Deep Dive into IT Finance

Pressing Topics of the Current Hybrid IT Environments

FINANCIAL WORLD OF INFORMATION TECHNOLOGIES

PENNY COLLEN
PENNYLCOLLEN@AOL.COM

ABSTRACT

Managing finances for hybrid IT environments has increased the complexity of challenges faced. Getting funding under corporate constraints and then explaining how that funding was spent takes considerable time. The need to research and adapt to changes in GAAP accounting and comply with regulations adds more pressure to a finance manager's day. Cloud options seem to multiply the issues faced. Everything must be accomplished faster!

This workshop provides a forum to discuss several pressing topics in IT finance today. Some topics are emerging as technology changes while others raise familiar questions. A few topics truly defy the test of time. Managing finances for hybrid IT environments has greatly increased the complexity of challenges faced. Getting funding under corporate constraints and then explaining how that funding was spent takes significant time. The need to research and adapt to changes in GAAP accounting and comply with regulations adds more pressure to a finance manager's day. Cloud options seem to multiply the issues faced. Everything must be accomplished faster!

Discussion Topics Starter List

IT VALUE PROPOSITION	CLOUD	BUDGETING	FINANCIAL ACCOUNTING ISSUES
Explaining value	Cloud cost management	Baselines and versioning of budgets	Managing business case financials: savings and revenue generation
Cost Savings vs Productivity improvements	Tagging	Variance tracking and explanations	Tech Debt
Communication and Education	Shadow IT: identifying cloud spending	Client involvement inputs	Governance
	Capitalization of cloud costs	Results Visualization	Audit responses
Cost transparency Risks and rewards	Cloud business cases/ Cloud cost savings	AI	Software Asset Management

Discussion Topics

PARTICIPANTS CAN INTRODUCE QUESTIONS ABOUT ISSUES NEEDING CLARIFICATION OR SOLUTIONS

YOUR WILLINGNESS IN SHARING WHAT WORKS FOR YOU SO ALL OF US CAN LEARN!

Explaining Value

Key business indicators

Strategic Plan

Are you bilingual?

Characteristics of KBI's

Forward Looking vs Historical Reporting

May include Financial, Operational Service goals

What KBI's work for you?
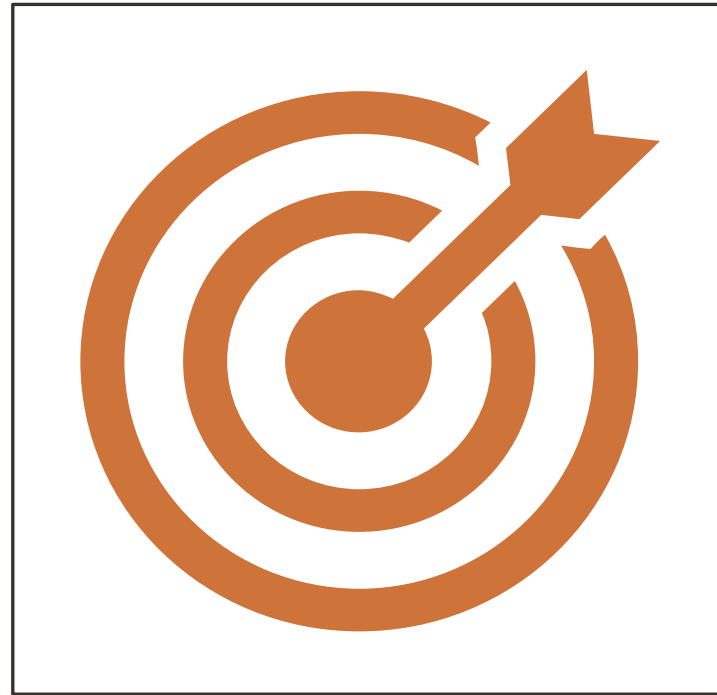# What stories do your KBI's Tell?

Pizza Box Indicator

Pain Killer Indicator

Strategic Plan

Over-arching Principles
for Decisions

Are you bilingual?

Requires Fluency in both
Finance And IT

Most important figure in negotiations

Cost savings vs. Productivity Gains

EVERYONE LOVES A NUMBER TO SHOW COST SAVINGS.

WHY DO YOU NEED MORE MONEY?

YOU ARE CONSTANTLY ASKED TO PROVIDE MORE WITH LESS.

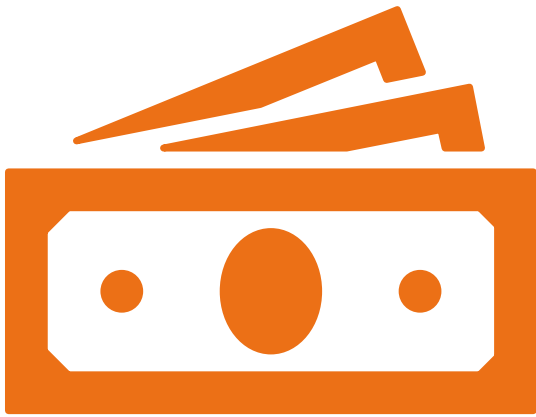CAN YOU CALCULATE MEANINGFUL COST PER UNIT?

