Case Study

A Fortune 100 Life Insurer Reduces IT Planning Cycle Time by 80% with ApptioOne and Apptio Targetprocess

Apptio helps the company improve communications between IT Finance and Technology teams, link real-time resource costs with technology initiatives, increase forecasting accuracy, and reduce overall IT planning cycle time.

As one of the largest insurers in the United States, the company has a large IT organization supporting its diverse portfolio of products and services, with an annual budget exceeding $700 million a year.

The company's budget consists of two parts: an annual run budget to support ongoing operational expenses, and a multi-year investment budget to fund project work for strategic initiatives.

The IT leadership team believed that improving the company's budgeting and planning process could increase IT value and drive better business outcomes. Their objective was to shorten their annual run and grow planning cycles and conduct forecasting on a monthly basis, unifying legacy processes and leveraging multiple vendor teams.

In addition, the leadership team wanted to unify their annual technology planning process between the Finance and Technology organizations. Their objective was to create a new process to conduct annual planning for technology spend because the current process was highly complex, time-consuming, disjointed and unable to adapt to changing business needs. The new process would align teams into value streams and enable the IT leaders to define capacity by headcount and allocation and assign Minimum Business Increments (MBI) to teams instead of prioritizing everything simultaneously.

But before they could do any of this, the company first needed to improve communication and collaboration between the IT Finance team and the Technology team.

Budget and Forecasting Challenges

Like many large, complex organizations, the company's technology group used a formal project portfolio management (PPM) process to manage and deliver work. Most of the teams used a traditional waterfall approach, but the organization gradually transitioned to agile processes.

The budgeting process occurred in July each year. There were two separate budgeting events, one for the run budget and one for the grow budget, and the process was time-consuming and often disconnected from actual project execution.

As the Head of IT Finance put it, "What technology was doing from a resource perspective wasn't tied to what finance was doing from a budgeting perspective."

At the time, the company was using a spreadsheet-driven process combined with a PPM tool to connect financials with project portfolio planning. But the process was fragmented and slow, taking 15 weeks to complete, and often was inaccurate. Finance didn't have a clear view of what the technology teams were doing; hence, budget coordinators couldn't visualize the budget impacts, making the planning process challenging.

Selecting the Right Tool for the Job

For executives to make better decisions, the company needed to bring technology and finance together by turning its fragmented planning process into a closed-loop system that held teams responsible for planning and prioritizing work.

To do that, they needed to connect planning data—project portfolio estimates—with actual financial data in a one-to-one relationship. But that involved integrating data from several different systems—the company's PPM tool and SAP—while supporting the company's strategic plan to move to agile.

Since the PPM tool they were using could not fully satisfy the company's goals, the company's IT leaders evaluated other software tools. They were looking to move away from traditional PPM tools in favor of a system that enabled them to do resource planning, time tracking, status reporting, financial planning, and support agile processes.

When the evaluation was finished, the company decided to implement ApptioOne and Apptio Targetprocess.

Improving Visibility for More Accurate Forecasting

ApptioOne, an IT Financial Management tool that unifies financial and operational data into a unified model built on the industry-standard taxonomy of cost categorization, and Apptio Targetprocess, a visual software solution for scaling agile across organizations, were deployed and integrated into the company's ecosystem in less than three months. Soon afterward, the company not only changed the way it managed work but also transformed the budgeting and forecasting process.

The company now relies predominantly on four systems for IT portfolio and demand management, annual planning, multi-year investment planning, and work execution: ApptioOne, Apptio Targetprocess, Jira, and Tempo.

ApptioOne is used to input budget data. Annual IT planning—both run and investment planning—is performed in Targetprocess; the company's Strategy and Planning leads define initiatives that align with the company's strategic goals and input those into the system. Once an initiative is approved, it is sent to Jira for work management, and time is tracked using Tempo.

End-to-end integration, enabling access to real-time portfolio and costing data-driven by automation rules, provides insights and visibility to the people who need it. This helps executives make the best possible decisions based on the freshest possible information.

