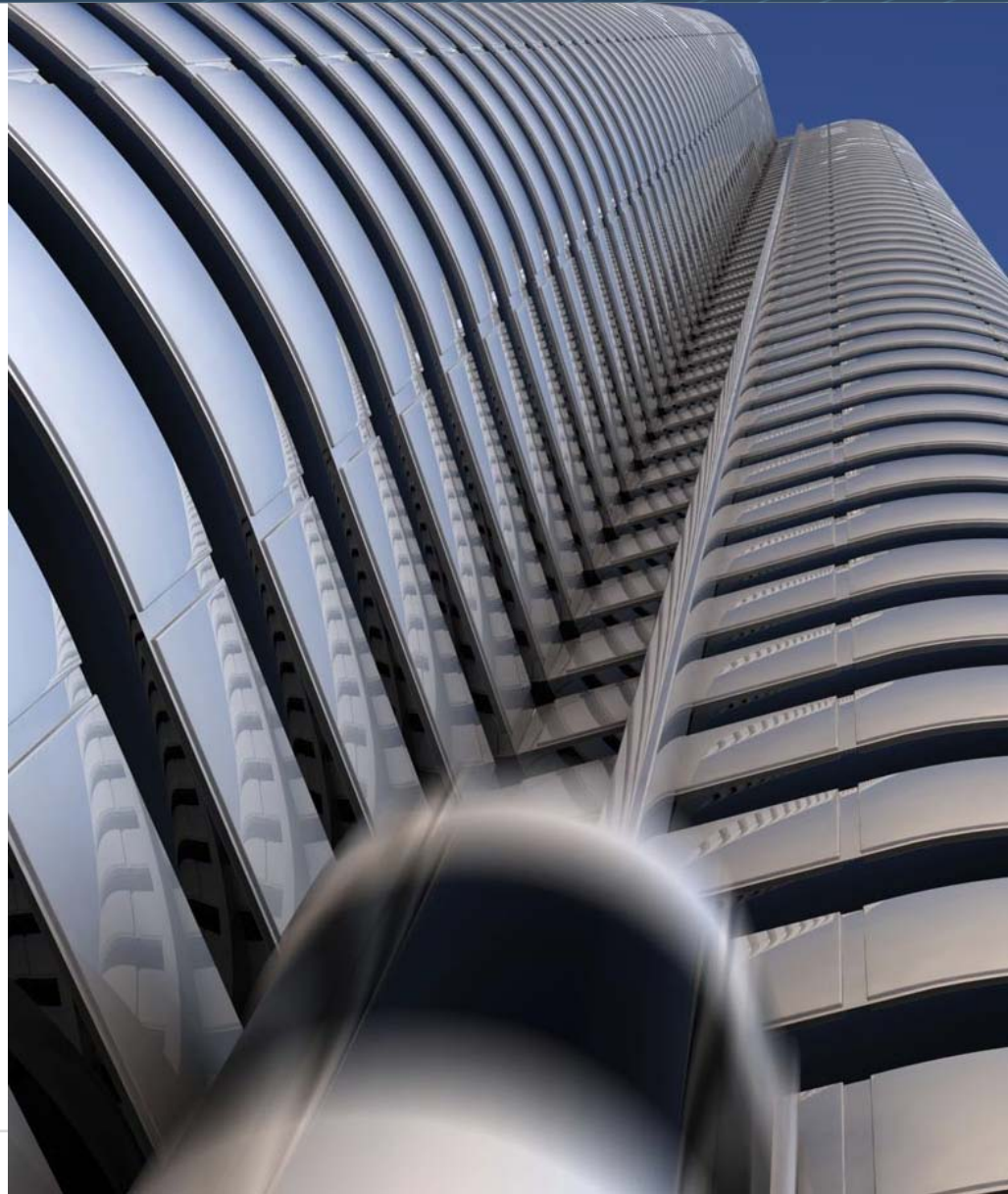




A Service Cost Management Approach for IT Costs

Steve O'Connor, VP and GM, Service Resource Planning
Karen Garcia, Chief of Staff, BMC IS&T

- ▶ **\$1.9B in FY2009**
- ▶ **6100 employees**
- ▶ **10th largest independent software company**
- ▶ **1000 products**
- ▶ **15,000 customers in 110 countries**
 - 95% of Fortune 100
- ▶ **Recent Acquisitions**
 - Phurnace (2009)
 - Tideway (2009)
 - ITM (2008)
 - Bladelogic (2008)
 - RealOps (2007)
 - ProactiveNet (2007)



Expectations have never been higher



Optimize IT Costs

How do you get the most out of every person, asset, or project, and make better resource allocation and sourcing decisions?

