission process	Maintain cost model Run periods through cost model Analyze outputs

Financial Data Systems of Record

ERP (GL Source)

Internal Labor Cost
Non-Labor Cost

IT Budgeting / Forecasting

Forecasted Labor Cost
Forecasted Non-Labor Cost
Budgeted Labor Cost
Budgeted Non-Labor Cost
Portfolio Budgets

PPM

Forecast Labor Cost (Projects)
Forecast Non-Labor Cost (Projects)
Budgeted Labor Cost (Projects)
Budgeted Non-Labor Cost (Projects)
Internal Labor Hours
Internal Labor Cost (Calculated)
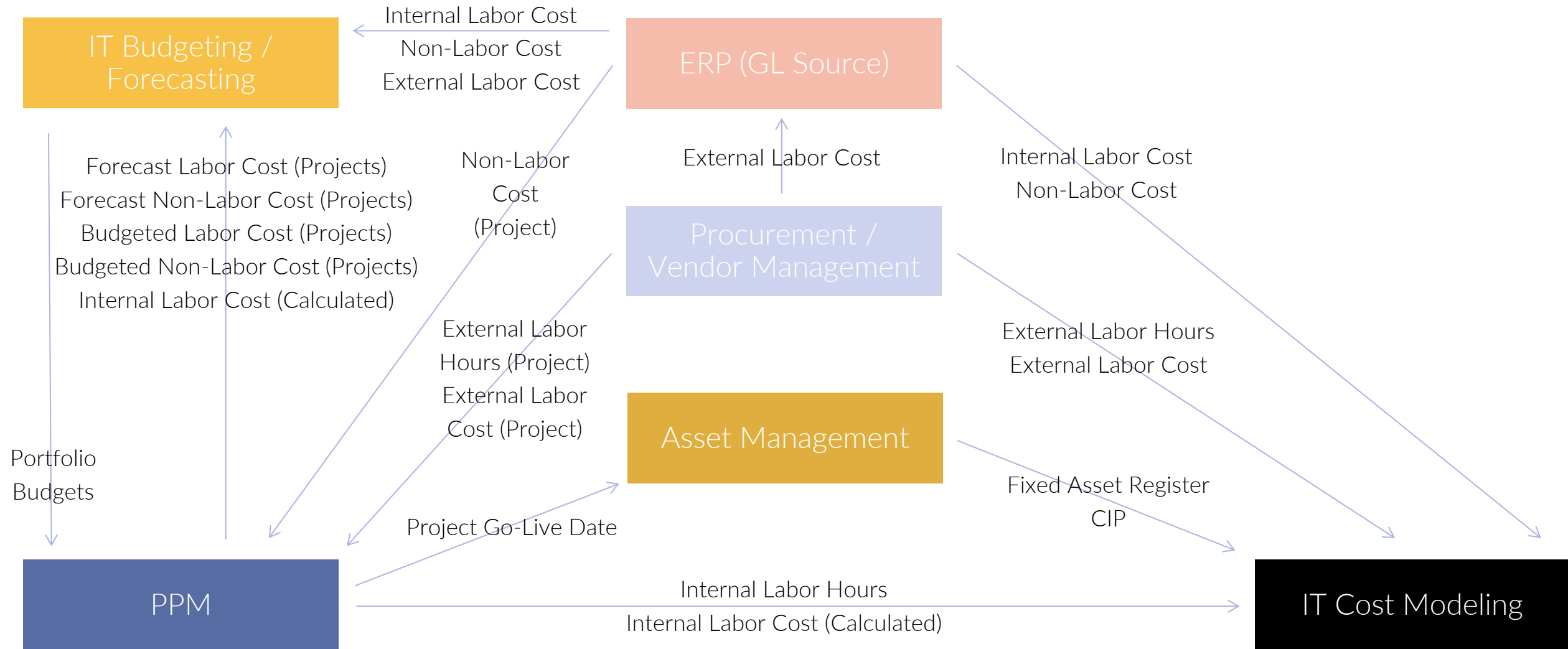
Procurement / Vendor Management

External Labor Hours
External Labor Cost

Asset Management

Fixed Asset Register
CIP

IT Cost Modeling

Financial Data Movements

IT Budgeting / Forecasting

ERP (GL Source)

