Technology Business Management (TBM)
CXO Value Conversations

Executive Report
ACT-IAC IT Management and Modernization Community of Interest

Date Released: October 26, 2018

Abstract:
The adoption of Technology Business Management (TBM) is a major initiative within the President’s Management Agenda (PMA). Over the past twenty-four months, discussions around TBM implementation have grown significantly. The central theme of these discussions is the desire to improve business outcomes by making IT spending more transparent, and by facilitating TBM value discussions with key stakeholders.

You may be wondering, “What roles do different agency stakeholders play in achieving successful TBM adoption?”, “How can TBM improve IT financial transparency for the CXOs and stakeholders across the government?” and “What value does TBM bring to my agency?”

The ACT-IAC IT Management and Modernization (ITMM) Community of Interest (COI) discussed these questions with leaders in several federal agencies, with the industry community, and with academic researchers. This document contains the results of these conversations.
American Council for Technology-Industry Advisory Council (ACT-IAC)

The American Council for Technology (ACT) is a non-profit educational organization established to create a more effective and innovative government. ACT-IAC provides a unique, objective and trusted forum where government and industry executives are working together to improve public services and agency operations through the use of technology. ACT-IAC contributes to better communications between government and industry, collaborative, and innovative problem solving and a more professional and qualified workforce.

The information, conclusions, and recommendations contained in this publication were produced by volunteers from government and industry who share the ACT-IAC vision of a more effective and innovative government. ACT-IAC volunteers represent a wide diversity of organizations (public and private) and functions. These volunteers use the ACT-IAC collaborative process, refined over thirty years of experience, to produce outcomes that are consensus-based. The findings and recommendations contained in this report are based on consensus and do not represent the views of any particular individual or organization.

To maintain the objectivity and integrity of its collaborative process, ACT-IAC does not accept government funding.

ACT-IAC welcomes the participation of all public and private organizations committed to improving the delivery of public services through the effective and efficient use of IT. For additional information, visit the ACT-IAC website at [www.actiac.org](http://www.actiac.org).

**IT Management and Modernization Community of Interest**

The ACT-IAC IT Management and Modernization (ITMM) Community of Interest’s (COI) mission is to facilitate collaborative development and implementation of solutions and best practices related to IT Management and Modernization challenges. The COI provides opportunities for industry and federal government to identify, raise awareness of, and provide solutions to IT Management and Modernization challenges critical to protecting our national interests.

**Disclaimer**

This document has been prepared to contribute to a more effective, efficient, and innovative government. The information contained in this report is the result of a collaborative process in which a number of individuals participated. This document does not – nor is it intended to – endorse or recommend any specific technology, product, or vendor. Moreover, the views expressed in this document do not necessarily represent the official views of the individuals and organizations that participated in its development. Every effort has been made to present accurate and reliable information in this report. However, ACT-IAC assumes no responsibility for consequences resulting from the use of the information herein.
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Technology Business Management (TBM) Introduction

The Federal government spends at least $90 billion annually on IT, and Federal executives would like to better manage that spending with increased visibility and more accurate data. Congress and taxpayers have pressed for better information about how Federal IT dollars are spent, and for insight into the Return on Investment (ROI) for IT spending. In recent years, the Federal government has set an aggressive goal to improve outcomes through federal IT spending transparency. This goal will help achieve the following:

- Improve business, financial, and acquisition outcomes;
- Enable Federal executives to make data-driven decisions and analyze trade-offs between cost, quality, and value of IT investments;
- Reduce agency burden for reporting IT spending;
- Improve performance data by automating the use of authoritative data sources; and
- Enable IT benchmarking within the Federal Government and across private sector organizations.

In August of 2017, the Office of Management and Budget (OMB) IT Budget - Capital Planning Guidance called on agencies to begin adopting elements of the TBM taxonomy - an open source standard for determining IT costs - in order to gain more granularity and insight into IT spending.

