

Case Study | 2022 TBM Council Award: IT Financial Leadership

How John Deere Developed Sustainable Product Costing with TBM

A John Deere Case Study

Executive Summary

John Deere began the adoption of an Agile operating model (AOM) and the shift from projects to products in 2019 with a Board of Directors-approved investment. Technology Business Management (TBM) was selected as the standard platform and model to accelerate the adoption of an Agile operating model. TBM has accelerated the shifts from annual portfolio planning to continuous portfolio governance, annual spend roll-ups to monthly visibility, and investing in IT initiatives to investing in digital products. Furthermore, TBM has helped Deere save more than 10,000 annual people-hours, rationalize several costly applications, and streamline critical processes across the organization.

John Deere Overview

John Deere has more than 180 years of experience and innovation to build sustainable technological solutions for today's smart industrial world. A world leader in providing advanced products, technology, and services for customers whose work is revolutionizing agriculture and construction — those who cultivate, harvest, transform, enrich, and build upon the land to meet the world's increasing need for food, fuel, shelter, and infrastructure. John Deere's easy-to-use technology helps deliver results seen in the field, on the job site, and on the balance sheet — ensuring seamless access to parts, services, and performance upgrades and providing world-class support throughout equipment's lifecycle.

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IT Financial Leadership**



Website

www.deere.com

Founding date: 1837

Employee count: 74,000
(based on 2022 YE)

Headquarters:
Moline, IL, USA

Revenue: \$52.577B (based on
2022 YE accounts)

Industry: Agricultural Machinery
/ Heavy Equipment

TBM Solutions:
ApptioOne Plus™
ApptioOne Billing™
ApptioOne Benchmarking™



“TBM isn't just about cost. It really is about understanding how teams interact and work together.”

Carollyn Gehrke,
TBM Product Manager

The Challenge

John Deere began the adoption of an Agile operating model (AOM) and the shift from projects to products in 2019 with a Board of Directors-approved investment. TBM was selected as the standard platform and model to accelerate Deere's adoption of their AOM. A critical component of the transformation was to maximize the business value through increased transparency of total product cost and a flexible investment strategy to enable business objectives.

Establishing the Solution

A critical component of the transformation was maximizing the business value through increased total product cost transparency and creating a flexible investment strategy to enable business objectives. Deere had been doing IT financial management (ITFM) for years but needed sustainable tools that would fit their new Agile operating model at scale. Their TBM tooling powered their efforts by moving them away from Excel spreadsheets.

TBM has focused John Deere on accelerating the shifts from:

- Annual portfolio planning to continuous portfolio governance
- Annual spend roll-ups to monthly visibility
- Investing in IT initiatives to investing in digital products

The Result

John Deere's TBM practice has developed sustainable product costing, accelerated the adoption of their Agile operating model, and transformed a \$1 billion cost anchor into over 450 actively managed digital products. Over the last two years, TBM has saved John Deere

Benefits:

- Saved more than 10,000 people-hours
- Transformed a \$1 billion cost anchor into over 450 digital products
- Rationalized more than 15 systems
- Streamlined more than 15 key processes

financial analysts more than 10,000 annual hours. By empowering them to focus on higher value activities, the team has helped rationalize over 15 systems, streamlined more than 15 key processes, and significantly increased the use of TCO reports.

Product Cost Reports Have Shifted Conversations & Investment Planning

Before 2018, senior leadership had annual product investment visibility yearly. The TBM team focused on product costing as the organization moved towards Lean Portfolio Management. In January 2021, the team achieved that goal by publishing total product cost reports monthly. The changes they made by reevaluating their allocation methods and costing calculations gave digital product leaders greater confidence in monthly product reports.

Conversations with leadership are truly focused on value now. "Better Together" reports provide visibility into product direct (raw materials) and indirect (consumption) of other products by business application. This shift has increased the ability of both business and IT product leaders to act with financial acumen and invest resources into product families, products, and features with the most potential value to both the organization and customers.

For product managers, Deere's TBM solutions have increased the visibility of business demand and can monitor those investments with up-to-date product costing. More importantly, there is greater accountability in mapping infrastructure, business applications, and products. Some product managers now use insights from the TBM product team's reporting to conduct investment planning.

As Deere continues to embrace their Agile operating model, their TBM maturity and product costing are opening the door for the new value to the organization. Given its dynamic portfolio, Deere is embracing the concept of Agile funding, a more flexible way of funding product teams and monitoring investments. Deere leadership is on a path to more frequently analyze and anticipate where to "move" investments in technology with the highest benefit for the business.

Using TBM as a Cultural Change Agent

Carollyn Gehrke, TBM Product Manager, shared, "TBM isn't just about cost. It is really about understanding how teams interact and work together." By understanding each stakeholder's sphere of responsibility and way of working, the John Deere TBM product team has begun seeing their impact culturally.

Previously, Deere had multiple spreadsheets, data sources, databases, and reports for total cost of ownership (TCO). Now, with a single source of truth, over 500 users are looking at this information regularly. The Deere TBM team is excited to see how their work cultivates accountability across the organization. By transforming disparate data into insightful information about their products, product owners decide to rationalize applications and simplify. Other product leaders also realize how they depend on other products and are now initiating

recurring, cross-product conversations to align. For example, technical platforms are becoming more customer focused. Talks between platform owners and the product leaders that consume their platforms are leading to more proactively managed upgrades.

The Deere TBM team also brings teams together through reporting that shares each stakeholder's story. Rather than inundating finance or business leaders with granular operational data, the product reports contextualize the impact of increased support tickets or the cost of 24x7 support. Similarly, IT engineers and other technologists better understand the business strategy. With this understanding, IT leaders are becoming advisors to their business counterparts rather than order-takers.

Conclusion

As a winner of the 2022 TBM Council's IT Financial Leadership Award, the Deere team offered advice and encouragement to new TBM programs. "As a new TBM program, start with Lean solutions where you can. They help your program quickly provide data in a new way — leading to larger investments in making TBM sustainable," said Gehrke. "The value delivered will lead to more significant investments and anchor TBM as the common language across the organization." Do not underestimate the importance of change management and organizational readiness.



Join the TBM Council

Founded in 2012, the Technology Business Management (TBM) Council is a nonprofit business entity dedicated to advancing the discipline of TBM through education, standards, and collaboration. Governed by an independent board of both global and regional business technology leaders, this diverse group represents some of the world's most innovative companies, including Mastercard, Wells Fargo, State Farm Insurance, Nike, Stanley Black & Decker, Equifax, ANZ Group, Commonwealth Bank of Australia, Adidas, Bank of Ireland, and more. The TBM Council provides best practices for leaders to leverage so they can react quickly to changing market dynamics and optimize cloud and Agile strategies to deliver on business objectives.

Learn more and become a member at

tbmcouncil.org