Internal Labor Cost
Non-Labor Cost
External Labor Cost

Forecast Labor Cost (Projects)
Forecast Non-Labor Cost (Projects)
Budgeted Labor Cost (Projects)
Budgeted Non-Labor Cost (Projects)
Internal Labor Cost (Calculated)

Non-Labor Cost (Project)

External Labor Cost

Internal Labor Cost
Non-Labor Cost

Procurement / Vendor Management

External Labor Hours (Project)
External Labor Cost (Project)

External Labor Hours
External Labor Cost

Asset Management

Portfolio Budgets

Project Go-Live Date

Fixed Asset Register
CIP

PPM

Internal Labor Hours
Internal Labor Cost (Calculated)

IT Cost Modeling

Resulting Financial Data Stored in PPM & ITFM

IT Budgeting / Forecasting

Forecasted Labor Cost
Forecasted Non-Labor Cost
Budgeted Labor Cost
Budgeted Non-Labor Cost
Forecast Labor Cost (Projects)
Forecast Non-Labor Cost (Projects)
Budgeted Labor Cost (Projects)
Budgeted Non-Labor Cost (Projects)
Portfolio Budgets
Internal Labor Cost
Internal Labor Cost (Calculated)
External Labor Cost
Non-Labor Cost

PPM

Internal Labor Hours
Internal Labor Cost (Calculated)
External Labor Hours (Projects)
External Labor Cost (Projects)
Non-Labor (HW/SW) Cost (Projects)
Forecasted Labor Cost (Projects)
Forecasted Non-Labor Cost (Projects)
Budgeted Labor Cost (Projects)
Budgeted Non-Labor Cost (Projects)
Portfolio Budgets
Project Financial Metrics

IT Cost Modeling

Internal Labor Cost
Internal Labor Cost (Calculated)
Non-Labor Cost
External Labor Hours
External Labor Cost
Internal Labor Hours
Fixed Asset Register
CIP

ITFM and PPM Synergies & Differences

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Why is PPM an important part of ITFM

- The majority of controllable IT costs are projects

- IT Costs that align to Change the Business or Grow the Business strategies almost solely come from PPM

- Because of the direct tie-in projects have to a business case, it's an easy place to start to demonstrate alignment of IT to business strategy

- PPM data provides additional Metrics / Drivers for allocating IT costs:
  - Actual effort or forecasted cost per Department
  - Actual effort or forecasted cost per Resource
  - Actual effort or forecasted cost per Investment
  - Actual effort or forecasted cost per Task
  - Actual effort or forecasted cost per Role
  - Actual effort or forecasted cost by Employee/Contractor

How does ITFM augment PPM?

- There is room for project financial improvement -- much of the true cost of projects is not captured in PPM tools, even in mature PMOs

- Data from these systems (often already integrated into the ITFM tool) can provide additional insights to the cost of a project:
  - HR system salaries and benefits can be compared against estimated rates used in PPM
  - Asset Management and Procurement systems can provide project HW/SW costs
  - Vendor Procurement systems can provide project external labor costs

- Project overhead like PMO costs, enterprise reporting, etc. contribute to projects indirectly, and with ITFM those costs can be allocated to projects appropriately

- Leave-behind costs - Change the Business and Grow the Business projects often add to ongoing run-the-business costs, but these costs are seldom attributed back to the project that created them

