



2015 KPMG TBM PROFICIENCY  
ASSESSMENT REPORT

Cut through the fog:  
Six ways to enhance your  
Technology Business  
Management proficiency

March 2015



cutting through complexity



# WHAT IS TECHNOLOGY BUSINESS MANAGEMENT?

Technology Business Management (TBM) is a discipline that uses actual IT cost and consumption data to determine the true cost of running the business of IT.

TBM allows the CIO to operate IT as a business by:

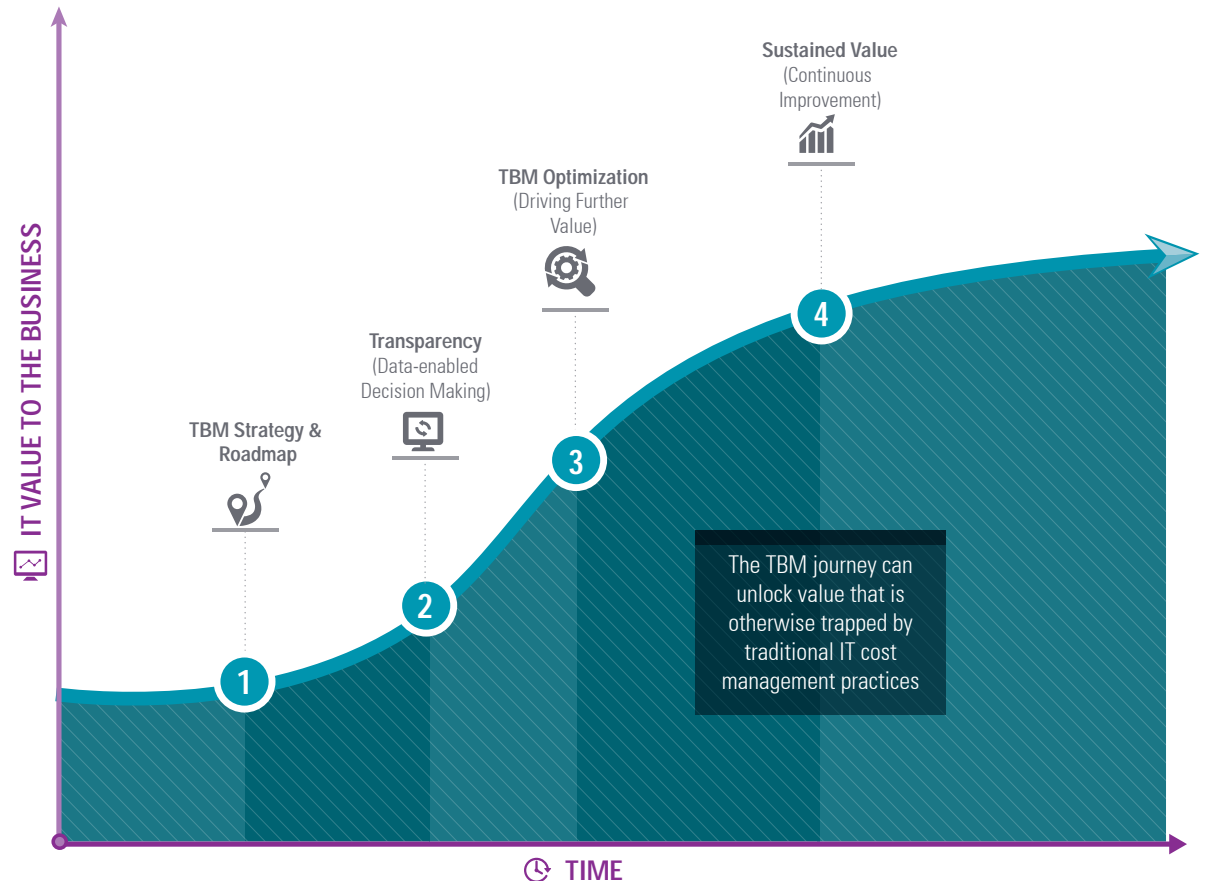
- Providing transparency into the total cost and quality of IT services
- Enabling executive-level decisions involving IT investments

- Automating time-consuming manual operational and governance activities
- Driving down the cost of running the business to free up capital for growing the business

TBM practitioners are a growing global community of CIOs, IT, finance, and business executives

Success in TBM means achieving the following outcomes:

- **Sustained reductions** in IT operating costs
- The ability to clearly **articulate the business value of IT**
- An IT structure that does not impede you from **responding quickly and effectively to changing business needs**
- **Transparency into IT cost, consumption and performance** so you can make the best decisions to maximize IT value.