Cost Savings

Where do you find the greatest savings?

What happens with the saving you achieve?

How do you represent savings to those outside IT?

More money please!

WHAT ARE THE MAJOR DRIVERS OF INCREASED COSTS IN YOUR ORGANIZATION?

?

What funding approach has gained the best response for you?
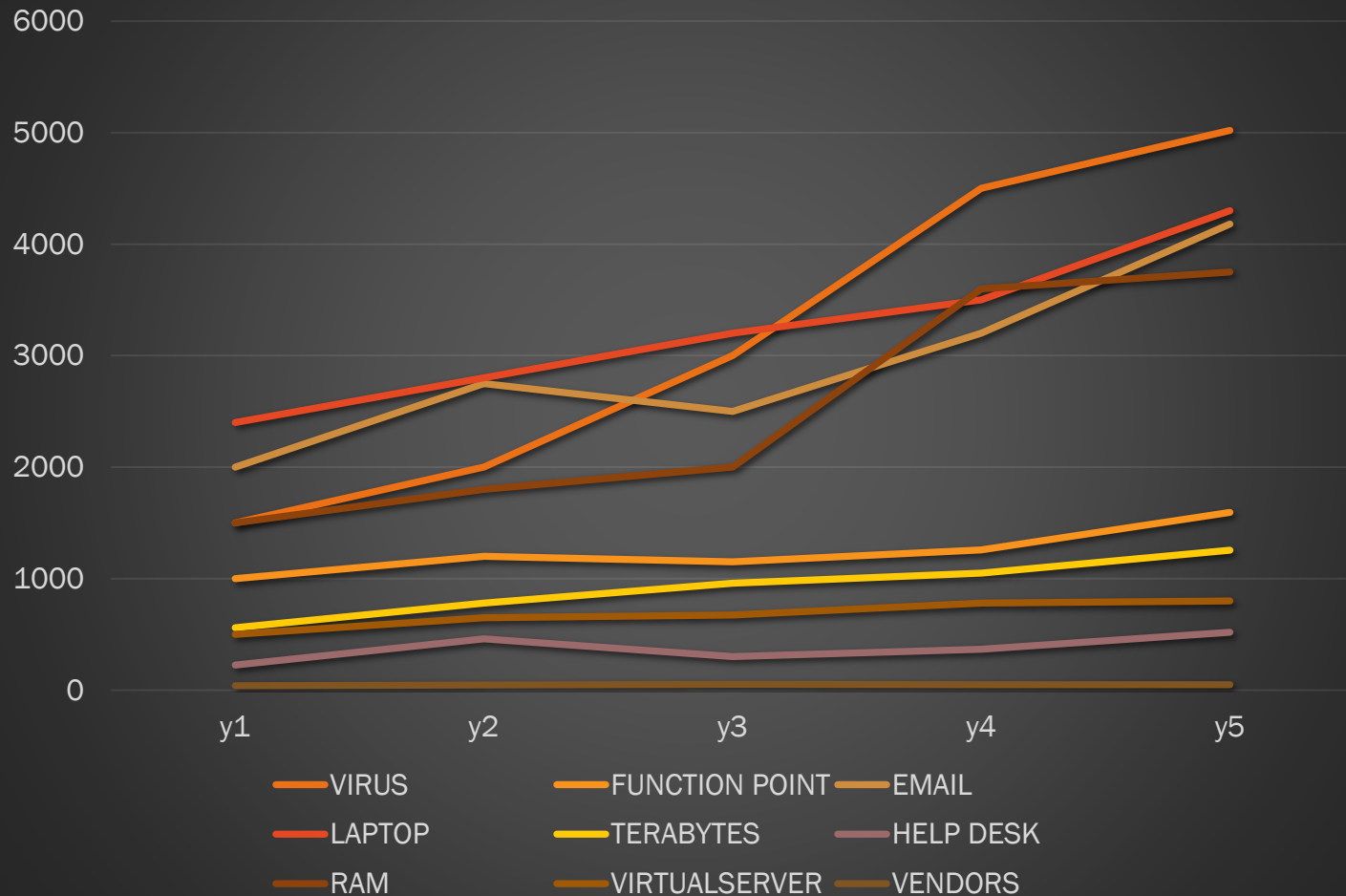
Productivity Gains

