Six habits of TBM success

2016 Global Technology Business Management (TBM) Proficiency Assessment Report
CIO Advisory

start

June 2016
Introduction

What is Technology Business Management (TBM)?
TBM is an internationally recognized discipline under the TBM Council, with a framework and approach that brings together the right people, processes and technology to enable organizations to manage IT in a fact-based, customer-focused way. TBM improves visibility of IT at a cost and performance level allowing the IT organization, and the business as a whole, to make better technology decisions that can optimize technology costs and/or improve the quality measurement and communication of the value of IT services.

TBM comprises four capabilities
TBM incorporates three key capabilities, built on a foundational capability of transparency modeling, to allow greater visibility of technology costs and drivers. These capabilities revolve around IT planning & budgeting, IT funding & service charging, and IT financial analytics (see figure 1).

Over the past two years KPMG member firms have collected survey data that measures an organization’s proficiency with TBM, providing insight into how proficiency can be improved and how that improved proficiency correlates with increasing value. In the following report we present findings and recommendations from our second year of survey results.
About the survey

The KPMG 2016 Global Technology Business Management (TBM) Proficiency Assessment Report is the second in our series which provides an overview of the maturity and the drivers for practitioner success based on today’s challenges for an IT organization, and its CxO roles – the people, the process and the enablement data and technology that supports IT cost, performance and value.

It is based on a KPMG proficiency survey, which was conducted from March 2015 to March 2016 with a growing set of global organizations from a cross section of industries and we believe is a barometer by which organizations can measure and benchmark their progress along the TBM journey.

Since our first report issued in March 2015, our respondent data set of practitioners has doubled (over 200 respondents), giving us opportunity to refine our previous results and report on new findings. It should be noted that KPMG’s TBM Proficiency Survey now forms part of the on-boarding process for the TBM Council of newly registered organizations and has been adopted as part of the TBM Council annual awards evaluation process.

In this year’s report we reveal the key factors for TBM proficiency and how much these matter in the success of implementation of TBM disciplines to create value from IT. Using our growing global TBM database, member firm professionals provide practical advice about how best to prioritize and sequence the activities that can help move your TBM proficiency from good to great.

The survey is always open: we are continually gathering new responses and can provide tailored proficiency assessment reporting. If you haven’t already done so, you can take the survey by using the following link: kpmg.com/uk/tbmsurvey
**Survey demographics**

Our research is based on 200+ respondents from 170+ companies, representing a cross section of industries including Banking, Insurance, Energy, Consumer Product Goods (CPG), Healthcare, Manufacturing, Transport, and Technology, Media & Telecommunications (TMT), with a global presence covering 25 countries. Representative groupings include:

- Respondents – 67 percent from the IT function and 21 percent from the Finance function, across Director level or above (VP, C-Level);
- Organizations with global reach of IT services is 52 percent;
- Annual IT budgets of US$250m+ for 53 percent of respondent organizations (12 percent having annual IT budgets greater than US$2bn). The majority (86 percent) of IT budgets were centralized;
- Over 70 percent of organizations have outsourced up to 40 percent of their IT budget (12 percent of organizations in our data set having outsourced more than 60 percent of their annual IT budget).

**TBM Leaders**

As part of this survey KPMG has created a TBM Proficiency Index based on how organizations perform against each of the key capabilities for TBM success. We see that 15 percent of organizations in our data have a TBM Proficiency Index that puts them ahead of the rest – they are referred to as TBM Leaders.
About the survey cont...

This report highlights the unique set of behaviors that TBM Leaders demonstrate to become exemplary in TBM - the habits of TBM success where they score greater than 90 percent in the capability of "delivery of IT operational transparency and success". Nevertheless, as good as these leaders are, only 66 percent of them are seen to be delivering business value objectives.