Demonstrate Transparency

How do you track cost and activities in your organization and share that with stakeholders?

Increase Business Value

How do you ensure IT investments and operational decisions are aligned with business priorities?

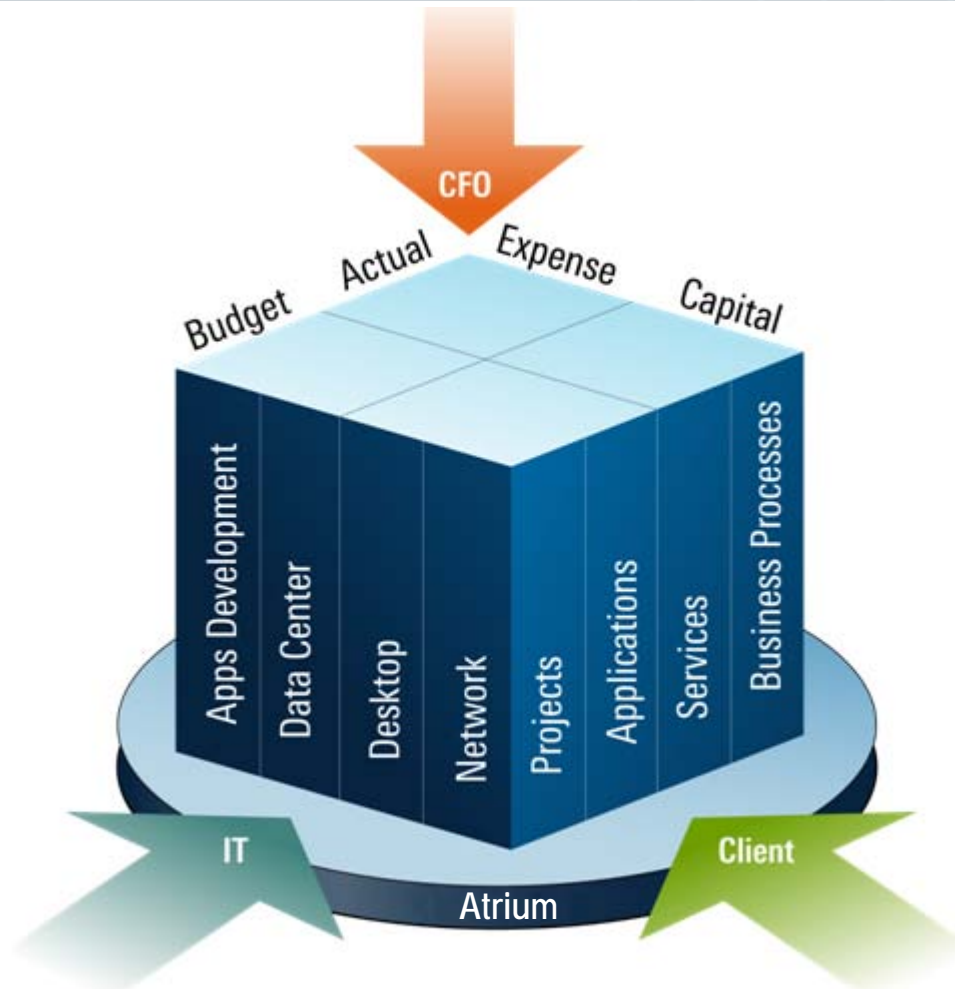
Manage Risk

How do you define and control risk in a dynamic, rapidly changing organization and IT environment?

Assure Quality of Service

How do you meet performance goals across physical, virtual, and cloud-based resources?

A Single Source of Truth – IT Cost of Service



Speed, Fidelity, and Transparency to Respond to Business

IT Service Costing – “Deliver a bill for IT”

What we deliver

- IT Service Costing – Provide full IT cost transparency with drill down capability to the LOB
- Cost Modeling and Analysis – Best practice models embedded, graphically administered
- Industry Benchmarks – cross industry averages through third party and BMC metrics
- Chargeback and “Showback” – costing vs. pricing, actual vs. estimates

Benefits

- Ability to deliver “Bill of IT” to LOB
- Alignment of IT with business priorities
- Ability to rationally evaluate economic benefit of outsourcing
- Provide choice to LOB
- 1-5% reduction in IT spend through increased efficiencies and reallocated labor