Source: KPMG International, March 2015

# ABOUT THE KPMG TBM PROFICIENCY ASSESSMENT

**125+**

Companies surveyed worldwide  
(as of March 2015)

**145+**

Responses from Finance, IT, and  
Operations executives; cross-  
disciplinary, multi-industry data set

**67%**

Companies surveyed are  
multinational or global

**57%**

Companies surveyed with annual  
IT budgets of US\$250m+

Survey results analysis reveals six significant ways you can improve your TBM proficiency. Along with the statistics, we highlight the practical steps to help you make rapid progress on your TBM journey.



## Hold a C-level executive accountable for your TBM initiative to triple the likelihood of successfully controlling costs.

**Key finding:** TBM is a transformational initiative that requires executive-level ownership. To achieve repeated success in reducing IT operating costs and improving control over IT spending, a C-level executive must own and be accountable for TBM in your organization.

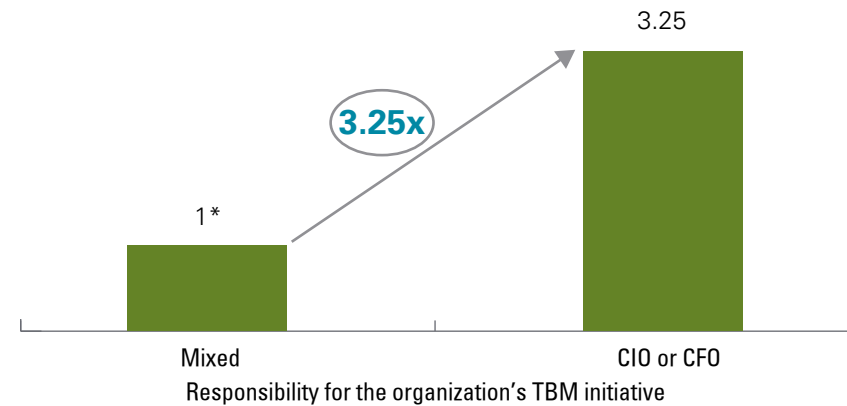
**Recommendation:** TBM requires a close partnership between Finance, IT and business partners. But don't confuse collaboration and coordination with holding a single C-level executive in your organization responsible for achieving TBM outcomes.

However, if your aim is to achieve repeated success in reducing IT operating costs and improving your control over IT spending, put your CIO or CFO in charge of TBM. Mixed responsibility doesn't typically work as well and should be avoided if possible.

No matter who's in charge, add specific performance measures that align with TBM capabilities to their goals to improve the chance for a successful TBM initiative.

TBM requires executive-level ownership rather than pushing ownership down below the C-level.

### Likelihood of achieving reduced operating costs



\*Increases in likelihood are measured relative to this response, which is set to a level of 1.

Source: KPMG International: TBM Proficiency Assessment 2014



## Data quality matters a lot for TBM, but don't let it hold you back.

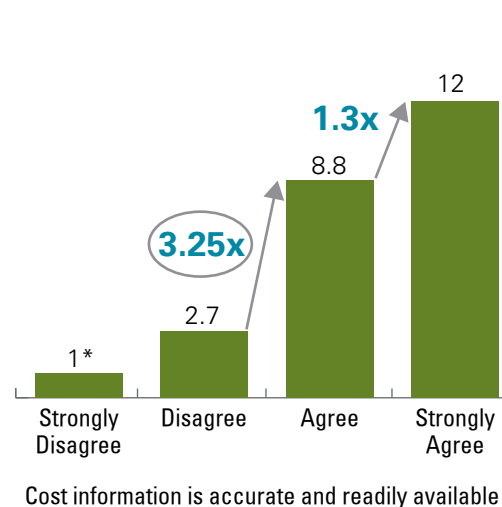
**Key finding:** There's no question that data quality is important. The better you do on information accuracy and availability (assets, contracts, people, performance, etc.), the better your chances of achieving control over costs and ensuring you can clearly articulate IT value.