Keeping pace with technology-driven disruption continues to be a top concern for C-suite executives. Both external and internal disruption is driving technology leaders to rapidly embrace change toward new operating models, a rapidly evolving risk landscape, demand for differentiated solutions to support the business agenda, all while provided as a cost competitive IT service.
Six habits of TBM success

1. **The power of Service Clarity**: 62% of practitioners do not clearly define and publish IT technical services.
   - 6x more successful with clearer service offerings

2. **Data, Data, Data – Collect and Maintain the Right Information**: 50% of TBM practitioners do not fully collect and maintain the right information.
   - 10x more successful with the right quality of data

3. **Industrialize TBM Tools**: Only 32% of TBM practitioners use commercial TBM tools.
   - 6x more successful with the right TBM tool enablement

4. **Put the CIO in Charge of TBM**: Only 50% of practitioners put the CxO in charge of the TBM program.
   - 4x more likely to be successful with CIO in charge

5. **Conduct Periodic Reviews of IT Portfolios**: Average of 55% of practitioners never perform, or only adhoc, reviews of their IT portfolio.
   - 5x more successful with regular annual reviews

6. **Build the Right Skills and Processes to Sustain the TBM Journey**: 51% of practitioners do not have the headcount or skills to articulate IT value.
   - 11x more successful with the right skills

The power of Service Clarity

- 62% of practitioners do not clearly define and publish IT technical services

Data, Data, Data – Collect and Maintain the Right Information

- 50% of TBM practitioners do not fully collect and maintain the right information

Industrialize TBM Tools

- Only 32% of TBM practitioners use commercial TBM tools

Put the CIO in Charge of TBM

- Only 50% of practitioners put the CxO in charge of the TBM program

Conduct Periodic Reviews of IT Portfolios

- Average of 55% of practitioners never perform, or only adhoc, reviews of their IT portfolio

Build the Right Skills and Processes to Sustain the TBM Journey

- 51% of practitioners do not have the headcount or skills to articulate IT value

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In today’s world of digital disruption, the role of the CIO is fundamentally changing. Their focus has moved beyond ‘keeping the lights on’ to creating business value, focusing on customers, harnessing the social and technical disruption all around, using resources dynamically, implementing innovative IT and business products and creating an environment that can better attract and retain talent. We have labeled this phenomenon as the emergence of the ‘Creative CIO’ - who is characterized by being a transformational business leader, technology strategist and business model innovator. The Creative CIO frees up funding to drive innovation by delivering savings in other areas, for example, simplifying the IT estate, improving operational discipline and exploiting open source, cloud and other technologies. This can only be achieved by the clear understanding of the cost and performance of IT. From this they can identify the opportunities to drive the value from IT through continued improvement of operational disciplines and exploiting innovative technologies.

In KPMG member firms’ experience, working with a diverse set of companies worldwide, we have learned that financial transparency over the IT services delivered by the organization – the ability to clearly capture the consumption, cost/price, quality, and performance of IT services – is at the root of true IT value generation. Today many executives are still asking challenging questions about the perceived lack of IT transparency. They’re also asking how TBM disciplines can play a pivotal role in managing IT like a business and how these disciplines can be successfully applied beyond the IT function.

At a global level more than 55 percent of respondents have achieved some repeatable success through TBM in driving visibility into IT spend, while reducing operational costs and increasing spend control.

KPMG defines TBM proficiency based on how the organization uses its people, processes, and technology against a set of capabilities and objectives to achieve successful outcomes.

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2 The 2016 Harvey Nash/KPMG CIO Survey is the largest IT leadership survey in the world in terms of number of respondents. The survey of 3,392 CIOs and technology leaders was conducted between December 12, 2015 and April 10, 2016, across 82 countries.
Executive summary cont...

In our research member firms use the following capabilities and objectives as the markers of success in TBM.

There are a number of key findings that can be drawn from the survey results. One of the most important finding is that a key contributor to the success of a TBM implementation is when organizations embrace the management of IT with a service portfolio lens. This is true regardless of where you are on the journey, and will ultimately drive the ability to consistently deliver business value through IT.

