

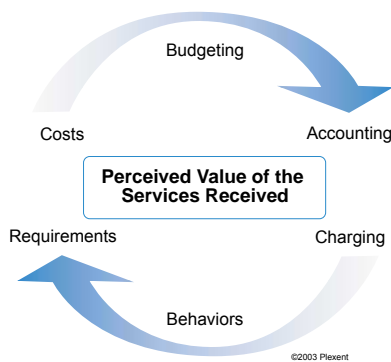
What is Financial Management?

ITIL defines Financial Management as:

... the sound stewardship of the monetary resources of the organisation. It supports the organisation in planning and executing its business objectives and requires consistent application throughout the organisation to achieve maximum efficiency and minimum conflict.

Financial Management requires a delicate balance to be effective. On the one hand, the cold objectivity provided by numbers ultimately translated into dollars must be weighed against the very real perceptions of Users. Complicating the equation are the often subtle cause and effect relationships at work within the context of this Discipline and its interplay with others, such as Service Level, Capacity, Configuration, and Change Management. Financial Management is key, however, to providing a verifiable metric to ensure that IT requirements are firmly grounded in business requirements and it is therefore worthwhile in some form for organizations of every size.

The process generally begins with requirements for the IT services necessary to satisfy a business need. Using various strategies, the actual costs of providing these services are compiled. At this point, to maintain consistency, budgeting decisions should be made within the framework of the organization's larger financial management strategy. Items such as which entities within the hierarchy will "pay" for services and how they will be "billed" must be clearly understood if budgets are to be accurate and delivered with confidence. Once budgeting is complete and resources allocated, the accounting system tracks usage and associates costs.



What comes next makes all the difference. Because desired behavior can be encouraged or discouraged, if and how these costs are transferred to Customers figures largely into the effectiveness of Financial Management to improve services. For example, the unintended consequence of behavioral shifts may reduce demand for some services, thus skewing requirement projections needed for capacity planning.

Failure to properly implement Financial Management can lead to other issues. Depending on whether your IT department is a separate business unit, it may be chartered to operate at a profit, breakeven, or with subsidies. This strongly influences whether charges are nominal or actual and the manner in which indirect costs are apportioned. Additionally, perceived fairness issues can create or heighten organizational barriers that can impact operations throughout the company. Fortunately, Plexent and itDNA can help you achieve the necessary balance.

The Plexent Approach

itDNA builds on the Financial Management concepts outlined in the ITIL standard and, by leveraging our framework, Plexent can apply ITIL to your organization. If you are just getting started with Financial Management you may need help with the basics such as setting up a classification of cost elements compatible with your current accounting system. If you already have an established system, Plexent can take you to the next level by developing a procurement strategy to support your goals. Utilizing a risk management approach to the vendor selection and contract award processes, itDNA provides the right questions to ensure you get what you need, when you need it. Whatever your Financial Management maturity, Plexent can take you to the next level by bringing all of the pieces together.

Much more than just a framework, itDNA brings real-world tools and techniques to bear on your concerns. Backed up by itDNA's maturity models and rich, intellectual property knowledge base, Plexent's project management combines with proven policies and procedures to provide standardized services within the following Financial Management Elements:

- Cost Accounting
- Contract Management
- RFP Management
- Budgeting

With an effective Financial Management program in place, the benefits extend beyond this single Discipline. As already mentioned, Financial Management interacts strongly with other Disciplines, especially Service Level Management. Because budgeting, accounting, and charging are the direct result of items listed in the Services Catalog, the process loops of these two Disciplines are intertwined. Financial Management becomes a metric for Service Level Management and the services within the Catalog can be improved based on the various financial measurements. Other benefits of a mature Financial Management program include:

- Cost efficiency
- Cost and expenditure profiles are accurate
- IT requirements are tightly bound to business needs
- IT organizations can achieve financial objectives
- Evaluation of performance targets in light of costs
- Desired User behavior changes can be achieved
- Charges are perceived as fair

Financial Management can be of great benefit to organizations of any size. The key is to keep the complexity commensurate with the level of detail required to budget, account and charge for IT services. An organization burdened with an inflexible, expensive system, perceived as unfairly allocating costs, may find it has opened Pandora's Box by providing Customers with just the ammunition they need to take their business elsewhere. However, by maintaining balance between the cost of services and the perceived value of those services, organizations can leverage this Discipline to improve their position and drive maturity across the board. To help you achieve balance, Plexent provides assessment services. Leveraging the intelligence in our itDNA, we can help you evaluate where you are today, where you would like to take your organization, and the surest path to get there.

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