



IT Financial Management

Maximising IT value for your organisation

April 2018



Introduction

Understanding the cost and value of IT is becoming increasingly important within the enterprise:

-  Complex delivery models (e.g. cloud, offshore) require better understanding of unit costs
-  Digital innovation is creating new investment opportunities
-  The CIO is often personally under pressure to demonstrate “value for money”

Research shows that top performing organisations spend proportionately more on IT (but also generate more significant returns from it). However at many organisations, the focus is still on managing down IT cost, rather than understanding the value of IT.



Key Insights

At a global level we are seeing an increase in the market for bespoke IT Financial Management (ITFM) solutions. We surveyed 35 Swiss CIOs about their existing ITFM capabilities in order to understand to what extent Swiss CIOs have adopted these tools and practices. 97% of CIOs believe that demonstrating the value for money provided by IT is critical to their success.

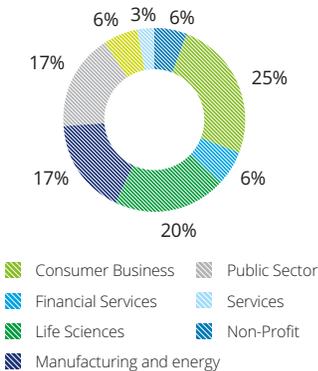
We found that:

-  Whilst CIOs believe that the business recognises the value of IT, a significant number still received cost reduction targets
-  ITFM still focusses primarily on traditional accounting processes, rather than the more value-add IT business management topics
-  Where ITFM tooling had been adopted, CIOs were seeing improved understanding of the value of IT

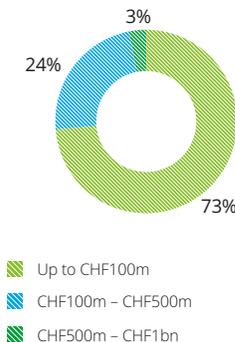


Respondents' overview

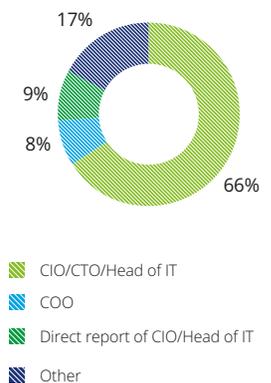
Industry



IT Spend



Roles



79% of CIOs said that their business recognises **the value** they create

Q3

94% of CIOs believe they have their **IT costs under control**

Q1

For **77%** of CIOs IT adds value through **innovation**

Q3



CIOs feel that the businesses recognise the value brought by IT...

However the focus is still on traditional cost control, with little discussion of value

For **46%** of CIOs, the business focus is on **budget** rather than value

Q2

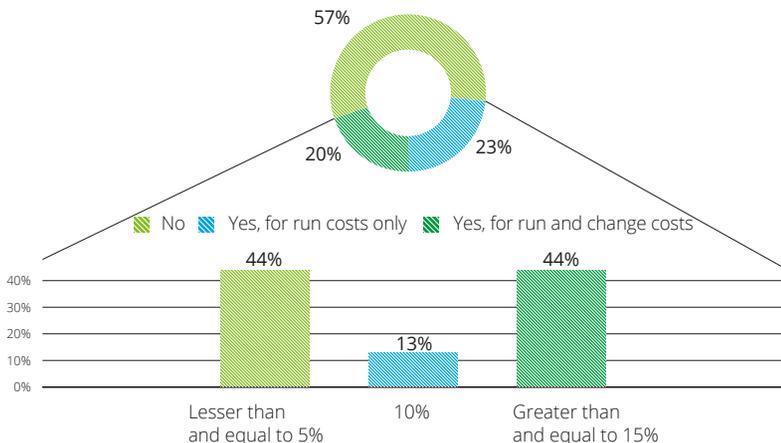


26% note that planning for IT has not progressed beyond the annual **negotiation** cycle