TBM Leaders are adept at collecting and maintaining the data accuracy of service consumption information, and using this to allocate IT costs. Using Service Management tools, they are systematic in reviewing their service portfolios and how they are structured and managed, and then make it very clear to their business partners the services they offer. In addition, these organizations have the CIO in charge of achieving TBM success. There is a strong logic to this, due to the CIO’s unique vantage point – he/she has an intimate knowledge of the IT operation and how this needs to align to business processes. The CIOs that have the most impact are the ones who are able to articulate the value of IT in ways that appeal to business partners.

The overall result of the survey is not surprising. There’s no real difference between what TBM Leaders and All Others consider important in order to drive TBM success. The difference is that TBM Leaders execute on these priorities and achieve their objectives whilst their counterparts fall short.

Source: KPMG International: 2016 global technology business management (TBM) proficiency assessment report
Executive summary cont...

**Key findings**

Our analysis shows one of the most effective ways of achieving TBM success depends on where an IT organization is on its TBM journey. For companies just starting their TBM journey, the six things that can most rapidly improve TBM proficiency are:

1. **Start defining and publishing** a list of services
2. **Focus on your data to support transparency.** You don’t need perfect data, but should build a sustainable process for improving data quality
3. **Move away from spreadsheets and use a TBM-enabled toolset** to sustainably manage IT finance and reporting
4. **Acquire the skills to articulate IT value** in a language that is understood by the business
5. **Ensure that regular reviews** are performed across your IT portfolios – technology, applications and vendors – to assess performance and re-model using TBM disciplines to changing disruptive market
6. **Make the CIO or CFO responsible** for achieving TBM outcomes

Companies which learn to “Run IT as a Business” through TBM can improve their insight into the cost, quality, performance and value of their IT services.

For organizations further along their TBM journey and seen as TBM leaders, the following activities are the extension keys to effectively achieving TBM proficiency:

- Collect and maintain all technology costs, service consumption information, and resource utilization information. (Clearly, having a dedicated TBM tool is a prerequisite here)
- Hone the ability to articulate the value of IT in terms of a business service hierarchy that appeals to business partners
- Maintain a tight connection between technology and business goals and the tracking of the value of IT through benefits realization that supports the consumer’s business case.
- Make it very clear to your business partners the complete set of services they can tap into.

Only 30% of respondents have been able to demonstrate delivery of true business value.

Source: KPMG International: 2016 global technology business management (TBM) proficiency assessment report
The six habits of TBM success

Our research helps demonstrate that a TBM leader can successfully reduce IT operating cost whilst increasing spend control, articulate the business value of IT and not allow technology cost structures to impede business responsiveness. They achieve this by practicing the six habits of TBM success.

Organizations that want to build a successful TBM program should emulate TBM Leaders and adopt these habits too:

The power of service clarity

Clearly defining and publishing the services that your organization makes available to business partners, i.e technology to application to business services, is an important part of the organization’s journey to mature Service Management as well as a key alignment to TBM proficiency. Moving up the full Service Management stack will allow the structure to support cost allocation end-to-end for IT services.

IT organizations need to start by investing the time to define and publish their technical infrastructure services (e.g. Data Centre, Compute, Network, End User Computing), as this will drive clear visibility to align service cost allocations (hardware, software, personnel, outsource services, etc) to the services – the “IT for IT” view. Doing this will boost your likelihood of TBM success by a factor of six. The maturing of this service hierarchy alignment, even partially to a set of business services eg: business applications or processes, that the business partner will understand will increase your likelihood of TBM success by an average factor of four.

If you’re more advanced in TBM and already have robust technical services, focus on completely defining and publishing a set of end-to-end business services that brings end user (e.g. Service Desk), application portfolio and professional services (e.g., project management, consulting, training) into alignment with technical services.