Cost per Unit Comparisons

❑ Facilitated by cost modeling

❑ Linked to usage measurements

Activity Volumes
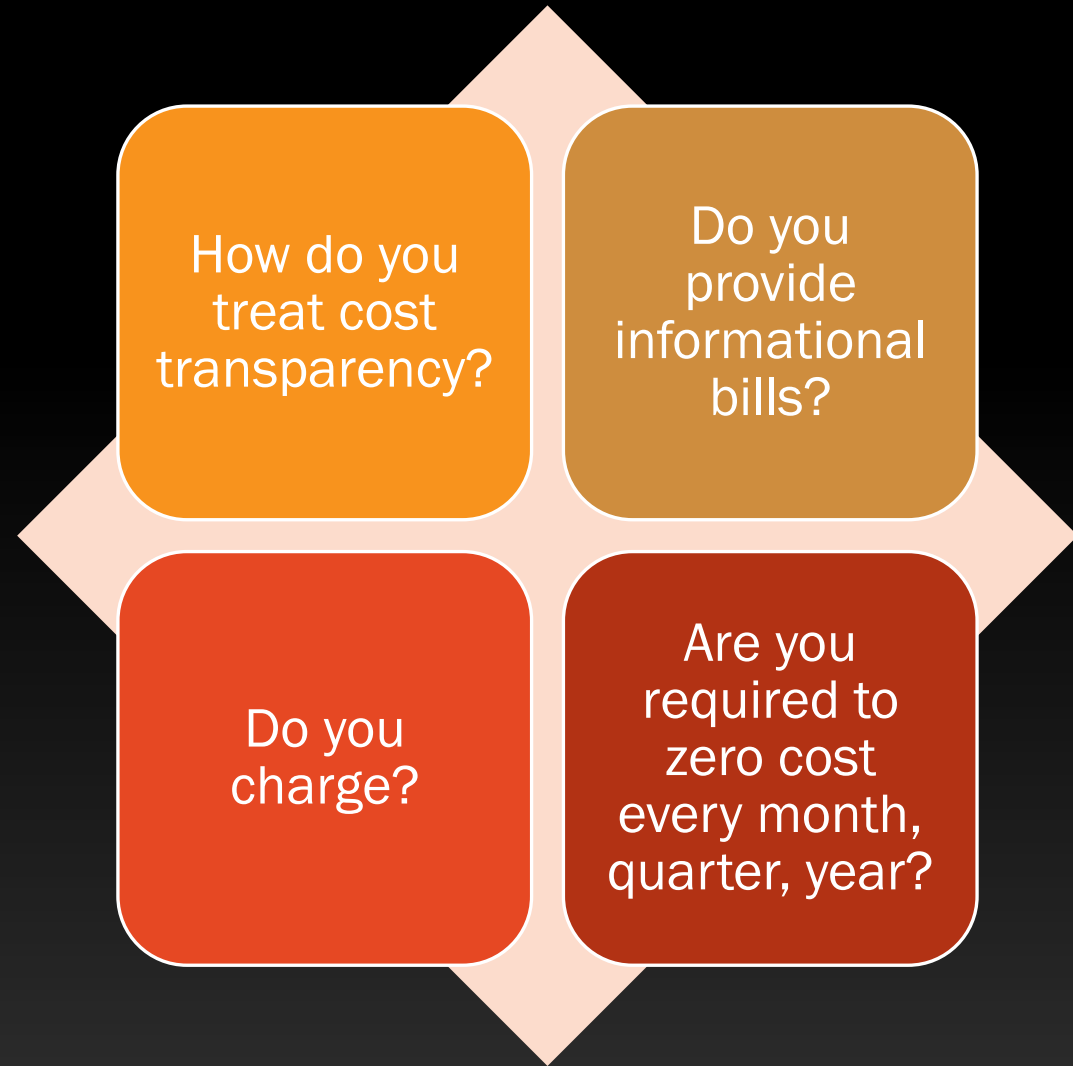
Compare work driver stats to costs

ITFMA 2023 Charleston © Penny Collen 2023

Cost transparency : Risks and Rewards

How do you treat cost transparency?

Do you provide informational bills?

Do you charge?

Are you required to zero cost every month, quarter, year?

Why chargeback processes fail

IT invents chargeback	Chargeback strategy not linked to corporate strategy	Pricing of IT services not tied to costs
IT personal sabotage efforts unknowingly	Services too technical	Clients do not understand what actions will impact charges
	Reward systems not compatible with desired action	

Communication and Education

Do you have a formal education plan for clients about IT finance?

Do you have regular meetings with clients sharing cost information?

Do you have a "Finance 101" class for IT personnel?

Do you prepare an annual report for IT?

How do you educate stakeholders about IT finance?