However, even a moderate improvement can increase the likelihood of achieving cost reduction and increases the likelihood of the business understanding the value of IT by more than 3x.

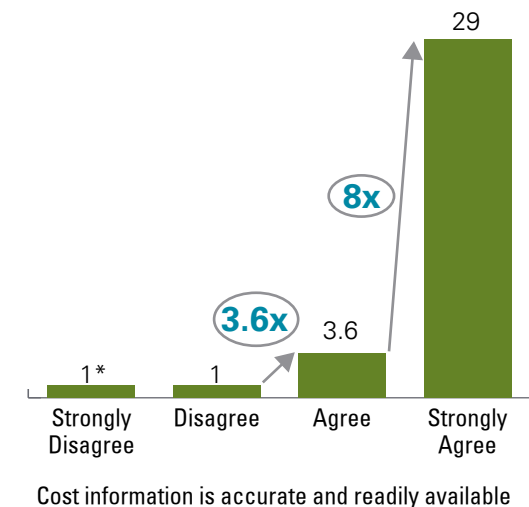
**Recommendation:** Begin your TBM journey by embedding a data quality improvement initiative. Don't let data quality keep you from embarking on or continuing your TBM journey. Keep in mind that, according to this survey, 40 percent of companies that disagree their cost information is accurate and readily available still manage to have *some* success reducing costs.

TBM is about credibility, and without data quality, there is no credibility. Focusing on data quality improvements is a great way to start and progress through your TBM journey with credibility.

### Likelihood of achieving cost reduction



### Likelihood that business understands the value of IT



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Source: KPMG International: TBM Proficiency Assessment 2014

Data Quality = Credibility

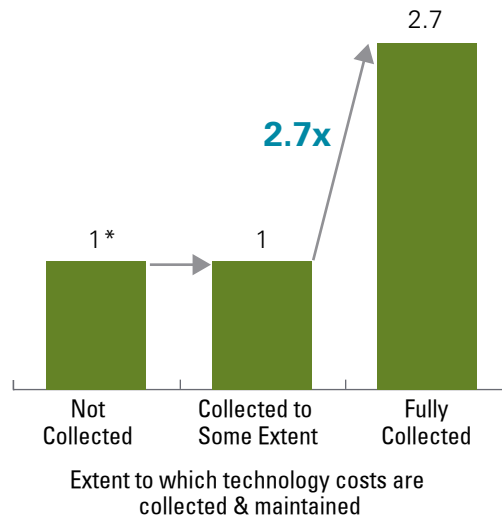


## Collecting and maintaining the right data can dramatically improve TBM success.

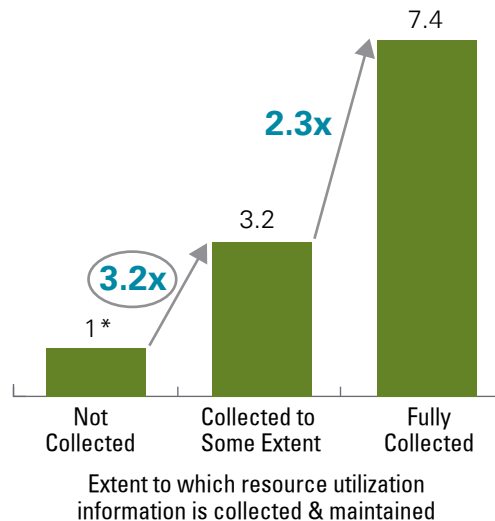
**Key finding:** When it comes to collecting and maintaining TBM information, not all information is created equal. Three types of data make a difference: technology costs, resource utilization information and service consumption information.