TBM is an IT management framework that implements a standard IT spend taxonomy. TBM enables organizations to disaggregate IT spending into smaller, consistent categories to provide CIOs and other C-suite executives with a more accurate and detailed understanding of their organization’s IT costs. This allows CIOs to identify duplicative or unnecessary spending and to make better informed decisions regarding future investments. TBM increases insights into IT metrics that drive informed IT, financial, acquisition, and human resource decisions. Increased cost transparency benefits them all. The taxonomy organizes IT spending into three views - Finance, IT, and Business - that help stakeholders across the enterprise understand how IT resources are applied in the agency to support the mission. The standard taxonomy also allows agencies to benchmark their spending not only against other Federal Agencies, but also against businesses in the private sector.

In the fall of 2017, ACT-IAC launched a TBM project to develop a resource that discusses the C-Suite Value Conversations that TBM can enable between various agency stakeholders. TBM serves as a business model and decision-making framework which enables IT to be run like a business. A business

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**WHAT DOES SUCCESS LOOK LIKE?**

The TBM Framework will enable the Federal Government to:

- Run IT like a business;
- Drive innovation and business transformation;
- Improve services to citizens;
- Add cost transparency; and
- Increase accountability to taxpayers.
needs to be able to provide cost transparency, show consumption impacts, and have defined performance criteria for stakeholders. The TBM Framework enables value conversations and informed decision-making that offers CXOs the ability to govern enterprise-wide transformation.

The TBM Framework encourages an IT partnership that derives maximum value from technology investments. A mature TBM program provides strategies, methods, and tools to manage the cost, quality, and value of IT services. TBM supplies IT leaders, as well as their industry and business partners, with the fact-based data to make IT spending decisions that will best support business needs.

**TBM Enables the Right Conversations**

The discussion of TBM and how agency CXOs should be involved has changed dramatically. IT costs are increasing as a part of federal agencies’ overall spending. Technology is changing at a rapid pace and driving up IT modernization costs. TBM enables the critical conversations, thus providing a solid foundation of understanding on the value of major IT investments.

![Figure 1: TBM Value Conversations](image)

The TBM Framework provides the fact-based data needed to optimize IT resources and communicate the value of these services to others in the organization. Furthermore, TBM enables strategic decisions on the direction of the organization’s IT investment.

This report focuses on building partnerships across the CXO suite to communicate TBM’s value to each functional stakeholder group, what role each group plays, and what support is needed to successfully implement TBM. Once TBM value conversations begin between different stakeholders, it can mitigate many implementation challenges through change management processes and the power of executive buy-in. Agencies that are implementing TBM have overcome these challenges because they see the value of TBM in better using limited resources.
A summary of high-level implementation challenges and recommendations are listed in the table below:

<table>
<thead>
<tr>
<th>TBM Implementation Challenges and Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Challenges Faced</strong></td>
</tr>
</tbody>
</table>
| Cultural and organizational resistance | • Establish robust stakeholder communication on the value of IT services.  
• Leverage organizational change management practices early and often.  
• Maintain executive sponsorship and buy-in across the C-suite. |
| Data availability and accuracy issues | • Do not wait for the data to be perfect, just get started. |
| Implementation complexity and cost | • Start small using existing resources. Allocate more resources in areas where your IT metrics show you are falling short.  
• Start with defining the scope of the effort before purchasing a tool. |
| Funding IT modernization and higher priority projects | • During value conversations, look at the IT metrics to determine where you can make trade-offs. |

Agencies that have begun to implement TBM recognize the need to gain buy-in from stakeholders across the organization. Each piece of the enterprise can contribute something unique to the TBM adoption journey, and each piece, in turn, can also gain their own unique insights and value from a successful TBM program. Some examples of these mutual contributions are shown below:

