



eBook

The Ultimate IT Cost Optimization Playbook

A practical guide to simplifying IT spend decisions

Introduction

Companies have more technology options than ever for building the architecture they need to meet business goals. However, all those choices can result in overly complex and expensive setups. The result? Ballooning costs that are difficult to track, understand, and optimize.

Despite significant effort, many companies are unable to determine whether specific IT investments are generating positive returns. Some solutions serve no clear purpose and exist as part of a shadow or ‘zombie’ IT architecture. That’s a problem because IT costs and investments are generally increasing — and are becoming more heavily scrutinized.

There’s no doubt that connecting IT spend to business value can be challenging. Here are two stats from Gartner that affirm this point:

63%

of [CIOs surveyed](#) said they struggle to communicate IT’s value.

62%

of CIOs [don’t see adequate transparency](#) of IT costs.

If these dilemmas sound familiar, this decision guide is for you. It’s a practical resource to help IT, finance, and business leaders think about how to show that IT investments are benefiting the company by supporting growth, innovation, or digital transformation. This requires understanding the cost and value of applications and IT services delivered, surfacing insights to drive optimization, improving IT decision-making, and measuring the value of decisions.

This guide includes:

- An overview of IT Financial Management (ITFM) and how it helps organizations.
- Questions to help your team start exploring IT costs and investments more deeply.
- Case studies of companies that successfully optimized IT spend while improving operations.

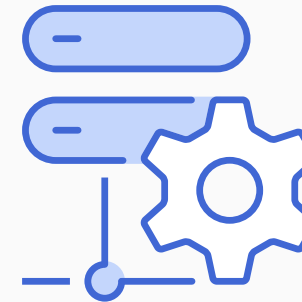
A modern approach to IT Financial Management

Before they can optimize costs, leaders need a comprehensive approach to understanding their IT spend. Many companies are building ITFM practices to make sure they have a real-time, trusted view of IT costs and investments.

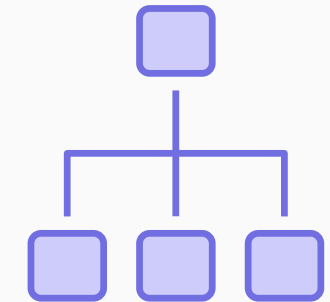
The question of how to take control of IT spend is critical. Currently, [90% of IT budgets are expanding](#), driven by investments in Artificial Intelligence (AI) as well as a shift to hybrid IT landscapes. To be useful, IT spend analysis needs to be grounded in three capabilities:

- Data management
- Modeling and allocation
- Business intelligence

A modern ITFM practice will help companies understand IT costs and investments and make the best trade-offs and decisions. Our work with the insurance carrier Liberty Mutual demonstrates the impact better transparency and high-quality cost data can have.



Data



Modeling



Business Intelligence



Liberty Mutual embarked on a digital transformation with the goals of increasing business agility and technology flexibility by optimizing its IT architecture.

It reached those goals by migrating many applications and processes to cloud-based solutions, but it still lacked transparency into the actual costs of its architecture. Adopting a consumption-based IT service model allocated IT expenses to business units and allowed the IT team to deliver real business value by:

- Consolidating data centers and decommissioning 3,400 physical server cores.
- Streamlining IT offerings, resulting in a catalog of just 15 unique products and just over 100 offerings.
- Saving \$2.4 million USD in IT costs.

With a formal process and proven tools for assessing IT spend, your team will be better able to identify needs and gaps as well as understand where you might be wasting money or losing opportunities to invest in innovation.

The first step: Begin analyzing IT spend in a comprehensive, strategic way. To help, we compiled the top IT Cost optimization questions to help you get started faster.



Get started: Answer the top IT cost optimization questions

These questions are organized into three strategic categories to help optimize your IT costs effectively. Each question includes clear steps and practical recommendations.

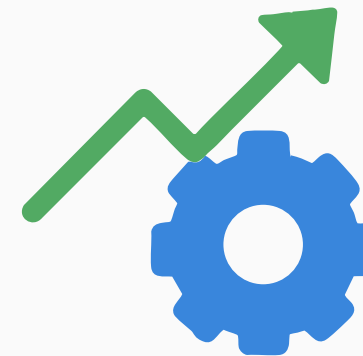
By following this guide, you will gain actionable insights that directly support your specific business goals.



Aligning IT investments to strategic goals



Gaining insight into and allocating IT costs and investments appropriately



Investing to sustain organizational agility and high performance



Aligning IT investments to strategic goals

Question 1

How well do our IT investments directly support our overall business strategy and objectives?

Inputs and outputs:

To answer this question effectively:

- Conduct a comprehensive IT portfolio assessment mapping IT spend to business outcomes.
- Analyze IT spend allocation across “run the business” and “grow the business” to rebalance budget toward innovation while maintaining operational stability.

