Case Study

MassMutual Uses Cost Transparency and Consumption-Driven Metrics to Accelerate Digital Transformation

The Massachusetts Mutual Insurance Company (MassMutual) is a financial services and life insurance company that offers a broad portfolio of life insurance, retirement, and investment products to help their customers protect their families and achieve their financial goals. Founded in 1851, the company has grown into one of the leading organizations in its industry with $31 billion in sales and $616 billion in assets under management.

The Challenge

For MassMutual, sustained business growth and marketplace differentiation depends on technology innovation. "We use technology in every facet of our business," said Mary Blair, MassMutual's head of Business of IT Process and Delivery. "It enables us to develop innovative products, automate processes, increase efficiency, and improve customer experiences."

As a result, Blair said, the company is continuously evolving, transforming itself through technology to better serve its customers and to accelerate growth in a digital world.

But to transform into the digital company that the executives envisioned, MassMutual's business leaders needed greater visibility into the company's technology costs and a better understanding of consumption so they could make more informed investment decisions.

:::MassMutual®

Website
www.massmutual.com

Founding date: 1851

Employee count: 10,000

Headquarters:
Springfield, MA, USA

Revenue: $31B

Industry: Insurance

Customer since: 2016

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Olga Timofeyeva-Vogt, assistant VP & head of TBM, MassMutual

tbmcouncil.org

Delivering that level of transparency and insight, however, was a challenge for the Technology Finance team. The company's financial management systems did not provide the level of cost granularity or alignment that was needed to calculate accurate application costs. And the team struggled to map infrastructure costs to applications as well as identify application consumption drivers by the line of business.

The Solution

MassMutual's Technology Finance leaders recognized they needed to change the company's financial management processes and tools to provide the level of financial transparency and consumption-driven allocations that the business leaders were looking for. As a result, they decided to adopt technology business management (TBM) disciplines, which included implementing Apptio solutions to better understand and analyze their complete technology cost structure and accelerate planning cycles. The company began its TBM journey in 2017.

The Result

A standard taxonomy for allocating technology costs

Prior to implementing TBM, MassMutual struggled to allocate costs to business units based on consumption. Detailed cost data and consumption metrics were not available in a format that made sense, so the Technology Finance team was forced to apportion technology costs across the organization using high-level information, historical data, and head counts.

Apptio helped the team solve this problem by providing an industry-standard TBM taxonomy that enabled technology costs to be allocated across different applications and business services in a consistent way.

In addition, this gave the Technology Finance team a logical way to explain how technology costs flowed to different applications, which helped their business counterparts better understand their allocations. According to Luis Dinis, systems consultant and TBM analyst at MassMutual, "The TBM methodology helped bring everything together."

Increased cost transparency

After implementing Apptio, MassMutual's Technology Finance team now has detailed cost data allocated across the company's application portfolio. As a result, the team has been able to deliver greater visibility and insight into the company's technology costs to their business counterparts.

One area where greater visibility made a significant impact was during the planning phase of a major divestiture. MassMutual was planning to sell its retirement business and needed to do a deep dive analysis of the technology costs of over 450 applications that supported the business. "TBM gave us the insight we needed into the supported technology," said Olga Timofeyeva-Vogt, assistant vice president and head of Technology Business Management at MassMutual. "And it helped us accomplish the task much faster and with much greater accuracy."

Using TBM, the team restructured the applications for the retirement portfolio, refined applications and service TCO, and validated consumption-based business charges. The detailed data informed the technology aspects of the deal model, components, and pricing for the deal's transition service agreement (TSA), and the TCO information was used during legal negotiations.

According to Timofeyeva-Vogt, TBM also was instrumental in helping the team identify direct and stranded systems and services associated with the divestiture. This enabled MassMutual to eliminate 98% of direct costs and 30% of stranded costs by the time the deal closed — a total of $75 million dollars in cost eliminated in less than 100 days. In addition, the team used TBM to identify opportunities to reduce the remaining 70% of stranded costs. And the company is on pace to reduce shared and centralized IT unit cost even further, which is projected to save an additional $100 million in the next two years.

Another way increased cost transparency has helped MassMutual is by providing valuable input to the company's product owners. "Our product team uses this information to evaluate profitability and form pricing for their products," said Timofeyeva-Vogt.

More consistent and accurate IT planning

Prior to implementing Apptio, MassMutual's IT planning process was labor intensive and lacked consistency across the enterprise. "We had very inconsistent processes in different parts of our organization," Timofeyeva-Vogt said. "And we didn't have a uniform view into IT planning."

MassMutual implemented Apptio to address the problem and integrated it with the company's enterprise-wide planning system. According to Timofeyeva-Vogt, "This eliminated the need for any manual input or additional reconciliation. Everything is now done as part of the overall TBM ecosystem."

As a result, IT can do detailed planning, and the data flows seamlessly from Apptio into the company's corporate system at a consolidated level. This approach satisfies the requirements of the Technology group and complies with corporate requirements.

Today, Apptio along with workforce and comp planning has completely replaced the company's previous tool for forecasting technology expenses at a cost-center level. The implementation has streamlined the overall planning process and increased productivity. "This saves us around 200 hours per month of manual work," said Jamil Dahhan, systems consultant and TBM analyst at MassMutual.

In addition, with their Apptio solution providing integration across cost analytics and planning, MassMutual was able to simplify the monthly forecast close, enable visibility across the entire organization, and automate the reporting of actuals versus budget.

Better insight into overall technology spend

TBM has enabled MassMutual to use industry-standard key performance indicators (KPIs) and metrics to better understand the company's overall technology spending. More importantly, business leaders can now see how much money is spent on running the business versus transforming the business.

"This helps us benchmark ourselves externally and informs our long-term planning and funding goals," Timofeyeva-Vogt said.

Less fragmented decision making

Before embarking on its TBM journey, MassMutual's Technology group made most of its decisions based on historical reports, high-level vendor analysis, and technology budget reports provided by the Finance team. "It was definitely fragmented," Blair said. "We made most decisions based on high-level data."

Implementing TBM has enabled the company to do detailed vendor analysis and drill down on application TCO, giving the team much more accurate data from which to make more informed decisions.

Improved relationships with business partners

Trust in the accuracy of data was always a challenge at MassMutual. Business leaders were often skeptical of the costs they were paying for technology services because the transparency simply wasn't available.

Implementing TBM has enabled the Technology Finance group to change the conversation with their business partners. "There is trust in the accuracy of the data now, and that's allowing us to become more of a partner with the business," said Dahhan.

And that partnership continues to grow, enabling the Technology Finance team to continue adding value across the organization. "TBM is widely accepted now," said Timofeyeva-Vogt. "We see it being used across the organization — by technology leaders, Finance, product teams, and business partners — to help them make important decisions."

Join the TBM Council

The Technology Business Management (TBM) Council is a non-profit 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 Awards.

Learn more and become a member at **tbmcouncil.org/get-involved/membership**

TBM Council Founder & Technical Advisor

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