<table>
<thead>
<tr>
<th>When Agency Stakeholders Work Together Under the TBM Approach, Each Management Group Achieves New Benefits</th>
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</thead>
<tbody>
<tr>
<td><strong>Stakeholder Group</strong></td>
</tr>
</tbody>
</table>
| Senior Leadership | • Enables benchmarking comparisons across agencies, to help identify cost savings, successful shared services, and best practices.  
• Supports understanding of IT spending that supports mission outcomes.  
• Enables consolidated views of budget, procurement, and execution IT data from authoritative data sources.  
• Shifts from low value to high value work  
• Supports multiple PMA CAP Goals. | • Commit to strategy around TBM implementation and adoption across the enterprise.  
• Assess what needs to be measured so business outcomes and objectives can be achieved. |
| CFO | • Accurately accounts for IT (and thus other expenses as well) within financial statements and financial plans. | • Determine how to identify IT within the financial management system of record. |
## When Agency Stakeholders Work Together Under the TBM Approach, Each Management Group Achieves New Benefits

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>How Can TBM Help Each CXO Community?</th>
<th>What is Needed From Each CXO Community?</th>
</tr>
</thead>
</table>
| CIO               | • Offers transparency into how IT money is spent and how services are consumed.  
                   • Allows for IT value conversations with many stakeholder groups.  
                   • Allows for better cost/benefit governance decisions, based on real-time data.  
                   • Supports enterprise goals and mission enablement/transformation. | • Provide IT operational and consumption based data.  
                   • Provide resources familiar with the IT portfolio; IT budget, procurements, execution data to support working with various functional stakeholder groups, perform analysis and governance.  
                   • Ensure strong IT execution data that can inform IT budget formulation. |
| CAO               | • In coordination with the Government-wide Category Management effort: | • Determine how to identify IT within the procurement system of record. |
|                   | • Aligns the budget formulation process with IT delivery services and cost centers.  
                   • Enables a more accurate understanding of consumption costs, and the total cost of ownership for IT services. | • Provide financial management system of record data for TBM taxonomy mapping (authoritative data needed).  
                   • Ensure training and awareness for employees entering data to use the proper codes.  
                   • Determine if data within the general ledger can map to the TBM taxonomy cost pool layer.  
                   • Determine if/how to incorporate IT coding into audit reviews and A-123 Financial Assurance Statement Guidance Requirements.  
                   • Engage with and determine the applicability of defining standard sub-object class codes to track IT costs.  
                   • Determine how to approach amortization and depreciation consistently government-wide.  
                   • Determine if obligation and/or execution data should be used.  
                   • Determine requirements for incorporating IT employee labor hours into new Payroll SaaS to support TBM.  
                   • Determine requirements for incorporating IT costs into new FM SaaS to support TBM.  
                   • Determine how TBM is applicable and supports DATA Act. |
## When Agency Stakeholders Work Together Under the TBM Approach, Each Management Group Achieves New Benefits

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<tbody>
<tr>
<td>CHCO</td>
<td>Identifies redundancies and areas of under-utilization across the contract portfolio. Provides objective comparisons for moving to best-in-class contract vehicles. Strong data to support IGCE development. Increased granularity in TBM taxonomy will provide additional insights into procurement activity government-wide.</td>
<td>Provide procurement system of record data for TBM taxonomy mapping (authoritative data needed). Create TBM awareness with contracting offices and deliberate cross-collaboration planning w/ CFO and CIO. Determine if contract language is necessary to require vendors to provide invoice data aligned with TBM taxonomy. Determine requirements for incorporating IT procurements into new Contract Writing systems to support TBM.</td>
</tr>
<tr>
<td>Industry Partners</td>
<td>Increases ability to map employee work efforts correctly, especially for IT. TBM-skilled employees promote and deliver improved utilization of resources.</td>
<td>Determine how to identify IT workforce within the HR system of record for TBM internal labor cost pool category. Determine requirements for incorporating IT employee labor hours into new Payroll SaaS to support TBM. Support ability to connect HR data with program and mission alignment. Collaborate in assessing the IT workforce at an agency.</td>
</tr>
<tr>
<td></td>
<td>Leverage repeatable processes through a standard framework and taxonomy to reduce effort to identify mission needs, and to transfer successful solutions from one agency to another.</td>
<td>Provide standardized TBM taxonomy data through the support contract reporting process. Work with General Services Administration (GSA) TBM Program Management Office (PMO) to ensure standard and consistent implementation efforts (for industry partners supporting agency implementation).</td>
</tr>
</tbody>
</table>

This paper provides more detail on the specific impacts and value that TBM brings to each of the major stakeholder groups. It also shares specific use cases, which can be helpful as different agencies seek to start or mature their own value conversations. This paper recognizes that Federal agencies are at
various stages of implementing TBM and, ultimately, this report will assist senior government leaders as they approach their own unique value conversations to inform strategic IT decision-making.

