IT controlling in the digital age – how to steer IT through digitalisation

pwc

Table of contents

Table of figures

A Executive summary

Over the last decade, we have observed an increase in IT budgets across all industries. The main drivers are increasing digitalisation of traditional business, and the implementation of new IT solutions, which are expanding traditional business models. Technology has become a key element of new business models, based on software solutions and services. As IT's portion of overall company budgets has grown, IT cost management has become more important for chief financial officers (CFOs) and chief information officers (CIOs). The COVID-19 pandemic and the associated liquidity challenges for many companies also underline this issue. Nevertheless, despite growing IT budgets, the COVID-19 pandemic showed that many companies were not ready for mobile working on a large scale and had to take actions immediately, e.g. by reprioritizing their investment portfolios.

This puts the spotlight on the IT controlling department, a leadership partner which provides insights and decision-making support for managing the IT function. We call the relevant topics in this area "IT cost and value management". In this study, we will describe how companies can set up IT controlling to meet current and future challenges. The study is based on a survey and in-depth interviews with 23 companies in Germany and Switzerland.

Key findings

There is no clear "home" for IT controlling within corporate organisations (finance vs. IT)
Of the 23 companies surveyed, around half have their IT controlling department reporting to the CFO and half to the CIO. Although the focus of these two leaders is different, companies in both groups are satisfied with their reporting lines.

The changing role and significance of IT is demanding more focus on value than pure cost transparency from IT controlling
Increasing IT budgets are putting IT departments into the spotlight. Business departments acting as sponsors are questioning the value generated from IT investment and are demanding clear benefit tracking. In order to meet these challenges, IT controlling responsibilities increasingly need to include management of performance, skills, capacity and portfolios, in addition to traditional financial management duties.

IT controlling needs to keep up with the global, fast-paced IT function it is supposed to manage
Keeping up with a fast-paced IT function requires IT controlling to establish a forward-looking IT management system with fast, reliable and future-oriented information. Doing this requires a baseline of globally harmonised data structures, and a high degree of automation in IT cost and value management processes relating to planning, cost accounting, charge-out, reporting of IT financials, and KPI systems. This releases capacity among expert staff for more advanced tasks.

ERP, internally developed tools and Excel still predominate: off-the-shelf ITFM tools have yet to penetrate the market among the companies surveyed
When it comes to tools, IT controllers continue to rely on Excel-based calculations and standard enterprise resource planning (ERP). Only 40% of the IT controlling departments surveyed use off-the-shelf IT financial management (ITFM) tools – and, on average, these do not increase satisfaction. However, a successfully implemented tool solution is a cornerstone for mature IT cost and value management, especially when striving for automation.

IT controlling teams are confident that they can guide the IT function through current IT trends – the main challenges lie in measuring benefits and reducing costs
All in all, IT controllers are not worried about IT trends such as agility or revenue-generating IT products. Managing IT in business functions is the most interesting of these trends. However, there are two challenges arising in key IT cost and value management activities: benefit tracking and cost reduction. As IT investments increase, measuring the outcomes of these investments becomes advisable or even essential. However, tracking these benefits in an increasingly complex IT landscape is not easy. Reducing IT costs is also a constant challenge, exacerbated by efficiency requirements from upper management – whether or not these requirements are motivated by shock events such as financial crises or the COVID-19 pandemic.

This publication provides an overview of the key results from our survey and interviews regarding "IT cost and value management in the digital age". The following chapters explore the points mentioned above in more detail.

From the survey and the dialogue with the participating companies, we gained further insights that are not described in detail in this publication, e.g. sizing an IT controlling department, levels of detail for IT cost analysis, and agile time tracking. If you would like to find out more, please feel free to contact us.

B Methodology and overview of participating companies

Study design

Our study is based on a survey and individual follow-up interviews with the participants. To conduct the survey, we created a questionnaire containing 85 data points per company, which we grouped into six categories:

1. Company profile

2. Setup of IT controlling department

3. Data structures
   (IT cost and value flow)

4. Planning

5. Reporting and charging

6. Other topics

Based on the survey results, we created hypotheses and generated initial insights. We then conducted follow-up interviews with more than 70% of the participants in order to validate their input and discuss our hypotheses. These follow-up interview sessions lasted between 90 minutes and eight hours.

Company profiles

A total of 23 companies from ten different industries participated in our study. Of these companies, eight operate in the retail, wholesale and consumer products sector, and five work in industrial manufacturing, engineering and construction. In terms of revenues, the companies range in size from approx. €500m to over €100bn. On a scale from 1 to 10, the companies rated the overall maturity levels of their own IT controlling departments at between 3 and 9. Three companies gave maturity ratings of 8 or higher. These are considered leading-edge as they consistently stood out from the other participants throughout the survey.

C Study results

1 There is no clear "home" for IT controlling within corporate organisations (finance vs. IT)

When companies began to utilise IT in the 20th century, its main purpose was to digitalise the accounting function. Naturally, the new IT department reported to the CFO and was managed through corporate control structures. As the role of IT evolved into a comprehensive set of capabilities, dedicated cost and value management became necessary, and this gave rise to an independent IT controlling department. As it is often separated from the finance organisation, IT controlling is constantly confronted with the question of whether to report to the CFO or the CIO.

Our study results reveal that there is no standardised approach. Exactly 50% of the IT controlling departments report to the CFO and 50% report to the CIO. Both setups provide benefits, as shown by the high satisfaction that both groups have with their current reporting line. Reporting to the CFO promotes alignment with corporate controlling structures, while IT controllers residing in the IT department value the close proximity that this gives them to decision-makers in IT.

> "
> *Under the CIO you get involved in decisions that influence cost, plus you will typically understand IT better from inside the IT function than you will from outside.*
>
> Head of IT Finance, building materials company

The reporting line of IT controlling does not correlate with company size, maturity or overall satisfaction of the company with its IT controlling department.

The follow-up interviews also revealed that regardless of the reporting line, IT controllers usually provide the CFO with a more aggregated financial view of IT, and the CIO with more detailed information.