BMC IT Business Management - IT Service Cost Modeler

Business Service - * 2010 Sales Automation Model

Cost Model	Planned Allocation	Planned Cost	Actual Allocation	Actual Cost	Variance
* 2010 Sales Automation Model	100%	USD207,500.00	100%	USD443,190.00	-USD100,690.00
* Sales Automation Service	100%	USD217,500.00	100%	USD392,696.00	-USD175,196.00
* Sales Automation Maintenance	100%	USD15,000.00	100%	USD15,000.00	USD0.00
* Sales Automation Support	100%	USD15,000.00	100%	USD15,000.00	USD0.00
* Siebel Forecasting Technical	100%	USD55,000.00	100%	USD112,176.66	-USD57,176.66
* Siebel Quote/Technical Service	100%	USD42,500.00	100%	USD98,015.00	-USD55,515.00
* Siebel Sales Reporting	100%	USD15,000.00	100%	USD15,500.00	-USD0,500.00
* Siebel Sales/Technical Service	100%	USD96,000.00	100%	USD149,000.00	-USD53,000.00
* Siebel Support	100%	USD0.00	100%	USD19,000.00	-USD19,000.00
* Sales Automation Transformation	100%	USD0.00	100%	USD69,500.00	-USD69,500.00
* Oracle Project Consulting	100%	USD0.00	100%	USD0.00	USD0.00
* Sales Automation Projects	100%	USD0.00	100%	USD55,500.00	-USD55,500.00

BMC IT Business Management - Calbro Services

Bill of IT

Analysis

Analysis Options

Organizational Unit: Sales Division

Fiscal Period: January (FY2011) to April (FY2011)

Cost Type: Total Expense

Chargeback Analysis

Service Breakdown (Actual)