Our analysis underscores that there’s no extra benefit to going deep on the business process side to define a rich set of business services. Keeping the list at a higher level (e.g., ERP, custom applications), but clearly linked to the business processes with aligned financial transparency with appropriate allocations, is sufficient to drive TBM maturity.

#01

Source: KPMG International: 2016 global technology business management (TBM) proficiency assessment report
The six habits of TBM success cont...

#02 Data, Data, Data - collect and maintain the right information

A well-defined process for improving data quality remains a critical part of any TBM journey – data equals credibility.

The survey reveals that 81 percent of TBM Leaders agree or strongly agree that they follow a well-defined process for improving data quality. Also important is collecting and maintaining the right information from trusted or certified sources, including technology costs/consumption, resource utilization costs, IT asset information, service performance data and project time allocations.

Only 50 percent of respondent organizations who are not TBM Leaders fully collect and maintain the right information, and 64 percent do not follow well-defined processes for monitoring and improving the quality of IT data. If the other 50 percent started to focus on these data activities and they all started the process for improving data quality, they would be on average 10 times more likely to be successful in TBM leadership.

As we said in our previous year’s report, TBM is based on being a credible generator of business value and without data quality there’s no credibility. Fully collecting and maintaining accurate technology costs, and the implementation of foundational processes for understanding and improving data quality against these costs, is the bedrock of TBM.

Even though you may be concerned by your organizations data, don’t use this as a reason not to start. You don’t need perfect data to start the journey, and moreover the journey will highlight the most key areas to refine your data.

Source: KPMG International: 2016 global technology business management (TBM) proficiency assessment report

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Industrialize TBM tools

TBM Leaders have low reliance on spreadsheets, which quickly become unsuitable for sustaining a TBM transformation. There are purpose-built tools available for managing and maintaining a TBM transformation. These are vital for sustainable TBM proficiency that takes account of the complexity of driving IT cost transparency across the different data sources and alignment of allocations between technology, applications and business services.

For financial management and reporting under the survey, moving from spreadsheets to a commercial application/platform designed for TBM increases the likelihood of success by a factor of six. An overwhelming majority (84 percent) of TBM Leaders find their tools for financial management and reporting effective versus only 31 percent of All Others.

TBM Leaders will seek to integrate their TBM toolsets into service management, software/hardware asset, financial, portfolio management systems. They think beyond transparency to cost and want visibility and modeling into the performance, consumption and quality of IT. However, even with the move to an integrated view of performance, consumption and cost, only around 50 percent of TBM Leaders are satisfied with their tooling leaving a lot of room for improving how these vendor products are integrated to support running IT as a business.

However, survey data and member firms’ own experience in TBM engagements demonstrate that tools are not in themselves a silver bullet. An organization also needs robust organizational change management to accompany TBM transformation efforts (see Habit four: Build the Right Skills and Processes to Sustain the TBM Journey).

Source: KPMG International: 2016 global technology business management (TBM) proficiency assessment report

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Build the right skills and processes to sustain the TBM journey

You need the right organizational model (people/skills, governance and processes) in place to make TBM effective. The data here is emerging, but TBM Leaders have doubled their success where they have made organizational change management part and parcel of their TBM transformation.

The TBM skill with the most impact is the ability to articulate IT value in ways that appeal to business partners. Building skills where there is a blend of IT and business knowledge to articulate IT value that business partners understand increases the likelihood of TBM success by a factor of 11. But a host of other TBM-specific skills are needed. Make sure you develop and maintain the following skills as a foundational part of your TBM journey:

- The ability to simultaneously speak the language of business, finance, and IT
- The ability to provide business partners with information on the trade-offs between service cost, quality, and performance
- The ability to manage service capacity in response to changes in business demand to IT supply
- The ability to manage business and vendor / supplier relationships

TBM Leaders build this capability at a senior executive level, providing the broad skills to communicate value in a credible manner. Too often this gets diminished to an analyst or manager role that does not have the necessary breadth or depth.