Fig. 1   Overview of participating companies

23 companies	Cluster 1: <€10bn revenue	Cluster 2: >€10bn revenue	
	13	10	
	Reporting line to CFO	Reporting line to CIO	Direct reporting line to both
	11	11	1

Overall 87% satisfaction with reporting line
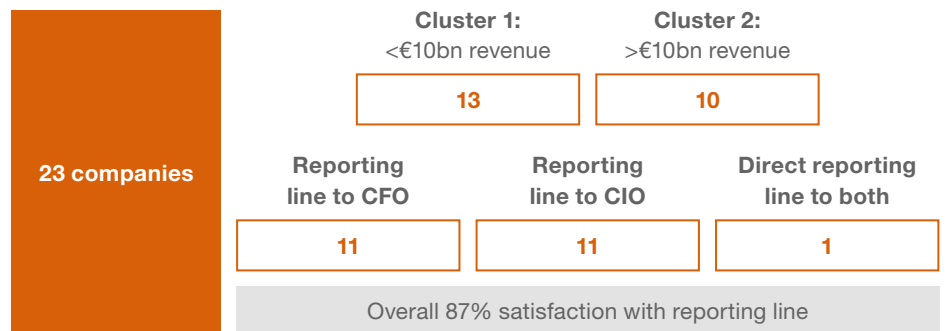
2 The changing role and significance of IT is demanding more focus on value than pure cost transparency from IT controlling

In almost all companies, digitalisation is accompanied by the transformation of IT from a support function to a core function. As the demands on IT increase, so does the IT budget, which creates a need for more conscious IT management and a broader portfolio of IT controlling activities. The convergence of IT and operational technology (OT) will further drive this trend in the years to come. Consequently, IT controlling needs to shift its focus from pure cost management to a more holistic view of IT management that goes way beyond the financial perspective. Based on this understanding, the focus will be on both costs and value in future.
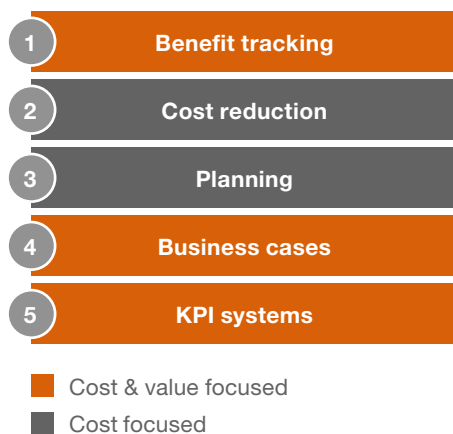
Looking at the biggest pain points for our participant companies, it is evident that most of them can handle traditional IT controlling topics quite well, such as cost accounting and reporting. However, adapting IT planning to ever-changing requirements and reducing costs to free up budget capacity remain challenging.

Fig. 2   Top five major challenges in IT controlling

1	**Benefit tracking**
2	**Cost reduction**
3	**Planning**
4	**Business cases**
5	**KPI systems**

■ Cost & value focused
■ Cost focused

Although the focus of IT controlling has traditionally been on costs, the pain points identified in the survey show that there is increasing stakeholder demand for the department to provide value-related services. IT and business departments expect IT controlling to help them address their biggest pain points: estimating investment value when creating business cases, and tracking the actual value/benefits provided by a solution once it has been implemented. These stakeholders also want future-oriented planning and ongoing performance tracking based on KPI calculation and analysis to provide the certainty they need for effective management.

Further analysis shows that the IT controlling department is becoming increasingly involved in creating business cases, and this is delivering great benefits. Although some IT departments still draw up business cases without consulting IT controlling, most companies recognise the expertise and experience that the IT controlling department can contribute. Potential benefits range from higher consistency and better comparability of submitted business cases through quality gates (e.g. input challenging or validation session) to integration of more accurate cost baselining or forecast information with an immediate cost impact.

> " For a new cloud service, we reduced the required capacity that the IT department had forecasted by 40% – based on our experience – and negotiated a much cheaper deal with the provider. The service has been live and the size has been proven right.
>
> Head of IT Finance, building materials company

Another pain point we have identified is the design and implementation of KPI systems. Combining financial data with business data and technology data can easily become very complex. Integration of financial data often fails because the cost models do not provide the level of detail required. We are still a long way from the ideal situation of self-service reporting and consistent relationships between technological KPIs, financial KPIs and business KPIs. Non-financial KPIs are underrepresented in the resulting upper management reports: on average, they account for only 13% of report content. In the near future, approaches such as Objectives and Key Results will become more and more common to manage IT functions holistically on the basis of concrete goals and measures. This will also pose new questions for IT controlling.

In order to overcome these pain points, the organisational role of IT controlling will have to evolve. It needs to be redefined in terms of scope of work, responsibilities, and skills required. IT controlling needs to be present and seen as a real partner in optimising the IT function. For stronger value orientation, it is necessary to precisely understand the IT world and foster close collaboration with IT decision-makers to provide the support they need. This requires the role of IT controlling to be clearly defined, communicated and supported by IT leadership. Also, the IT controlling team needs to deliver on its own promises and demonstrate value to IT departments. Our experiences and discussions around this study show that there is room for improvement in both areas.

All of the companies surveyed have already recognised the increasing focus on value-oriented activities and tasks – this is one of the few things that they all have in common. In order to tackle these challenges, all companies

surveyed expect a major shift from cost-related activities to value-related activities (e.g. KPI systems, business cases, benefit tracking). 45% of the companies believe that performance management will be the main area of activity for IT controllers in the future (i.e. they expect that over 50% of controllers' time will be spent on performance management activities).

Management of skills, capacity and IT portfolios overall are also becoming an integral part of IT controlling, with an average target share of 17%. Activities described as "other" usually include commercial decisions in other areas of IT (e.g. IT purchasing, IT provider management).
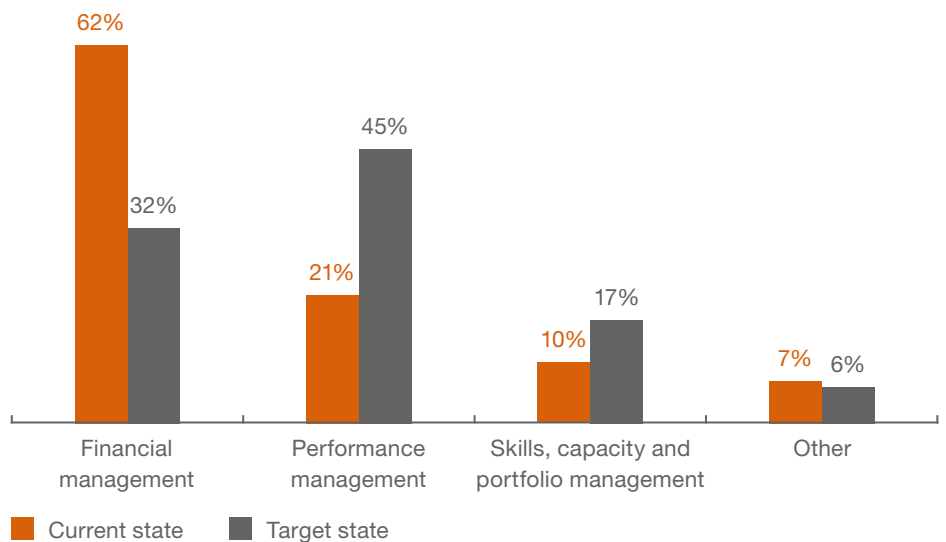
In line with this development, 100% of the companies surveyed expect that their IT controlling departments will become more important in the future.

