Case study of citi group

Business

Millennium Agitprop’s corporate center provides administrative support and Information technology services to its global business units. Within the corporate center, Citreous Technology Infrastructure (CIT) www. Citreous. Com manages all global mainframe data centers, and most of the distributed computing for the six sectors and the Corporate Center.

Industry Financial Services Problem Internal customers were concerned about the lack of transparency in cost-recovery charges. Solution Run IT as a value-add business.

Implement a performance measurement system based on Acorn Profit Analyzer”” and Acorn Performance Analyzer”‘ to accurately assign and track costs. The Citreous Technology Infrastructure Division (CIT) had reached the size of a government. With 75 to 80 percent of the company’s technology infrastructure, had responsibility for providing highly reliable, secure, and cost effective services to about 60 units In the global sectors and the Corporate Center.

With a budget of over $3 billion and a dedicated workforce that spans the globe, it required a tremendous level of effort to track performance.

Act’s hundreds of different information systems did not help. Having a better understanding of the value of IT processes can drive smarter demand for IT services. Better management of work, and better utilization of resources. Learn Results how CIT helped create a new IT framework that aligns their technology assets with 1 org Replace spreadsheet Witt an operational goals. Automated, easy-to-use system Creates monthly usage volumes and quantities/prices of products and services billable to clients Created ability to

transfer best practice margins by comparing productivity and cost efficiencies between regions

Case Study: Citreous CT', the Information Technology (IT) arm of Citreous, used the IT Value Triangle to maximize the value of their IT organization.

The three core steps are: 1) document / map in detail the current processes performed by IT to serve its clients 2) measure performance of these processes in terms of true cost and capacity 3) leverage this information to define the future strategy of the IT organization New Model: IT as a Value-Add Business In 2004, CT' embarked on a major shift in strategic focus to redirect its business model from a utility to a service model.

Jeff Inchoation, the SCOFF for CT', summarized he change as follows: The rationale for managing IT as a business within a business, as opposed to as an internal corporate utility, was to demonstrate how we create value to the businesses that we support. If we can not add value to our customers, they will look elsewhere for their technology services. We introduced product managers, client relationship managers, service-level agreements, benchmarking and service catalogs.

As part of this change the CT' Finance organization made a parallel transformation from being the scorekeeper and cost overseer to becoming an active business advisor for Act's operations managers.

Exhibit 1 shows the four components in the CT' Financial Management Cycle – operational productivity, product profit and loss (P&L) statements,

benchmarking, and customer recovery/chargeable – that are at the heart of managing technology infrastructure as a business within a business.

Exhibit 1: CT’ Financial Management Cycle Target State Transparency cost Management Customer P&L’s Customer Recovery/ Chargeable Operational Productivity Develop Business Drivers Labor Capacity Planning Productivity Metrics Capital Planning Financial Management Comparison to internal

IT and external vendors Opportunities for service and pricing improvements Service Catalog Benchmarking Product P&L’s Standard Product Definitions Cost Pools Rates/Drivers Product Ownership and Management Product Profitability Operational productivity focuses on lowering costs – salary, occupancy, hardware, and software – to operate the techno- ago Understructure. Largo capacity planning Ana capital planning Nell determine correct size of CT’ in light of current and projected productivity, as would the demands for its services.

Product profit and loss statements (P&Ls) match the customer charges for technology products and services with the costs of producing those products and services. The product P&Ls are distributed to client relationship managers and product managers.

Beyond their financial responsibilities, these managers ensure that products’ features and functionality are best-in-class, manage new product introductions, work on benchmarking, and compare internal pricing and rates with those of external sources and vendors.

Benchmarking, the third component in the financial management cycle, compares Chit's products and services against other internal IT organizations and against external vendors. Customer recovery and chargeable, the fourth component, enables CT' to recover its annual costs of more than $3 billion. Chit's people expenses are 25 percent of total costs, much lower than the typical 70 to 80 percent experienced in other Citreous divisions. The CT' chargeable to the global sectors and businesses generates many comments.

Inchoation comments: Probably the biggest noise we get from the businesses is around cost transparency. A typical comment is " l don't understand what you're charging me for or how to manage the cost. " It seems that whether an assigned cost is transparent depends on where o sit in the organization. CT' wanted to be responsive to the concerns of its internal customers regarding the lack of transparency in its cost recovery charges. It also wanted an analytic tool to help reduce costs and improve operational productivity.

