



IT Department performance: financial, but not only...

June 2023



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EDITORIAL

The digital transformation of businesses has never been so rapid, whether it's to meet their growing needs, to better manage and exploit company data or to offer an improved customer experience. This transformation is generating an ever-increasing number of projects for the IT Department, but also a growing and constant demand for new and ever more innovative services, and is therefore creating real challenges in terms of performance.

Against this backdrop, IT performance management has become essential for all businesses, in order to ensure that investment is relevant and profitable, that resources are correctly allocated and, ultimately, that the IT department is making the right contribution to the company's strategy.

Measuring IT Department performance obviously includes financial performance, but also non-financial performance, because we all know that the added value provided by the IT Department and the Information Systems can be translated into financial KPIs, but also into a more intangible contribution that is nonetheless not negligible.

Managing the performance of the IT Department and Information Systems cannot be a matter for the IT Department alone, any more than it can be a matter for the Finance Department alone. It necessarily involves joint work between the IT Department and the Finance Department (with contributions from the business departments, of course), a task that is often delicate because it is cross-functional, and in which the IT Department's management control will play a central role.

For these reasons, CIGREF and the DFCG (Association Nationale des Directeurs Financiers et de Contrôle de Gestion), the national association of Chief Financial Officers and financial controllers, have joined forces to co-lead this working group on the financial and non-financial performance of IT Departments.

Franck Boudignon, Jean-Claude de Vera and Frédéric Doche

Leaders of the working group

SUMMARY

A performance management approach conducted within an information systems department demonstrates that this department is not just a cost centre, but that, like the other departments in the organisation, it creates value, in both financial and non-financial terms. For this approach to succeed, it must be carried out in collaboration with the Finance Department and the departments that use the IS, and be based on the Group's strategic orientations.

The aim is to put in place IT governance that is not solely focused on costs. Like all other corporate functions, the IT Department cannot be reduced to its financial assessment. Providing transparency and clarity around its data and processes is one way of demonstrating its added value. However, the financial aspect should not be neglected, and should mainly consist of demonstrating that the budgets allocated are under control. To do this, the IT Department needs to develop reliable and transparent financial indicators. It can also rely on a model for reading IT costs.

From an extra-financial point of view, the added value of the IT Department is more easily apprehended in the context of projects. Nevertheless, the correct day-to-day operation of the organisation's information systems in a secure environment - in other words, the primary function of the IT Department - should in itself be considered as added value.

A performance approach that takes into account financial and non-financial issues is also a way of bringing some of the benefits and value of a project back to the IT Department, whereas these are currently mainly obtained and collected by the user departments.

The aim will often be to build a performance dashboard for the IT Department. The choice of indicators for the dashboard should be based on the organisation's priorities. However, it is advisable to limit the number of indicators in order to focus on the most important objectives. The form of the dashboard is also crucial if it is to be appreciated, but it should not be overly burdensome in the early stages. The production of this dashboard should eventually be industrialised.

Managing IT Department performance obviously does not stop at the dashboard, but rather becomes part of a process of continuous improvement for the IT Department. By setting objectives and measuring progress and gaps, it enables decisions to be taken based on the issues at stake and the resources available. A quantitative comparison within your sector will help you to identify performance drivers. Lastly, a qualitative comparison between different sectors enables you to learn about best practice. The ability to benchmark will therefore be an important element in this continuous improvement process.

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1 INTRODUCTION: THE CHALLENGES OF IMPLEMENTING A PERFORMANCE APPROACH AT IT DEPARTMENT

For far too long, companies have regarded their IT Departments as a cost centre, piled high with charges that are always too high and difficult for non-specialists to read.

However, having embarked on an increasing number of strategic digital transformation projects over the last few years, these companies expect their digital departments to support their business departments¹ **by creating value**, both in the day-to-day management of systems and applications, and in the projects they implement.

The added value provided by business projects, although sometimes complex to assess, can be visible and easily understood by decision-makers. On the other hand, the value added by IT department-led technical projects (IT projects for IT's sake), such as cloud migration or cyber security projects, is more difficult to assess, because their contribution is not primarily financial, but is aimed at improving the management of IT activities and protecting them. And yet these 'technical' projects can require significant investment, and are often unavoidable. What's more, while the value provided by projects may in some cases be valued financially, it may also be intangible and relate, for example, to improving customer satisfaction or the quality of employees' working lives.

To demonstrate its value, the IT Department must therefore put in place a **global performance approach**, financial of course, but also covering other aspects of the company and enabling effective and constructive dialogue with the various stakeholders. This performance approach must be implemented **in collaboration with the Finance Department**, in particular via the contribution of the IT Department's Management Control. However, as the two departments do not always use the same indicators or the same language, it is necessary to find ways of harmonising data and reporting processes if this approach is to succeed. To understand each other and achieve this harmonisation, the two departments need to educate each other and make an effort to understand their respective constraints. This collaboration should lead to a better understanding of IT budgets and how they are structured, in order to facilitate the allocation of resources in line with the IT Department's constraints, the strategic contribution of initiatives, and the response to requests from user departments or the corporate group. The ultimate aim is to achieve **strategic and economic alignment** at company level. And this efficient allocation of financial resources is all the more important in these times of talent shortages, when skills resources are limited.