> "
> *As more financial responsibility goes to product teams, I had been tempted to say that IT controlling is becoming less important, but thinking more deeply about it, the role will actually become more important and move towards a governance function to ensure consistent cost management in the product teams.*
>
> Head of IT Finance, building materials company

Fig. 3   IT controlling activities based on time spent (current vs. target state)

Financial management: Current state 62%, Target state 32%
Performance management: Current state 21%, Target state 45%
Skills, capacity and portfolio management: Current state 10%, Target state 17%
Other: Current state 7%, Target state 6%

■ Current state   ■ Target state

3 IT controlling needs to keep up with the global, fast-paced IT function it is supposed to manage

The increasingly frequent emergence of new technologies, the shift from static on-premises environments to flexible cloud environments, and the growth of agile working methods such as Scrum and DevOps are just a few examples of transformations which are currently disrupting IT organisations. Keeping up with the fast pace of IT requires IT controlling to establish forward-looking IT governance with fast, reliable and future-oriented information.

> "
> *This requires the right skill sets – in-depth IT knowledge is crucial to understanding what drives issues such as infrastructure costs and what can be done about them. Combined finance/IT skills are also crucial to creating a one-stop shop for solving functional problems and building automated solutions.*
>
> Head of IT Finance, global manufacturing company

But resources in IT controlling are limited, and there is no time for regular manual data collection and preparation processes – especially when international entities operate in different ways. Against this background, standardisation and automation are hot topics when establishing forward-looking IT management. The survey results confirm this, showing that organisations with highly mature IT cost and value management have a clear focus on automating their IT management processes, especially for cost accounting, charge-out and reporting.

The interviews we conducted for this study confirm our observations from our daily work with our clients: the quality of information for managing IT is only as good as the quality of the underlying data. A deficit in data quality not only diminishes the credibility of IT cost and value management, but also leads to biased or misleading results, or makes laborious manual corrections necessary.

> "
> *I am surprised that some of our IT department heads are still lacking even basic financial knowledge.*
>
> Global Head of IT Controlling, manufacturing company

With IT organisations moving towards more globalised footprints, the demand for global transparency and information to enable management is also increasing. IT controlling needs to approach this with harmonised data structures at group level and with binding rules for recording, allocating and charging costs. With a growing number of stakeholders and increasing complexity of rules and structures, the issue of data quality is becoming more important than ever.

Fig. 4   Degree of automation in companies with high maturity and medium or low maturity

Leading edge (maturity 8–10)   Others (maturity 1–7)

(1 = completely manual, 5 = fully automated)
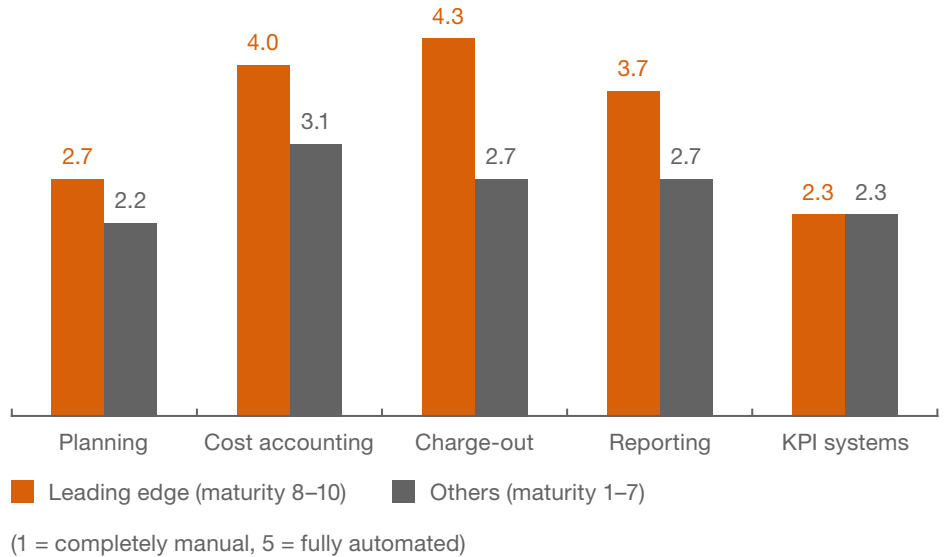
IT departments are usually responsible for correctly assigning actual cost data, through purchase orders or comments on invoices. IT controlling has an important, often underrepresented governance role here to make sure that established structures are maintained well and that set processes are consistently followed at corporate level; this includes root cause analyses on data quality issues and appropriate mitigation measures.

Globally harmonised data structures and high-quality data create the ideal foundation for effective automation. We see high automation as vital, both for keeping pace with IT and for allowing staff to focus on value-adding activities.

A harmonised cost and value model includes standardised data structures with different perspectives on IT services/products/projects (e.g. cost types, infrastructure components) applied by all entities within the company. Establishing such a standard also facilitates consolidation of the company's application landscape and paves the way for sustainable automation. Harmonised data structures and finance applications also enable the IT controlling department to access and evaluate relevant data much more quickly. But as we can see, the majority of companies reported significant room for improvement in terms of data quality – only 30% said that their data was of satisfactory quality.

Fig. 5   Average satisfaction with data quality

Globally harmonized structures   Fragmented structures

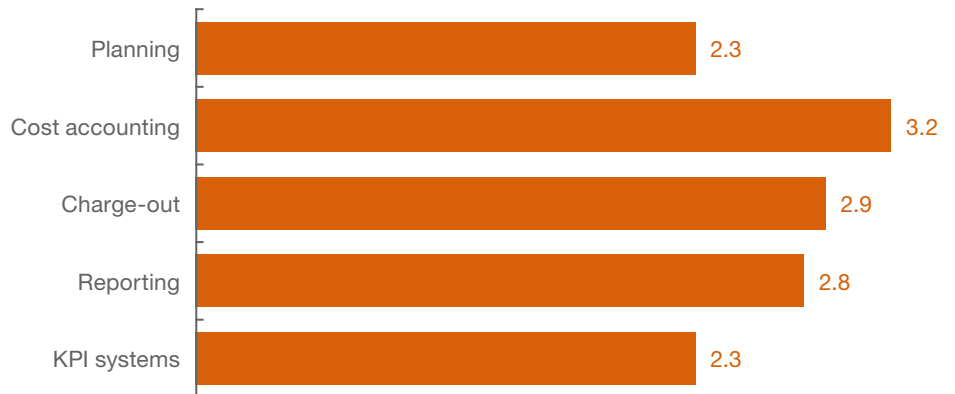(1 = unsatisfied, 5 = very satisfied)
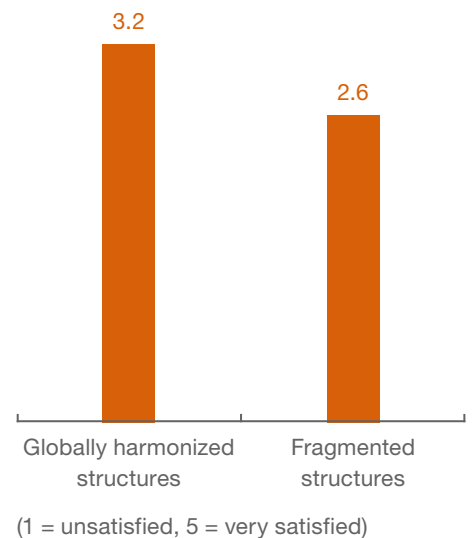
The first step towards better-quality data is global harmonisation and standardisation of data structures. However, the participants report that having global data standards in place does not guarantee high-quality data or increased automation. Once the laborious process of migrating all entities to a common data model is complete, IT controllers need to keep in mind that continuous work is required to keep the data quality high. This means setting up clear governance and defining clear rules, monitoring compliance with these rules and performing root cause analyses of data quality issues. IT controlling can only reap the benefits of harmonisation and standardisation if data quality is made an ongoing topic and sufficient attention is devoted to it.