**Recommendation:** Collecting and maintaining data related to technology costs, resource utilization and service consumption should be a high priority. To get a complete picture of cost and value, you need all three. To be effective, you must fully capture technology cost as well as service consumption information to improve the value of your technology investments. But even a moderate improvement in resource utilization data collection can improve visibility and insight into your IT spending by more than 3x.

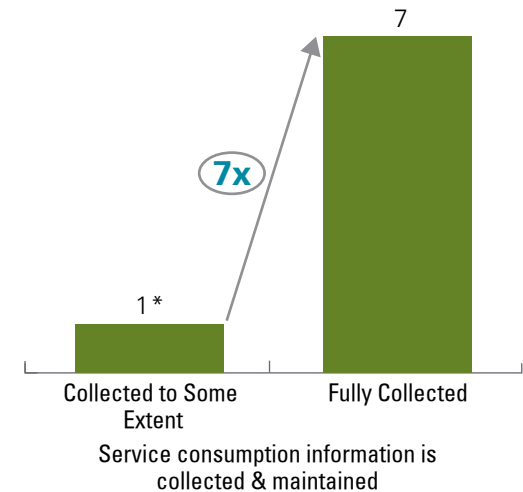
### Likelihood of accurate & available cost information



### Likelihood of visibility & insight into IT spend



### Likelihood of creating an accurate bill of IT



\*Increases in likelihood are measured relative to this response, which is set to a level of 1.

Source: KPMG International: TBM Proficiency Assessment 2014



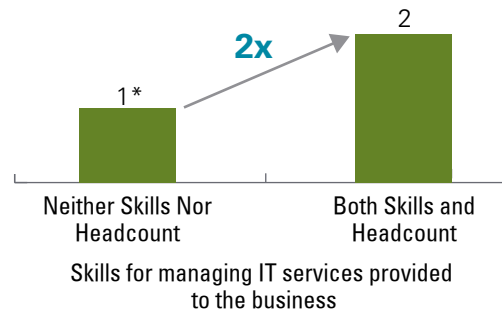
## Skills for managing the IT services provided to business partners are a key differentiator of TBM success.

**Key finding:** The single highest-impact skill contributing to TBM success is the ability to articulate value in the language of business.

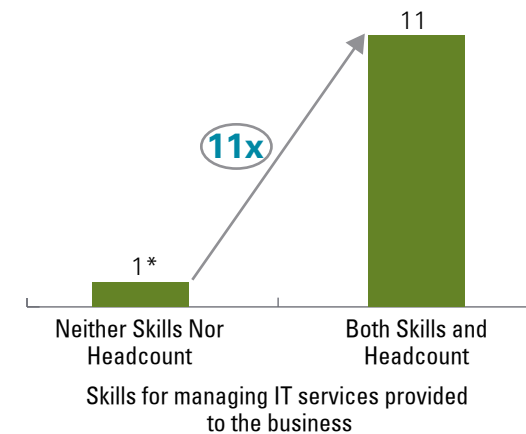
**Recommendation:** Make sure you develop and maintain the skills needed to effectively manage the services you provide to business partners. The critical capabilities include the ability to:

- Speak the language of business, technology and finance simultaneously
- Integrate and provide insights not only on costs, but also performance, risk and quality
- Manage service capacity in relation to varying demand and supply
- Work with IT investments as a holistic portfolio rather than a series of OpEx items on a ledger
- Connect the IT component-level parts all the way up to the business service
- Articulate the value of IT in ways that appeal to customers and business partners.

### Likelihood of creating an accurate bill of IT



### Likelihood the business understands the value of IT



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Having the right skills can make you 11x more likely to be successful in TBM.