IT Department management control, regardless of its functional or hierarchical reporting relationship between the Finance Department and the IT Department, has a major role to play in reconciling the points of view of the CFO and the IT Department. They are responsible for defining and measuring IT Department performance. It provides advice on how to improve performance management and is called upon to be a genuine partner for the IT Department, so that its budget can no longer be considered as a pile of costs in a black box that lacks transparency.

Implementing a performance approach is a way of looking at IT Department governance from a different angle than just controlling its budget and costs. This performance is therefore made up of various elements that enable the added value of the IT Department as a whole to be assessed. The aim of such an approach will most often be to build an evolving dashboard, made up of indicators to be

¹ The business departments include all the departments that use the organisation's information systems.

defined according to business and corporate objectives. These indicators will enable the IT Department to monitor its performance over the long term, and to be able to plot paths of development and improvement over time. They will also enable it to compare itself internally with other departments in the Group (the IT Department sometimes faces the same problems as other support functions). Benchmarking can also be carried out externally with organisations in the same business sector or outside its own sector, as best practice is not always found in its own field, particularly when it comes to digital innovations. This comparison will enable the organisation to identify its levers for improvement, and therefore to boost its performance.

2 WHY EVALUATE IT DEPARTMENT PERFORMANCE?

The first advantage of implementing a performance approach in the IT Department is that it enables the implementation **of a different form of governance for the IT Department**, i.e. one that does not focus solely on costs, which are discussed once a year with senior management during the budgetary process. On the contrary, this approach should make it possible to introduce and **highlight the notion of the value provided** to the business and the corporate.

Highlighting the IT Department's performance enables senior management to allocate the necessary financial and human resources in line with business and group objectives, while taking account of its constraints. These constraints may be technical (managing technical debt, for example) or may arise from the need to innovate in order to remain technologically competitive (improving the user experience on the company's website, for example).

The notion of performance also makes it possible to highlight the strategic contribution made by the IT Department, by showing how it helps to reduce risks, particularly cyber risks, or to invest in the future through its capacity for innovation. In this way, it also clarifies the assumptions used to evaluate the IT Department, going beyond costs.

To take an interest in financial performance, we also need to look at non-financial issues.

The performance of the IT Department, like that of all corporate functions, is made up of financial and non-financial elements, and cannot be reduced to a simple financial assessment. However, unlike other corporate functions, the IT Department operates in a very specific way, and this is reflected in the way its budget is constructed, which is often considered to be complex and lacking in transparency. As a result, the IT Department is still too often perceived as a 'black box': its activities are not always understood by all the organisation's departments, which has an impact on the understanding of its costs, objectives and constraints. As a result, it is often subject to significant budgetary trade-offs.

In order to change the way the IT Department and its activities are perceived, and move towards a better assessment of its performance, the IT Department needs to demonstrate transparency and clarity in its data, both to the Group and its business units, and to the Finance Department. The implementation of a performance approach based on the production of indicators and regular reporting can enable the IT Department to promote the challenges and added value of its activities to its partners. One way of achieving this is to develop a close relationship with the company's various business departments by adjusting the performance indicators to each business, so that they are more appropriate and enable both a shared understanding of the challenges and joint management.

3 THE COMPONENTS OF IT DEPARTMENT PERFORMANCE

3.1 WHAT IS PERFORMANCE?

Performance is a vast concept that needs to be defined. Depending on the sector of activity and the strategic objectives set by the organisation, the IT Department will position itself differently to emphasise this notion of performance.

This report is based on the following definition of the performance approach developed by the WG participants:

The "IT Department performance" approach enables the IT Department to demonstrate not only that the budgets allocated to it are properly controlled, but also, and above all, that the added value provided to the user departments and to the Group contributes to the achievement of the company's strategy.

Added value is made up of quantifiable elements that contribute directly to the company's profit and loss account (P/L), but also elements that are difficult to value economically (such as improved customer satisfaction or time-to-market), which nonetheless also embody the impact of the IT Department on the business and the organisation.

When it comes to quantifiable data, it is **not necessarily necessary to seek accounting precision**. Instead, it is advisable to look for evaluations and hypotheses, to put forward **orders of magnitude**, to **display trends** that can be followed over time, rather than trying to produce exact figures, which are costly in terms of time and resources, for a small difference in results. The aim is to be able to **compare** easily.

In large groups, added value concerns not only the business departments but also the functions. We need to take into account all the strategic challenges facing the organisation, which are not always directly addressed by the business departments. These strategic issues need to be addressed by the IT Department in order to add value to the whole organisation.

The added value provided by the IS must be measured across all its activities. This is often best done on projects, but should not be neglected in the run phases.

3.2 PERFORMANCE IN RECURRING BUSINESS (RUN)

Business projects are not the only elements to be taken into account when calculating the added value of the IT Department. **The IT Department's primary performance challenge is to be able to operate the organisation's information systems correctly on a daily basis in a secure environment.** This primary function of the IT Department is in itself a source of value.

This measurement of the added value of the "RUN" (or recurring activities linked to the operation of the IS) must be thought out and defined at the design stage of a project. The business units behind the project are often very active in highlighting the contributions and business value of their project

upstream (during the validation and investment committee arbitration phase) as well as during the project development phases, but they are often much less interested in measuring the value over the long term. The day-to-day operation of the solution developed is then the sole responsibility of the IT Department, which has to manage the costs over the long term without being credited with the operational benefits, which remain with the business departments (those that use the IS).