As size and complexity increase, the work required to keep the data quality high can become quite tedious. This underlines the great importance of designing a clear, consistent and lean IT cost and value model which can be integrated into your existing IT landscape as a baseline for rolling out global automation.

> "
> *Good IT cost and value management needs good data structures. These projects are complex and don't result in flashy outcomes right away – so there is no instant gratification for management. Instead, there is a lot of painful homework to do up front.*
>
> Head of IT Controlling, pharmaceutical company

Fig. 6   Average degree of automation by area

(1 = completely manual, 5 = fully automated)

Area	Value
Planning	2.3
Cost accounting	3.2
Charge-out	2.9
Reporting	2.8
KPI systems	2.3

A look at the automation of typical IT cost and value management processes paints a consistent picture across almost all companies surveyed: with one exception, all of them see room for improvement in automation of these processes. Cost accounting is usually the most highly-automated area, while work for planning and KPI systems tends to be performed manually.

In our experience, improving data quality is a main lever for automating reporting and KPI systems. Both of these areas heavily rely on the integration of different data sources, and the integrity of their results cannot be guaranteed without consistent and high data quality. This usually results in the IT controllers preparing reports manually, and creates KPI systems that are – at best – only occasionally updated.

In summary, we would like to stress that globally harmonised data structures are highly recommended for international IT organisations. However, they do require continuous work to keep the quality of data high – this includes tight governance of structures and processes.

Data quality is key. Successful IT controllers embrace this challenge, improving both data and data structures by frequently conducting root cause analyses and implementing suitable measures to improve the situation.

> "
> *We have a focus on data quality and we quite like it. You see results fast and make things better. It can be exhausting sometimes, though.*
>
> Head of Group Planning & Controlling, global insurance company

4 Excel and internally developed tools still predominate: off-the-shelf ITFM tools have yet to penetrate the market

IT cost and value management is very data-driven. The ability to correctly evaluate data is crucial to all IT cost and value management activities. As our study shows, Excel, internally developed tools and company ERP systems are by far the most common tools used for IT cost and value management, and they enjoy a relatively high rate of satisfaction. All companies surveyed reported using Excel, and all but two reported using an ERP system for IT cost and value management. On a scale from 1 to 5, average satisfaction with Excel was 3.4. Almost 50% of these companies use custom-made add-on solutions, and a few use off-the-shelf IT financial management (ITFM) tools which are increasingly coming onto the market. In this report, we aggregated the responses for all off-the-shelf ITFM tools. If you would like to know more about our evaluation and comparison of specific tools, please feel free to contact us.

This clearly shows that IT controllers have a soft spot for Excel, and satisfaction is not any higher with off-the-shelf ITFM tools.

> " We like to work with raw data – and we are good at that. Tools are often just shiny, blingy reporting.
>
> Head of Group Planning & Controlling, insurance company

Fig. 7 Tools used for IT cost and value management, and average satisfaction with these tools
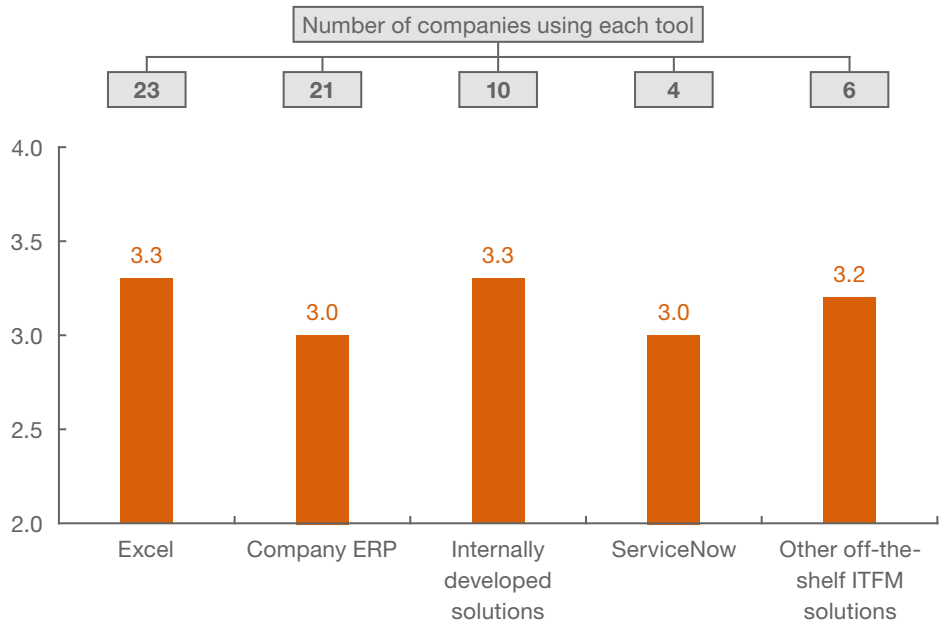
Possible responses: 1 (not satisfied) – 5 (very satisfied)

> " ITFM tools often just cover minor aspects of IT cost and value management (e.g. planning, some reports), not the whole process chain.
>
> Head of IT Controlling, pharmaceutical company

Only four of the companies surveyed rated their satisfaction with Excel below 3. However, Excel is frequently stretched to the limit in many use cases where specialised applications (company ERP, internally developed tools or specific ITFM solutions) would be far more suitable. This becomes most relevant when processing and evaluating large amounts of data, when working in multi-user environments, and in the long run in general.