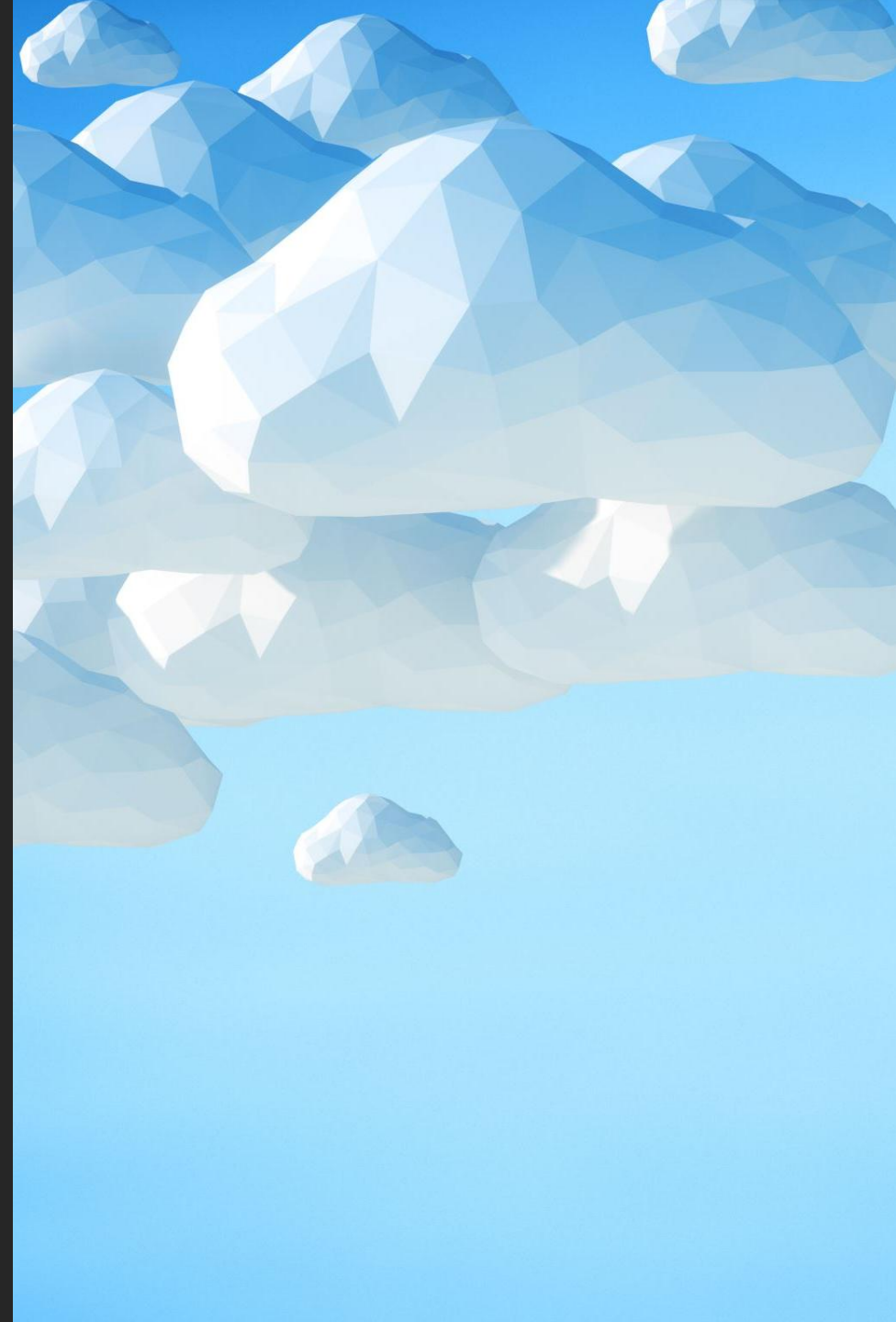# Cloud Cost Management

Who is responsible for cloud costs?

Who can request/contract cloud services?

What controls do you have in place to manage cloud costs?

Do you "chargeback" or pass through cloud services to the originator?

What tools do you use to manage and control cloud costs and usage?

Are there technical standards for cloud selection?

Where are your Cloud costs?

HOW DO YOU FIND CLOUD EXPENDITURES?

WHO PAYS FOR CLOUD?

Shadow IT: Identifying cloud spending

Why does shadow It exist?

Restrictive compliance and a lack of communication have the biggest negative impacts on employee experience, and can quickly result in Shadow IT.

As the IT Finance Manager, do you believe you have captured all shadow IT/cloud costs?

What method did you use to do this?

Cloud business cases

Do you prepare business cases for cloud moves?

Do you include costs like standardization or platform upgrades in the costs of transitioning?

Cloud Cost Savings

Does anyone attempt to track savings from work migrated to Cloud platforms?

What factors are driving Cloud usage in your organizations?

What percentage of your expenditures are cloud related?

CAPITALIZATION OF CLOUD COSTS

Cloud Bills What did I just pay for?

What tools are you using to help understand cloud bills?

Cloud bills a headache?