**Senior Leadership – Value Conversation**

Support of the organization’s senior leadership is a key success factor for the TBM effort. Senior leaders manage all organizational needs, and therefore make the tradeoffs required to support the mission. TBM will enable data-driven discussions about cost and value of IT and how it can best support mission goals. Using TBM, senior leaders can confidently and accurately compare spend across programs, departments, and components. They can also decide where investment dollars should be allocated to best meet modernization and innovation goals.

**Strategy: Business Value (Analyzing tradeoffs for mission support)**

<table>
<thead>
<tr>
<th>Use Cases</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enable data-driven discussions about cost and value of IT to best support</td>
<td>The Federal Bureau of Investigation (FBI) developed a capability framework to assess existing resources, opportunities for shared support, and future opportunities for reallocation of spend. Within their first pilot, they identified one vendor with 13 contracts. They anticipate more discoveries like these and expect the resulting consolidation and rationalization to improve mission support over time.</td>
</tr>
<tr>
<td>mission goals</td>
<td></td>
</tr>
<tr>
<td>Allow for better comparisons across programs, departments, and components</td>
<td>Nuclear Regulatory Commission (NRC) leadership experienced wins even in the early stages of their TBM implementation. The agency discovered a large amount of data within one business line was being incorrectly categorized into the “Other” cost pool. To provide better granularity into spend, the agency is re-examining the data and re-training employees to assign the data correctly.</td>
</tr>
<tr>
<td>Free up dollars to invest in modernization or innovation efforts</td>
<td>At the Census Bureau, funding constraints within a working capital fund showed a spend plan for FY18 that focused on Operations and Maintenance (O&amp;M) of current IT equipment rather than Development, Modernization and Enhancements (DME). With TBM, they were able to better define cost drivers and identify which services could be modernized, consolidated, or replaced.</td>
</tr>
<tr>
<td>Provide both an executive view and granular level view</td>
<td>The Environmental Protection Agency uses TBM to show the value customers receive from the services of the CIO’s office. Using infrastructure data from the Working Capital Fund (WCF), the agency conducted a proof of value pilot. This led to improvements in their chargeback model and plans for future uses of the TBM framework. TBM can be a tool for project management, budgeting, and change management. Ultimately, EPA would like use the TBM data to improve allocation of resources and to assign projects in a systematic way.</td>
</tr>
</tbody>
</table>
Office of the Chief Financial Officer (CFO) – Value Conversation

TBM is often thought of as an IT initiative, but it touches many areas of an agency, providing value across multiple components. The CFO is a key stakeholder and is responsible for oversight of all financial management activities relating to the programs and operations of the agency. TBM provides immediate value to CFOs by creating fact-based data to help drive informed financial decisions for IT spend. The CFO and CIO value conversation can begin with a specific request to provide recommendations on funding levels for the organization’s IT services. The CIO and CFO value discussion using TBM data can include:

- Facts on the operating cost of IT services and resources,
- IT budget justification,
- IT investment justification,
- Alignment with federal-wide priorities/initiatives,
- Predictable recurring and nonrecurring costs,
- Obligations vs. expenditures,
- Accuracy of cost projections, and
- Baseline costs vs. variable costs for budgeting/planning in future years.

Value Trade-offs

In many agencies, the CFO develops the agency’s budget. During times of budget constraints and limited resources, value conversations can facilitate informed decision-making based on data driven recommendations. TBM allows the CFO to effectively track IT spend, use IT metrics to drive more informed financial decisions, shift spend based on value, and increase insight into cost drivers. Strong partnership from the CFO can help facilitate TBM adoption and assist with data collection in line with existing reporting requirements.