Q11

For **43%** of respondents, there will be a **cost reduction target in 2018**

Q4



Of those expecting a cost reduction, more than half expect at **least a 10% reduction**

The majority of IT Finance work is performed in the **CFO division**

Q5

Current key focus areas for ITFM are **Financial Planning** and **IT Cost allocations**

Q6

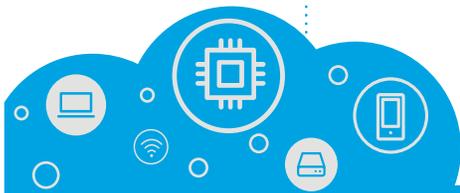
Nearly all CIOs have **access** to financial performance vs budget reporting

Q7

Finance remains the main focus for **46%** of CIOs

“Business is comfortable provided we don't go over budget”

Q1



ITFM teams limit their activities to traditional finance disciplines

But CIOs find IT metrics much more valuable



Project ROIs and **cost benchmarks** are viewed as the most valuable

Q7

Increased cost efficiency is where most CIOs believe ITFM delivers value

Q9

CIOs cited **Project Portfolio Management** as the most valuable work IT finance can do, with **IT Service Management** in second place

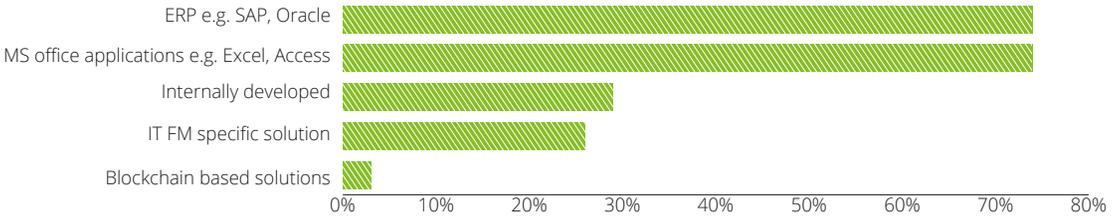
Q6

Time spent on **P&L accounting** and **Cost allocations**, is not perceived as valuable

Q6

ERP software and MS Office-based tools are mainly used to enable ITFM

Only **26%** of CIOs use dedicated solutions for ITFM **Q8**

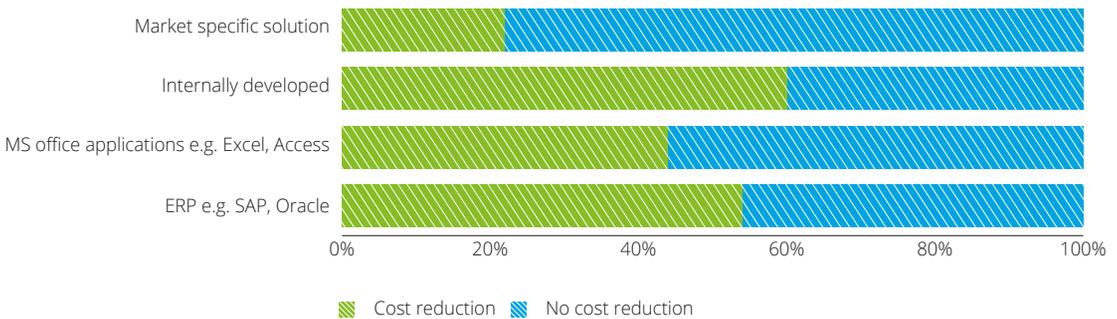


Only a minority of CIOs have implemented dedicated ITFM tools

But this minority does not expect further cost reduction targets



But **89%** of those who use them do not expect any cost reduction as part of the 2018 planning cycle **Q8 & Q4**



Are CIOs with more IT financial information better equipped to explain the value they deliver?



