

Case Study

EDF Energy Delivers Defensible IT Recharging Across the Cloud and Traditional IT Services With TBM

EDF wanted transparency into consumption details and automation of error-prone processes. TBM helped pinpoint consumption information through an extensible, multi-user solution that replaced EDF's manual, Excel-based solution.

EDF Energy is a British integrated energy company with operations spanning electricity generation and the sale of natural gas and electricity to homes and businesses throughout the United Kingdom. Based in London, England, the company employs approximately 13,000 people.

"EDF is a sustainable and responsible energy business," said Nick Harvey, head of nuclear IT services in the Enterprise IT division. "We are Britain's biggest generator of zero-carbon electricity. Enterprise IT runs a secure set of IT services that enable our business outcomes at the best value. We influence, challenge, and support EDF businesses to deliver their IT securely with the least amount of risk."



Website

www.edfenergy.com

Founding date: 1989

Employee count: 13,000

Headquarters:

London, UK

Revenue: UK£12.5 million

Industry: Utilities

Customer since: 2016



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Mark Constable,
senior manager,
corporate business partnering

The challenge

With increased outsourcing, EDF Energy wanted to oversee vendor delivery management and recharging (also known as chargeback) with greater assurance. There was a need for greater transparency for the core services such as cloud, mobile devices, printing, and other end-user services.

Enterprise IT needed to replace and improve its expense-based management processes. It was a highly manual, Excel-based solution that had reached its limits and had become unstable, failing at the worst possible times.

“We’ve always had the data, but the data were in various source systems. It was always a manual process to pull the data and answer any questions,” said Georgina Greenwood, software asset manager.

Harvey said the team identified a lot of manual processes and manual billing. “Recharge can generate a whole cottage industry — we needed to address it,” he said. “Automation in billing the business was fundamental to us, and we didn’t have it.”

EDF Energy had lost the link between front-of-house operational IT teams and the cost decision-makers within the businesses. “Before Apptio, our financial management processes were opaque,” said Mark Constable, sr. manager, corporate business partnering. “Historically, finance processes have been driven top-down and lacked a certain granularity. Finance picked information from multiple sources and blended them to create storyboards to allocate costs to the best of our abilities. But we knew we were not true experts in IT.”

Enterprise IT needed trusted information to make data-driven decisions. “We didn’t have a single version of the truth,” said Harvey. “We knew that if we had that, along with an understanding of the cost base and accurate data, we would take a lot

of emotion out of the conversation.” Enterprise IT wasn’t confident it was passing along the correct costs; business units were cautious about making cost-saving decisions with data they weren’t sure about.

EDF Energy chose to meet these challenges by adopting Technology Business Management (TBM). TBM is a value management framework for decision-making by CIOs, CTOs, CFOs, and the team. It defines the tools, processes, data, and people needed to manage the business of technology.

TBM adoption

EDF Energy matured its analytics and planning capabilities using IBM Apptio Costing & Planning for on-premises IT and IBM Cloudability for cloud spend. With a defensible costing model in place, EDF Energy used IBM Apptio Billing to deliver consolidated, consumption-based service charging bill of IT. Apptio Billing provides a defensible, detailed recharging of shared corporate expenses and some specific expense-based passthrough costs into a single bill.

“We’re able to see who’s using IT services and what the cost should be,” said Harvey. “In a business which recharges as we do, that allows us to tell them what their recharges will be while ensuring Enterprise IT recoups the right amount of money. We can see our long-term budget projections and model changes that might affect them. We have never been able to do that.”

Apptio is EDF Energy’s single source of truth for TBM

EDF Energy’s TBM implementation has previously given key stakeholders unattainable visibility into recharges, helping improve both decision-making and trust. “The supporting information has become steadily more reliable using Apptio, and it allows the business to focus on appropriate decisions for

the key areas of their spend,” said Constable. “The relationship between Finance and Enterprise IT vastly improved after the Apptio implementation.”

IT and Finance, in any organization, often give different answers regarding allocations and cost drivers, given their different perspectives. TBM has put everyone at EDF Energy on the same page — with the same numbers. “We’ve got data clarity and openness regarding allocation rules,” said Constable.

Centralized vendor information feeds forecasts and the medium-term plan

Enterprise IT’s base input tables capture all relevant vendor information: contacts, contract start and end dates, and contract values. “We have developed other tools that hang off the central tracker,” said Greenwood. “We focus on the start and end dates of contracts and identify when we need to make strategic decisions around renewals.”