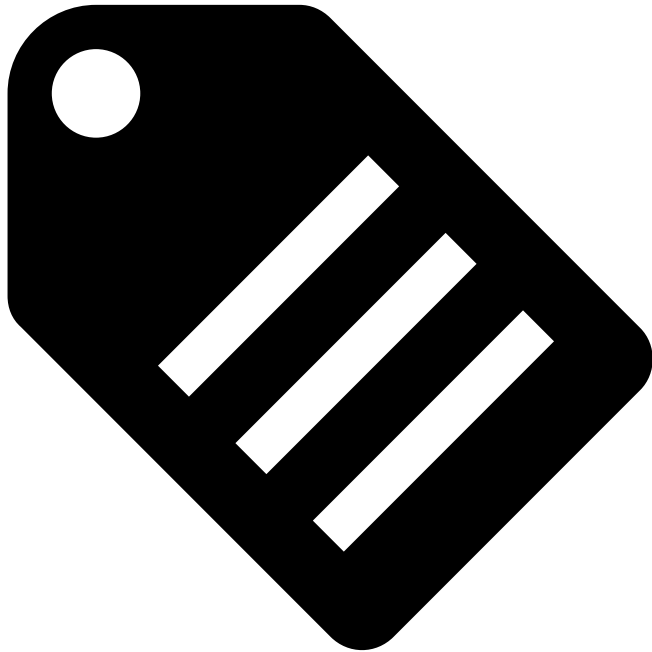All major CSP's offer free billing tools to support invoices

AMS, Azure, Google, etc.

Several indecent vendors offer management services (Ex: HP)

Several non-cloud providers offer software for billing analysis (ex: Pepperdate)

Tagging Cloud Expenditures

Every major vendor offers tagging

What "intelligence" do you want to capture?

HOW FREQUENTLY DO YOU ADJUST BUDGETS?

HOW OFTEN DO CORPORATE GUIDELINES CHANGE DURING THE BUDGET CYCLE?

DO YOU TRACK SUBMISSIONS BEFORE BUDGETS ARE APPROVED?

DO YOU START WORK (STAFFING) BEFORE FINAL APPROVALS ARE GIVEN?

HOW DO YOU DEFINE A BASELINE?

Baselines and versioning of budgets

This Photo by Unknown Author is licensed under CC BY-SA

When budgets are recast, does the baseline move?

Variance tracking and explanations

- Do you have regular reporting required for variations?

- Who does research on issues?

- Do you explain variations based only on costs or do you include usage to support data?

- Do you explain variations by client?

- Are clients asked to provide data regarding changes?

