

Case Study

Liberty Mutual Transitions to Agile Delivery, Achieves IT Cost Transparency, and Accelerates Cloud Migration with Apptio

Apptio helps Liberty Mutual Insurance drive increased collaboration and data-driven decision-making across the organization. The result: smarter technology investments and lower IT costs.

Liberty Mutual is the sixth largest property and casualty insurer in the world. As of year-end 2020, the company ranked 71st on the Fortune 100 list of publicly traded companies with over \$43 billion in revenue. Headquartered in Boston, Massachusetts, the company employs over 45,000 people in 29 countries and economies around the world.

Moving to an Agile Delivery Model Required Better Cost Transparency

Technology plays an essential role at Liberty Mutual. “As a global leader in insurance, technology is vital to our company,” said Mark Cressey, executive vice president and general manager, Tech Global Digital Services at Liberty Mutual. “Our product is our promise to our customers to serve them in their time of need. Access to our systems is vital to making that happen.”

To remain a leader, Liberty Mutual needed to increase business agility and efficiency to adapt to changing market conditions and customer expectations. As a result, the company shifted to an agile delivery model within IT and has aggressively embarked on a journey to retire technical debt, align investments with business outcomes, and move workloads to the cloud.



Website

www.libertymutual.com

Founding date: 1912

Employee count: 45,000

Headquarters:

Boston, MA, USA

Revenue: \$43B

Industry: Insurance

Customer since: 2018



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Lawrence Kim,
VP and CFO of Technology,
Liberty Mutual

This effort required collaboration between IT, Finance, and Liberty Mutual Technology's internal business partners across the company. But for this to work, the business partners felt they needed more cost transparency — they wanted to better understand what they were paying for so they could make more informed decisions about future investments. This need for cost transparency and managing technology spend and value led the company to implement Apptio and adopt Technology Business Management (TBM).

"Transparency and equitable allocations have always been a challenge for the organization," said Lawrence Kim, vice president and chief financial officer of Technology at Liberty Mutual. "But when the company shifted to an agile delivery model, it became more compelling to adopt TBM."

Liberty Mutual began its TBM program in 2018. Since then, the company has focused on three primary business outcomes: cloud financial operations (FinOps), chargeback and cost allocations, and product total cost of ownership (TCO). Each focus area has a dedicated team that is responsible for execution, support, and continued expansion of the program.

Better Insights Help Liberty Mutual Make Informed Technology Decisions

Before Liberty Mutual's business partners could make better decisions about their technology investments, they first needed more granular information. But prior to adopting TBM and implementing Apptio, getting that information was a challenge.

"We made decisions based on effectively managing our IT budget," said Shelia Anderson, executive vice president and chief information officer of Corporate Functions. "One of our greatest

challenges was the black box concept. Too much of our IT spend was allocated via shared pool metrics that weren't related to actual consumption. And our business units did not have insight into how those costs tied to their business drivers."

The lack of transparency caused frustration and impeded collaboration with business unit leaders. According to Anderson, "There was no clear delineation on what levers our business partners could manage to regulate their IT investments. We needed a tool to charge back the business on a monthly basis, providing transparency and helping us to manage and streamline a lot of data."

The shift to an agile model combined with the adoption of TBM and the implementation of Apptio has given business units more clarity about their IT expenses. "Moving to a product-aligned view of services has been a huge step forward to increase transparency and to improve our overall decision-making," said Anderson.

According to Kim, business unit leaders now have a much better understanding of their technology spend, and that is directly attributable to TBM and Apptio. "TBM has made it easier to have a dialogue with the business," he said. "We used the structured taxonomy to create a model and reports that are understood by IT as well as Finance and the business."

Kim explained that these changes were necessary for the company's digital transformation. He said, "Liberty Mutual has made big bets in digital transformation, migrating workloads to the cloud and executing on our \$100 million cost optimization challenge. Changing our allocation model to be 100% consumption-based; understanding TCO and unit economics; and, more importantly, influencing cost with the business has been more critical now than ever before."

Today, Liberty Mutual's IT budget is no longer distributed to business units based on headcount. Using Apptio, Liberty Mutual's TBM Office now aligns expenses to consumption-driven metrics, which articulates the value each business unit is getting from their IT spend and reflects the options they have over their expenses. It also empowers agile leaders, such as product owners, to be better stewards of their own technology spending and investments.

IBM Cloudability Helps Optimize Costs While Supporting Aggressive Cloud Migration Goals

The public cloud factors heavily in Liberty Mutual's strategic plans to push towards digital transformation. Five years ago, company executives embraced a cloud-first model for new development. And since then, the company has been steadily migrating additional on-premises workloads to the cloud.

Some of the company's progress can be attributed to the work of its dedicated Cloud FinOps team. FinOps is a cloud operating model developed to help public cloud users manage variable cloud costs in near real time, prioritizing ongoing optimization to ensure users achieve the maximum value for minimal cloud spend. In partnership with Liberty Mutual's Public Cloud group, the Cloud FinOps team works cross-functionally to support development teams as they consider building new applications in the cloud or migrating existing ones to a public cloud platform.

The goal of the Cloud FinOps team is to ensure cost-effective, responsible cloud migration and public cloud consumption. They do this by providing engineering teams with data to consider regarding infrastructure costs, software licensing, and cost optimizations levers. IBM Cloudability is

used by the teams to look at different options and pricing across cloud providers, helping them make better decisions about where to deploy workloads.

Another focus of the Cloud FinOps team is cloud cost optimization. Using IBM Cloudability's rightsizing recommendations and flexible reporting capabilities, this team has implemented services to automate Elastic Compute (EC2) rightsizing, as well as automated scheduling to shut down idle environments during non-business hours.

Liberty Mutual set lofty goals to migrate to the cloud quickly and effectively, turning to tools like IBM Cloudability to help them successfully reach their targets. Business units now have the data they need to manage existing spend, to realize savings from continuous optimization efforts, and to forecast the cost of future cloud investments. Today, over 60% of Liberty Mutual's workload is now in the public cloud.

More to Come as the TBM Journey Continues

TBM and Apptio have already helped Liberty Mutual achieve significant improvements and move closer toward the company's strategic goals. Working with technology product owners and business partners, Liberty Mutual's TBM office defined a shared services catalog of 15 unique products and over 100 offerings. Rates are reviewed and set annually in conjunction with business partners, and everyone now has a clear understanding of what goes into the expense of services. And the new allocation model has shifted from a headcount-based model to a consumption-based model, so business partners pay for what they use.

"TBM is a game changer at Liberty Mutual," said Kim. "We are already seeing significant wins in migrating workloads to the cloud, data center consolidations, strategic sourcing, and rightsizing." Rate setting

combined with direct consumption has led to the decommissioning of 3,400 physical server cores in 2021, resulting in \$2.4 million of savings.

But as the TBM journey continues, he said, much more is expected: “We expect to achieve a \$100 million run-rate reduction by 2023.” Until then

the company will continue to employ TBM to enable its digital transformation and further adoption and maturity of its agile delivery model.

Join the TBM Council

The Technology Business Management (TBM) Council is a nonprofit business entity focused on developing a definitive framework for managing the business of IT using a set of tools and best practices including organizational traits, management disciplines, a common taxonomy, and metrics. Members are encouraged to develop and contribute to their understanding of TBM through the Council’s research, standards, education offerings, and community engagements. Members collaborate with their peers through an annual global conference, regional meetings, an online community, and the annual TBM Council Awards.

Learn more and become a member at

tbmcouncil.org/get-involved/membership



TBM Council Founder & Technical Advisor

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