The results of our study also show the potential for improvement in tools. SAP systems are often too static and not sufficiently tailored to the needs of IT cost and value management. ITFM tools can thus complement ERP systems by undertaking regular cost and value management tasks more efficiently – these include actual cost allocations, service cost calculations, and reporting.
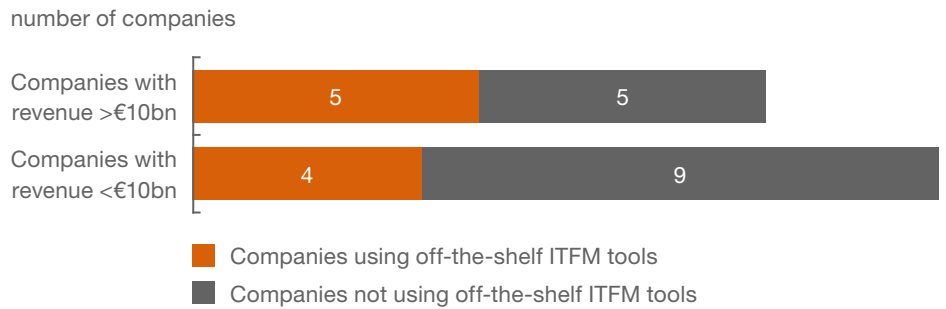
> " Our SAP system is made for our core business. We are only observers. That's why I've been looking into ITFM tools and also into ServiceNow, as we've been using that for other purposes already.
>
> Head of IT Finance, manufacturing company

Fig. 8   Companies by revenue cluster and usage of off-the-shelf ITFM tools

number of companies

Companies with revenue >€10bn	5	5
Companies with revenue <€10bn	4	9

■ Companies using off-the-shelf ITFM tools
■ Companies not using off-the-shelf ITFM tools

Functionality is important when selecting an ITFM tool, but availability of skills and technical integration are also crucial. However, our interviews again confirmed that existing relationships with potential tool providers play a major role in the tool selection process. Considering the significant effort involved in implementing a new tool, it makes sense that companies with revenues of over €10bn are more likely to have an ITFM tool implemented and in use than companies with lower revenues.

Overall, only 40% of the companies surveyed had implemented a commercial ITFM tool in addition to company ERP, Excel or other internally developed solutions. 30% of companies rely solely on a combination of company ERP and Excel.

In light of these results, it is worth noting that selecting and implementing suitable tools is a challenge. Companies often fail to establish a single source of truth that provides sufficient transparency on cost flow and key IT data. A lack of integration can have serious consequences for data quality.

> "
> *We tried to introduce a configuration management database three times, but always failed. In planning, many things happen in Excel. This all leads to data quality issues as many things are connected. For example, we currently do not know the number of servers we have – there is a discrepancy of 3,000. You need to guarantee a minimum level of transparency and consistency on key IT data to ensure efficiency in cost flows and planning (single source of truth, integration of interdependent tools).*
>
> Head of IT Finance, building materials company

All in all, we believe that a successfully implemented tool solution is the cornerstone of a mature IT controlling department, especially when striving for automation. However, there is no single optimal solution for ITFM, which makes the process of selecting and implementing the right tools even more crucial.

5 IT controlling teams are confident that they can guide the IT function through current IT trends – the main challenges lie in measuring benefits and reducing costs

We asked participants to rate current IT trends in terms of how challenging they are for their IT controlling organisation. Overall, IT trends are not perceived as challenging, as we can see from the average rating of 1.4 on a scale from 0 to 3 (0 = not a challenge, 3 = major challenge). The companies surveyed rated dealing with IT within business functions as the most challenging IT trend, giving it an average rating of "medium challenge".

As explained above, benefit tracking and cost reduction are the top two challenges for IT controlling departments. The responses to our survey provide clear evidence of this:
- Benefit tracking and cost reduction were rated as pain points by 96% of the companies surveyed
- Half of the companies surveyed rated these issues as "major pain points", the highest possible rating
- Although organisations with an overall maturity level of 7 or higher generally identified fewer pain points across all topics, high maturity levels had the smallest effect on benefit tracking, cost reduction, and KPI systems

Fig. 9   Average perception of IT trends as challenges for IT controlling

(0 = not a challenge, 3 = major challenge)
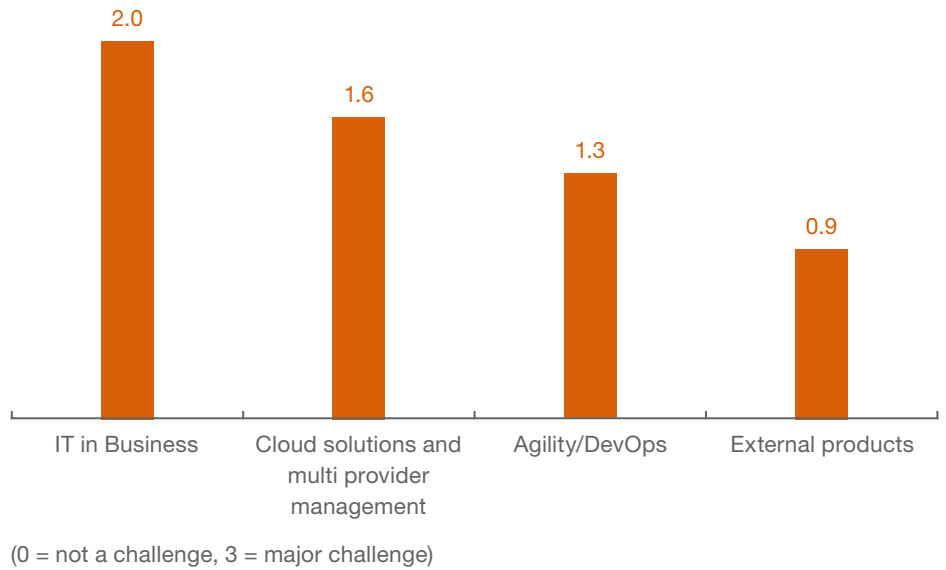
Fig. 10   Average perception of IT cost and value management issues as pain points, clustered by maturity of IT controlling department

Low maturity (1–6)   High maturity (7–10)