The CIO and CFO partnership is imperative in order to have a trusted data set. For the CFO and the CIO to work towards that same goal, the CFO needs input into what the CIO is doing and how it is producing metrics that show mission effectiveness. The TBM framework allows for this shared communication and goal alignment. These are the business-oriented considerations that resonate across the C-suite.

Using TBM data and lexicon, CFOs can have conversations around the drivers of IT spend. This in turn facilitates one of the core responsibilities of the CFO: improvement of the financial management of federal government dollars. The use cases below show how agency CFOs currently implementing TBM use resulting data to more effectively track costs and make effective decisions for the American taxpayer.
### Strategy: Cost Control (Data-driven Budget Decisions)

<table>
<thead>
<tr>
<th>Use Cases</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use IT metrics to drive more informed financial decisions and shift spend based on priorities.</td>
<td>The Department of Education discovered that 113 of their IT Services hold Personally identifiable information (PII). These insights led to a strategic decision to address their risk. The result was reducing/consolidating the number of systems with PII to 39 through fact-based decision-making.</td>
</tr>
<tr>
<td>Increase insight into IT cost drivers.</td>
<td>At the Cost Pool Level, the Department of Homeland Security’s Office of the CIO (OCIO) was able to easily see that their highest cost areas were “Outside Services” and “Other,” indicating uncategorized cost. DHS aligned these to established cost pools to ensure greater transparency into areas of spend and utilization, prompting increased opportunities for fact-based decision-making.</td>
</tr>
<tr>
<td>Increase the ability to effectively track IT spend.</td>
<td>At GSA, the Office of the CFO (OCFO) was able to provide a more accurate allocation of the bill for the usage of a specific GSA IT system based on the CPU usage of various applications running on it as opposed to an outdated method of the storage used.</td>
</tr>
<tr>
<td>Create the right performance metrics to enable leadership decisions.</td>
<td>The Federal Aviation Administration incorporated their Information Technology Acquisition Report (ITARs) into their TBM implementation to ensure they are tracking acquisition spending for IT.</td>
</tr>
<tr>
<td>Increase understanding of the true cost of providing an IT service.</td>
<td>Through TBM-based performance benchmarking, the Department of Commerce’s Bureau of Industry and Security provided its CIO and CFO a confirmation of appropriate spending levels for its service desk offerings and contractor provided SLAs. Through a TBM-based value discussion, a determination was made that a reduction of funding was appropriate.</td>
</tr>
<tr>
<td></td>
<td>The NRC created a mapping illustrating the financial systems of record and the method by which expenses are tracked (Component ID, Cost center, etc.) to begin to track real IT costs.</td>
</tr>
</tbody>
</table>
Office of the Chief Information Officer (CIO) – Value Conversation

TBM Helps CIOs Maximize Mission Value
Recently, the conversations for CIOs has shifted. Instead of “data feeds and computer speeds” CIOs are discussing how technology will enable innovation. This information is a critical part of executing an organization’s Strategic Plan. The CIO constantly makes cost-benefit tradeoffs to help achieve the organization’s mission: What innovation and emerging technologies are on the horizon to optimize the IT service delivery and customer service? What’s the value add and business impact for investing in IT services that could reduce security threats and mitigate risks to the organization? At what point should we reduce investments in legacy operations and maintenance and invest in IT modernization? And, central to all decisions, how can the OCIO’s service delivery model maximize value for the mission units of the agency? TBM provides new tools to help a CIO answer these questions.

TBM’s fact-based data helps the CIO:
- Understand the operating cost of IT services and resources;
- Identify duplicative spending (on services, solutions, licenses, resources, etc.);
- Benchmark spending patterns (within the organization, or against external organizations);
- Conduct true ROI analyses; and
- Establish the Total Cost of Ownership with regard to each IT investment.

The CIO is a service provider and a key stakeholder in the TBM process. As a service provider, the CIO is asked to justify their investment recommendations, provide rationalizations for budget requests, and satisfy data requests to others within the C-suite and to senior leadership. The value of TBM is that it helps the CIO respond to these requests using fact-based and transparent information.