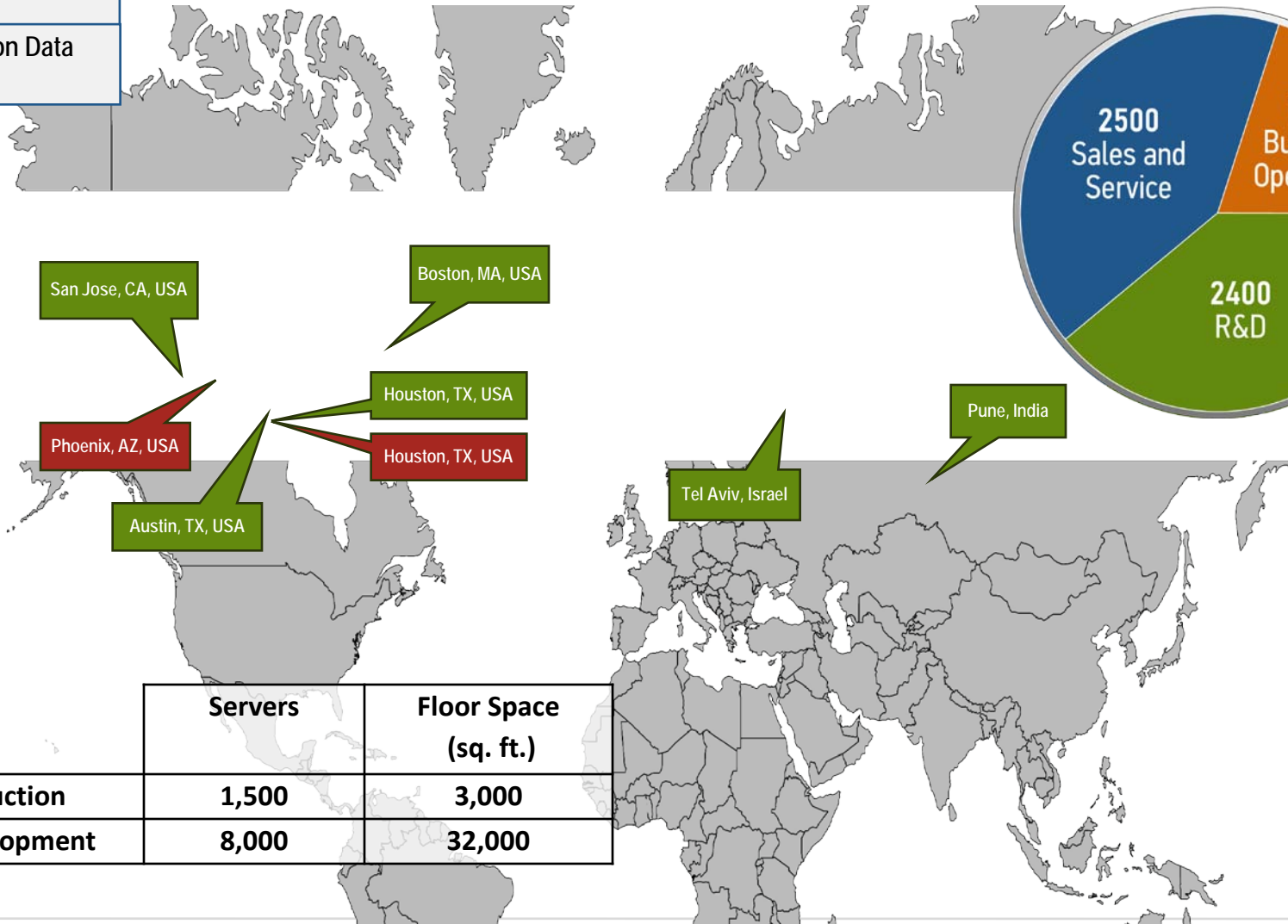
Chargeback Variance

Consumption Variance

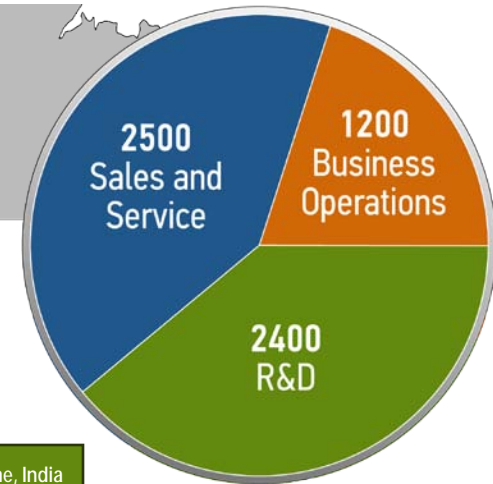
Service	Unit of Measure	Planned	Actual	Variance	Planned	Actual	Variance	Unit Cost	Total Service Cost	Share of Cost
* Financial Automation	Named Users	30	17	13	\$75,914.11	\$92,344.60	-\$16,430.49	\$4,079.66	\$611,858.83	11%
* Human Resources Automation	Headcount	600	613	-13	\$323,911.36	\$383,064.94	(\$59,153.58)	\$625.88	\$1,232,411.08	23%
* Sales Automation Service	Named Users	380	387	-7	\$1,105,649.87	\$1,254,080.32	(\$148,430.44)	\$3,240.52	\$1,490,438.13	84%
* Data Center Automation	Headcount	600	613	-13	\$392,403.24	\$398,475.71	(\$6,072.47)	\$650.84	\$1,261,232.43	25%
Total					\$1,897,776.77	\$2,105,964.87	(\$207,788.10)		\$4,617,140.71	40%

IS&T Customers

- Major R&D Centers
- Production Data Centers



Employees



	Servers	Floor Space (sq. ft.)
IS&T Production	1,500	3,000
R&D Development	8,000	32,000

- ▶ Service Costing is a critical part of becoming a true partner with the business vs. an order taker
- ▶ Begin the conversation of how IT can proactively help the business lower costs and increase service
- ▶ Helps internal staff recognize areas for potential improvement
- ▶ Customer Care example
- ▶ Next steps: Service costing scenarios to enable IT to become a strategic partner utilizing 'what if' capabilities to help build business cases

BMC IT Expenses in Dimensions – Public Dimension

- ▶ BMC IT Expenses appear in 4 lines on the annual report
 - Within this report , there is no way to tell how much IT contributes to each amount

	Year Ended March 31,		
	2009	2008	2007
	(In millions, except per share data)		
Revenue:			
License	\$ 709.7	\$ 647.6	\$ 569.8
Maintenance	1,017.8	967.7	918.8
Professional services	144.4	116.3	91.8
Total revenue	1,871.9	1,731.6	1,580.4
Operating expenses:			
Cost of license revenue	117.1	100.4	99.4
Cost of maintenance revenue	166.3	168.9	175.1
Cost of professional services revenue	141.6	125.1	95.8
Selling and marketing expenses	541.5	527.4	518.1
Research and development expenses	222.0	209.4	210.7
General and administrative expenses	197.7	209.4	202.8
In-process research and development	50.3	4.0	—
Amortization of intangible assets	34.1	14.8	26.6
Severance, exit costs and related charges	33.5	14.7	44.6
Total operating expenses	1,504.1	1,374.1	1,373.1

- ▶ Dimension 1 distributes IT expenses between natural accounts or types of expenditures
- ▶ Each month upper management reviews IT expenses by account and look for explanations for the variances
- ▶ Hyperion Planning and Budgeting handles the corp summary level