(0 = not a pain point, 3 = major pain point)
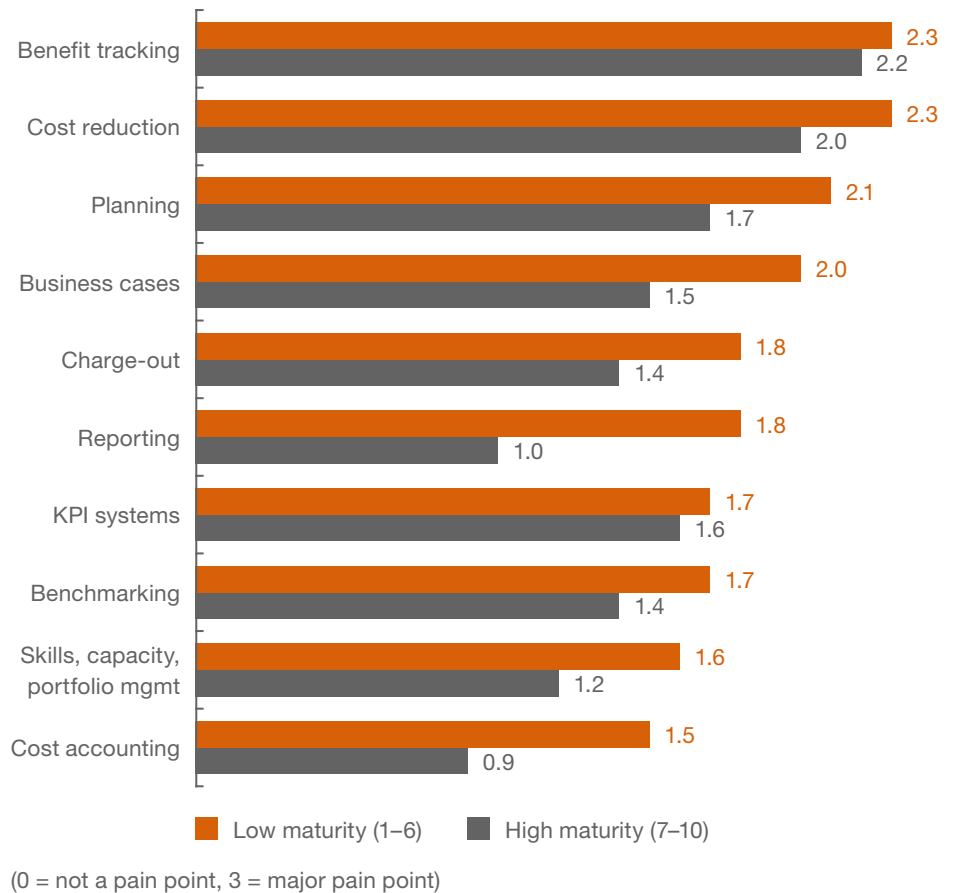
The perception of benefit tracking as a pain point reflects the increasing need to prove the success of growing IT investments. This is exacerbated by the fact that financial management needs to be brought under control (cost accounting, planning, charge-out, reporting and business cases) before a practical benefit tracking system is implemented. Some regulations may even make benefit tracking mandatory.

> "
> *For 'must-do' projects, there is usually no measurable benefit – e.g. GDPR or security. For our new SAP project, however, the auditor not only asked for cost tracking, but also for benefit tracking.*
>
> Head of Supply Controlling, consumer goods manufacturer

The challenge of benefit tracking starts with properly designed business cases, which require a transparent and consistent approach to estimating and forecasting the benefits. This becomes increasingly difficult as the IT landscape grows more complex and the impact of each change on the bottom line becomes harder to measure. A systematic approach to benefit types and assumption-based calculations in the business case can be an appropriate countermeasure, and should be enabled by IT controlling.

Benefit tracking requires clearly defined and measurable benefits, ideally specified in a business case. However, it is also clear that business cases themselves – the very foundation of benefit tracking – already represent a major pain point for the companies we surveyed. The more vague the business case is, the more difficult it will be to track the benefits.

> "
> *Sometimes, it is very surprising how the benefits of large transformation programmes are never questioned, but the benefits of a €150,000 project have to be scrutinised.*
>
> Head of IT Finance, manufacturing company

Some participants also reported unclear accountability for benefit tracking.

> "
> *Benefit tracking is not on the list because it is not my problem. I expect benefit tracking from [the new customer engagement team], as they have to start with that right from the beginning.*
>
> Head of IT Finance, building materials company

From the perspective of IT management, it's not essential for the IT controlling department itself to perform benefit tracking, but it does need to define safeguards for integrating benefit tracking into the overall IT management process. This requires a common view of financial data and business data (and the expected changes based on IT investments), which can only be achieved through close collaboration between the IT controlling team and the owners of the investment.

Cost reduction creates a constant challenge for IT organisations: the companies we surveyed rated cost reduction as the second-most important pain point. This is mainly being driven by the need to make savings due to COVID-19, as well as a steadily increasing demand for IT services within the business without budget growth to match. Mature IT controlling organisations tackle this by establishing regular cost optimisation processes – one of our participants described:

> "
> *This year, we set ourselves a target of 5% savings. We started by brainstorming to pool ideas, so that we could further investigate the best ones and then realise them. By the end of the year, we will have reached our goal despite some additional costs resulting from coronavirus. [...] It was done by us (IT controlling team), together with the responsible cost leaders and a dedicated project manager.*
>
> Head of IT Finance, manufacturing company
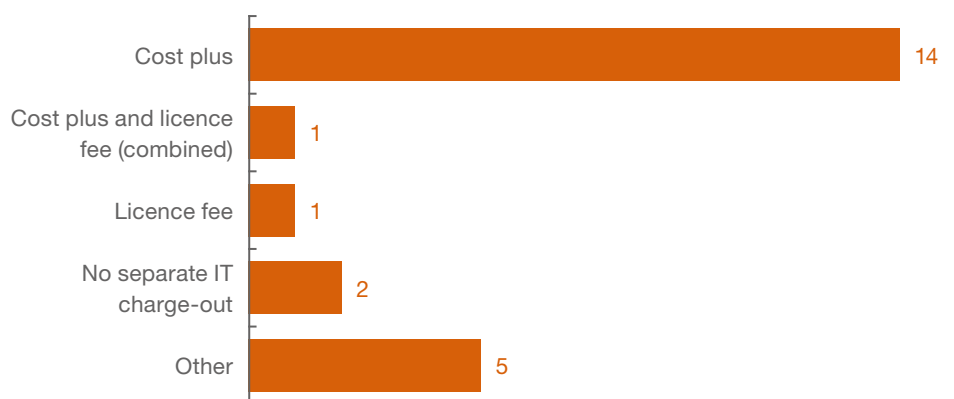
6 Additional insights

This study focuses on the top five findings we consider to be particularly important. However, our survey also covered numerous other topics, and we discussed the individual challenges in each organisation with each participant. The following examples are a cross-section of further insights we gathered during this process. If you would like to find out more, please contact us – we would be very happy to share our experiences.

Cost-plus pricing is the dominant cost charging model
60% of the companies surveyed have cost-plus models in place. "Other" usually means a more complex approach based on the cost plus model, where, for example, projects and services are handled differently or fixed costs are charged as base fees.

A diverse picture also becomes apparent in the handling of overhead costs (possible answers: charging separately, charging as part of run and change, charging as part of run, not charging at all). However, companies with high maturity tend to charge these costs as part of run or as part of run and change.

