TBM COUNCIL

TBM council awards 2016 Winner

Across the Business, KeyBank Creates

STRATEGIC PARTNERSHIPS

A KeyBank Case Study

Executive Summary

Kim Manigault, EVP and CFO, Technology & Operations at KeyBank, and Amy Brady, Key Bank CIO, EVP Technology & Operations Executive, held leadership roles at the same nationwide bank before they joined KeyBank. In addition, they both came to KeyBank with the same idea: elevate the relationship between Finance, IT and the KeyBank business units into a business partnership across the bank. "One of the reasons Amy and I came to Key in 2012," explains Manigault, "was the opportunity to add value to our business partners by providing transparency into tech costs and helping them make better business decisions."

KeyBank Corporate Overview

KeyBank is a 190-year-old banking institution, headquartered in Cleveland, Ohio. KeyBank is one of the nation's largest bank-based financial services companies. It serves 15 states via a network of more than 1,200 branches, and more than 1,500 ATMs. KeyBank provides services that span investment banking, investment management, retail and commercial banking, consumer finance and investment banking products.

KeyBank

Industry // **Banking**

Headquarters // **Cleveland, OH**

Assets // **$136B**

Employees // **20,000+**

TBM Awards Premier Sponsor KPMG

TBM Solutions

- Apptio Cost Transparency
- Apptio IT Benchmarking

Benefits

- Became equal business partners
- Accurate benchmarking accelerated investments
- Created a business approach to their cloud and application portfolio
- Moved from a DIY mentality to a standard TBM taxonomy

"The greatest benefit of Apptio that I saw in my prior career and that I've seen here at KeyBank is that it takes the mystery out of IT costs and really gets to a business conversation."

— **Amy Brady**, CIO, EVP Technology & Operations Executive

KeyBank

Amy had already experienced the value of Apptio and the ATUM model in a prior job. She wanted to move KeyBank to the same place: an environment where IT and the rest of the business worked together to make smart, knowledgeable decisions about cost takeout, new investments, and more.

Amy and Kim shared the same goal but they were not equally ready for Apptio. Manigault recalls, "Amy actually recommended we call Apptio, just based on experiences she had with it in her career. But quite honestly Apptio was new to me, so I wasn't sure that Apptio was what we wanted in our environment."

Kim learned the hard way that doing it themselves was not going to work for KeyBank. "In that process of doing it on our own, we didn't use a taxonomy. We did not use an ATUM model. We were on our own trying to pull our data together. We had all the information. But we weren't putting it together in a way that gave our partners the transparency into their costs that they needed and wanted."

Today, that partnership culture is strong at KeyBank with the help of insights they get from Apptio. Now, KeyBank's business units and IT make decisions together about cost takeout, equitable chargeback, new IT investments, and more.

Manigault highlights that now "we have different conversations. Apptio's reporting and the way it aligns technology to the cost drivers and to the ATUM model so that it makes sense to business partners has been invaluable. It's made us, as a company, more forward looking at what technology expenses we're bringing into the organization, and helped us align tech resources to provide the right services our businesses need to serve our clients."

"Apptio data," explains Brady, "is a big component of being able to build a zero-based budget and then have the conversation across teams around where we need to invest for the future and where we need to start taking the legacy systems and their cost structure out. We use Apptio data in all of our investment business cases now and for all of our business decisions."

Brady sums up the value of Apptio very succinctly. "The greatest benefit of Apptio that I saw in my prior career and that I've seen here at KeyBank is that it takes the mystery out of IT costs and really gets to a business conversation."

Equal business partners

At KeyBank, Apptio has enabled IT and finance to elevate the content of discussions with business owners. With the insight into IT consumption and costs that Apptio provides, they all come together as partners, speaking a common language, with common business goals, to achieve a shared outcome.

It wasn't always like that.

Before joining KeyBank, Kim Manigault was a business unit leader frustrated with ITs inability to explain the costs they allocated to her. She had experienced the frustration a lack of transparency and communication brings—from the other side of the table. "Before I joined KeyBank Corporate Finance, I was a buyer of IT services. I was always frustrated that no one in IT could help me understand the costs allocated to me. When I went into finance support for IT at KeyBank, I knew I wanted to provide information to people like me who are always questioning the data: always asking why."