These vendor decisions feed Enterprise IT’s forecasting data, pulling data through to create the medium-term plan (MTP). This data pull enables Enterprise IT to adopt rolling forecasts. “We can ingest data from the SAP system to understand our actual costs at a given point, and then we can feed that into our current annual forecast,” said Greenwood. “The MTP covers five years. With Excel, we were unable to accurately work out where we were going in the latter years. Our business units needed clarity on these costs.”

The MTP process had always been a long process. Now, it’s all driven from base input data and highly automated — the base input tracker holds 90% of the MTP information. “At the push of a button, I can always show what the five-year plan looks like,” said Greenwood. “I can see on a day-to-day basis every single contract renewal that goes through. We are constantly updating it to compare today’s view with the MTP submitted at the start of the year.”

TBM underpins the organizational strategic direction

Enterprise IT maps opportunities that might be coming in a year or two and links them back to a risk-and-opportunities profile. “We can support, with real data, scenarios in real-time and play them back for things like office moves, headcount, and data center strategy,” said Harvey. “We are certainly in a far better place to identify opportunities and risks against our budget.”

TBM results

Over the last year, there have been seismic improvements in the detail and accuracy of long-range IT spend forecasting — all the way down to individual supplier contracts and PO detail.

Increased monthly, directly recharged services (including auto journaling to SAP) led to transparent, timely, and accurate billing. This transparency changed consumption patterns and delivered cost savings to the organization. Stakeholders and budget managers, supported by the TBM office, review the main financial metrics in a unified TBM toolset and pinpoint insights and action.

“There’s probably nothing more that helps drive a business to keep costs down than replaying back the costs that those businesses are incurring,” said Harvey. “By showing costs back at a very granular level, we enhance the cost challenge awareness.”

Automation sped up financial planning and analysis (FP&A) and increased accuracy. “We’ve had a massive reduction in our financial month-end cycle time, primarily from the removal of manual effort and the introduction of automation,” said Harvey.

By putting the effort upfront, EDF Energy has had far fewer errors. Speed also counts in managing cloud spend. “We identify our cloud cost savings daily. We can see the impact of changing something in the cloud any day of the week. Changes made in the evening are seen the following morning,” said Harvey.

Combining cost, budget, price, and forecast into a suite of interactive TBM reports in Apptio forms the basis for all conversations with Finance, cost center owners, and departmental management. All four metrics are combined into Apptio Billing as a charge metric to provide a complete invoice for each business unit’s service use. The unique nature of EDF Energy requires a complex blend of these

metrics depending on the services offered and the consuming entity. These complex, defensible bills rely on integration between IBM Cloudability, Apptio Costing & Planning, and Apptio Billing.

The initial breakthrough for TBM was the development of auto-journaling and billing from the cloud invoice backed by Apptio’s cloud cost management capabilities. Other IT services were then added to a direct recharge model, exposing the exact consumption of services such as print and mobile usage. All bills, supported by transparent reporting and engagement services, empowered the business partners to make informed service choices.

EDF Energy uses TBM outputs across the whole organization. Middle managers within each of the business units use data for analysis. “When we do recharges each month where we’ve ingested vendor invoices, and we’ve recharged them out based on consumption, managers can see who in their team is spending money and what they’re spending it on,” said Greenwood.

Finance and senior leadership provide rolling budgets, forecasts, and the MTP process to enable more strategic and budget supporting decisions — to drive change, drive down costs, and drive more value. Surprises are avoided. “Every month, I have my rolling budget where I’m looking at the actuals and the latest estimate position,” said Greenwood. “The rolling budget is provided [to the senior leadership team] so we can see exactly where we’re coming in against our annual budget.”

What EDF Energy learned from its TBM deployment

EDF Energy's adoption of TBM resulted in an increased number of monthly, directly recharged services and transparent, timely, and accurate billing. The key to its past — and future — success is a commitment to incremental improvement.

For organizations looking to adopt TBM, EDF Energy shares its key takeaway. "Don't try to do everything

at once. Identify easier wins to build momentum and develop and evolve in bite-sized chunks," said Rachael Thomas, finance analyst. "Gain positive momentum and develop and evolve in small bite-sized chunks and get points on the board early to find the winners and then the advocates to help support the message."

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 Awards.

Learn more and become a member at

tbmcouncil.org/get-involved/membership



TBM Council Founder & Technical Advisor

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