Source: KPMG International: 2016 global technology business management (TBM) proficiency assessment report

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The six habits of TBM success cont...

#05 Conduct periodic reviews of IT portfolios

KPMG member firms have seen a clear link between TBM proficiency and the propensity to undertake regular reviews (monthly, quarterly or annually) of TBM components and source data. TBM Leaders distinguish themselves by undertaking, at a minimum, quarterly reviews of the various IT portfolios to bolster TBM success.

The research shows that for All Other organizations moving from ad hoc reviews to a regular annual review multiplies the likelihood of TBM success by a factor of four – five across service, application, vendor/supplier, and core technology / infrastructure portfolios. Furthermore, reviewing the Total Cost of Ownership (TCO) of your services on an annual basis increases the likelihood of TBM success by a factor of three, and this can be further enhanced with the use of industry benchmark comparisons.

TBM Leaders conduct reviews with the specific purpose of using the accuracy of cost transparency as a foundation for optimization opportunities for cost reduction and improving service quality. The Creative CIO will use the TBM disciplines to track the benefit realization of delivered savings across the IT and operational portfolio to allow the investment in the innovation that will support the IT and business transformation agenda.

A disciplined review process driven by focused goals is key to moving from cost data to cost visibility and insight, and ultimately, to business value.

Source: KPMG International: 2016 global technology business management (TBM) proficiency assessment report
The six habits of TBM success cont...

#06 Put the CIO in charge of TBM

The survey has consistently demonstrated that putting the CIO or CFO in charge of TBM boosts proficiency by a factor of four. The CIO leads the TBM initiative in 60 percent of TBM Leader organizations and half of organizations overall who have achieved some or repeatable TBM success. The boost should not be a surprise.

Whilst appointing the CIO as the TBM lead does not in itself guarantee success, all the evidence points to the CIO as the natural owner. The Harvey Nash/KPMG 2016 CIO Survey aligns the move of the CIO to be a transformational business leader who is focused on more than “keeping the lights on” but the value creator for the business – the Creative CIO. TBM is an enabler and accelerator that will support this business transformational leadership.

No matter who owns it, it is imperative that ownership is clear and understood in the organization, and that the point of accountability has the ability to direct or influence the range of cross-functional activities required for success.

Source: KPMG International: 2016 global technology business management (TBM) proficiency assessment report
The predictors of high TBM proficiency

TBM Leaders score high on the TBM Proficiency Index—that’s simply a matter of definition. However, there are three practices that clearly distinguish TBM Leaders from all others that can confidently be used as a proxy for determining if an organization is a TBM Leader. These practices are:

**Establishing and maintaining a clear connection between technology and business goals**
Fifty eight percent of respondents agree that they clearly link their technology goals to business goals but only 16 percent strongly agree that they do this. The difference between simply agreeing and strongly agreeing is not merely semantic—it’s relatively easy to make an initial connection between technology goals and business goals (say, at the end of the annual planning session). However, maintaining this connection between technology and business goals as the year unwinds is very difficult.

TBM Leaders are adept at maintaining the connection between technology and business goals, especially as business goals evolve in response to market conditions. And the importance of this to TBM proficiency is clear: when organizations go from making to maintaining the connection, their likelihood of being a TBM Leader increases by a factor of 5. This ensures that TBM Leaders are talking to the business in the language that they understand and that this is translated into a clear view of how technology supply works against the business demand goals.

**Allocating IT costs by actual or planned consumption**
It is a leading practice when organizations drive the liquidity of IT costs through charge back, allocating IT costs by actual or planned consumption. Moving from allocating IT costs by actual or planned consumption for just a few services to many services increases the likelihood of becoming a TBM Leader by a factor of 5. More than 66 percent of TBM Leaders use this method of allocation for many services whether they perform recharge or not.