One way of getting the business units more involved in the operation of the "RUN" is to operate in the form of a **catalogue of services or products** (particularly in agile approaches). The IT Department is then in a position to offer its users different levels of service, corresponding to different levels of added value. The business can then understand and visualise in concrete terms the performance and level of service provided by the IT Department on a day-to-day basis. The highest levels of service, always more costly, are supposed to deliver the greatest operational performance.

Finally, the added value provided by IT Departments to RUN activities can also be measured in terms of their ability to control cyber risks and guarantee a level of IS performance and availability, through regular technological investment. These technological investments add value in terms of the operational performance of the IS.

3.3 PROJECT PERFORMANCE (BUILD)

Assessing the value provided by projects, whether tangible or intangible, cannot be done without **the business units that are behind them**, because only they can provide the right indicators to justify the implementation of a project/product. However, the IT Department can also demonstrate its value and performance through the various projects it undertakes. A study of the value of projects throughout their lifecycle is one way of demonstrating its performance.

The accelerating pace of digital transformation is leading to the adoption of value-based management methods (e.g. Agile projects). The IT Department is also faced with the need to make a greater contribution, which means that it has to assess its digital projects more accurately. At the same time, it must be capable of driving innovation, investing in new capabilities and enriching the company's digital assets.

3.3.1 THE BENEFITS OF AGILE METHODS

In this respect, "Agile" project methods now seem to contribute much more to focusing on added business value than traditional methods (known as "V-cycle" methods). They offer a number of advantages in terms of assessing value throughout the project life cycle.

- **Organisational proximity between business project teams and IT project teams that encourages collaboration:** the project teams are multidisciplinary, made up of both business and technical representatives who talk to each other on a daily basis, thus promoting mutual understanding of each other's challenges and constraints, as well as better assessment of each other's performance in terms of their contribution to the project.
- **Value-based prioritisation of project deliverables:** the definition of the content of feature delivery sprints is dictated by the value contributed by each feature. The indicators used to measure value and performance are thus defined "in real time" throughout the project, jointly by the business and IT teams.

- **An assessment of the value provided throughout the project, not just at the beginning and end:** this assessment is carried out on an ongoing basis as deliveries are made, enabling the project to be redirected as and when required, depending on the results.

It appears that the link with the business lines is encouraged, and that value-based project management is simplified, which means that the needs and challenges of the business lines and the Group are always met. As a result, a project can be abandoned more quickly if it does not meet expectations. Conversely, a project can be rolled out more quickly if the expected benefits are observed. However, not all projects managed by the IT Department are easily eligible for these "Agile" methods.

Nevertheless, financial monitoring using Agile methods can be complicated when certain organisations try to do away with the notion of a project (start date, end date, objective and budget) and replace it with successive sprints, which may all be business-oriented, but which do not allow for relevant financial monitoring.

3.3.2 ASSESSMENT BASED ON THE NATURE OR OBJECTIVES OF IS PROJECTS

Assessing the costs and benefits of a project will vary depending on the **nature of the project**:

- Regulatory or mandatory projects (e.g. technical obsolescence);
- Business growth projects (customer acquisition and retention, new business, additional sales, mergers and acquisitions, etc.);
- Optimisation and cost-cutting projects: reducing costs in the IT Department and/or in the business lines.

It can also differ greatly depending on **the objectives** pursued by the IT projects:

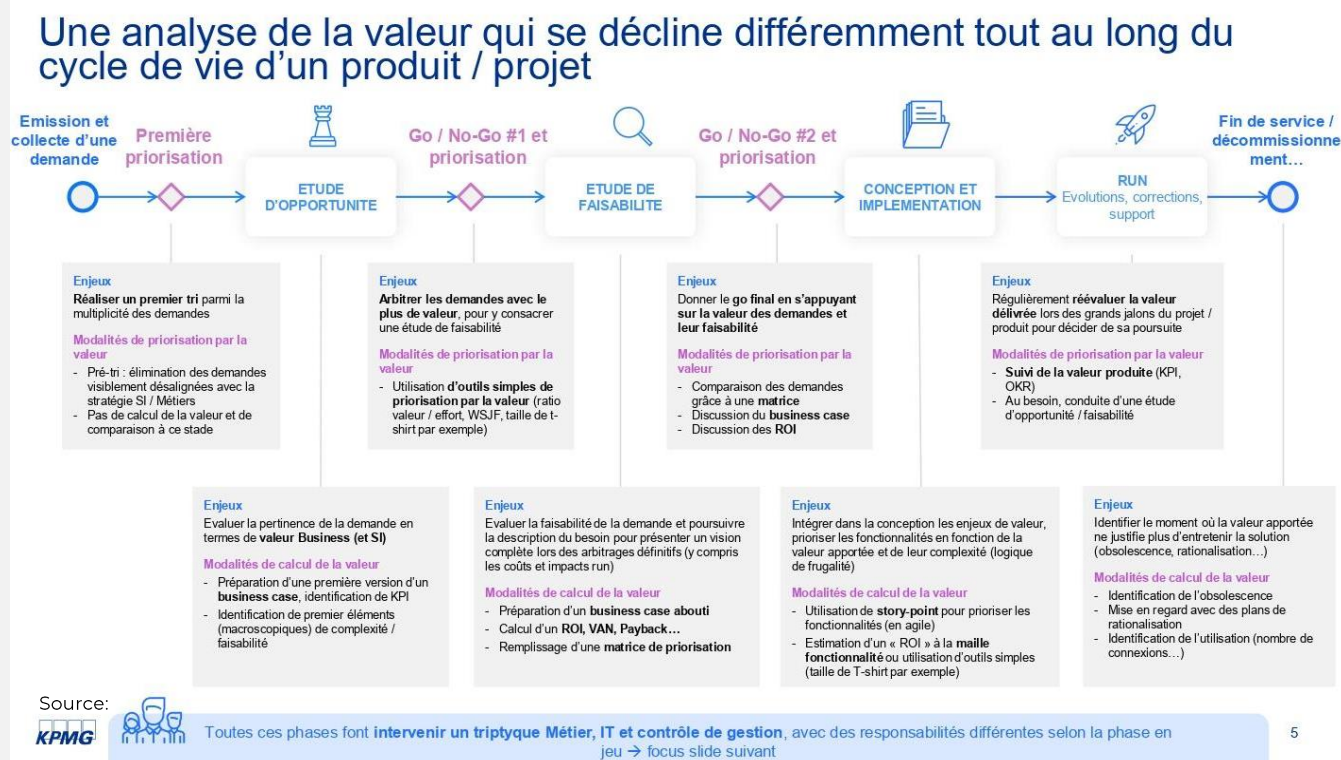
- Ensuring the reliability of the company's reference data for both operational use (business transactions) and functional use (strategic analyses and reporting, including CSR and RGPD);
- Modernising and optimising company processes, improving the responsiveness and flexibility of the company's organisation;
- Enhance existing services or products or propose new ones;
- Meeting regulatory constraints;
- Upgrade the IS infrastructure, for example by migrating to the cloud;
- Managing technological debt to maintain the capacity to develop new services;
- Facilitating the integration and separation of activities;
- Modernising the way the IT Department operates and securing the IS.

