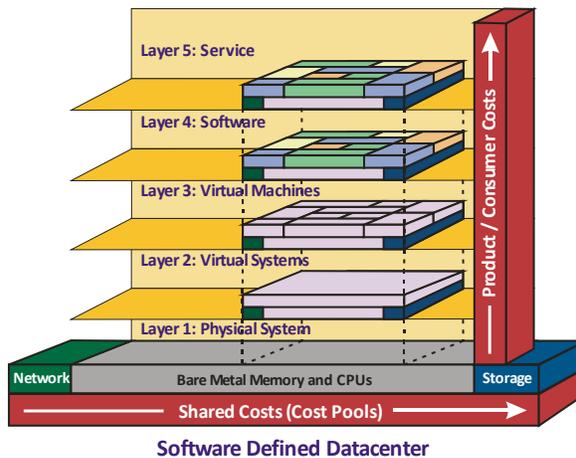


# IT Cost Transparency

## Who is using what, and at what cost?



### Service Consolidation

The movement toward Software Defined Datacenters is forcing IT to become a Hosted Service Provider. While the costs of IT are decreasing, the process of defined cost allocation is becoming more complex.

### Shared Resources

Effective cost allocation of shared resources requires a comprehensive and continuous stream of system performance data. This data is used to identify usage by consumer and/or product, and is required for the accurate allocation of costs.

### Cost Perspectives

Each business has a unique set of cost drivers based on Financial and Operational needs. This business centric information must be included in the cost allocation model so that a "fair market price" is calculated for the business consumer or product.

### What is IT Cost Transparency?

Simply put, it is a measure of the value of IT services being provided to the business. Financial, operational, and performance data is integrated in a manner that determines the total cost of individual IT services. The net result is the ability to link IT service costs to the business's consumers and products.

While simply defined, the ability to identify and link individual IT service costs to the business is becoming more complex. The movement toward Software Defined Datacenters (and the like) is transforming IT operations into an environment that closely resembles that of a managed hosting business. With the sharing of IT resources (both physical and human), the "identification" of IT service usage by the business consumer is becoming progressively more muddled and requires an intelligent approach for targeted cost allocation.

### Business Consumer Information

The continuing server consolidation movement has resulted in reduced IT service costs, but there has been a price to pay: The inability to identify and link individual IT service cost to the business. As the limit to cost reduction is approached by IT operations, there is a greater need to link IT service costs to the consumers of those resources. In the future, the IT consumers will have the greatest ability to control IT service costs, and will do so by making smarter use of IT resources.

Within a hosted environment, the cost of IT resources (expenses) must be fairly applied to the delivered services. However, there are other costs and data (both financial and operational) that must be included for comprehensive cost metrics. Finally, a business framework must be established that defines the key business drivers and metrics required for each stakeholder and consumer.

### Shared Horizontal Cost

A hosted IT environment includes many costs used for the common purpose of delivering IT services. These costs can be direct or indirect in nature, and can include capital assets as well as annual operational budgets. This situation is further complicated in that different consumers generally need and use resources differently.

Unfortunately, there is no one-to-one relationship between the IT costs and the business consumer. In today's IT operations, most (if not all) costs are shared. To achieve Cost Transparency, an intelligent approach is required to identify the consumption of shared IT resources (both physical and human), and to determine the fair cost of that consumption. The means and measures of that cost calculation must be provided to the consumer in the form of a Bill of IT or other similar deliverable.

### Consumer Vertical Cost

The total cost of a delivered IT service does not consist of a single value, but rather a series of value calculations based on consumer constraints. This process is further complicated in that the calculation is context sensitive. That is to say, for the calculation to be accurate it must also consider other processing that is used in support of the consumer processing (i.e. shared databases, web servers, etc.).

For example, in a Software Defined Datacenter a single consumer instance could be defined by a Virtual Machine (VM). For this VM, the defined period cost would be determined by the sum of three calculations that are repeated for each hour of the day. The first calculation (Layer 3) is to assign its share of the underlying physical system cost (physical memory, cpu, network, and storage). The second calculation (Layer 4) adds in the shared costs of software and related charges. This calculation may be complicated by the need to include other shared resources (i.e. database, web server, etc.) that were provided to the consumer processing. The final calculation (Layer 5) adds in the cost of external resources (i.e. help desk, IT management, etc.), and could also include consumer related costs that are linked to the IT services.