Example: Project Insights
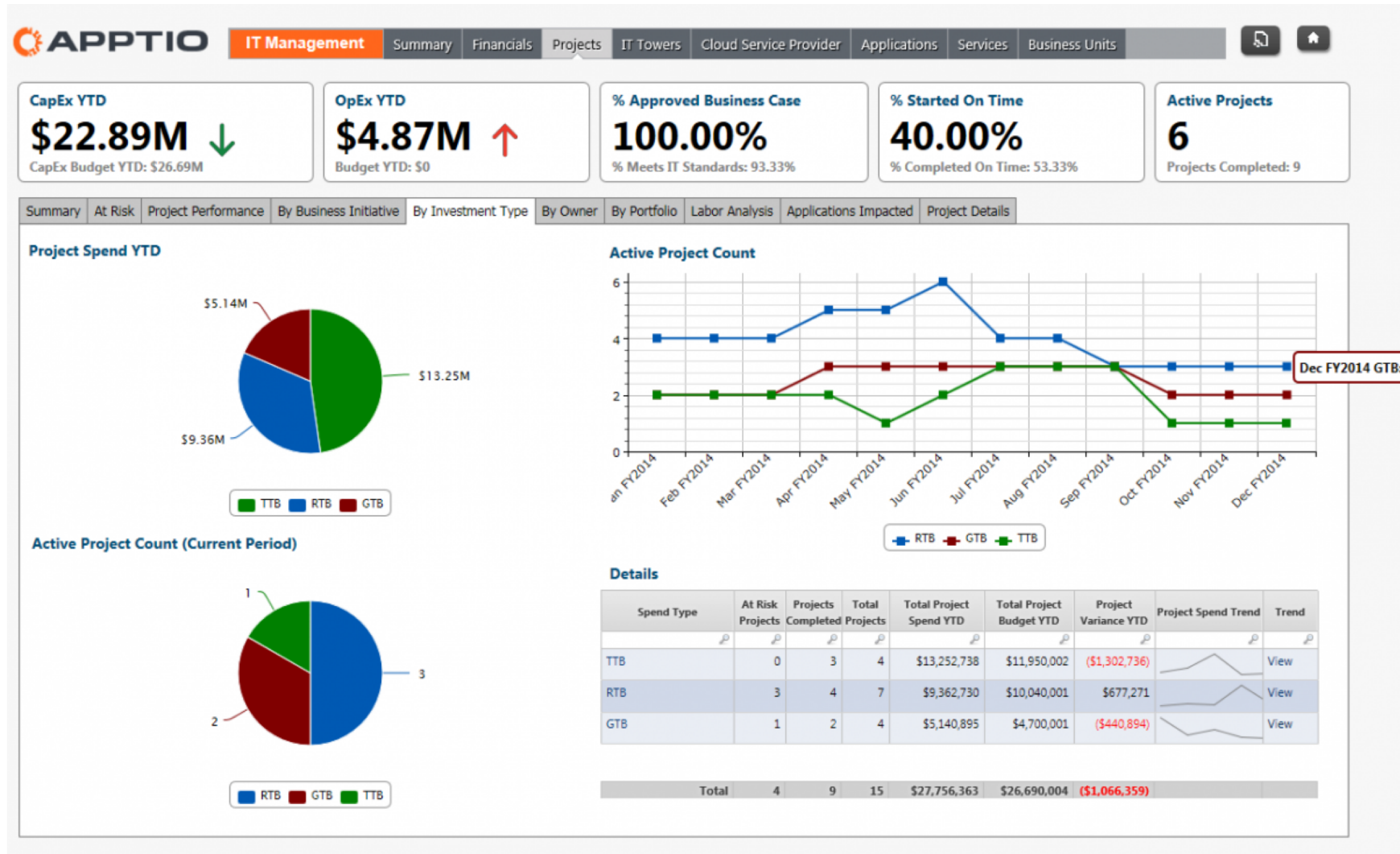
ITFM or Project Financials

At what point do I need an ITFM tool instead of just a PPM tool? Where do project financials end and ITFM begin?

Project financials are sufficient when the following are true:

- Costs or budget items are all tied to projects
- Purpose is to compare projects against one another, not evaluate the overall cost to the organization or the exact accounting cost
- Cost is a primary driver to evaluate estimation accuracy and project delivery performance

Typically PPM tools already include the ability to:

- Manage project budgeted cost, forecasted cost, and actual cost – both labor and non-labor.
- Analyze project financial metrics like IRR, NPV, and ROI

ITFM looks at costs and budgets beyond just projects – usually the entire IT spend. And when you do look at project costs it's in the context of the total financial impact of the project to the organization from a General Ledger Perspective.

ITFM Views NOT Aligned to PPM

GL Views of Cash Flow
- PPM works best from a strict cash view basis. Projects usually do not represent depreciation or other debits or credits available applied to the GL

CAP/EXP Budgeting & Management
- PPM should represent all cost without depreciation or resource cost leveling to evaluate the overall impact of doing/continuing the project
- ITFM depreciation reporting should be completely independent of Project Level Cap Spend Reporting – ITFM will include depreciation from completed projects

Metrics to Manage the Business
- Targets vs Actuals for Goals
- Targets vs Actuals by CAP/OPEX
- REAL Burn Rates by Actual Spend (real dollars of internal resources, with adjustments for overtime)
- Allocation vs Budgeted/Forecasted vs Actual for Aggregated Levels of the Enterprise

Connecting PPM with ITFM

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Connecting PPM with ITFM

- Connecting PPM and ITFM in the right way is key.