Integrate TBM into the CIO’s Existing Governance Processes
The Clinger-Cohen Act of 1996, the Federal Information Technology Acquisition Reform Act (FITARA) of 2014, and various OMB policies over the last 20 years have solidified the CIO’s role in managing agency information technology assets and resources. TBM provides a new tool for the CIO to engage in the decision-making process with their CXO counterparts and to understand the business value of IT capabilities that will best to enable the agency’s mission.

By providing a common framework and lexicon with which the agency CXO community can base IT business decisions the implementation of TBM should be used to modernize existing internal and external governance processes. Each governance ‘lens’ into the organization serves its own purpose. Capital Planning and Investment Control (CPIC) helps the organization understand what investments to make and whether previous investments have fulfilled their goal. Enterprise Architecture (EA) ensures that new technology decisions reinforce existing plans and maximize resource efficiency. TBM’s lens into the budget execution side of IT spending should be utilized and incorporated into these other crucial governance processes.
The TBM implementation team should work with existing governance leaders to identify how to incorporate TBM data into their processes. For example, TBM data can be an excellent source for the CPIC “Control” phase, to understand whether a certain investment mix meets the needs of its stakeholders, or whether a different investment is performing better. Those analyses can inform the “Select” phase activity of determining what to invest in during the next budget process.

Through the TBM value conversations, CIOs can engage with mission owners using terms that are meaningful to them. Incorporating TBM into existing governance processes can therefore help mission owners better understand their importance. This in turn facilitates one of the core responsibilities of the CIO: maximizing mission value. The use cases below show how agency CIOs currently implementing TBM use data-driven approaches to facilitate TBM adoption.

**Strategy: IT Cost Optimization (Spending IT dollars effectively)**

<table>
<thead>
<tr>
<th>Use Cases</th>
<th>Actual Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase transparency into IT cost drivers to inform financial decisions.</td>
<td>The Department of Education was able to apply the TBM framework to identify the scope of its IT infrastructure. This allowed the CFO and CIO to connect the technology spending of its financial, IT, and business operations. The TBM framework helped the CIO identify that the organization had over 20 different commercial cloud computing service providers. By providing transparency into the IT cost drivers, the CIO was able to target areas to focus on, specifically Cloud Consolidation, thereby delivering on improved financial decision making.</td>
</tr>
<tr>
<td>Understand the total cost of ownership of applications and services.</td>
<td>GSA conducted an Executive Value Workshop to 1) level set expectations, baseline on TBM maturity and 2) derive outcomes to be documented in the Value Plan and assign them to the appropriate leadership thereby driving accountability for its success throughout the organization. GSA IT then committed to a 60-day sprint to Total Cost of Ownership (TCO) for applications. By understanding what outcomes leadership wanted to achieve and what timelines were achievable, GSA IT was able to successfully complete a baseline TCO for its applications within the committed timeframe. They successfully overcame challenges that would have derailed the process in the absence of leadership buy-in.</td>
</tr>
<tr>
<td>Compare unit and consumption costs to explain and anticipate demand.</td>
<td>The Small Business Administration (SBA) initiated TBM to create transparency into OCIO’s IT costs, consumption, and performance. They also hoped to establish fact-based and customer-focused collaboration and communications between OCIO and its stakeholders. SBA worked to establish a collaborative responsibility for making tradeoff decisions and delivering appropriate levels of service in a more cost-effective manner, thereby increasing the IT value proposition. SBA’s use of TBM has allowed contract unit costs to reveal consumption rates. With this, leaders can identify the source of demand and better anticipate future demand of IT services and their costs.</td>
</tr>
</tbody>
</table>
Use Cases | Actual Examples
---|---
Create the right performance metrics to enable leadership decisions | The Department of Commerce evaluated the TBM investment data submitted via the eCPIC tool to identify multiple, strategic sourcing contract opportunities. The Shared Services’ Acquisition Team was able to refine these potential opportunities into contract requirements that would benefit all 12 bureaus. The End User Cost Tower and associated software cost pool data showed where the organization could benefit from the creation of an IT Strategic Sourcing vehicle.