All these investments have a direct impact on the way in which the IT Department manages its budget. Financial management must be adapted to ensure alignment with the company's priorities. The company's digital transformations (migration to the cloud, introduction of the agile method to manage projects, implementation of emerging technologies at the heart of the business, AI, blockchain, etc.) are leading the IT Department to review the methods used to assess the value and economic management of the IS, with the following challenges in particular:

- Increased difficulty in distinguishing between IT investment (potentially capitalisable as CAPEX) and operating costs (OPEX), with migration to the cloud often resulting in CAPEX being transformed into OPEX;

- Changing types of expenditure: transformation of fixed costs into variable costs through the widespread use of pay-as-you-go methods;
- The need to allocate financing capacity dedicated to innovation;
- Continuous adaptation of roadmaps and investment plans.

Example of a project value study



3.4 CONTROLLING YOUR BUDGET AND COSTS

Sticking to your budget is not a performance in itself!

The IT Department budget is drawn up at the beginning of the year on the basis of assumptions (IT Department, business departments, company) and, for most companies, is fixed for the year. When assumptions vary, some companies adjust their IT budgets, while others simply explain variations in actual figures compared with the budget by the variation in assumptions. Furthermore, the IT Department's budget is hampered by the complexity of the organisation, as the budget depends on a large number of parameters that are not under the IT Department's responsibility (e.g. number of users, consumption of services, variations in business volumes, etc.). One of the solutions employed by some companies to overcome this difficulty is to introduce invoicing for services consumed, while taking care to combat the development of “shadow IT” within the entities.

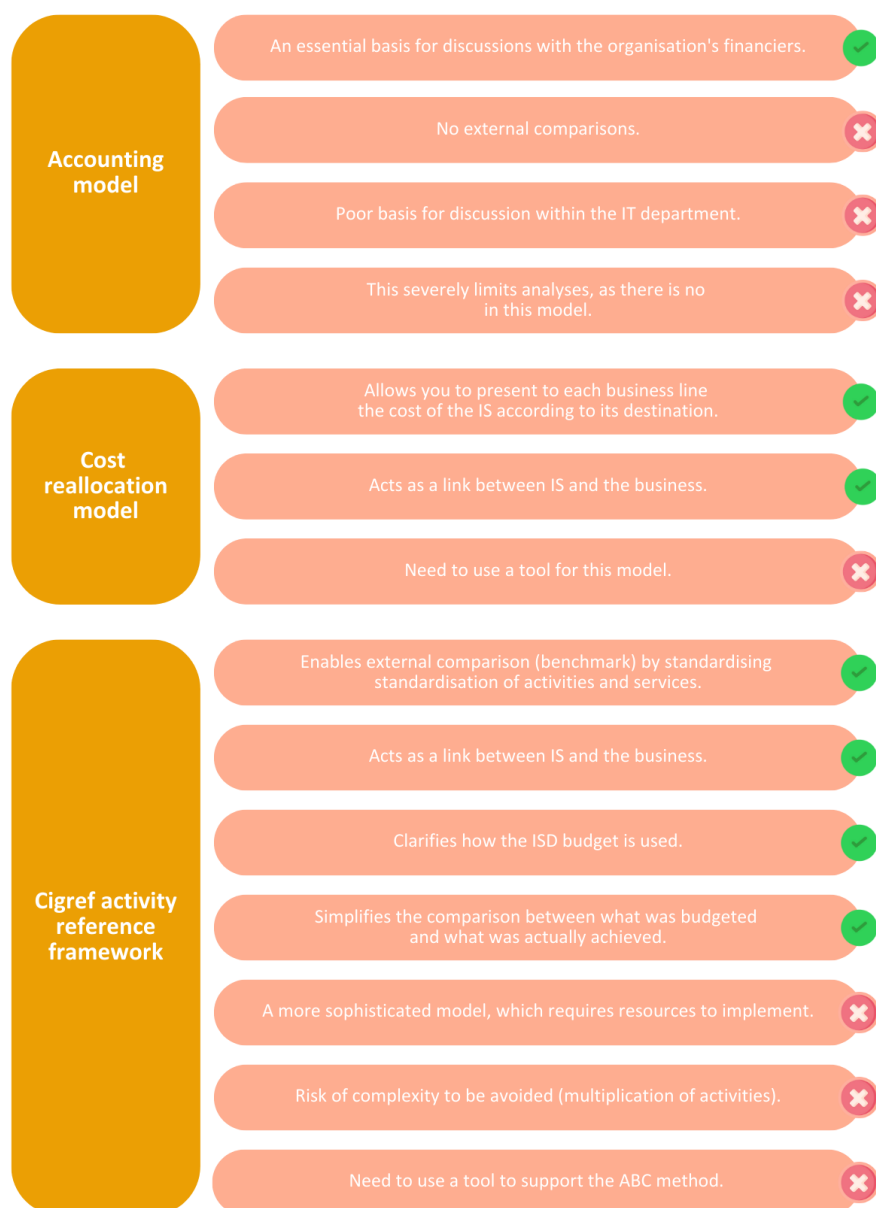
To keep IT costs under control, it will be necessary to **develop reliable financial indicators that are transparent** to senior management.