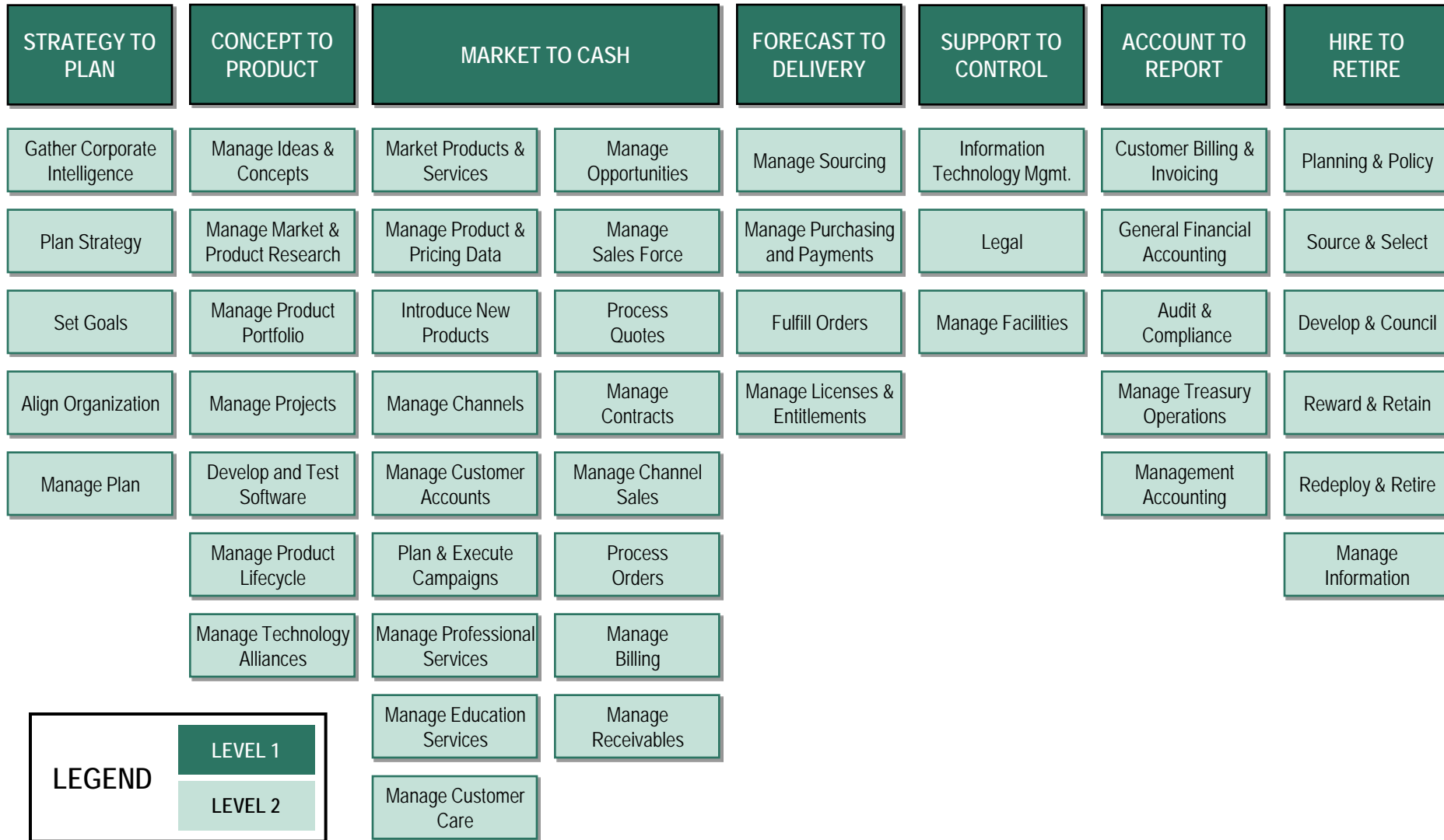
YTD FY10 thru Qtr 3 (\$ Millions)	Actual	Budget	Variance
WAGES	18.7	19.3	0.6
BONUSES	3.7	3.1	(0.6)
BENEFITS	0.4	0.3	(0.1)
PAYROLL TAXES	1.2	0.9	(0.2)
WELFARE AND RECOGNITION	0.4	0.5	0.1
OTHER EMPLOYEE EXPENSES	0.3	0.5	0.3
PROFESSIONAL DEVELOPMENT	0.2	0.2	0.0
PS PERSONNEL EXPENSES	(0.0)	-	0.0
CAPITALIZED INTERNAL DEVELOPMENT	(2.5)	(1.4)	1.1
PERSONNEL EXPENSES	22.3	23.4	1.1
TRAVEL AND ENTERTAINMENT	1.0	0.6	(0.4)
PROFESSIONAL FEES	4.3	3.3	(1.0)
FACILITIES EXPENSE	0.1	-	(0.1)
SUPPLIES AND SERVICES	1.2	0.1	(1.1)
EQUIPMENT EXPENSE	12.1	13.5	1.4
DEPRECIATION	15.9	16.8	1.0
ADMINISTRATIVE EXPENSES	0.1	0.0	(0.1)
ALLOCATIONS	6.3	6.4	0.1
OPERATING EXPENSES	63.3	64.1	0.8
Common Costs	17.6	16.1	(1.6)
Total	80.9	80.1	(0.8)