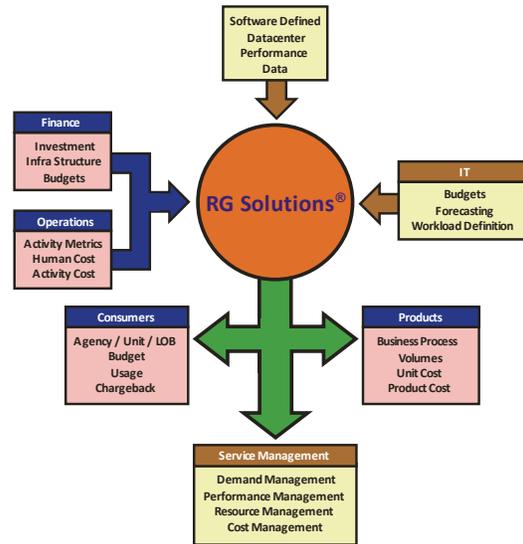
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MEASURING THE VALUE OF YOUR IT SERVICES

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# IT Cost Transparency

## Business Centric Cost Transparency



### Intelligent Costing

The integration of performance, financial, and operational data within a usage based model that understands shared resources and differing OS platforms will result in the fair allocation of IT service costs to the business consumers. This type of model provides a low cost and robust solution that can span the entire scope of IT business services.

### Link Cost to the Business

Provides for the designation of business cost centers and controls the cost allocations to these cost centers through ABC techniques. This ensures that IT service costs are linked to desired business functions. The result is the ability to measure the value of IT services provided to the business.

### More Effective Control

Provides more control over the IT service costs using traditional business methods (i.e. Budgets, Forecasting, etc.). These methods assign cost responsibility to the consumer. This results in better business communications and a more intelligent use of IT service resources.

### Usage Based ABC Model

The cost calculations within RG Solutions® are based on a metered usage model using ABC methods for allocations. This metered model accommodates different systems, OS platforms, and configurations. The model also uses a SOA framework for the identification and calculation of isolated costs, shared costs (i.e. databases, web servers, etc.), consumer costs (usage), and product costs (i.e. unit cost, volumes, etc.).

The user has complete control over the costing strategy that is used. The use of hierarchical Cost Pools links consumer processing to one or more contracts or expense groups that may or may not be shared. Strategic to Cost Pools is the inbuilt ability to forecast future workloads and have automatic cost calculations, even if the associated Cost Pools change. For even greater control over the costing process, the user has the ability to set the rates for the individual elements of the costing process regardless of the IT service.

### Better Control

There are additional benefits to a Cost Transparency program. Since IT service costs are linked to the business, it is possible to use standard business practices to manage the costs. RG Solutions® supports budgets, forecasting, chargeback, bill of ITs, and other methods that increase communications and focus decisions regarding IT services.

A Cost Transparency program does not only benefit the business consumers, but there are huge benefits for the IT group as well. A targeted program allows for better control over the Service Management resources. Since RG Solutions® is based on capacity management data; it is possible to better manage the life and performance of the underlying resources. Couple this with the ability for consumer forecasting and IT is better equipped to manage the demand for IT resources. Finally, with better cost knowledge and control, the IT group can establish a program of continuous improvement and cost optimization.

### Integrated Data

The basis of rock solid cost allocation is the ability to collect and maintain IT performance information. The core foundation of RG Solutions® is based on Capacity Planning principals and as such knows how to automatically collect, process, and maintain this data. Include the ability to integrate external financial and operational data and you have the capability to deliver detailed IT service data in the business's native terms.

The user determines how shared costs are applied, directed, and accumulated for similar lines of business, products, or other business metrics. The hierarchical structure of the internal data allows for quick analysis of business units, products, value chains, or any other business metrics. Data views have a one-to-one relationship between consumer cost and the underlying technical data. Forecasting can be done by the consumer in business terms and then accurately translated into technical requirements.

### Business Oriented

User definition, control, and reporting of the IT service costs allow RG Solutions® to provide cost views and metrics that are business centric. Cost information can be viewed in different contexts (i.e. product, consumer, LOB, technical, etc.). Results can be used for chargeback, reporting, or other means of control. This allows for usage analysis, cost optimizations, price transparency, or other related business IT service issues.

The main benefit of Cost Transparency is the alignment of IT with the business, and is done so by linking IT services with consumers. This process includes Finance, IT, and consumers that will define, understand, and manage the cost of IT services. It puts the responsibility of IT service cost into the domain of the service consumer, as well as IT.

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