Getting started:

To start the process, your next steps could include:

- > Establishing a formal, quarterly IT-business alignment checkpoint.
- > Implementing a strategic alignment dashboard to visualize the percentage of IT spend directly supporting top business objectives.
- > Gaining consensus on how IT spend could be optimized – either by phasing out IT investments or by reallocating budget from low-value to high-value initiatives.

💡 Business value:

Aligning IT spend to support strategic goals will help reposition IT as a strategic partner in overall business success.

Question 2

How do we currently measure and communicate the return on IT investments beyond just cost savings, and how can we improve on this approach?

Inputs and outputs:

To measure and communicate IT's value effectively, IT teams will need to:

- Define key performance indicators (KPIs) that measure IT's impact beyond cost savings, such as revenue growth, risk mitigation, and efficiency gains.
- Align IT investments with business objectives to showcase their contribution to strategic goals.
- Leverage benchmarking and industry comparisons to put IT's performance in a broader industry or business context and provide defensibility for budgets and investment decisions.

Getting started:

This effort requires collaboration with the business to compile a useful roster of metrics. Teams could:

- > Work with business leaders to define KPIs that reflect IT's contribution beyond cost reduction.
- > Use tools like IBM Apptio Essentials to provide a clear, simplified view into IT's financial and operational impact.

Business value:

In addition to solidifying IT's role as a strategic business partner, setting clear performance metrics improves both accountability and decision-making, which in turn boost stakeholder confidence in IT spending decisions.

Question 3

Do we maintain a clear IT service catalog, and can we accurately link the cost of each service to its business impact?

Inputs and outputs:

To answer this question in the affirmative, teams should:

- Develop and maintain a comprehensive IT service catalog that defines all IT services and their associated costs.
- Link each service to its business impact.
- Implement cost allocation models that accurately reflect the resources required to deliver each service.
- Assess service performance and identify opportunities for optimization.

Business value:

Once set up, processes to manage services and portfolios will pay off, as CHRISTUS Health found out. Moving to a centralized IT portfolio that included chargeback processes helped improve IT financial accountability and prioritize resources.

Getting started:

Most teams manage services and portfolios as a matter of course, but we suggest evolving what is usually an informal, routine approach into a structured and consistent practice that involves:

- > Identifying gaps or vagueness in service definitions, cost transparency, and business value calculations and correcting them.
- > Ensuring IT costs and investments are accurately linked to the services provided to business units.
- > Adopting tools like IBM Apptio to track, manage, and communicate service costs and value.
- > Evaluating IT services based on business impact to optimize resource allocation and budgeting.



CHRISTUS Health enhances IT planning while improving patient care quality

CHRISTUS Health is a not-for-profit health system with hundreds of hospitals, long-term care facilities, clinics, and outpatient centers in the U.S. The organization's mission is to deliver consistent, high-quality patient care through its various facilities.

To make that vision a reality, CHRISTUS Health transitioned to a centralized governance model, which required business owners to pay for IT services and adopt new IT planning and budgeting processes that better align to the organization strategy. The IBM Apptio team used a 12-week window between budget cycles to configure new solutions and train managers in the new planning system.

By improving data quality and visibility into IT spend, CHRISTUS Health:

- Reduced planning cycle time by 90%.
- Decreased annual budget variance by 50%.





Gaining insight into and allocating IT costs and investments appropriately

Question 4

Do we have a clear, single view of our IT spend and can we effectively communicate these costs to stakeholders?

Inputs and outputs:

To compile credible cost information, IT teams must:

- Adopt a comprehensive IT Financial Management tool like IBM Apptio to consolidate financial and operational data into a single, reliable view.
- Integrate IT spend data, business unit allocations, and forecasted spend for accuracy and consistency.
- Use industry-leading allocation models, reporting frameworks, and dashboards to track, analyze, and communicate IT financials effectively.

Getting started:

A preliminary plan to understand IT spend data entails:

- > Identifying gaps in existing IT financial reporting and stakeholder communication.
- > Defining a consistent methodology for presenting IT costs and investments to finance, business units, and executives.
- > Establishing regular financial reviews between IT, finance, and business leaders to align expectations and priorities.

Business value:

Greater IT spend transparency allows for better financial control and, ultimately, a stronger partnership among IT, finance, and business units. As our work with National Grid demonstrates, it's well worth the effort.

nationalgrid

National Grid adopts IT consumption model to support customer service goals

National Grid is one of the world's largest public utilities and is undergoing a multi-year digital transformation to meet its goals of delivering more affordable and sustainable energy. Optimizing IT spend would free up funds for these customer-focused initiatives.