Before Apptio, conversations about technology costs were difficult. A business unit would ask for information to support—for instance—investing in a new application. Manigault recalls that the experience was more an interview than a conversation between business partners. "We'd sit with the line of business. We would ask all the questions. Then, we would go back and do spreadsheet magic to come up with information. It was a manual process and it would take us somewhere from a month to a month and a half, to pull together the data and then come back with numbers for them."

Amy Brady remembers other conversations that were just as unidirectional, only in the other direction, whether it had to do with cutting costs or with the allocation of chargebacks to the business units. "Those discussions were along the lines of 'your technology costs too much so just fix that.'"

Brady explains the reason KeyBank could not have the kinds of partner conversations that she and Kim were after. "We knew how much it cost to run technology at KeyBank. What we did not know was how to translate that into the language our business unit leaders spoke. We didn't have a way to say to them 'for this application, for this business capability that you want for your clients, here's the entire cost — all the way through the stack — to operate it. And here are all the cost drivers you can use to change those costs.'"

"The information I have today makes me more valuable to my business partners because I'm not just the support—I am actually a partner at the table to help make decisions. I can now think about their needs in terms of what they should cost, what we could do, and how we optimize what we have today."

– **Kim Manigault**, EVP and CFO,
Technology & Operations, KeyBank

IT is no longer a bystander to the business as a whole: it has become a part of business decisions alongside their business unit partners. "The greatest benefit of Apptio," says Brady "is that it changes the black box conversation with our business partners. Now, we say to our business partners 'this is what your technology costs today and here are the drivers that we can talk about to help you reduce those costs.'"

Often, business units share applications and infrastructure. KeyBank today has partnerships between all business units, working together—all with the same facts about cost and consumption—to make decisions that are good for the BUs individually and for the business as a whole. "A line of business needs, let's say, 29 licenses for App A," Manigault relates. "We build it or purchase the licenses, which works fine if the business unit is the only user. The costs of the application are borne by the lone user organization. But if line of business B now wants to use the application as well, we can't just buy a few more licenses and leave business A to bear the cost of having the app in the environment. We now can clearly show why every using business unit needs to share in all those costs. Those conversations have reduced our expensive, customized, single-user applications."

As equal business partners, IT, Finance and business owners are now using Apptio to launch other important conversations. A lot of those focus on cost takeout. "Apptio," says Brady, "pointed out our most expensive applications. We knew some of that by hunch and theory. But Apptio brought the data to us in a way that we could sit down and have a business conversation: talk about legacy technologies that were our most expensive systems and stacks and determine how to transform that into modern technologies."

Today, the focus of conversations has shifted. Where once all the questions came from IT—what do you want and when do you want it—now Manigault says, "The data is clear so we don't have to take the time to explain it and can instead have a productive conversation with the business partner. They want to know what they have and why. We explain that at one point they needed it and then ask if they still need it. Is there something else they could have instead that could cost less to run and maintain? Those are the types of conversations we have today. It is not being done to us anymore. It's being done with us now."

This has empowered everyone in the business partnership. Manigault relates, "I don't just show up to give two minutes of a financial update and walk away. Finance and IT are no longer relegated to giving status reports at the end of the table anymore."

The business units have responded enthusiastically, reports Manigault. "We've given some of our business partners access to Apptio so they can actually point and click and ask us questions if they'd like to. But by the time they're asking us questions, they already see the answer."

Amy Brady gets the last word on this. "IT is no longer the backroom function. It is part of the business. I like to say we are the business, we're the backbone of the business, and we should be having equal business conversations."

Benchmarking to accelerate investment

Having the right data to be able to communicate transparently with business units is only the first hurdle. Once KeyBank was able to present the right data, another hurdle they faced was establishing trust in the data through benchmarking. For the benchmarks to be relevant, and in order to be able to communicate their value with credibility and trustworthiness, benchmarks have to align to actual costs.