3.4.1 THREE REFERENCE MODELS

There are three models (or reference frameworks) used by IT Departments to interpret costs:

- **The accounting model** based on cost centres, which can only be monitored by type of expense (French accounting model), is by design ill-suited to dialogue with the business lines,
- **The cost reallocation model**, which tracks costs by destination (Anglo-Saxon model),
- **The CIGREF Activity Repository** is based on the ABC (Activity Based Costing) method².

These three models can also be seen as corresponding to levels of maturity, the accounting model being a first approach leading progressively to the implementation of a more sophisticated cost repository.



² This IT cost model has been updated for 2022: [Economical and ecological IT management model 2022](#)

Each model has its own advantages and disadvantages, which you should be aware of before installing. Here are two examples of companies that mainly use a cost reallocation method to manage their budget:

In the case of Système U, the introduction of a rigorous cost repository has enabled the budget to be managed more transparently and effectively.

The Système U cost repository

Système U's IT Department has set up a data repository focusing on costs as part of its IT cost analysis process, which has led to the implementation of the Apptio solution. The aim of this approach is to provide General Management with greater transparency on the costs generated by the IT Department. As such, it fits perfectly within the framework of demonstrating performance from a purely financial perspective.

The repository is being built in two stages:

Structuring IT cost analysis

This first step involves organising all IT costs into two types of cost centre:

- Functional cost centre: all the lower layers of IT (infrastructure, operations, security, network, etc.);
- Service cost centre: direct costs of business applications.

This structuring requires a stable repository, as there are around a hundred cost centres, which evolve according to requirements but remain relatively stable. Most of the settings in the Apptio solution are based on these repositories.

Organising IT repositories

The results of a cost analysis project depend on this stage. The CFO is not autonomous in this area and has to work with all the departments, which takes a lot of time. This second stage has three objectives:

- Obtaining or building quality standards:
 - Infrastructure and Cloud repository: servers and capacity of each storage and backup server...;
 - Server-Application link repository: each application is on a server or in the cloud;
 - Hierarchical application repository to be shared with the business units: moving from a repository of 700 applications to a reorganisation of these applications in a hierarchical manner;
 - Ticket repository: used to allocate operational maintenance costs to applications;
- Equipping repositories with the right tools and automating interfaces: 3 tools to interface with at Système U (Service Now, Mega, Apptio).
- Automate regular updates of repositories: define the frequency of updates.

Noémie DUJARDIN, Senior Management Controller, Système U

At Danone, the reallocation of costs has led to greater responsiveness in budget management.

Cost reallocation at Danone

Transformation at Danone

The Danone group has transformed itself by moving from a business organisation to a geographical organisation. Digitalisation and harmonisation of solutions has therefore been at the heart of this transformation. Against this backdrop, investment in digital technology has been stepped up since 2021.

To achieve this, the IT Department has also been restructured in terms of its governance, by deploying the agile method and setting up 3 hubs (a hub in Warsaw for the Europe region, another in Kuala Lumpur for Asia and finally a hub in Mexico for the Americas region, in addition to a global organisation in Paris). This is in line with our drive for efficiency, as close as possible to the business.

Danone is present in 80 countries, with 250 subsidiaries, 20 clusters and 2,000 people working in IT&Data.

IT&Data is organised on three levels:

- An organisation by platform at a global level: DtoD (operations & supply), Supporting Function (Finance, HR etc...), D&A (data and analytics), Commercial, Infra&Tech, Cybersecurity...
- Regional organisation within hubs
- A purely local organisation within countries and subsidiaries.

Budget and strategic plan management practices

Danone has put in place a rigorous resource allocation process: budgets (Capex & Opex) are defined at the beginning of the year through the identification of strategic projects (global and local) and translated into an Annual Operating Plan.

During the year, the IT Department will have complete freedom to reallocate the budget (Rolling Forecast process) within the overall envelope initially defined. This process means that actual consumption can be monitored as closely as possible, and immediate reallocation is possible in the event of any acceleration on an existing project or any unplanned project (a frequent occurrence in the current volatile climate).

