

MAXIMIZING IT INVESTMENTS

How Micron eliminated budget variance and changed IT culture

A Micron case study

Executive summary

Micron hired their first CIO in 2015, who immediately established a TBM Office and began implementing an out-of-the-box reporting process with strong support from IT leadership. Today, the IT finance team leverages self-service automation to simplify quarterly budgeting/forecasting and the annual budgeting cycle, offering new visibility into budget line items for cost center managers (who previously had no detail). As a result, budget owners are more accountable for accurate forecasts and budget variances. This has helped the team track much closer to target and reduce annual underspend on the CapEx budget to zero.

Micron corporate overview

Micron is a world leader in innovative memory solutions that transform how the world uses information. For over 35 years, the company has been instrumental to the world's most significant technology advancements, delivering optimal memory and storage systems for a broad range of applications. Through the company's global brands—Micron®, Crucial®, and Ballistix®—the company's broad portfolio of high-performance memory technologies, including DRAM, NAND, NOR Flash, and 3D XPoint™ memory, is transforming how the world uses information.



Industry // **Electronics**

Revenue // **\$12.4B**

Employees // **31,400**

TBM solutions

- Apptio® Cost Transparency
- Apptio® IT Planning

Benefits

- Quick ITP implementation: 6 weeks from start to active use
- Tracking to within 1% of CapEx annual budget
- Self-service visibility into budgets and forecasts dramatically improves productivity and drives greater accountability
- Integrating reports into weekly meetings increases accountability
- Real-time, continuous variance analysis solves end of year “use it or lose it” problem
- Able to scrutinize outsourced vendor support for optimization opportunities

“Historically, we’ve had a CapEx underspend of 20–30%. This year, because of more active management of that spend, we’re tracking to within 1% of our overall budget which, quite frankly, is unheard of in years past. This has a huge benefit, as we’re much more comfortable with what we’ve budgeted and what we’re actually going to spend.”

Chrys Warren, TBM Director



Even though it is known as a world-class, multi-billion-dollar technology company, Micron Technology faced the same IT challenges as many other global organizations: poor mapping of IT dollars spent to business outcomes achieved, little budget transparency, 1,300+ IT people spread around the globe all working from different sources of financial information, and actual spending that did not match up to previous forecasts were just a few. Adding to these challenges, the company did not have a CIO for the majority of its 35-year history. That changed in 2015 when Trevor Schulze was hired.

“As markets have diversified and expanded, the industry has developed a voracious appetite for memory solutions,” said Schulze. “I joined Micron to help the organization transform IT, in order to respond to that growth opportunity.”

Schulze continued, “It’s a great time to be a CIO. IT, as a discipline, has emerged as a business weapon. Never before has this role been as important inside businesses. You shift the thinking from being a cost center, and you are a party responsible for driving and enabling the company’s business strategy. The opportunities are endless.”

To help Micron take advantage of those opportunities, Schulze embraced technology business management (TBM) shortly after joining the firm. He recognized that to not only improve trust of the business in IT, but also to shift IT resources to where they would have the biggest impact for Micron, his organization would need to expertly manage the business of IT.

“Historically, IT wasn’t the best citizen at Micron when it came to managing our finances,” said Chrys Warren, Director of Micron’s TBM office. “Trevor recognized right away that our challenges with TCO (total cost of ownership) needed to be addressed. We needed to hone in on that objective, to get a detailed understanding of where IT’s costs are going. That was the primary objective and the true intent behind establishing a TBM office.”

In the past, everything was compiled into spreadsheets. Rather than accelerating decisions, these complex spreadsheets became a black box to business leaders. If someone did wade in, detail would have to be extracted by corporate finance to answer someone’s question about the budget. “Trying to run a review of performance-to-plan to see how our costs were trending? We were always at the mercy of finance for that information,” added Warren.

One of the first big budget issues IT tackled with TBM was the chronic underspending of CapEx dollars. Budget variances ranged anywhere from 20–30% per year. And while this may not seem like a big deal, underspending, caused by ineffective forecasting, meant Micron was missing out on business-enabling technology advancements. That hampers innovation. There is no such thing as “the status quo” in tech; tech companies either innovate or perish.

“When you look at your financials from a corporate finance perspective, the focus is on cost centers and GLs (general ledgers),” said Warren. “You can’t look at it from an IT perspective. You can’t associate costs-to-capabilities or to service delivery or the solutions that we have. And that is really the key to transforming our organization to be cost effective, to change our spend from a run focus, which is where IT has primarily been, to more of an innovation and build focus.”