Conclusion

This survey highlights, for both CIO and IT Financial Managers, that while many CIOs have the basics of ITFM under control, they are not yet fully successful in demonstrating the value brought by IT to the business. With the current trend towards technology-driven delivery models, and digital transformations, CIOs would be in a better position to deliver business value through increased IT spend than cost reduction.

By refocusing the ITFM team on Technology Business Management activities rather than traditional finance activities, CIOs will derive more value from ITFM and be able to help fuel the organisation's growth.



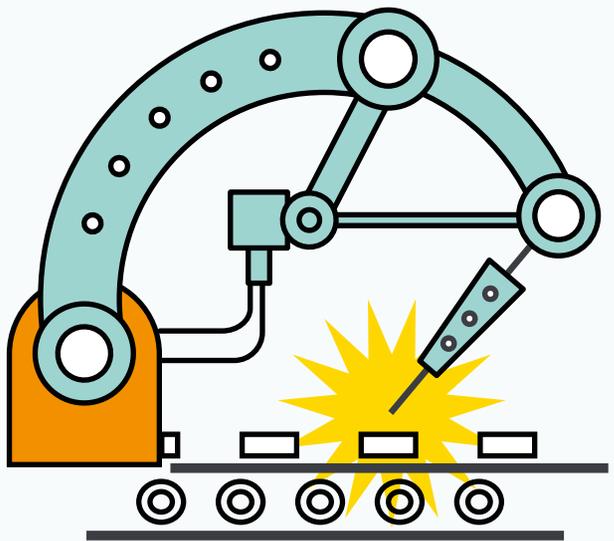
Whilst over 40% of CIOs are receiving a **cost reduction target**, ITFM could help in shifting the conversation away from IT cost and towards IT value.



A majority of CIOs recognise the value of more IT-focussed finance disciplines (e.g. project portfolio management). Yet, finance processes are viewed more as a hygiene factor than a value add. **Simplifying and automating** core processes can enable IT financial managers to free up resources to focus on the value-added ITFM activities.



ITFM toolsets are seeing modest uptake in the Swiss market. As vendors mature, and continue to release more out-the-box modules, they are starting to offer **a credible, accessible solution** to a wider segment of the market.



Contacts



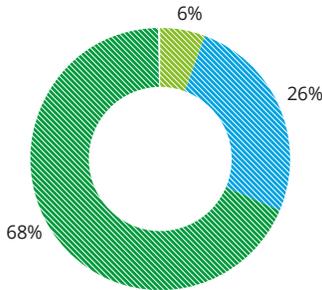
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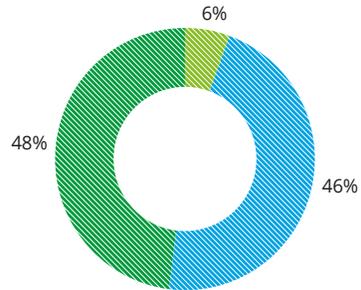
Questions and results summary

Q1. Do you currently have access to the information required to steer the IT cost base?



- No, we have problems tracking and forecasting our total spend, and unplanned events such as write-offs create surprises in the financials
- Somewhat, our costs are under control, but we do not have access to underlying drivers
- Yes, we are able to forecast IT spend accurately, and take action to adjust course if necessary

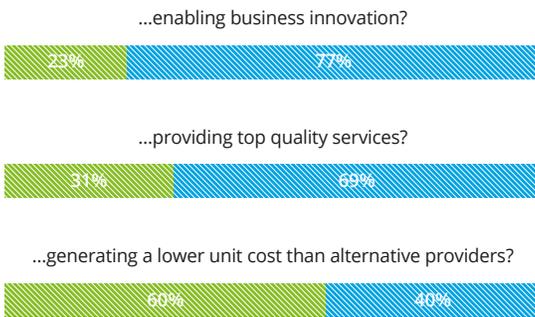
Q2. Are you able to articulate the value of IT to the business?