By integrating tools, the company is now able to link agile and traditional work directly with budget estimates. This has improved forecasting accuracy and reduced the company's IT planning cycle time from 15 weeks to 15 days, an 80% improvement.

Driving Technology Planning with Agile Decision Making

With ApptioOne and Apptio Targetprocess, the IT leadership team is able to achieve better technology planning by improving the company's financial and capacity planning processes.

The team now builds its financial plan by technology organization/cost center. The plan consists of the prior year baseline, planned new hires, updated existing contracts and associated amortization, and updated fixed asset amortization. The result gives the team both a fixed and variable financial capacity view by cost center—this equates to the amount of capacity to deliver for the budgeted dollars.

The team then uses the financial plan to help build the capacity plan. Planning teams break down their fixed and variable capacity into delivery teams (i.e., release trains). From here, the delivery teams are combined with both fixed labor and variable labor capacity and aligned to their respective roadmaps required for delivery.

The roadmap and value streams are prioritized into run versus grow. Items are quantified against the number of units (i.e., development days) it takes to deliver them. This gives the team visibility into the capacity needed to tackle projects and provides insight into where excess capacity can be redeployed or where shortfalls exist and additional funding is required or portfolio re-balancing is needed.

This new process reduces silos in the organization and ensures the company operates on one unified model that enables the financial plan to be tightly coupled with the prioritization of work between finance, technology, and operations.

Just One Piece of a Much Larger Strategy

Connecting costs to work execution is only the beginning. The company continues to strive toward an operating environment where the total cost of ownership of IT, distinguished by application and by business unit, is well understood.

To get there, the company has implemented a Consumption Office. The Consumption Office is responsible for overseeing and managing consumption of all IT resources in the company's hybrid IT environment, including infrastructure as a service (IaaS), platform as a service (PaaS), and software as a service (SaaS), as well as all physical hardware in corporate data centers or co-location facilities.

The main objective of the Consumption Office is to understand the true cost of IT to the company as it relates to specific business units and applications based on the actual consumption of resources.

But tracking the consumption of public cloud resources and allocating those costs back to business units is complex. For this reason, the company purchased Apptio Cloudability. Cloudability enables the company to report cloud costs based on workload usage, utilizing the cloud's tagging and account features, and import those values into ApptioOne for IT cost calculations.

The company is just beginning this part of its cost allocation journey. But when Apptio Cloudability is fully operational, it will allow the company to get an even more accurate picture of IT costs, whether applications run on-premises, in the cloud, or a hybrid.

Moving Forward

Implementing ApptioOne and Targetprocess has helped achieve measurable business outcomes. For investment planning, what once took 15 weeks to complete can now be done in only 15 days. And run planning, which once took months to do, can now be done in just a few days. The company simplified its tools ecosystem and now has a consolidated environment that is consistent in data management and reporting. Budget coordinators are pleased with the user-friendliness of the tools, and user satisfaction has improved. In addition, the company has reduced the time it takes for IT planning and improved forecasting accuracy. Future plans for the company include improving labor capitalization by refining its current service/sub-service model to include run the business (RTB) costs for applications and application clusters to understand an application's total cost of ownership (TCO) with transparency into their internal/external labor costs. Also in the works are plans to enable timesheet data from Jira to be integrated into ApptioOne so resource costs for headcount can be allocated into labor spend for projects.

Get Started

Apptio's products empower business leaders to drive optimal financial performance across their organizations. More than 60 percent of Fortune 100 enterprises trust Apptio to manage spend across the entire IT portfolio and beyond, so that they can focus on delivering innovation. Apptio automatically ingests and intelligently structures vast amounts of enterprise and technology specific spend and operational data and enables users across disciplines to report, analyze, plan, and govern their investments collaboratively, efficiently and with confidence.

For more information about ApptioOne or Apptio Targetprocess, visit apptio.com