Office of the Chief Acquisition Officer – Value Conversation

As mission units define their needs, and the OCIO translates those needs into technical requirements, the OCAO establishes contracts for services and solutions to enable those needs. When the CAO can present different service (i.e., contract) options, the agency then has an ability to conduct TBM value conversations that focus on the “future state.” The TBM office works together with the CAO to communicate how different service types are used across the organization. This is the connection point that allows the agency to see where inefficiencies or duplications exist, and to benchmark their performance against other groups. The CAO plays a vital role in the successful execution of the agency’s TBM program.

TBM Helps CAO’s Unlock the Power of Their Contract Data

Contracts are how agencies translate most of their IT funding into services. Agency leaders can trace funding to the specific services provided by their contracts – in a clear and granular way - to better understand the value of their IT investments. By aligning their contract data to the TBM taxonomy, the CAO can engage with mission units and agency leadership in meaningful value conversations. They can help illuminate current spend patterns, which is the first step toward identifying improvements and realizing efficiencies.

TBM Enables Strategic Sourcing and IT Category Management

The CAO can see how their contract funding is currently being spent on IT, and how that funding is aligned to the TBM taxonomy. TBM information allows the CAO to direct agency spending to strategic sourcing vehicles that maximize economies of scale and provide the greatest value to the organization. TBM is a powerful enabler of existing CAO initiatives, such as Category Management. It allows the CAO to look for efficiencies beyond their own agency and across the federal sector. The TBM taxonomy enables CAOs to conduct benchmarking analyses to see which other agencies may already be providing services in a more effective way.
Technology Business Management (TBM) CXO Value Conversations

**Strategy: IT Category Management (Spending IT dollars effectively)**

<table>
<thead>
<tr>
<th>Use Cases</th>
<th>Examples</th>
</tr>
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<tbody>
<tr>
<td>Understand vendor spend by IT function</td>
<td>The Department of Commerce evaluated the TBM investment data submitted via the eCPIC tool. The End User Cost Tower and associated software cost pool data showed where the organization could benefit from the creation of an IT Strategic Sourcing vehicle.</td>
</tr>
<tr>
<td>Increase understanding of the true cost of providing an IT service</td>
<td>The NRC created a mapping illustrating the financial systems of record and the method by which expenses are tracked (Component ID, Cost center, etc.) to begin to track real IT costs.</td>
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<tr>
<td>Create the right performance metrics to enable leadership decisions</td>
<td>The Department of Commerce evaluated the TBM investment data submitted tool to identify multiple, strategic sourcing contract opportunities. The Shared Services’ Acquisition Team was able to refine these potential opportunities into contract requirements that would benefit all 12 bureaus. More specifically, the End User Cost Tower and associated software cost pool data showed where the organization could benefit from the creation of an IT Strategic Sourcing vehicle.</td>
</tr>
</tbody>
</table>

**Office of the Chief Human Capital Officer – Value Conversation**

To help close the productivity gap, the Federal Government needs a “future ready” workforce equipped with the modern tools and technologies they need to serve the American people effectively. The government also needs to be strategic about how it buys, manages, and uses mobile devices and collaboration tools cost-effectively and securely. The workforce for the 21st century must enable senior leaders and front-line managers to align staff skills with evolving mission needs. This will require more nimble and agile management of the workforce, including reskilling and redeploying existing workers to keep pace with change.

**TBM Enables Shifting Resources to High Value Activities**

Agencies should develop and implement reforms to eliminate unnecessary or obsolete compliance requirements and reduce the cost of mission-support operations. Reforms may include streamlining or eliminating unnecessary reporting requirements, consolidating processes and functions across offices, using shared service solutions or technologies, and introducing new technologies, such as robotics process automation (RPA), to reduce repetitive administrative tasks, and other process-reform initiatives.