- No, we have not been able to help the business understand IT cost, and they don't recognise how their changing demand impacts the IT cost
- Not really, but the business is comfortable provided we don't go over budget
- Yes, our business customers understand how our IT cost aligns to their business objectives, and recognise the value we create in IT

Q3. In which ways does IT create value in your organization, and do you feel the business recognize it?

IT creates values by...

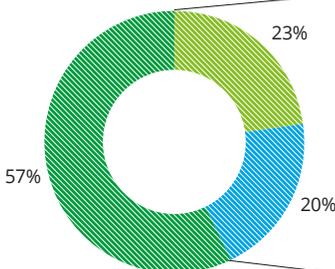


Does business recognise the value created by your IT function?

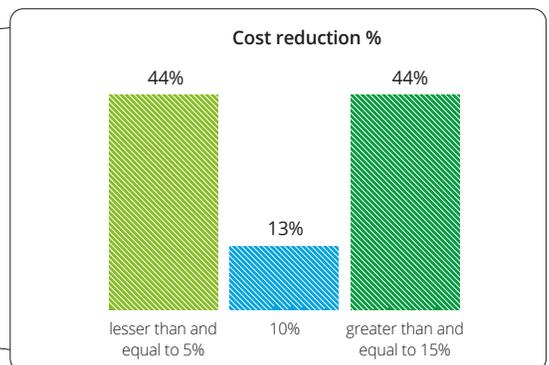


■ Yes ■ No

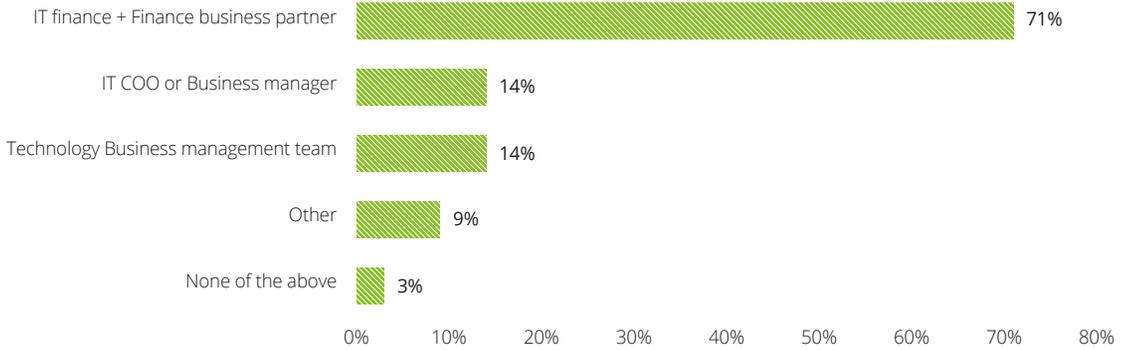
Q4. Do you expect a cost reduction target as part of the 2018 planning cycle? If yes, please state %



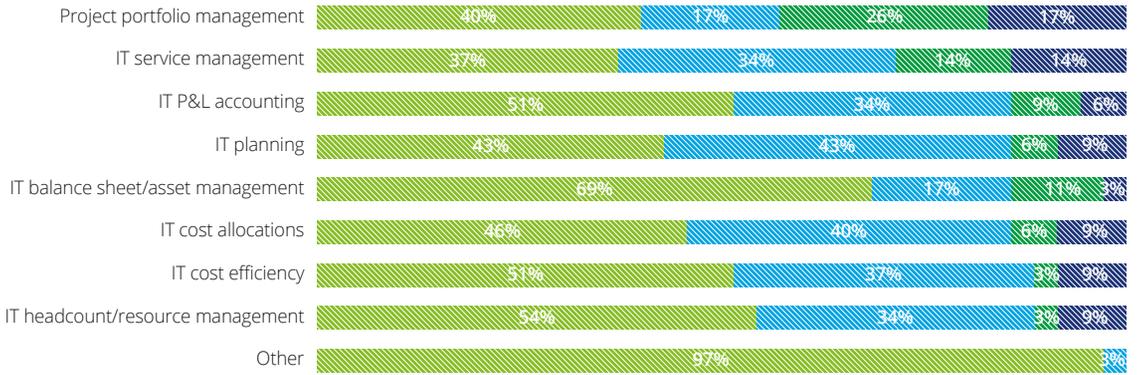
■ No ■ Yes, for run and change costs ■ Yes, for run costs only