**Integrating ‘what-if’ scenario modeling and forecast-driven demand management into TBM**
These are advanced TBM practices reflected by the fact that only half of all TBM Leaders have successfully integrated them into their TBM journey. Successful scenario planning is a predictor of TBM success, as being able to do this well increases the likelihood of being a TBM Leader by a factor of 10. Furthermore the ability to use historical transparency of consumption and cost to enable forecast-driven demand means that an organization is 2.5 times more likely to be a TBM Leader.

Doing these elements well gives IT more visibility and control over the supply of services which in turn highlights where the information gaps are and suggests ways of improving processes and technology to fill these gaps.
Conclusion

Based on numerous TBM engagements across a diverse set of industries and two years of survey data, we are able to demonstrate a correlation between a set of practices or habits that define a high level of TBM proficiency and give an IT organization the ability to articulate and deliver business value to its stakeholders. These habits of TBM success include:

1. Get started with defining and publishing a list of technology services that support your organization and mature with application and business service hierarchy mapping
2. Work with the data you have but put a focus on the process for improving data quality
3. Look at a purpose-built tool for TBM rather than rely on spreadsheets to provide sustainability of cost transparency and reporting. Integrate TBM into the wider IT service and performance toolsets
4. Build skill sets within the IT organization so as to be able to talk about IT value in ways that are understood by the business
5. Perform regular reviews across IT portfolios to test the accuracy of cost transparency and seek to drive insight into optimization opportunities
6. Get CIO or CFO sponsorship for your TBM program

TBM success does not depend on structural factors such as the geographic scope of your business or the size of the annual IT budget. Organizations of all sizes and with a diverse set of business operating models are capable of achieving TBM success and delivering true business value from IT. TBM is about opening up the transparency of IT to drive better fact-based insight into the true costs that support the running of your business. The journey starts with a plan against clear set of outcomes and capabilities to be delivered over time – the TBM journey.

So why do TBM?

Articulating the business case for TBM remains a key challenge. But in our view, it can be explained quite simply.

TBM increases transparency around the value of IT through better and more accurate cost and performance management, and by improving data quality and relevant insights to services that consumers care about. This builds trust with your consumers, and enables you to identify appropriate opportunities for optimization to support both innovation and how to drive sustainable value from the existing IT investment against a wider business transformation agenda.

This in turn moves the Creative CIO and the IT organization collectively, from being a technology provider to being a value creator/strategic enabler of change for the business. TBM, quite simply, is the set of financial and commercial disciplines that enables this to happen.

So as to the question “Why do TBM?”….Well, why wouldn’t you!
How KPMG can help

KPMG member firms have developed a set of services from Strategy and Assessment to a Managed Service designed to support you, no matter where you are on the TBM journey.

**Strategy and Assessment**
- Evaluate the health and maturity of the program while identifying opportunities for improvement
- Utilize business requirements to determine model and process design and the required organizational structure for support

**Tool Evaluation**
- Support the client’s tool evaluation and selection process including managing proof of concept activities with vendors

**Planning, Design and Implementation**
- Manage an implementation and post-implementation of a TBM Solution from data to model to reports, while assessing the change and organizational impacts of the program
- Develop leading models (cost, price and recharge) and analytics tailored to client needs, socialize with stakeholders for maximum adoption
- Build the TBM Target Operating Model to sustain the TBM Journey and incorporate value analytics to assist in optimization efforts

**TBM as a Service**
- Benefit from KPMG member firms professionals’ expertise to manage and evolve the model and analytics for sustained value
- Focused effort on highlighting actionable insights synchronized with the client’s IT strategy
Understanding how TBM can benefit an organization is easy. Understanding how to achieve these benefits is another story. That’s a key reason to involve KPMG professionals early in your TBM decision-making process. To learn more about KPMG’s TBM Proficiency Assessment or how KPMG member firms can help your organization add IT value to the business, contact us:

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