To do this, each subsidiary enters its costs (primary and rebilled from head office on the basis of a catalogue of services) in a report, which is then consolidated by the finance department. A monthly report is produced for each platform and a local report.

Another important aspect is the annual preparation and monitoring of a 3-year strategic plan. In particular, this discussion enables the finance department to be aligned with the structuring projects and P&L costs to be forecast (Opex: depreciation, maintenance, licences, etc.) for future years. This makes it possible to plan for the financial resources needed to complete these projects, or to prioritise them if necessary.

Jean-Baptiste LE STUM, Chief Financial Officer, IT Department, Danone

3.5 THE BENEFITS

The benefits of IT and information systems are manifold:

- Financial and non-financial,
- In the IT Department or in the business lines,
- Tangible or intangible.

Measurable benefits will have to be evaluated by the business, the IT department and the company as a whole. Most of the time, the IT Department piles up costs to meet business needs, but the benefits and value will only be realised in the business. To assess these benefits, the IT Department's financial controllers will need to facilitate the process, together with the other financial controllers in the business departments concerned. The evaluation of more intangible contributions should be based on more qualitative indicators, such as the level of customer satisfaction or compliance with regulatory obligations.

A number of success factors appear to be important:

- The evaluation of benefits must be carried out at the outset of projects and monitored throughout the project and right up to the end.
- The expected benefits are often based on a number of assumptions that need to be remembered because they can vary over time. It is by taking these assumptions and any variations in them into account that it will be possible to accurately measure the benefits actually delivered.
- The benefits of the projects must be monitored over time, and compared with the recurring operating costs.

Presenting non-financial issues with clear indicators is a way of providing transparency to senior management.

4 HOW DO YOU SET UP A PERFORMANCE DASHBOARD FOR THE IT DEPARTMENT ?

4.1 WHAT KIND OF GOVERNANCE?

A confidential performance initiative carried out internally by the IT Department with a view to improving the department internally would only have a limited impact and would only be a first step. To be fully effective, the IT Department's performance approach needs to be carried out across the board, with the finance department, the business departments (users) and the group.

Tripartite governance is required for this approach to spread throughout the organisation:

- **The business departments** to qualify the expected business value and provide business indicators. They validate the ambition, the contribution to the P&L, the more intangible contributions, and assess the business cost of the project.
- **The IT Department, which is** responsible for the IS, manages the use of the IT solution, assesses the IT value and IT risks, and qualifies the feasibility of projects.
- **The Finance Department**, which proposes a framework for managing the budget and the investment portfolio, and standards for calculating and reporting the various financial indicators, including value measurement.

Finally, a cross-functional role performed by the IT Department's management controller supports the approach to ensure that it meets the objectives defined at the start of the process.

4.2 DASHBOARD SHAPE

The appearance of the dashboard depends very much on the company's graphic culture. However, it is advisable to favour presentations that allow the content of the message to be understood at a glance, rather than complex tables of figures. Data visualization solutions are a great help in this respect.

To begin the process, you should not invest too much time in formalising this dashboard, but rather test it with the target audience to ensure that the indicators are clearly understood. To do this, it is advisable to organise presentation sessions rather than simply sending it to the various stakeholders. Once the content of the dashboard has been validated using simple tools, it is time to industrialise its production using the appropriate tools.

For a monthly presentation of this dashboard, the following organisation can be proposed:

- A financial page with indicators represented by radars enabling the IT Department budget to be positioned in relation to forecasts and in relation to the organisation's overall budget;
- A few graphs to focus on certain large or strategically important IT projects and take the time to explain the value analysis at each stage;
- An appendix page, kept in reserve, containing more detailed information by area of activity which is not intended to be presented, but which will be useful in answering any questions.

4.3 WHAT INDICATORS?

The choice of indicators for a performance dashboard depends largely on the objectives of the approach and the activity of the organisation. However, it seems essential to address at least the **following seven themes**. For each of these themes, we have proposed examples of indicators to explain the direction to be taken. These indicators can be one-off or monitored over time. Generally speaking, it is more interesting to monitor a development (trend) than an indicator taken at a given point in time. It should be noted that the choice of these indicators may change depending on the performance management priorities and the subjects that you wish to monitor specifically.

Finance

The financial theme focuses not only on costs, but also on the identification of benefits. The main objective is to show the link between an IT solution and the way it is used by the business. The choices made by the business have a major impact on the IT Department's budget. Here are a few examples of indicators:

- Full cost of Group IS per user (annual indicator)
- ISD contribution to the operating account (reduction in expenses or increase in revenue) (monthly or quarterly indicator)
- Total cost of ownership (TCO) of a workstation or application (annual indicator)
- Ratio of recurring costs (run) to project costs (build) and trend analysis; more sophisticated approaches integrate costs into operations (IS Run/Operations Run)
- ROI for the largest projects (excluding regulatory projects)

Governance

This theme focuses on the alignment of the IS with the company's strategy and objectives, on the organisation's orientations and on the IT Department's ability to manage the information system effectively. Here are some examples of indicators:

- Percentage contribution of projects to corporate strategy (in number and investment value);
- Measuring IS obsolescence;
- Indicator on the environmental and societal impact of digital technology, according to the CSR objectives and ecological objectives defined at group level (this subject is covered in greater detail in another Cigref report: [CSR policy within IT: positive contributions from the IT Department to the company's CSR policy](#));
- Level of governance maturity, measuring the extent to which it is comprehensive, includes all group and business functions, and has a compliance aspect.