Q5: Who currently provides management information and financial analytics to the CFO?
 Please select all that are applicable

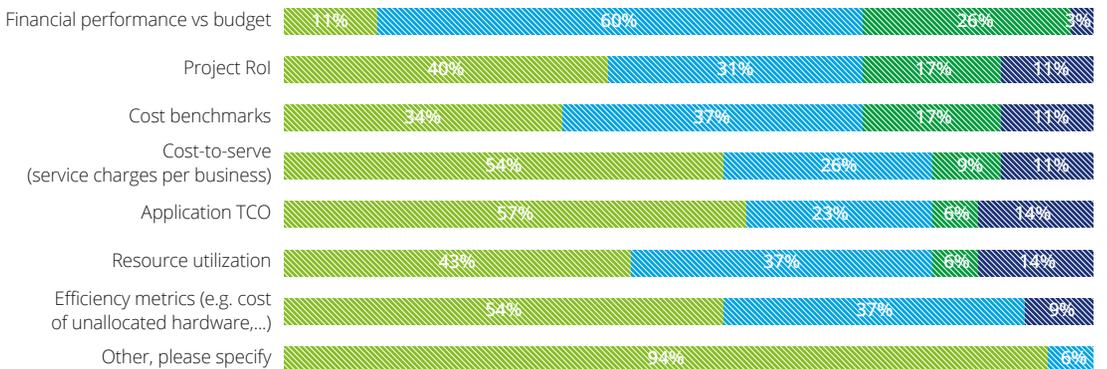


Q6. Which of these processes does your IT FM team currently focus on, and where should they shift effort to maximize value? Please select all applicable options in "Got/Not Got" and a maximum of two options in case of "Valuable"



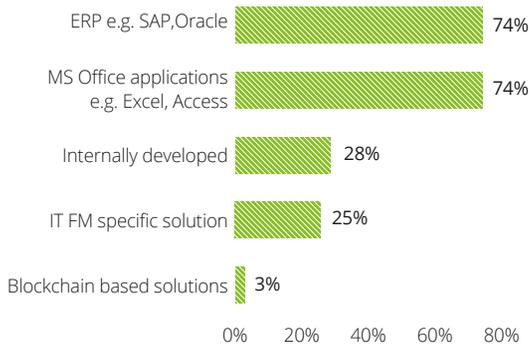
■ Not got, not valuable
 ■ Got, not valuable
 ■ Got, valuable
 ■ Not got, valuable

Q7: Which reporting metrics are currently available to you, and which would be the most valuable to support you managing your business? Please select all applicable options in "Got/Not Got" and a maximum of two options in case of "Valuable"

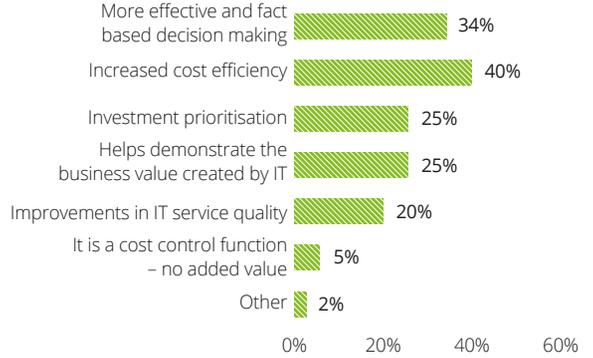


■ Not got, not valuable
 ■ Got, not valuable
 ■ Got, valuable
 ■ Not got, valuable