Fig. 11   Used charging models among surveyed companies

Cost plus	14
Cost plus and licence fee (combined)	1
Licence fee	1
No separate IT charge-out	2
Other	5

The planning process for a year takes six months
Planning usually takes less than six months, and 40% of companies finish their planning processes in less than three months. The scope of planning is usually only one fiscal year. This is surprising in the highly project-driven world of IT, with projects often lasting many years. However, only a few of the companies surveyed plan more than one year at once.

Fig. 12   Duration of IT budget planning process

number of companies

|	
<3 months	9
<6 months	12
<9 months	2

The accuracy of planned budgets is generally high: 43% of the companies surveyed deviate from their planned budgets by less than 3%. However, some companies struggle to keep their budgets under control, deviating from their planned budgets by more than 5% despite budget adjustments during the year. The majority of the companies surveyed do not currently use machine-based forecasts or extrapolations, but are interested in doing so in the near future.
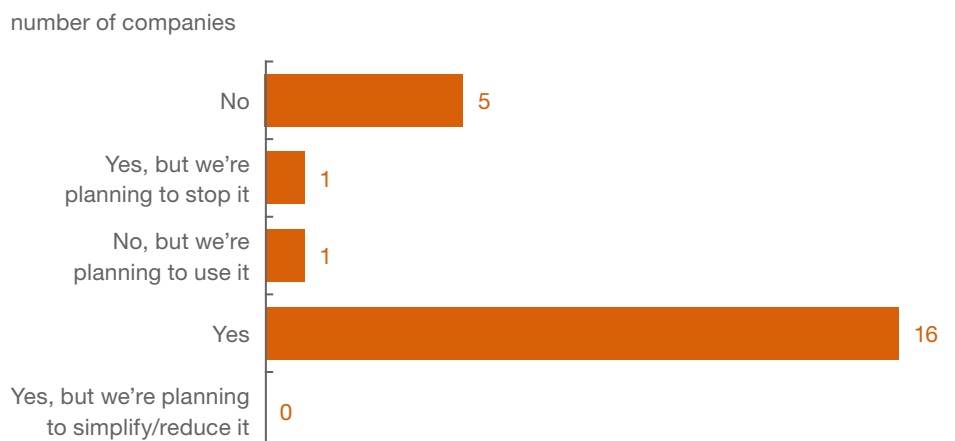
Time tracking remains common practice

Time tracking remains the most common practice for allocating and capitalising personnel costs, with 74% of the companies surveyed either using time tracking or planning to introduce it. Only one company was planning to stop using time tracking. At the same time, we found that some large companies (average revenue of approx. €50bn) have never used time tracking at all or have stopped using it. This is particularly being driven by new agile DevOps organisational models, in which time tracking is considered to be a poor fit. However, providing the same information and quality of data as with time tracking, e.g. project cost transparency, capitalisation of intellectual property, recording and charging work on dedicated projects, remains challenging and often creates significant additional period-end efforts.

Fig. 13   Budget deviation in percent of the last financial year

number of companies

■ No budget adjustments made   ■ Budget adjustments made
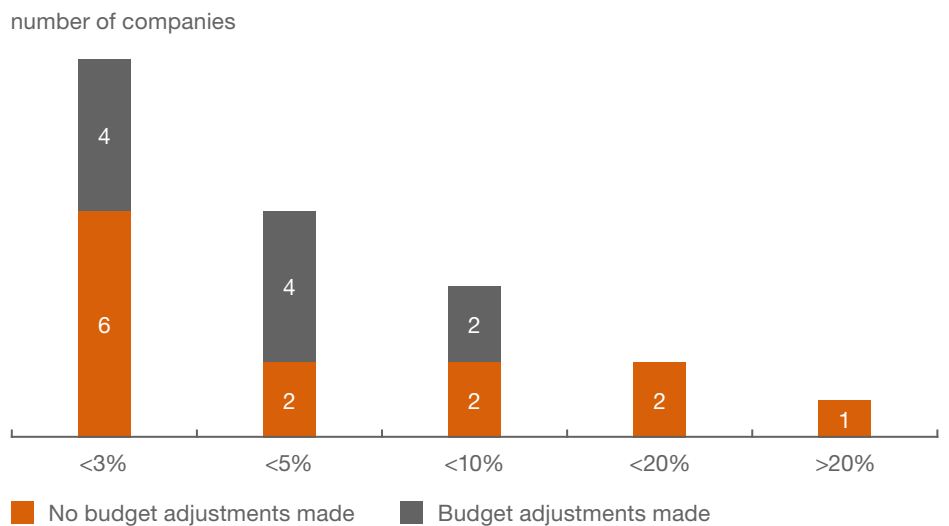
Fig. 14   Does your company use time tracking?

number of companies

Problems with planning, cost accounting and reporting are indicators of low overall maturity
Low maturity of IT cost and value management correlates with a measurable increase in pain points. Specifically, low-maturity organisations identify more severe pain points in every single category.

The largest difference between low- and high-maturity companies lies in cost and value issues relating to traditional IT cost and value management topics: on average, low-maturity companies rate cost accounting 38% higher and reporting 45% higher in terms of perception as a pain point. Our data prove that

as automation of traditional IT cost and value management processes increases, IT controllers focus more on value-adding data analysis and business consulting instead of gathering data and preparing reports.

**Planning and charging gets harder as you grow**
When comparing the companies' pain points in terms of their overall revenue cluster (revenue of more than/less than €10bn), there is a considerable difference between the clusters in planning and charge-outs: larger organisations consider these two pain points to be almost twice as severe as their smaller counterparts do.

Conclusion on additional insights
These insights are only a cross-section of the range of topics we discussed with the study participants in the interview phase. Please feel free to contact us if you are interested in an assessment of your own IT controlling department or you would like to learn about more specific findings from our study, such as:
- Average size of IT controlling organisations
- Average quantifiable value contribution of IT cost and value management
- Typical skills in IT controlling organisations
- Composition of top management reporting