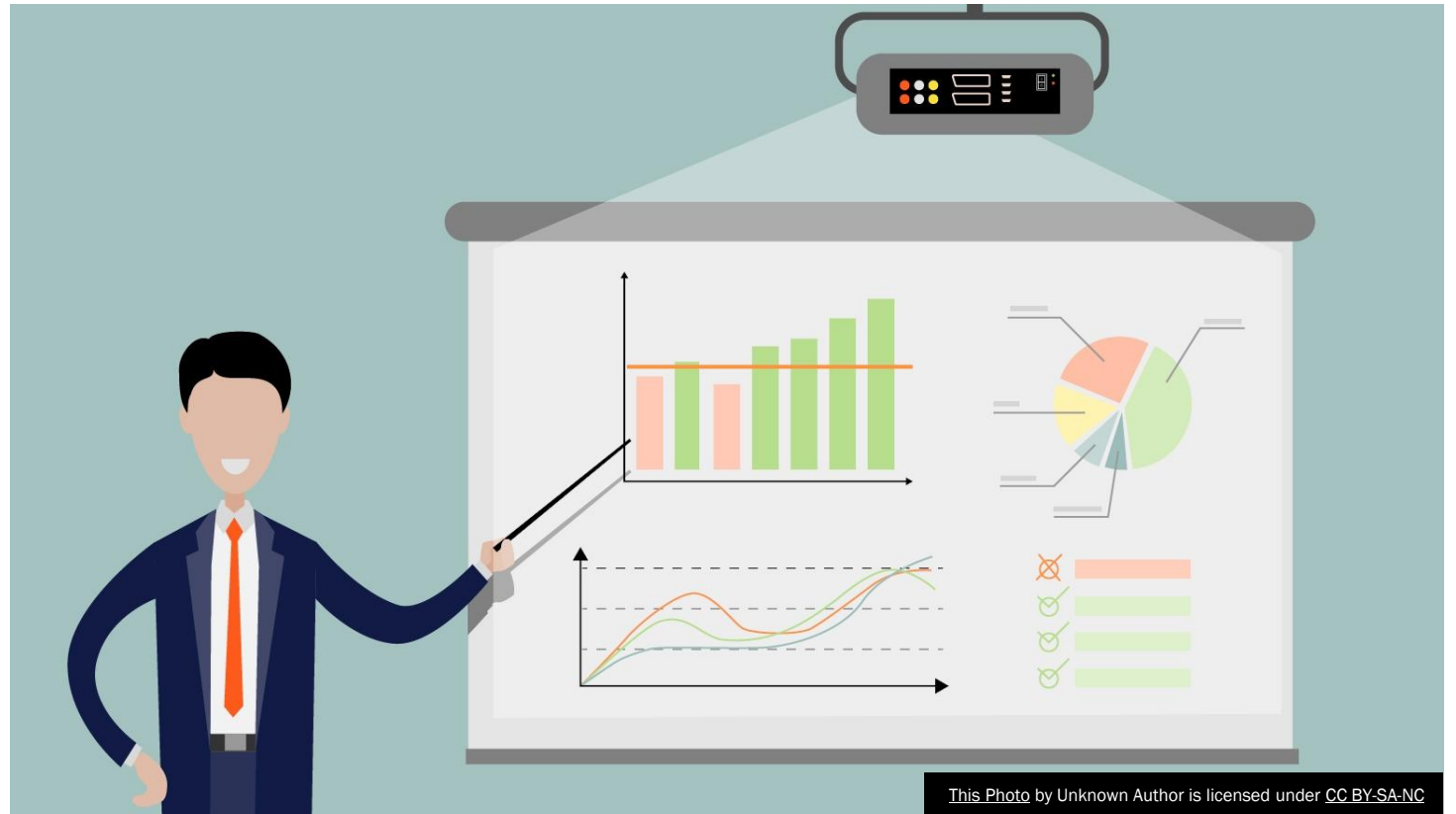- Do understand cost per unit? Are those costs broken out by contributing expense type?
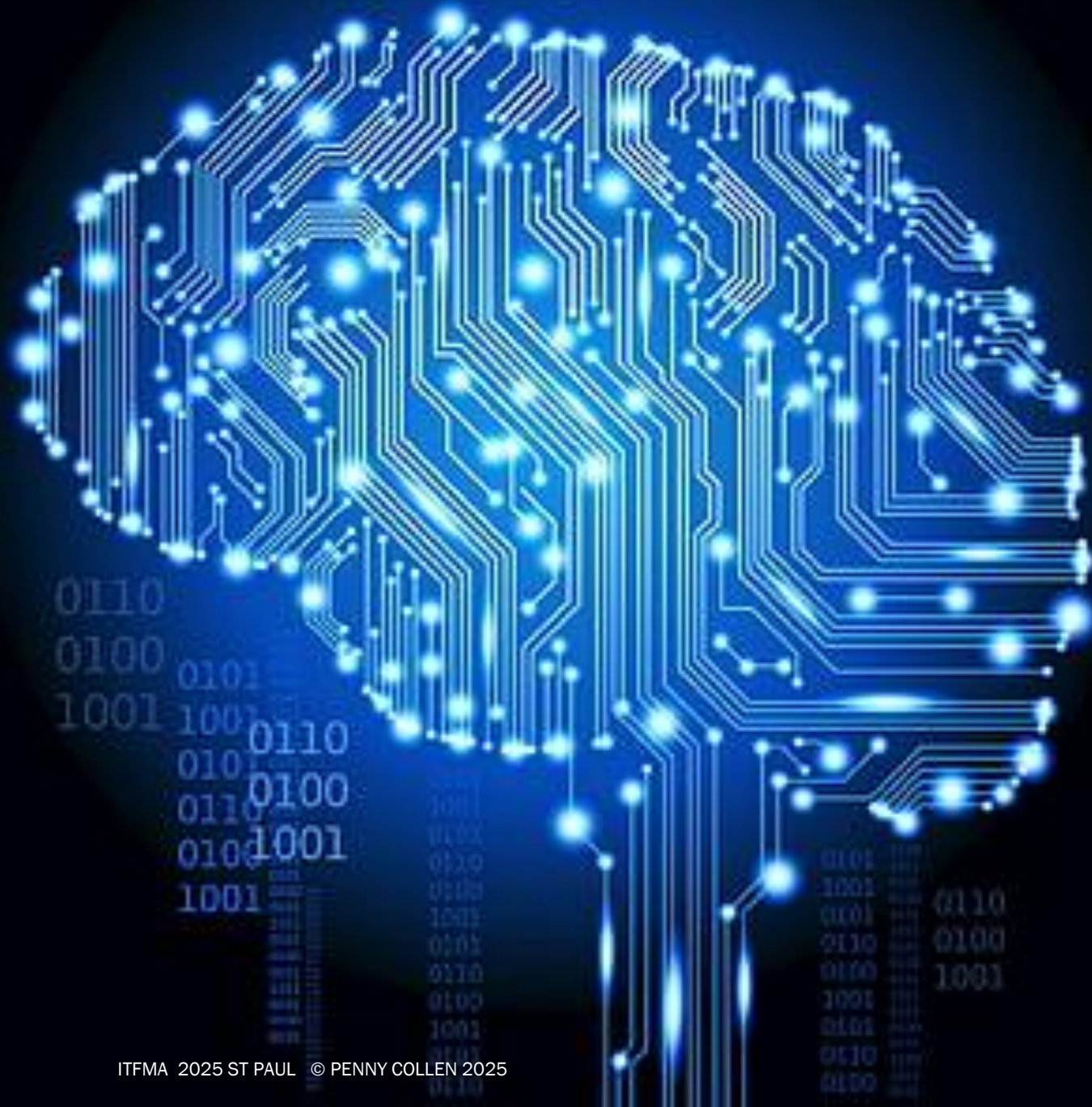
- How much detail is too much detail?