Innovation

This theme should enable General Management to assess whether the IT Department is a driver of innovation, using a number of indicators:

- Level of deployment of the agile method: By adopting agile project management, the IT Department is encouraging business units to manage their projects in a different way, more focused on collaboration, value creation and meeting needs;
- Level of deployment of applications within the company, because the development of an innovative application is only worthwhile if it is widespread and not limited to one business unit or one region;
- Number of proofs of concept (POC) or Minimum Viable Products (MVP) per year;
- Deployment of continuous improvement methods (such as Lean 6 Sigma) within the IT Department, as a source of optimisation and performance.

Business

The aim of this theme is to assess the IT Department's ability to add value for the business and to establish the link between the use made of an IT tool by the business and its cost over its entire lifecycle (from development to decommissioning). These two indicators can be used:

- Full IT cost of a business process and its evolution over time as a function of the evolution of the business process: the way in which IT action leads to a reduction in the full cost of the process.
- Return on investment for a project, on a one-off basis to serve as an example.

ISD service quality and risk management

Service quality should be assessed over time, to demonstrate that the IT Department is fulfilling its role as a support function correctly and that it is improving by identifying its performance bottlenecks. To do this, it can use these indicators:

- Average time taken to develop an IS project to meet a business need (it may be more difficult to identify the end date using an agile method).
- Satisfaction rate, to be measured at several levels, from general and middle management down to the user.
- Measurement of accident rate or average availability rate and standard deviation (between the best rate and the worst).
- Number of cyber attacks avoided / number of total attempts (trend analysis) and correlation with multi-year change in cyber security budget (trend analysis).

Talents

The 'talent' theme is designed to assess the IT Department's performance in the area of IT resource and skills management. The forward-looking management of resources and skills is a major challenge for the IT Department, especially at a time when it is difficult to recruit and retain talent. In addition, the day-to-day management of resources (resource planning) is a key factor in the success of projects and enables the IT Department to react quickly to business demands. These indicators can be used:

- IT gender mix ratio (measure of the IT Department's efforts to recruit women)

- Rate of senior staff per department (the aim is to identify critical resources with expertise in "ageing" technologies to deal with the technical obsolescence of IS and limit the loss of knowledge).
- Rate of in-house staff and external service providers: propose a global indicator and focus on the most sensitive departments.
- Indicator for assessing staff turnover and recruitment difficulties (permanent indicator)
- Number of vacancies and length of recruitment, indicator of change since last publication
- Evaluation of the means used to recruit talent: school partnerships, number of work-study students recruited by the IT Department and integrated via a training programme

Technologies and Environment

The IT Department is the guarantor of the organisation's technological maturity, so it needs to highlight its ability to take account of technological developments and adapt to them, using a number of indicators:

- Level of dependence of the organisation on a technology and/or a supplier of digital products.
- Number of technologically obsolete applications in relation to the total number of applications.
- Number of SaaS contracts (level of increased dependence on a supplier)
- The IT Department's contribution to the ecological and energy transition (GHG emissions reduction indicator, electricity consumption indicator, etc.) as part of the company's overall CSR approach.

5 HOW DOES IT COMPARE?

Producing a dashboard of performance indicators for the IT Department is not an end in itself. Among other things, it must be accompanied by the definition of target values or objectives for each of the indicators, so that the IT Department is part of a continuous improvement process. It is also possible and desirable to initiate a quantitative benchmarking process with external companies, particularly those in the same business sector. However, a qualitative benchmark could prove useful in relation to other business sectors in order to integrate best practices.

This benchmarking approach will enable the IT Department:

- Identify your strengths and highlight them to senior management;
- Identify weak points with a view to taking corrective action;
- Collecting any best practices implemented in other entities.

IT Department performance must be correlated with the company's maturity trajectory. To obtain a reliable assessment of the IT Department's performance, it is first necessary to consider carrying out this evaluation over time, in order to measure changes internally. The definition of a starting point and the associated scope will also need to be considered in order to put into perspective contextual events (new regulatory constraints, new business acquisitions, etc.) which could have a significant impact on the evolution of the IT Department's indicators and budget.

Once this stage has been stabilised and established over time, it will then be possible to consider benchmarking against external benchmarks in order to identify good practice and define new objectives. However, this exercise must ensure that the elements observed are comparable, to avoid any misinterpretation of the results:

- A reference framework of activities common to all companies (e.g. the workstation);
- Similar cost drivers (e.g. using the Cigref cost repository);
- A similar sector of activity in order to obtain meaningful ratios (for example: the ratio "IT Budget / Turnover", if used, will not have the same meaning in the banking sector as in industry).

6 KEY SUCCESS FACTORS

In line with the elements presented above, the participants in the working group identified seven main factors for a successful performance management approach:

- A collaborative **partnership** between the IT Department, General Management, the Finance Department and the Business Departments.
- A **recurring and iterative** performance approach incorporating reciprocal commitments with indicators (KPIs).
- General Management and the Finance Department need to **become acculturated** to the IT organisation as a whole, its vocabulary, its cost structure and its constraints (obsolescence, multi-year contracts, SaaS, etc.).
- **Financial control dedicated to the IT Department**, in order to structure the indicators while guaranteeing alignment with Group finance and facilitating relations with the Finance Department.
- An IT Department performance approach that integrates the Group's orientations and strategies.
- **Reliable data** and indicators, made available rapidly thanks to an **industrialised** data collection and consolidation process.
- The use of a limited number of indicators to ensure that the dashboard remains an effective **decision-making aid**, with well-defined objectives in line with the messages and priorities to be conveyed.