With the adoption of TBM that was all about to change. Where TBM is a methodology and a framework for managing IT finances like any other business unit with P&L responsibilities, it was the introduction of Apptio's IT Planning application that allowed the Micron team to put these ideas into action. And, impressively, once the decision was made to adopt Apptio in August of 2016, they were up and running in 45 days. Contributing to the speed of change was a standard approach that worked.

"Being in the software game for the last 20-plus years, we've seen the long-term pain and the delays in implementation that arise from continually making modifications or doing one-offs in terms of implementations. We've really tried to take a standard out-of-the-box approach, not only with the intent of speed-to-value but also just in terms of long-term maintenance and support for the tool. As much as we can, we keep things as standard as possible."

Chrys Warren, Director, TBM Office

Integrating TBM into the day-to-day

"We've integrated TBM by allowing access to Apptio for those who need it and then integrating their insights into the short-term planning required to execute against longer-term budget cycles," said TBM Analyst Mike Kozup.

"Just from my perspective working with all of the cost center managers and users of Apptio IT Planning, it definitely gives these budget owners the opportunity to see almost in real time where they're at and where they're tracing towards," said Kozup. "For example, leveraging our IT PMO systems and processes around business cases and projects, our partners are able to manage those as they normally do. But from a financial perspective, Apptio is able to pull that into the IT planning application on our daily load. So now they can see how those inputs can be changed, they can see the results of those changes, and then have conversations with their teams about how they're driving towards their targets."

"This year we've seen heavy engagement from all the teams," he continued. "Getting sites like China, Singapore, and Taiwan into Apptio for the first time was a huge success. It's great to see all of IT engaging with Apptio IT Planning. And so, for the first time, we're all seeing all the data the same way versus through the various spreadsheets and varied systems that we have. We're definitely seeing the benefits of visibility."

Not only does this give everyone a single version of the truth from which to make spending and forecasting decisions, it saves business units from losing budget because they were unable to spend it.

"Leadership always wanted to come back and do a 'How did we do?' postmortem at the end of the year," said Warren. "And many times, groups would find out for the first time that they were off track or they would find out right before the fourth quarter. Now they have that visibility throughout the year and they know exactly if they're falling behind, if they're ahead of schedule, etc. It really evens out the peaks and valleys."

Measuring what counts

Of course, what matters to any business is measurable results. Specifically, dollars and cents.

Now in their fourth quarter using Apptio, the delta between 2016 and 2017 is significant. "Not only in terms of tracking spending effectively, but also—and perhaps more importantly to innovation—when the money gets spent" said Rob Campbell, Senior Director of Manufacturing Solution Delivery.

"We couldn't get financial information unless we went through the finance department," said Campbell. "But we also suffered a 'linearity issue': as we got closer to the end of the fiscal year, there was this big push to drive a lot of that capital spend. The logistics of getting all of that year-end spending done would almost force the first two quarters of the next fiscal year into a kind of lull—people were so busy trying to execute on the capital purchases they had rushed to secure in the fourth quarter of the previous year."

"Now they can stay on top of it. They can actually budget and make sure that they're meeting the commitments they've lined out in linear fiscal year's cash flow. At least for this year, we haven't seen that big push at the end like we have in previous years. And if we spread that out, I think it makes the balance sheet stronger."

The result? Today, the IT organization is tracking CapEx to within 1% of forecasts.

"Visibility at a higher level is one reason we've seen capital performance improve this year," said Zach Thiry, Senior Financial Analyst. "The business has a better pulse, so if something comes up, they can immediately self-source financial info using Apptio to see if they can redistribute funds. We're seeing this some on OpEx spend also."

"So, for example, we do a lot of outsourcing for support," Thiry continued. "And that area has been heavily scrutinized in an attempt to reduce peer run support and shifting those dollars to build. Basically, putting more money back into our portfolio to deliver more value to customers. Using TBM methodology with Apptio applications has provided more insights, more visibility into where those opportunities exist."

Out-of-the-box thinking

Going from out-of-the-box to a fully functioning system in just 45 days is an impressive feat by any measure, and it is a testament to the determination of customers like Micron that made the cultural shift to fully embrace real reforms to IT's financial management.

"Not having to figure out how to map has been invaluable. The Apptio framework gives you a rapid start because the out-of-the-box concept gives you a stance from which to squelch challenges," said Warren.

"If a company is looking at implementing a TBM office, I don't know that there's any reason why you should hesitate. There's never a good time to make changes like this but the sooner you head down this path, the better off you are. We went into this embracing TBM and, in a very short time, we had a solution up and running and we were changing a culture—changing behaviors that hadn't evolved in 15 years. And, you know, since that day, it's dramatically changed our approach to financial planning."



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