Results visualization

They say a picture is worth a thousand words. What are some of the best ways you have found to tell your financial story?

What impacts have you seen fom AI in your organization?
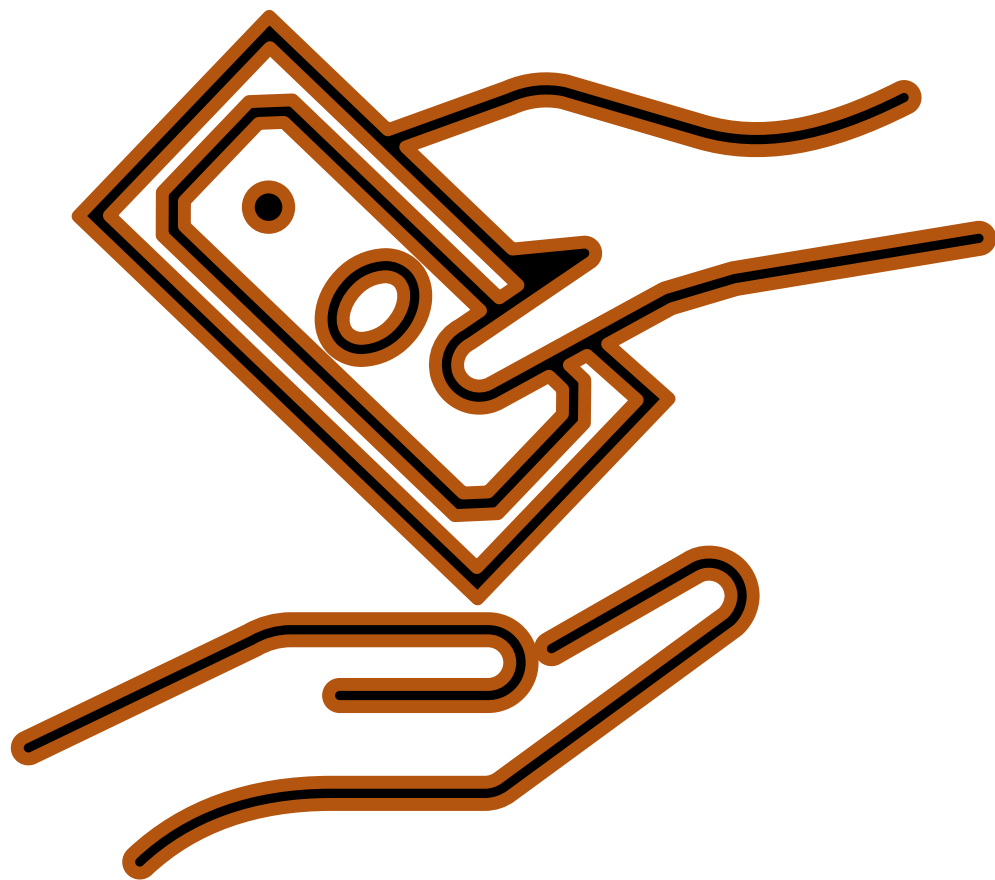
Agile Development cost management and capitalization

How do you manage costs?

How do you identify work qualified for capitalization?
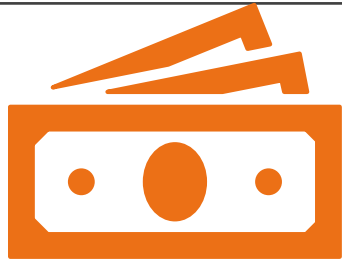
Tech debt

THE REALITY OF AGILE DEVELOPMENT

Tech Debt

What is it?

How do you fund it?

Does anyone remember Y2K?

The estimated costs to resolve Y2K issues was $300 Billion in 1999

Allowing for inflation, that would be $558 Billion in today's dollars
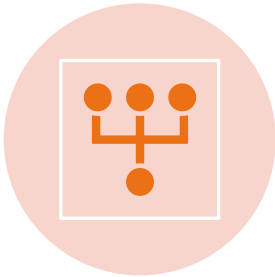
That includes $24B to "fix the fixes"

in 2000 and 2001

Governance

CONTROLLING THE PURSE STRINGS

How is Governance structured?
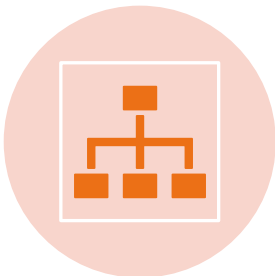
Do you have a formal process for governance of IT projects?