At KeyBank, benchmarking is an important part of the investment decisions made between IT, Finance and BU leaders. "Before we can decide where to take out costs or make an investment," explains Amy Brady, "it's vital to us that we justify the decision based on accurate cost, consumption and performance benchmarks. Sharing IT benchmarks with our business partners establishes trust that we're going to help them make the best investment decision."

> "Everybody everywhere tries to benchmark their tech costs against something, against revenue, unit cost against your peers. What am I paying for something versus what Acme is paying? Am I getting the right contractual rates? Am I doing the right mix of onshore, offshore? Everybody does that."
>
> – **Kim Manigault**, EVP and CFO, Technology & Operations, KeyBank

Brady outlines the importance of benchmarks. "Anytime you're dealing with technology that people don't really understand, the best way to educate them is to couple transparency with benchmarks. You have to be able to determine your costs against the industry, and you have to be willing to share it with business partners: 'here's what the industry says XYZ should cost per unit,' or, 'here's what the industry says the average XYZ application should cost per user.' When we run those benchmarks we learn where we're better than the benchmark or not as good as the benchmark, which is an opportunity to improve."

However, aligning benchmarks to actual costs is not easy. That is what KeyBank confronted, as Manigault explains. "We realized we needed some assistance in seeing how the world viewed tech costs. We first talked to the benchmarking consultants, but their industry benchmarks didn't give us confidence that we were comparing apples to apples."

Manigault provides an example of how broad industry benchmarks do not line up with actual IT costs. "If you look through a P&L, there's software maintenance, there's software expense, there's computer processing. So I am looking at a benchmark that says company A's compute costs are higher than mine are. Maybe I did not actually put all my compute costs in my compute line item because I put some costs in my software bucket, but the benchmark put it in the compute bucket. Bottom line: if your buckets are flawed, then by default the end result of your benchmark is going be flawed as well."

"The value of Apptio benchmarks is that they come from other Apptio users, and are based on the ATUM taxonomy," explains Manigault. "So I know if Apptio comes back and says my unit cost for storage is different, better, worse, flat to someone else's, it compared me to storage and nothing else. There is no compute cost, no data center costs. It's solely storage."

Apptio IT Benchmarking automatically compares KeyBank's specific IT costs in their specific cost buckets—with benchmarks that view, allocate and categorize costs in the exact same way. Aligning their benchmarks to their real costs in this way opened the door to a fresh set of insights that were unavailable through traditional benchmarks.

Brady offers an illustration of this. "In our storage costs, our per-unit costs were very low. That made us look good." However, there was another side to the story, and it was one that would have been hidden without the insights KeyBank gathered from Apptio IT Benchmarking. "When we looked at storage costs as a whole in aggregate," continues Brady, "we discovered we were spending much more than the benchmark data. The reality was we were consuming too much storage." That opened the door to constructive conversations with their BU business partners. "Now we have the opportunity and ability to talk to our business partners about the policies in place around storage and retention that could be impacting those consumption costs."

Being transparent about benchmarks makes IT more credible to the business, which is critical when using benchmarks to justify an IT investment. Brady explains, "Using Apptio benchmarks has allowed us to be believed when we come back for that investment, and has given KeyBank the confidence that we're going to do something with that investment. And that we can then go back and a year later and say, 'Did we get the return on that investment?' Just like you would for any sales investment, we should be able to do that for IT."

Manigault concludes that "the automated, like-to-like benchmarking and some of the data overall from Apptio helped us look at potentially transforming how some of our infrastructure is built today to take advantage of some opportunities for lower costs. It delivered benchmarks where we knew that everyone is using the exact same information.

A business approach to cloud and application portfolio

Cloud? On premise? Hybrid? It is not as simple as "how much" it costs. The conversation has to focus on "how much value" it brings to the business as a whole. "The first question we ask," says Brady, "is, 'how is the technology investment supporting the business strategies?' That is where the business alignment has to be. If you just want to look at a piece of infrastructure, that's fine. But the reality is you have to ask how the whole stack supports the business strategy. It has to start there."