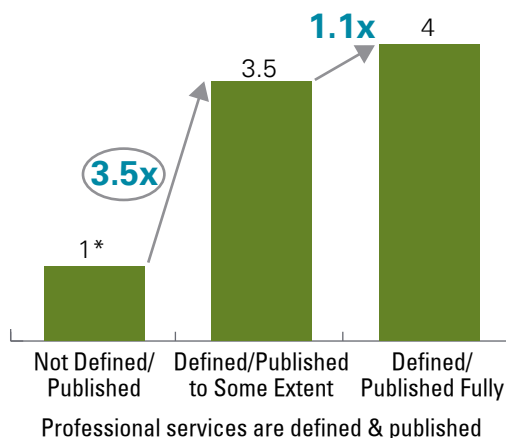


# Articulating clear service offerings is one of the cornerstones of TBM success.

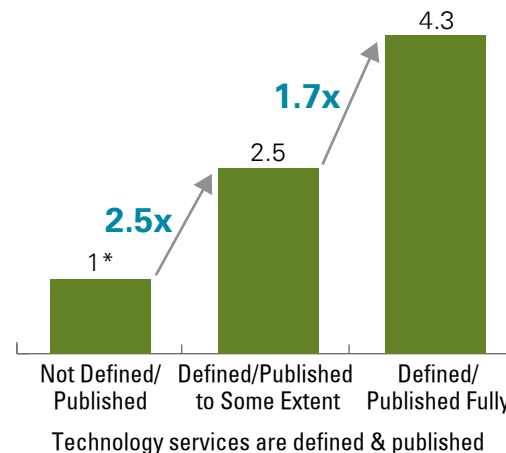
**Key finding:** Even moderate improvement in defining and publishing professional services can increase the likelihood of improving data quality by 3.5x. Similarly, moderate improvement in defining and publishing technology services can increase the likelihood of insight into IT spend by a factor of 2.5x.

**Recommendation:** Most technology organizations aim to be world-class service providers. Clearly articulating your technology, business, and professional services and clarifying cost and service-level options can be one of the easiest ways to demonstrate the value IT brings to your customers. If these services descriptions are simple for business partners to understand and consume, it will be easier for them to do business with you and realize the value of your services.

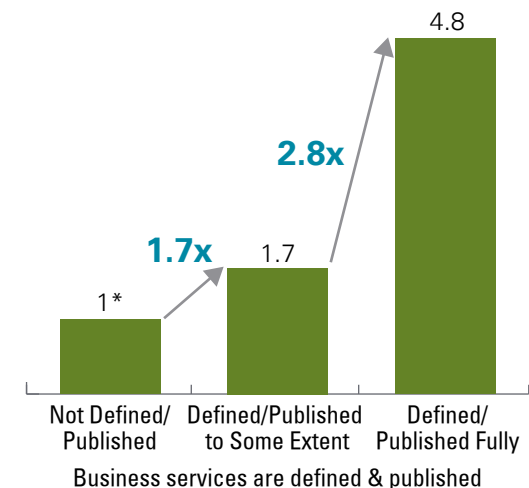
**Likelihood that cost information is accurate & available**



**Likelihood of visibility & insight into IT spend**



**Likelihood of creating an accurate bill of IT**



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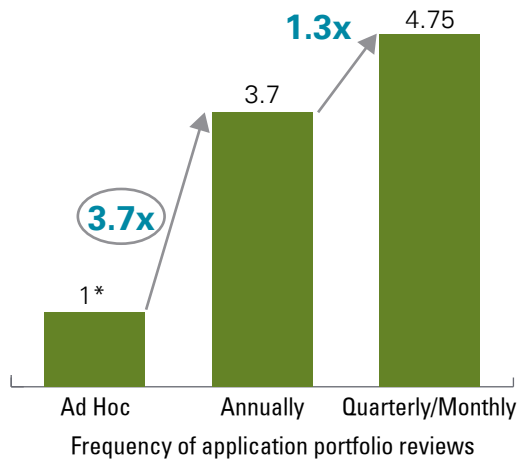