Who is involved?

How frequently do you meet?

What tools do you use to establish priorities?

Software asset management

Why is it important?

License contract terms
Discounts/penalties
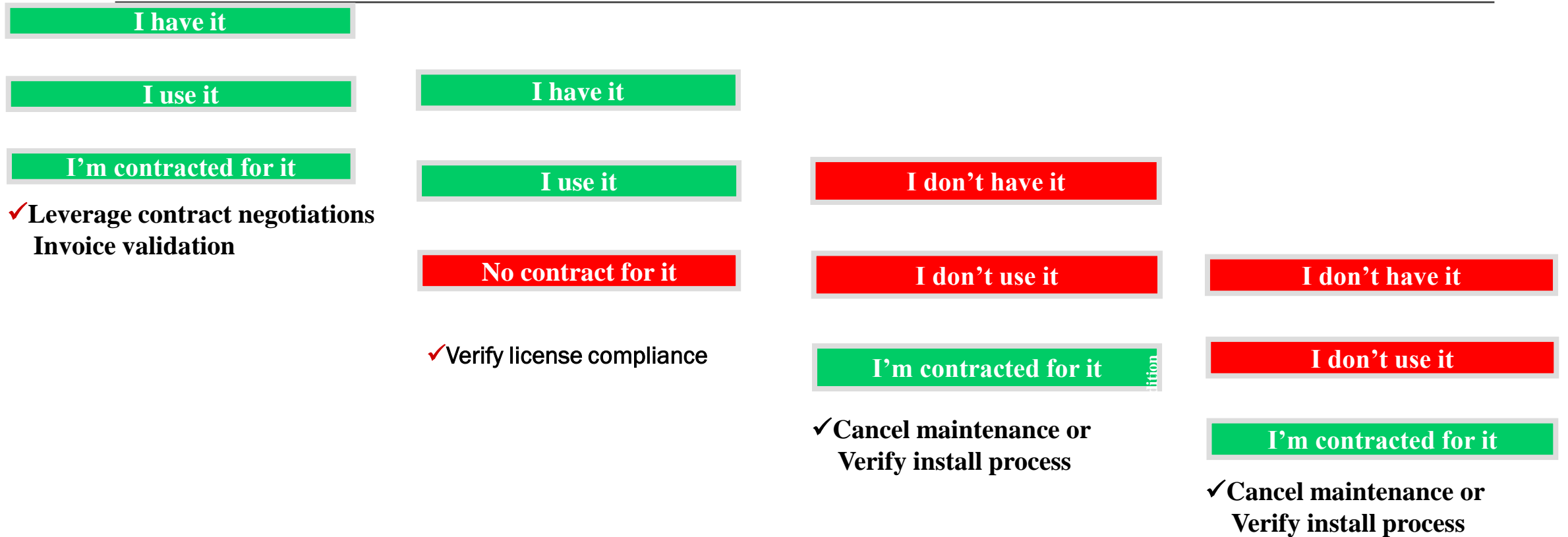Standardization efficiencies
Support requirements
Capitalization issues

What challenges are you experiencing capturing accurate data?

What has given you success?

ITFMA 2025 ST PAUL © PENNY COLLEN 2025

Software Asset Management

I have it

I use it

I'm contracted for it

✓**Leverage contract negotiations**
Invoice validation

I have it

I use it

No contract for it

✓Verify license compliance

I don't have it

I don't use it

I'm contracted for it

✓**Cancel maintenance or**
Verify install process

I don't have it

I don't use it

I'm contracted for it

✓**Cancel maintenance or**
Verify install process

Managing business case financials: savings and revenue generation

$ A business case typically includes impacts to costs (up/down) and revenues.
Who approves business cases involving IT?

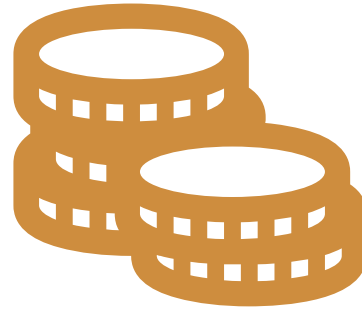Who provides IT input to those business plans?

Who monitors the financials?

How are projected cost savings managed?

Are there GAAP rulings you would like to discuss?

How much time do you spend answering audit questions?

How to you know what the "right" data or reports are to retain for the next inquiry?

How long to you retain the data?

Audit responses: minimizing time for responses vs institutionalizing answers