IT Expenses by Cost Center – Dimension 2

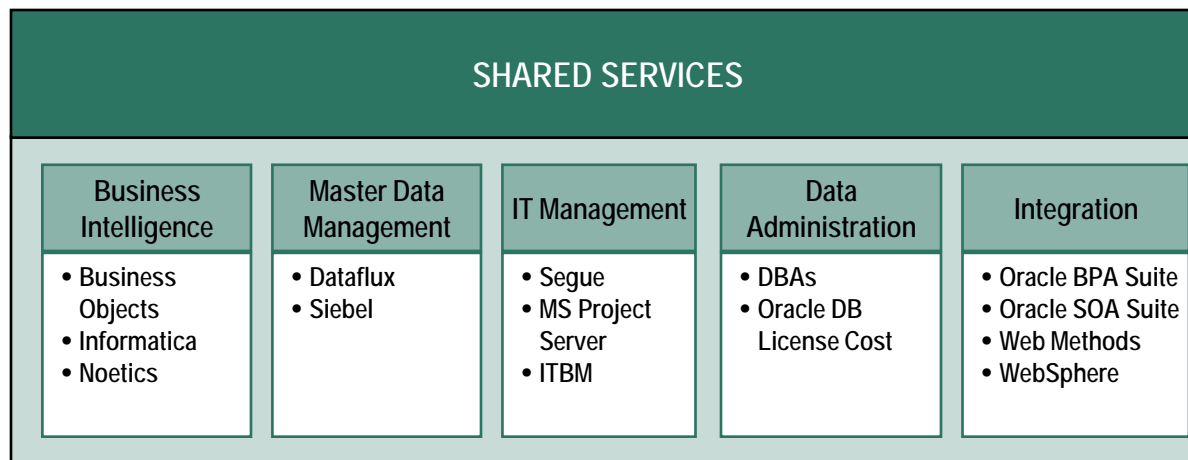
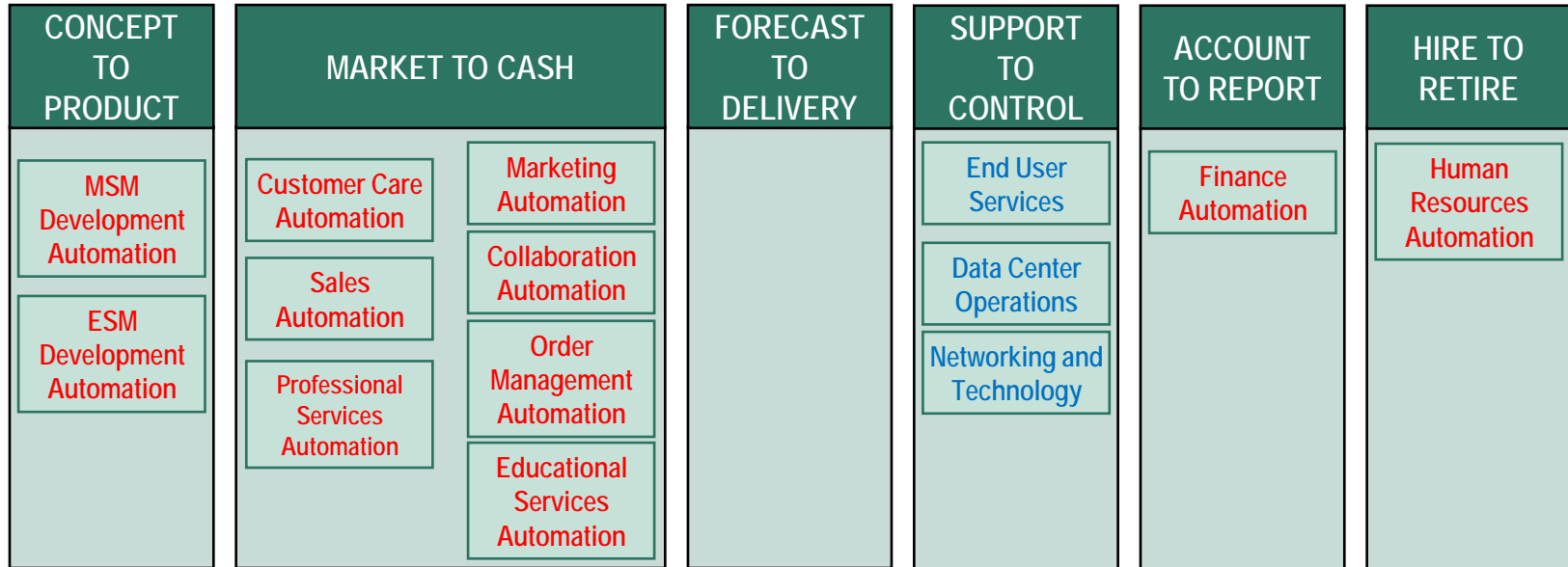
- ▶ Dimension 2 further breaks IT expenses into Cost Centers or owners of the expenses
- ▶ Each month IT Management reviews IT expenses by cost center and account and explain the variances
- ▶ ITBM Financial Planning and Budgeting handles the more detailed analysis of dimension 2