National Grid implemented IBM Apptio and a truly consumption-driven allocation model, rationalized its application portfolio, and optimized network and cloud costs. These moves allowed National Grid to exceed its goal by capturing 95% of IT spend and putting itself on a path toward saving \$106 million USD over three years.



Question 5

Are IT budgeting and forecasting processes agile enough to adapt to shifting business needs and market changes?

Inputs and outputs:

Gaining the flexibility needed will mean most IT teams should:

- Implement an IT budgeting and forecasting process that allows for quick adjustments.
- Leverage scenario-planning tools like IBM Apptio to model different financial outcomes and prepare for market or business changes.
- Use historical data and analytics to improve forecasting accuracy.
- Ensure ongoing alignment among IT, finance, and business units to achieve consensus on strategic investment decisions.

Getting started:

A few key actions should be taken to link and improve IT budgeting and forecasting:

- > Identify current limitations in responsiveness within current IT budgeting and forecasting processes.
- > Connect IT financial planning with operational and business data for better decision-making.
- > Move from static annual budgets to quarterly or dynamic forecasts that reflect business and market changes.

Business value:

Dynamic and continuous budgeting and forecasting are needed to match the speed of business today, and how quickly opportunities and challenges can arise.

Question 6

Have we defined a fair, consistent, and understandable model for allocating IT costs to business units or products?

Inputs and outputs:

A credible cost allocation model can be built by:

- Establishing or implementing a clear and consistent cost-allocation framework that aligns IT costs with business consumption.
- Defining and selecting an allocation methodology (e.g., prescriptive vs. unrestricted consumption) that accurately distributes costs across business units.
- Providing stakeholders with easy-to-understand reporting that explains cost drivers and allocations.
- Automating the allocation process to reduce manual effort and potential errors.

Business value:

Having teams across the organization shoulder IT costs will improve accountability and financial transparency in the short term and optimize IT spending in the long run, as our work with Mass Mutual shows.

Getting started:

Migrating to a cost allocation model is a process, not an event. The prerequisites are:

- > Identifying gaps in fairness, consistency, and transparency.
- > Defining clear rules for allocating IT costs based on business unit consumption/usage.



MassMutual uses IT value analysis to inform M&A decisions

Insurance carriers like MassMutual are constantly evaluating potential mergers, acquisitions, and divestitures to meet business goals and optimize portfolios. Pricing a deal accurately and understanding potential ramifications, however, required more clarity about the company's IT spend, consumption rates, and value to the organization.

IBM Apptio provided MassMutual with a consumption-based allocation framework allowing each business line to see the cost structure of the technology footprint and exactly what applications it pays for to run its business. "Apptio gave us an opportunity to understand the total cost of ownership for projects, applications, and services the technology organization delivers to the business, as well as the cost of shared services and the agreed-upon allocation methodology," said Olga Timofeyeva-Vogt, assistant vice president and head of TBM for MassMutual. With this data, company leaders now have a clear picture of the business consequences of an M&A move. "Apptio is now part of every decision that involves technology," Timofeyeva-Vogt said.



Question 7

Do we currently benchmark our IT spending and performance against industry standards or peers?

Inputs and outputs:

Benchmarking is a critical element of explaining IT spend, and IT cost optimization isn't possible without current information around peer IT spending, performance, and best practices.

- Don't reinvent the wheel; instead, use external benchmarking tools and industry datasets to gain objective insights into IT spend efficiency and effectiveness.
- Compare IT spend trends over time to peers, allowing teams to identify anomalies and inefficiencies, justify budgets, and align with market expectations.
- Use benchmarking insights to inform decision-making, optimize resource allocation, and improve financial planning.

Getting started:

- > Identify previous benchmarking efforts and update with current reporting on peers.
- > Consider using solutions like IBM Apptio Costing Essentials (for cost pool benchmarking) or IBM Apptio Benchmarking (for full interactive benchmarking) to compare IT spending.
- > Outline a process for regular analysis of benchmarking data to track trends and adjust IT strategies accordingly.

Business value:

Benchmarking adds to your team's credibility by enhancing data-driven decision-making. Beyond defending IT spend, it also helps identify if you're over- or under-investing.



Sustaining agility and high performance

Question 8

**Are we optimizing our IT vendor relationships and procurement strategies to maximize value and minimize risk?
How do we currently plan and allocate IT labor costs across projects and departments?**

Inputs and outputs:

Sustaining high performance comes down to ongoing, consistent oversight and understanding to optimize vendor and labor use. This entails:

- Conducting regular vendor assessments to adjust pricing to market, remove similar services, and ensure optimization and alignment with business needs.
- Implementing IT workforce planning tools to accurately allocate labor costs across projects and departments.
- Using data-driven insights to track and optimize vendor selection, contract renewals, and labor distribution.