## Conduct periodic reviews to monitor and develop effective partnerships with vendors and suppliers.

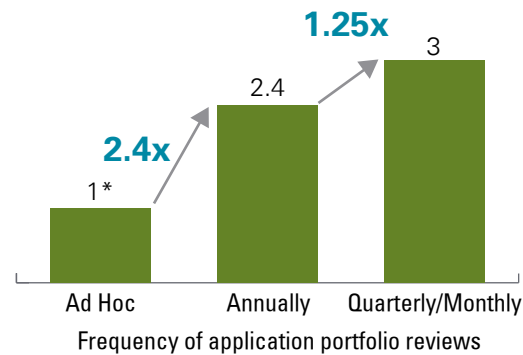
**Key finding:** Moving away from ad hoc to periodic reviews of application and vendor/supplier portfolios can greatly improve the likelihood of achieving TBM success. Periodic reviews of contractual performance and supplier risk, along with vendor incentives for value-add behavior, can increase the likelihood of creating an accurate bill of IT by 8.6x. Periodic application portfolio reviews can increase the likelihood of visibility and insight into IT spend by 3.7x and the likelihood of creating an accurate bill of IT by 2.4x. Reviewing portfolios more often than annually can provide more benefit, but the additional benefits may not be worth the effort.

**Recommendation:** Regularly monitoring your vendor and supplier portfolio costs, consumption and performance can help you achieve an agile operating model that responds to changing business needs. If you actively monitor cost, consumption and performance, you're not letting these contracts sit. Instead, you can stay on top of how your contractual obligations are meeting your business needs. By setting up more agile contracts, you can use and pay for only the service levels you use. And rewarding innovative behavior, not just managing compliance, can lead to better outcomes.

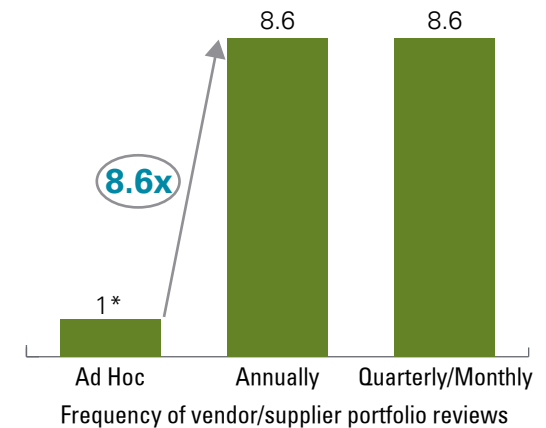
**Likelihood of visibility & insight into IT spend**



**Likelihood of creating an accurate bill of IT**



**Likelihood of creating an accurate bill of IT**



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# WHY KPMG?

- KPMG professionals' deep experience in IT and understanding of financial processes allow them to help clients define TBM strategies, provide greater cost transparency, and create sustained value.
- KPMG firms value objectivity and believe their professionals are ideally positioned to support clients in embedding the right processes to drive transparency and insight.
- KPMG professionals can add value by using their collective experience, insights and market knowledge to address clients' specific requirements and challenges.
- KPMG LLP (U.S.) is the first Principal Partner of the TBM Council and a premier TBM services provider.

## KPMG TBM client successes

KPMG's member firms have helped many organizations on their TBM journey; below are just a few examples of the real and meaningful results achieved:



KPMG professionals conducted an US\$8 billion fast-moving consumer goods organization's total cost of ownership (TCO) review, which supported the implementation of a transformation program covering numerous aspects of IT. It supported saving opportunities in **excess of US\$60 million per year.**



KPMG teams assisted a European headquartered global natural resources organization implement cost transparency tooling to drive out **US\$200 million per year savings of the IT budget and channel the savings from "spend" to "invest".**



KPMG professionals helped a global fast-moving consumer goods organization where a cost optimization TCO review drove the implementation of **IT cost transparency saving opportunities in excess of US\$25 million.**



KPMG team members helped a global energy company reduce unpaid invoices by over **US\$80 million in one year**, and reduced IT indirect costs by over **US\$7 million per year.**



KPMG teams helped a global telecommunications company reduce operating costs in the second year by **10% and realized US\$30 million** in savings over five years via asset consolidation.

# NEXT STEPS

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 the KPMG TBM Proficiency Assessment or how KPMG TBM services can help your organization add IT value to the business, contact us:

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