- Some software products like ServiceNow have PPM and ITFM products built into the same tool, and others like Apptio & Nicus are stand-alone ITFM tools that use interfaces to bring PPM data into the ITFM realm.

- We'll walk through an example of how to connect PPM into ITFM in the right way by looking at our pre-built CA PPM to Apptio connector.

Example: Rego's Apptio <-> CA PPM Connector

Time Data
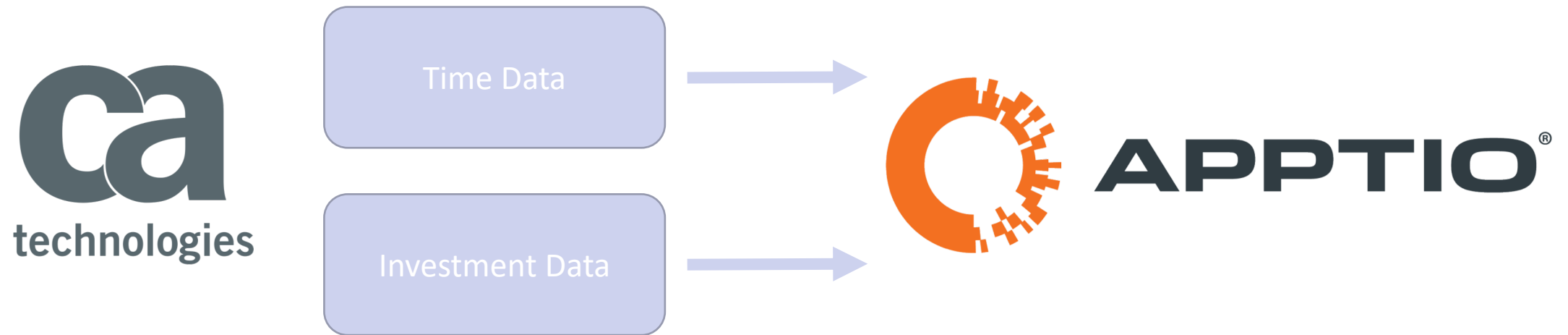
Investment Data

Extract | Flat file interface

- Both Time and Investment extracts

- Utilizes Rego's SQL Data Extraction Tool

- Create and schedule multiple extractions depending on business need

- Flexible options

- Flexible options
  - Batch data for large exports
  - Zip files
  - Custom separators
  - Date Formats

- Performance metrics
  - The amount of data extracted
  - Time of extraction
  - Success Failures

Extract Management Interface

CA PPM Time Extract

Frequency: Weekly or monthly

- Hours
- Investment Department
- Employee Name
- Employee Type
- Investment Name
- Resource Department
- Transaction Class
- Resource Class

- Investment ID
- Role Type
- Time Period
- Task Name
- Rate
- Cost Type
- Cost
- Charge Code

- Input Type Code

CA PPM Investment Extract

Frequency: Daily, Weekly or Monthly

- Baseline End Date
- Baseline Start Date
- Baseline Budget
- Investment ID
- Investment Name
- Start Date
- End Date

- Status
- Approved Budget
- Charge Code
- Priority
- Project Description
- Project Manager
- Risk

- Portfolio
- Program
- Department
- Cost Plan
- Line of Business
- Stage
- <custom fields>

Summary

ITFM can bring a lot of benefits to your organization like demonstrating the value of IT, locating inefficiencies, and showing the impact of business decisions on IT costs.

ITFM deployments don't have to be multi-year, million $ projects – take an iterative approach with a short TtV.

PPM is a critical element of ITFM – representing the majority of discretionary spending, and easily tied to organizational goals.

PPM should be integrated into an ITFM solution – providing time, investment, and financial data.

Questions?

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- Access your account at pmi.org
- Click on **Certifications**
- Click on **Maintain My Certification**
- Click on **Visit CCR's** button under the **Report PDU's**
- Click on **Report PDU's**
- Click on **Course or Training**
- Class Name = **regoUniversity**
- Course Number = **Session Number**
- Date Started = **Today's Date**
- Date Completed = **Today's Date**
- Hours Completed = **1 PDU per hour of class time**
- Training classes = **Technical**
- Click on **I agree** and **Submit**

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