**Strategy: Improving Resource Allocation and Utilization.**

<table>
<thead>
<tr>
<th>Use Cases</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reskill &amp; Redeploy Human Capital Resources.</td>
<td>TBM service layer mapping helps identify opportunities for automation and increase the overall efficiency of the workforce.</td>
</tr>
<tr>
<td>Determine best way to accomplish the mission.</td>
<td>Map personnel resources across elements of the TBM taxonomy to gain insights into utilization, costs and value. Actively manage the workforce to improve employee performance management and engagement.</td>
</tr>
<tr>
<td>Align workforce to mission requirements.</td>
<td>Leverage the workforce to meet emerging needs. Develop agile operations to reskill and redeploy human capital resources.</td>
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</table>
Industry Perspective – Value Conversation

Over the past three years, the Federal CIO Council has encouraged agencies to implement TBM as the most effective methodology to link the value of IT spending to business outcomes. Because the TBM methodology has proven effective in the private sector, the Federal government turns to them for implementation strategies and lessons learned.

For some companies, implementing TBM freed up time for strategic conversations because less time and resources were needed to gather and analyze IT data. Instead, by developing standards for running IT and driving consistency in examining day-to-day operations, additional time is available for strategic planning. The ability to view and eliminate waste and inefficiency can also improve overall team productivity.

However, implementation is far from easy. One of the biggest TBM implementers face is changing an organization’s culture. The private sector overcame this by being as transparent as possible and promoting flexibility in the organization. In some cases, where practicable, organization’s introduced or enhanced TBM subject-matter expertise to provide new ideas to drive implementation forward. Leadership must work with stakeholders to create a clear vision and path forward. This will not only build buy-in, but also help define shared success measures for the effort.

Lessons from the private sector are only useful if an agency is ready to just get started. There needs to be an iterative or agile mindset when implementing TBM. If an organization waits until the data is perfect, the TBM implementation will never begin. There may be data errors, but once implementation is underway, the team will gain insight into the data gaps and quality issues. These can be your first wins with TBM.

Strategy: Communicating value in the private sector

<table>
<thead>
<tr>
<th>Use Cases</th>
<th>Examples</th>
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<tbody>
<tr>
<td>Communicating consumption costs.</td>
<td>MetLife sends TBM analytics to their project managers and application owners on their daily cloud consumption costs. This allows the organization to quickly identify applications that are left running after hours. Since the managers and owners saw the daily bill, they were more proactive about “turning the lights off before leaving for the day.”</td>
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<tr>
<td>Managing the application Portfolio for Value.</td>
<td>Understand the applications cost, quality, and value to the organization. Provides the ability to show the cost of the development of the application, management of the application, consumption of the application by the various user groups/organizations and can allocate costs to those user groups/organizations.</td>
</tr>
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</table>
Summary

In conclusion, the discussion around TBM in the Federal Government has evolved. The goals in the President’s Management Agenda have led to more immediate action. TBM offers Government/Agency Leadership, CFOs, CIOs, CAOs, and CHCOs the ability to communicate the value of IT costs while also enabling mission/service focused enterprise transformation.

A key to success is for CXOs to hold regular value conversations with CXO counterparts to address questions such as:

- “What information is needed to understand the cost and service level of each of the above services?”
- “Where does the information reside?”
- “What is the quality of the data?”

To fully achieve IT cost transparency, government must develop a business services view. This allows agencies to change the nature of the dialog with key organization stakeholders. The business services view aligns the IT services with the key organization objectives they support and enables discussions about how IT services align to key mission critical priorities. Finally, it demonstrates the organizational value of IT expenditures by rebalancing IT costs to key stakeholder priorities.
Authors and Affiliations

This paper was written by a consortium of government and industry. The organizational affiliations of these contributors are included for information purposes only. The views expressed in this document do not necessarily represent the official views of the individuals and organizations that participated in its development.

Kevin Coyne  U.S. Department of Commerce
Ben Rusckowski  Booz Allen Hamilton
Carolyn Sanders  National Endowment for the Arts
Mindy Levit  General Services Administration
Brian Isbrant  General Services Administration
Daniel York  General Services Administration
Andy Lieber  TBD Consulting

Project Executive Sponsor
Dan Pomeroy  General Services Administration

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