That guiding focus is critical for KeyBank as they move forward with their ongoing initiative to transform and modernize their infrastructure. There are challenges to becoming a modern, digital enterprise. Brady explains, "You really have to think about your entire ecosystem and how you can modernize and simplify it to allow for agility and for new technologies that are coming into the marketplace that you want to respond to quickly. And, very importantly, to respond to client needs that are also changing and incredibly dynamic."

To adopt that kind of business approach demanded that the business units be fully involved in the conversations about changes to the existing infrastructure they relied on, and the impact requests for new applications or services would have on them and on the enterprise as a whole. Kim Manigault describes the obstacles KeyBank faced when trying to have those conversations. "Before Apptio, we didn't have the right data and information to have those conversations. We could tell somebody what they're spending, but we couldn't explain why and then help businesses make decisions about how to spend the money more wisely."

Apptio transformed this relationship with business partners from one where IT simply responded to requests as if each was an isolated incident, to taking that initial request and turning it into a business conversation about enterprise goals and the impact the request would have on them. That meant, according to Manigault, "not just building new apps because someone's asking you to build apps, but having the conversation with them to understand 'these are the apps that exist in your environment today. I can build you whatever you want, but let me help you understand what your target environment will then look like and what the cost structure of that will be.'"

That business approach did not apply only to responding to service and product requests from the business units. It applied to IT's own drive to modernize KeyBank IT infrastructure.

Brady outlines the challenge. "We had to look at our entire ecosystem and the cost structure to understand how we transform what we run today into a modern-day environment. And how do we get the investment to do that. So where Apptio really comes in is helping us understand at a more granular level what it costs to really operate what we have today, how we build the business case for future investments, and how we fine-tune what we have to make it more efficient and effective."

"Apptio gave us the transparency to see both the cost of the new capability and the legacy apps we could retire because of it. We ended up with a cost takeout of about $2.4 million—something we would never have been able to have seen before Apptio."

– **Kim Manigault**, EVP and CFO, Technology & Operations, KeyBank

That knowledge helped IT and business leaders make sometimes-difficult decisions. Manigault relates, "Amy has a portfolio of money she gets to spend for all of the businesses. Amy's actually had to sit across the table from her peers and say, 'I don't think we should fund your request because this other request is a better use of the technology money this year.'" Apptio helped Amy turn that into a conversation between partners, not a challenge to a budget battle. "We were able," says Amy, "to show those business leaders that this is not IT doing something to you. It's providing the information to help you run the total enterprise, not just your vertical spaces."

Brady adds that "as we got more confident with our data—which took a little bit of time—we coupled that with our technology strategy and then aligned it to the business strategies. And putting all of those three things together, we were able to go to our business partners, the executive team of the company and our board of directors and say 'here are the next areas we need to invest to transform our company.'"

Brady and Manigault share how that approach worked in practice when the request came in for installation of an additional CRM system across the business units. Brady starts the story. "We all know the value of CRM systems. But what we don't necessarily always understand is the full cost of that CRM system through to the databases, through the storage, through to the infrastructure that needs to operate that system."

Manigault picks up the tale. "Those costs also include maintenance fees, licensing fees, operating fees, production costs, and environmental costs. You can build as many CRM systems as you want. What we were able to say to people was 'let's understand what the existing CRMs we have now are costing us and then decide if we really need another one or if we really only need one.

And what would be the right business case on how to scrap the ones we have and spend the money to get the one we need?' Apptio allows us to have those conversations today and make those decisions. We now have the data to help us make the decision upfront, instead of bringing a new tool into our environment and forcing us to make application rationalization decisions down the road."

It did not take long after implementing Apptio before these conversations started, and positive results occurred. In fact, the first impact of Apptio occurred within the first 100 days. "One of our businesses," Manigault explains, "was looking to create a new capability for clients. It was absolutely the right thing to do. We would have incurred the expense in order to give clients what some of our peer banks already had, with or without Apptio. What we realized, though, was that it was a new application, and we needed to shut off some other things. Apptio gave us the transparency to see both the cost of the new capability and the legacy apps we could retire because of it. We ended up with a cost takeout of about $2.4 million—something we would never have been able to have seen before Apptio."