Getting started:

The most effective workforce and vendor management requires consolidating information about employees with IT responsibilities across your organization as well as all IT vendors. That would make assessment easier, including identifying opportunities to realign vendors, renegotiate contracts, or eliminate duplicative solutions.

Business value:

As our collaboration at a Fortune 100 insurer demonstrates, optimizing IT labor (both internal workforce and vendors) can result in more accurate planning and forecasting, more efficient labor utilization, and more clarity about IT's value to the business.

Fortune 100 insurer unifies IT budget data to shorten IT planning cycle

The carrier's annual IT budget exceeded \$700 million USD, split between an annual run budget to support ongoing operational expenses and a multi-year investment budget to fund strategic initiatives. IT leaders wanted to shorten both the annual run and grow cycles, and conduct forecasting on a monthly basis. This would allow the organization to improve IT labor and vendor management and provide needed flexibility.

The ultimate goals were to align teams to value streams, enable IT leaders to define and prioritize capacity by headcount and allocation, and assign Minimum Business Increments to teams instead of addressing everything at once. 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."

The company relied on IBM Apptio Costing and Planning, an ITFM tool that unifies financial and operational data in a single model. Once integrated with Jira and Tempo platforms, the company could link Agile and traditional work directly with budget estimates, allowing it to:

- Generate a comprehensive visualization of IT utilization.
- Improve forecasting accuracy.
- Reduce IT planning cycle time from 15 weeks to 15 days, an 80% improvement.



Question 9

Are IT, finance, and business teams aligned on common processes, terminology, and objectives to support effective ITFM?

Inputs and outputs:

Effective collaboration is grounded in:

- Establishing standardized processes and terminology to ensure IT, finance, and business teams operate with a shared understanding.
- Fostering cross-functional communication through regular meetings, shared dashboards, and aligned reporting structures.
- Implementing a centralized ITFM tool to centralize data and streamline communication and decision-making.
- Defining clear roles and responsibilities to ensure accountability and consistency across teams.

Getting started:

- > Identifying gaps in communication, processes, and understanding between IT, finance, and business units.
- > Creating shared terminology, reporting structures, and financial processes to ensure consistency.
- > Establishing recurring cross-functional reviews to align objectives and review outcomes.
- > Implementing solutions like IBM Apptio to provide a single source of truth for IT costs and investments — and overall ITFM.

Business value:

Stronger alignment will lead to more consistent use of ITFM, which in turn can be a catalyst for change throughout an organization. The shift toward data-driven decision-making and clarity of IT spend has the potential to reshape how work gets done.

Question 10

How do we track, measure, and evolve our ITFM practices over time to ensure ongoing relevance and efficiency?

Inputs and outputs:

All continuous improvement efforts, including ITFM-focused ones, rely on:

- Integrating clear goals into ITFM practice over time.
- Conducting regular reviews of processes to identify inefficiencies and areas for optimization.
- Implementing feedback loops to incorporate lessons learned and adjust strategies as business needs evolve.

Getting started:

Continuous improvement can require a shift in mindset that embraces:

- > Identifying KPIs that measure financial efficiency, cost optimization, and alignment with business goals.
- > Evolving from rigid, static planning and forecasting to a continuous forecasting process and scenario modeling.
- > Developing an ITFM practice focused on analyzing, planning, and optimizing IT costs and investments to ensure financial transparency; aligning IT spend to business objectives; and clearly communicating IT's value to the business.

Business value:

At its core, ITFM is about improving IT spend efficiency and alignment to strategy, using a foundation of IT usage and cost data. Embedding continuous improvement tactics will ensure the consistent use of current data to enhance both operational efficiency and agility.

Conclusion

Understanding and optimizing IT spend can be overwhelming when teams are unsure where to start and how to proceed most efficiently. That's why these 10 questions are useful — they provide both a simple framework for exploring IT spend and a methodical approach to ongoing optimization. IT cost and investment optimization is just one product of using Apptio's IT Financial Management solutions, all of which generate actionable insights into IT value, performance, and cost, while helping leaders make better, data-informed decisions faster.

IBM Apptio's ITFM solution help technology leaders align IT spend to business goals. When used consistently, it can help drive change across organizations and instill the cost discipline needed to manage today's complex IT budgets and prioritize investments.

To learn more about Apptio's ITFM solutions, [schedule a demo](#).



About Apptio

Apptio, an IBM company, is the leading provider of Technology Business Management (TBM) SaaS applications. With AI-powered insights based on billions in managed technology spend, we're a pioneer in the TBM practice areas of IT Financial Management, FinOps, and Strategic Portfolio Management, empowering leaders to make smarter decisions and deliver more value from technology investments.

For more information, please visit

[IBM Apptio](#)