Implementation of a performance approach by SNCF

The SNCF has launched a performance initiative in the IT Department with the following objectives:

- Formalise a repository of digital projects;
- Estimating the added value of digital projects;
- Check the strategic alignment of digital projects;
- Facilitate arbitration by helping to prioritise digital projects.

The challenge was to centralise and deploy the method in each of the Group's businesses. The method is based on business and IT scoring.

Project scoring: business scoring:

- Level of overall priority in relation to trades: a score from 1 to 4
- Contribution to the business + level of risk management
- Rating criteria: customer satisfaction, employee commitment, economic performance, operational performance, safety, CSR

- 50 rating criteria to develop the rating axes, based on the ministries' MAREVA method with their own SNCF criteria. Financial equivalence for each of these areas. A risk assessment impact scale.

Scoring projects: IT scoring

Identifying the contribution to the Digital Strategy:

- Big data;
- Mobility (mobile applications);
- IoT (connected objects);
- Agility (Scrum & Safe method);
- DevOps (Build & Run continuity);
- SOA / API (service architecture);
- Software package (market solutions);
- Open source (sharing solutions);
- Cloud (exit from SNCF datacentres);
- PRA (high availability).

40 rating criteria divided into 7 themes:

- Project management;
- IS valuation;
- Strategic alignment;
- Urban planning and data;
- Architecture;
- IS security;
- Digital Responsibility.

80 projects went through this scoring process. **It was shown that 20% of the projects represent 60% of the value.** This method makes it possible to compare all the projects across the Group.

The process is very quick: around 2 hours to evaluate a project. The effort lies in setting up the process itself and in the obligation to rate all the projects in order to rank them against each other. **Another method of estimating the value added by digital technology has been deployed at SNCF.** It may be important to note that this second rating does not work for completely IT projects. The aim of this approach is to assess the role of digital technology for business users, and **its contribution in terms of quantity of functions.**

The concept is based on the use of function points (ISO20926 standard (IFPUG)), which enable the interactions of the software with its ecosystem to be established: users as well as other IS applications. Examples of use cases for this method are:

- Project support: **estimating workloads**, prioritising the product backlog;
- Decision support: **comparing a specific development** with the integration of a software package;
- Support for capitalisation, because it enables a knowledge base to be produced on all the projects.

Measurement at function points is very time-consuming, depends on the size of the project and requires a certain amount of expertise. The SNCF uses a service company for this.

The SNCF has been applying this method for 7 years to the majority of the major projects in its portfolio, and has thus been able to demonstrate the relevance of their costs in terms of the functions delivered, but also in terms of their complexity, thanks to an additional assessment using another method: COCOMO 2 (estimation of factors influencing productivity).

Emmanuel BERTHOMÉ, Director of Compliance and Digital Risks, SNCF

7 CONCLUSION AND NEXT STEPS

The performance of the Information Systems Department needs to be understood from both a financial and a non-financial perspective. Demonstrating this performance means providing visibility and legibility of its data and processes to the IS user functions and to General Management. The aim is to highlight the added value it generates both in the day-to-day operation of the IS and in the implementation of the organisation's projects. Tripartite governance between the CIO, CFO and top management is necessary if this approach is to permeate the organisation. Mutual education helps to reposition the challenges and constraints faced by each party.

The IT Department is at the heart of the digital transformation of its organisation. The acceleration of this transformation naturally generates a growing increase in costs for the IT Department. A performance-based approach, which calls into question the traditional allocation of resources, is becoming essential if an organisation is to remain competitive. Quite apart from the competitive aspect, all functions are demanding and consuming more and more digital services, especially as dematerialisation is becoming more and more of a regulatory requirement. The proportion of the budget allocated to the IT Department will increase inexorably, which will require budgetary arbitration with the other departments in the organisation.

To provide additional insight into IT Department performance management, CIGREF and the DFCG have decided to launch a second joint working group, which will focus on the economic management of digital transformation. We look forward to presenting its findings to you in the near future.



Achieving digital success to help promote the economic growth and competitiveness of its members, who are major French corporations and public administrations, and users of digital solutions and services

Cigref is a network of major French corporations and public administrations set up with a view to developing its members' capability to acquire and master digital technology. It is a unifying player in the digital society, thanks to its high-quality thinking and the extent to which it represents its members. Cigref is a not-for-profit body in accordance with the French law of 1901, created in 1970.

To achieve its mission, Cigref counts on three business units, which make it unique.

Belonging

Cigref speaks with one voice on behalf of major French corporations and public administrations on the subject of digital technology. Its members share their experiences of the use of technology in working groups in order to elicit best practices.

Intelligence

Cigref takes part in group discussions of the economic and societal issues raised by information technologies. Founded nearly 50 years ago, making it one of the oldest digital associations in France, it draws its legitimacy from both its history and its understanding of technical topics, giving it a solid platform of skills and know-how, the foundation stones of digital technology.

Influence

Cigref ensures that its member companies' legitimate interests are known and respected. As an independent forum in which practitioners and actors can discuss and create, it is a benchmark recognised by its whole ecosystem.

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