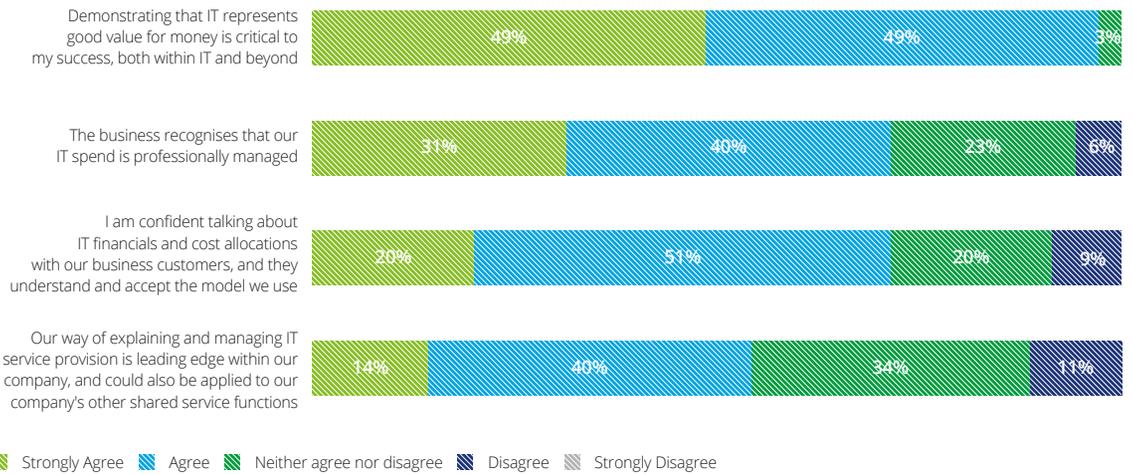
Q8. Which toolsets do you use to enable IT FM?
Please select all that are applicable



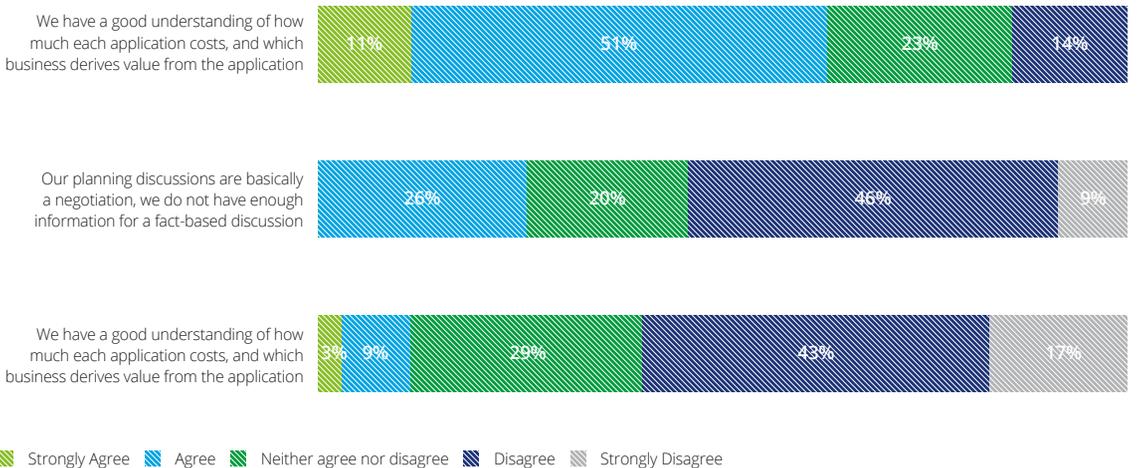
Q9. Please state what value IT Financial Management delivers. Please select all that are applicable



Q10. Please state which of these statements you agree with



Q11. Please state which of these statements you agree with





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