YTD FY10 thru Qtr 3 (\$ Millions)	Actual	Budget	Variance
CC00509_CIO GROUP	1.5	1.3	(0.2)
CC40062_IS&T - SECURITY	0.8	0.9	0.1
CC40051_LEGAL GLOBAL SECURITY SERVICES	0.2	0.1	(0.1)
CC00536_IS&T INFRASTRUCTURE ENGR. & OPS - IND	2.4	2.6	0.2
CC00599_IS&T - PRODUCTION ENGINEERING	4.3	5.3	1.0
CC00510_IS&T - R&D AND 24/7 OPERATIONS	16.4	15.4	(1.0)
CC00511_IT ENTERPRISE SERVICE MANAGEMENT	0.2	0.0	(0.2)
CC00518_IS&T - PRODUCTION OPERATIONS	6.5	5.5	(1.0)
CC00520_IS&T - SYSTEMS ENGINEERING- GROUP	1.4	1.3	(0.1)
CC40061_IS&T - NETWORK ENGINEERING	0.2	0.1	(0.0)
CC40087_IS&T - GLOBAL INFRASTRUCTURE SERVICES	2.1	2.3	0.2
CC40301_GS SERVICES-PREDICT DISABLED	0.5	0.0	(0.4)
CC00521_IS&T - INFRASTRUCTURE ENG & OPS	35.0	33.4	(1.6)
CC30524_IDENTIFY IT	0.2	0.2	0.0
CC00539_IS&T - CUST/TECH SUPPORT-GROUP	0.7	-	(0.7)
CC00537_IS&T - APPS & INFRASTRUCTURE- IND	0.2	-	(0.2)
CC00527_IS&T - EIM- GROUP	0.5	0.7	0.2
CC00522_IS&T - INFORMATION MANAGEMENT	3.1	2.9	(0.3)
CC00523_IS&T - BACKOFFICE APPLICATIONS	4.8	5.2	0.3
CC00601_IS&T - FRONT OFFICE APPLICATIONS	2.0	2.6	0.6
CC00602_IS&T - BUSINESS SYSTEMS - IND	2.5	2.7	0.2
CC40323_IS&T BUSINESS SYSTEMS ADMIN	0.3	0.4	0.1
CC00600_IS&T - BUSINESS SYSTEMS	14.4	14.7	0.3
CC40329_IS&T - ENTERPRISE ARCHITECTURE	1.2	1.9	0.7
CC00615_IS&T - PMO	11.3	12.8	1.5
CC00540_INFORMATION SERVICES & TECHNOLOGY	63.3	64.1	0.8
Common Costs	17.6	16.1	-
Total	80.9	80.1	0.8