Brady sums up the role Apptio plays today with KeyBank. "Apptio data is a crucial piece of the puzzle that helps us select from multiple options. There is no one right answer to any of this. It is a very complex Rubik's Cube. And I think that the data quality that we get from Apptio and all our other sources combined, that's what makes the magic."

Why not build our own TBM system?

When Amy Brady and Kim Manigault came to KeyBank from the same company, they both saw it as, in Manigault's words, "a great opportunity for us to make some changes in the technology organization and help our partners—our peers who run the businesses—understand their tech costs more."

They knew that they needed greater visibility into IT costs and consumption. "Amy actually recommended we call Apptio," Manigault remembers. "But we decided we would do it ourselves. We would spend some time understanding the information, understanding the data, understanding the flow, understanding the allocation, and understanding the charge back, and then talk to our partners about what the frustrating points are for them. What are we trying to solve for before we buy a capability or before we build a capability?"

It was an idea that sounded good, but the results turned out differently. Manigault continues. "In that process of doing it on our own, we didn't use a taxonomy. We did not use a TBM model.

We were on our own trying to pull our data together. We had all of our own information. We had all of our own data. We were trying to put it together in a way that could provide our partners the transparency they needed."

Manigault characterizes the way KeyBank tried to achieve this goal before Apptio as a "spreadsheet life. We had good information, but we would have to spend a significant amount of time manually manipulating the data. We would sit in a conversation with the line of business, take all the questions, and then we'd have to go back and do our magic to come up with data. And it would take us perhaps a month to a month-and-a-half to pull together that data."

After a couple of years of trying this home-cooked approach, KeyBank was no closer to an accurate understanding of cost and consumption. Manigault confesses, "I honestly believe we came out with data that was in worse shape than it would have been the two years before. The data wasn't wrong, but we still weren't providing the transparency our partners needed."

"Finally," Manigault concludes, "we realized we needed some assistance."

That was when KeyBank brought in Apptio: Manigault describes how KeyBank did not make it an easy challenge. "We said we wanted a partner on a journey and we want to be live in 100 days. Because it was September-ish, and what we said was if we can't start the year then we don't want it."

Today, with Apptio and TBM, the two executives have achieved their goal for IT.

"Now," Manigault relates," you ask me a question, I don't even have to leave you to get you an answer. As long as I have a browser. I log on and immediately I can answer any question about costs, consumption and more. That is so valuable in so many ways. Yes, it helps manage cost and expense bases. However, in some cases it is literally just helping provide the right information. It is not always about cutting costs. It's often about making the right decisions."

Brady shares insight into how that was able to happen. "We took an approach where we didn't have it 100% right before we started sharing the data. I liked that approach. It showed that we were willing to learn together. That may not work in every environment. But I think my advice is, get started, go ahead and start sharing. See what questions you get. It will help you direct your efforts on which data you go after first and which data may be a little bit harder for you and your organization to find. You have to start with what you have."

"When I'm sitting across the table from a business partner," says Manigault, "who is asking me a direct question like 'What does it cost for you to support me in this area?' I have to be able to give a direct answer because In Finance there are no gray areas. I have to be able to give definitive answers; to be able to say it costs X or it costs Y. Period. Apptio is helping us have those conversations where I am comfortable that I can answer questions with accuracy and detail. If a partner says, "Help me change my cost curve," I can give some recommendations now on how we can help them do that.

"The information I have today makes me more valuable to my business partners because I'm not just the support—I am actually a partner at the table to help make decisions. I can now think about their needs in terms of what they should cost, what we could do, and how we optimize what we have today. We spent two years trying to achieve that on our own—and we got there in 100 days with Apptio."

TBM COUNCIL

Become a Member

Founded in 2012 the Technology Business Management (TBM) Council is a nonprofit organization governed by an independent board of business technology leaders from a diverse group of the world's most innovative companies like AIG, Aon, Cisco Systems, DuPont, ExxonMobil, First American, Microsoft, Nike, and more. The Council is focused on developing a definitive framework for managing the business of IT by establishing standards and providing ongoing collaboration and education opportunities.

Learn more and become a member at **tbmcouncil.org**.