CT' Finance launched an initiative, called Product Profitability Management, that would use Time-Driven Activity-Based Costing to produce the product P&L's and also serve as Act's comprehensive business performance management system.

The system allowed CT' to understand its costs at the activity level, rather than department level, and revived more transparency since it could now trace costs based on the specific transactions that consumed the department's capacity.

For example, the system tracked trouble tickets by type of problem, level of severity, and region, enabling managers to take targeted actions to address the specific causes of problems. CT' envisions extending the data capture to include customer-driven events. This will give greater cost transparency to customers and will empower them to improve their processes and modify their practices to reduce their billable costs from CT'. Managers also used the Time-Driven BBC system to compare operating productivity ND cost efficiencies between groups within the Global Network and Security Operations (GNUS) section.

For example, they compared productivity between the European and North American regions for common processes related to the diagnosis and resolution of reported trouble tickets.

Case study: Collector IT Value Management (TIFT): Running IT as a Business Through TIFT, the cloud' over CT' costs has been lifted, identifying which departments are heavy consumers. Departments demand from IT what they would from any other vendor. So why shouldn't IT be able to treat these departments as customers? This is the premise behind TIFT. This new framework is nothing more than running IT like a business. What is required?

CT' effectively implemented a version of what we call the IT Value Triangle (see Exhibit 2). While the Financial Management Cycle (Exhibit 1) defines the objectives of the system, the IT Value Triangle (Exhibit 2) shows the ongoing process for managing IT.

Exhibit 2: IT Value Triangles IT Process How We Do It IT Strategy IT Performance What We Should Do Cost Capacity Step 1: Understand the core

operations of IT. This matches the first step of the Financial Management Cycle (FMC). Answering a few basic questions is a good place to start. For example: Who is the customer? What are his demands? What services & products will satisfy those demands? What core processes are needed to deliver the value? What are the specific steps and key drivers? Step 2: Track the performance of IT processes. This is a combination of steps 2 and 3 from FMC.

If this exercise is combined with activity-based costing, the fully loaded cost of each process can be identified. Step 3: Leverage performance feedback to direct IT Strategy. This is an enhanced version of step 4 of FMC. If the first step defines the As-I's IT model, the second step tells us what is wrong, and the third step defines the To-Be model.

Strategy Maps (see Exhibit 3) can assist this endeavor by aligning the goals of the parties involved with IT. For example, the Finance department Walton II Is concerned Walt overall II spend Ana Its overall cost inclemency, however the users of IT services care more about getting good services and getting what they need.

By proportioning these services based on user feedback, IT can make sure that they focused on ways to deliver the high-value services at the lowest cost as opposed to minimizing cost of all possible services).

Exhibit 3: IT Strategy Map Sustained IT Value perspective Competency User Credibility Serve us reliably Be cost competitive Enable BIG value-add Manage IT spend Optimize IT portfolio unit cost Contribution Do things right Partner with Me Manage service quality Human Capital Improve internal

processes Deliver time business productivity Define enabling solutions Achieve scale economies Standardize platforms and architecture Support end users Manage risk and security Discover emerging technologies Attract and retain people Walt Key skills Focus on career placement Promote a culture of innovation and teamwork Develop skills in Once processes are re-defined and the service offering is changed, we return to step 1 . The role of managing IT is the responsibility of executive management (the owners), IT management (the employees), and the operational departments who depend upon it (the customers). Thorough and regular reporting is essential. Operational benchmarks, the true cost and profitability of the product & service portfolio, and capacity utilization of the different processes, will provide needed visibility to ensure the optimal value of this business. Conclusion IT Value Management is Just the latest tool available to contain the growing problem of IT overspend.

Recently there has been much discussion of this topic.

For example, the consultant company, McKinney & Company, refers to a similar program as “ Next Generation IT Infrastructure. ” Another example is the work of IT guru, Dean Layer, who discusses the merits of this approach in a recent article, “ Let’s not implement charge-backs. Instead, let’s run an effective business within a business that delivers great value at competitive prices. ” The appeal of this new framework in managing IT s well documented, and what is even more exciting is that the solution extends beyond IT.

This framework can provide the necessary discipline to any inward and outward facing department that aspires to grow up and become a business.

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