Fig. 15 Average perception of IT cost and value management issues as pain points, clustered by revenue
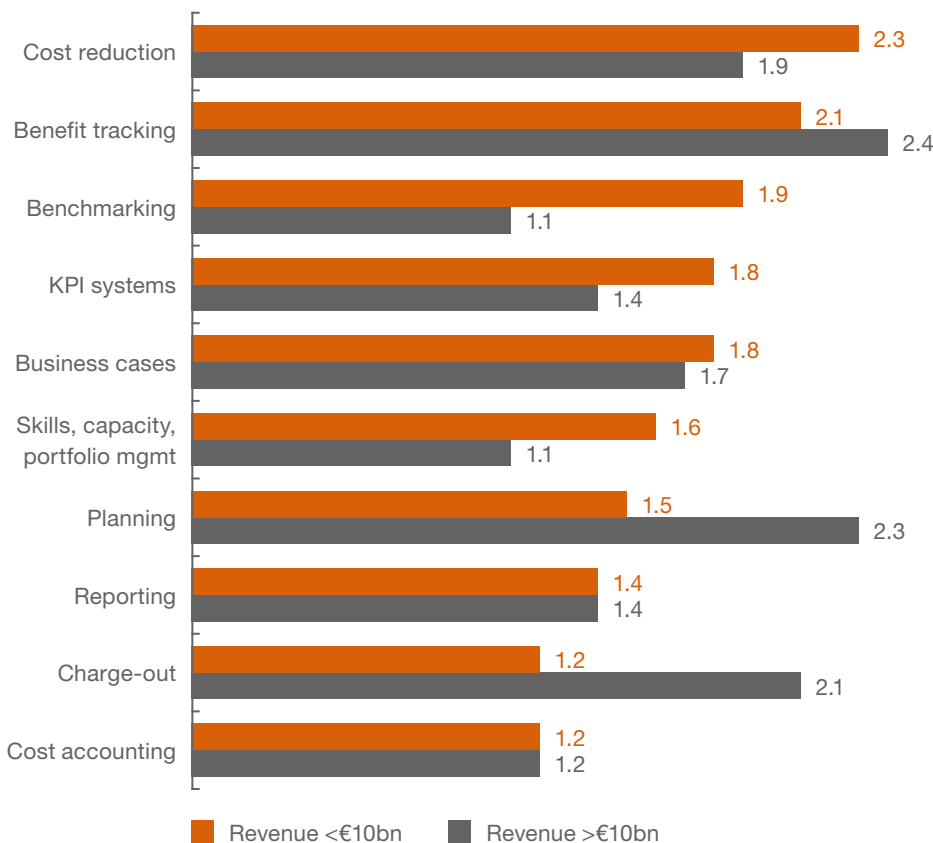
(0 = not a pain point, 3 = major pain point)
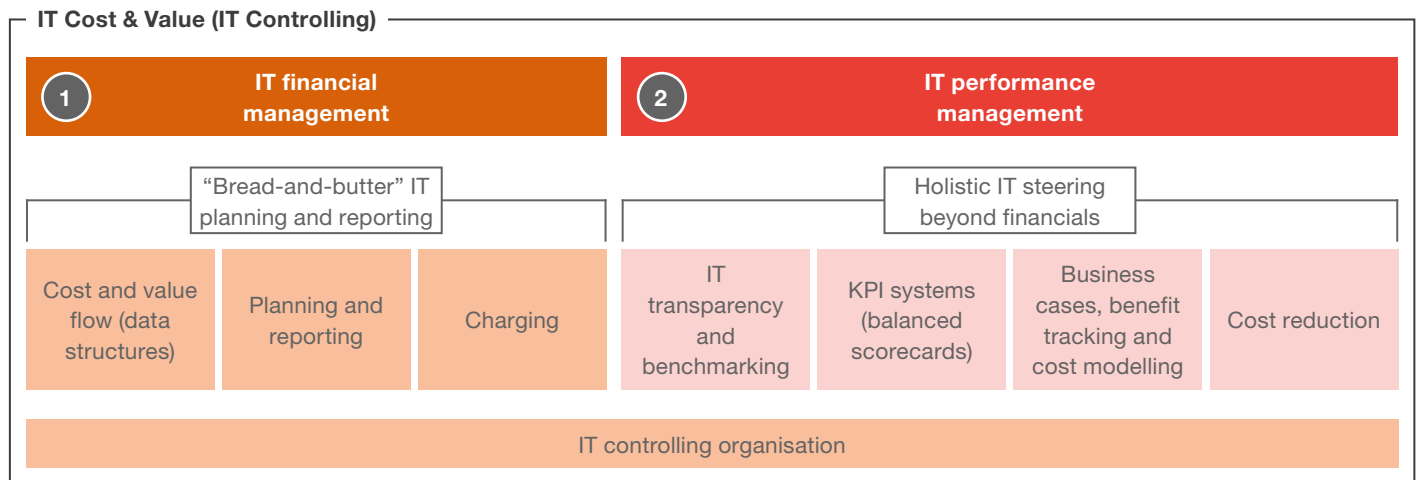
D How we can help

The insights from our study show that IT cost and value management is crucial for effective management of the complex IT function as a whole, and its role is universally expected to become even more important in future.

PwC's IT Cost & Value Management team has a proven track record in designing and implementing the full value chain around IT cost and value management:

- Overarching IT management systems
- Designing solutions for the entire IT cost and value portfolio (IT financial management and IT performance management)
- Implementation, change management and rollout support for solutions (including prototyping and dashboarding)
- IT benchmarking and cost reduction
- Business cases, benefit tracking and cost modelling
- Setting up IT controlling organisations and governance systems

At the core of PwC IT Cost & Value Management is a team of experts with a total of more than 100 years of experience in IT, finance and management control. We advise companies across all industries, ranging from family-owned businesses to global corporations. Our experience and our global network also enable us to master cross-border challenges. Our clients value our best-practice knowledge and our tried-and-tested tools. We can support you from strategy through to execution and, if required, develop interim solutions for immediate use.

Fig. 16   PwC's IT Cost & Value Management services

IT Cost & Value (IT Controlling)

① IT financial management			② IT performance management			
"Bread-and-butter" IT planning and reporting			Holistic IT steering beyond financials			
Cost and value flow (data structures)	Planning and reporting	Charging	IT transparency and benchmarking	KPI systems (balanced scorecards)	Business cases, benefit tracking and cost modelling	Cost reduction
IT controlling organisation						

Contacts and authors

Contacts

Silke Schelkmann
Partner
+49 201 4381-196
silke.schelkmann@pwc.com

Tim Schnurpfeil
Senior Manager
+49 211 9811-530
tim.schnurpfeil@pwc.com

Authors

Thomas Roling, Alexander Schmitzer, Tim Schnurpfeil, Mert Gönensay,
Julia Knysak, Shannon Holderer, Thomas Braun and Marina Schneider

About us
Our clients face diverse challenges, strive to put new ideas into practice and
seek expert advice. They turn to us for comprehensive support and practical
solutions that deliver maximum value. Whether for a global player, a family
business or a public institution, we leverage all of our assets: experience,
industry knowledge, high standards of quality, commitment to innovation
and the resources of our expert network in 155 countries. Building a trusting
and cooperative relationship with our clients is particularly important to us –
the better we know and understand our clients' needs, the more
effectively we can support them.

PwC Germany. More than 12,000 dedicated people at 21 locations. €2.3 billion
in turnover. The leading auditing and consulting firm in Germany.

www.pwc.de