BMC Business Process Model



BMC Enterprise Business Services



Technical Systems Mapped to Business Services



Service Costing

IT Expenses by all Services – Dimension 3



Dimension 3 redistributes the expenses into services provided by IT

Service	Actual				Budget				B/(W) Budget			
	Qtr 1	Qtr 2	Qtr 3	YTD	Qtr 1	Qtr 2	Qtr 3	YTD	Qtr 1	Qtr 2	Qtr 3	YTD
R&D Support												
Engineering - ESM	2,145.8	2,043.8	2,346.2	6,535.8	2,139.9	1,934.8	2,203.6	6,278.3	(5.9)	(109.0)	(142.5)	(257.5)
Engineering - MSM	3,336.3	3,885.1	4,133.5	11,354.9	3,349.2	3,446.8	3,855.4	10,651.5	13.0	(438.3)	(278.0)	(703.4)
Front Office												
Customer Care	958.4	2,034.5	1,457.2	4,450.2	1,495.5	1,675.8	1,438.7	4,610.0	537.1	(358.8)	(18.5)	159.9
Professional Services	592.9	1,049.3	1,069.0	2,711.2	547.4	1,419.4	1,163.1	3,129.9	(45.5)	370.1	94.1	418.7
Education Automation	28.9	28.0	64.7	121.5	30.0	132.4	222.6	385.0	1.1	104.5	157.9	263.5
Sales Automation	545.1	728.0	766.5	2,039.5	723.6	569.4	524.8	1,817.8	178.6	(158.5)	(241.8)	(221.7)
Marketing Automation	61.0	59.3	119.5	239.8	58.4	55.5	92.5	206.4	(2.6)	(3.8)	(27.0)	(33.4)
Back Office												
Finance	4,681.3	597.0	2,350.3	7,628.6	2,852.7	1,977.9	2,337.2	7,167.8	(1,828.6)	1,380.8	(13.1)	(460.8)
Human Resources	328.5	398.3	377.6	1,104.4	366.1	331.6	290.6	988.4	37.6	(66.7)	(87.0)	(116.1)
Order Management	477.0	489.3	616.9	1,583.2	519.1	651.8	759.6	1,930.6	42.1	162.6	142.7	347.3
Shared Services												
Business Intelligence	473.9	458.1	378.1	1,310.0	472.9	420.4	357.7	1,251.0	(1.0)	(37.7)	(20.3)	(59.0)
Collaboration & Content Mgmt	640.6	627.1	122.4	1,390.1	616.0	296.4	251.3	1,163.8	(24.6)	(330.7)	129.0	(226.3)
Data Administration	292.0	267.0	332.8	891.8	276.1	245.7	307.2	829.0	(15.9)	(21.4)	(25.6)	(62.9)
Integration	260.9	222.8	228.1	711.7	250.0	204.0	212.8	666.8	(11.0)	(18.8)	(15.2)	(44.9)
IT Management	2,495.4	2,503.7	3,188.5	8,187.6	2,294.7	2,353.3	2,915.7	7,563.7	(200.7)	(150.4)	(272.8)	(623.9)
Infrastructure Services												
Data Center Operations	3,985.7	5,586.9	4,684.2	14,256.9	4,715.1	5,038.7	4,382.9	14,136.6	729.4	(548.3)	(301.4)	(120.3)
Network & Telephony	4,334.4	6,319.5	4,831.3	15,485.2	4,326.2	5,356.8	4,718.1	14,401.0	(8.2)	(962.7)	(113.3)	(1,084.2)
End User Support	1,973.5	1,620.6	1,586.9	5,181.0	1,581.2	1,485.2	1,510.9	4,577.2	(392.3)	(135.5)	(76.0)	(603.8)
Total	27,611.5	28,918.4	28,653.7	85,183.6	26,614.1	27,595.8	27,544.9	81,754.7	(997.4)	(1,322.6)	(1,108.9)	(3,428.9)

Service Costing

IT Expenses by Business Service – Dimension 4

- ▶ Dimension 4 allocates the expenses into business services provided by IT
 - Expenses are allocated across services by different parameters (Headcount, timecards, %'s) which does not relate to cost center or account
 - ITBM Service Costing is now handling this dimension

Service	Actual				Budget				B/(W) Budget
	Qtr 1	Qtr 2	Qtr 3	YTD	Qtr 1	Qtr 2	Qtr 3	YTD	YTD
R&D Support									
Engineering - ESM	4,810.9	5,471.2	5,287.0	15,569.1	5,048.6	4,872.1	4,878.2	14,798.9	(770.3)
Engineering - MSM	5,106.8	6,295.2	6,533.5	17,935.6	6,194.1	6,378.2	6,667.2	19,239.6	1,304.0
Front Office									
Customer Care	2,248.3	3,351.3	2,533.2	8,132.8	2,480.4	2,694.1	2,384.8	7,559.3	(573.5)
Professional Services	907.9	2,135.9	1,616.3	4,660.2	1,198.1	2,233.4	1,843.7	5,275.1	614.9
Education Automation	154.1	198.4	141.5	493.9	163.3	278.6	370.9	812.8	318.9
Sales Automation	2,744.7	3,625.0	3,307.6	9,677.3	3,194.6	3,159.6	2,827.8	9,182.0	(495.3)
Marketing Automation	315.4	360.7	371.4	1,047.4	317.3	302.2	322.7	942.2	(105.2)
Back Office									
Finance	6,666.1	2,032.9	3,698.7	12,397.8	4,557.4	3,112.3	3,794.0	11,463.7	(934.1)
Human Resources	683.9	817.6	767.6	2,269.1	687.0	645.1	580.7	1,912.7	(356.4)
Order Management	1,236.7	1,387.9	1,244.0	3,868.6	1,211.2	1,304.7	1,395.8	3,911.7	43.1
End User Support									
	1,356.2	1,796.3	1,720.2	4,872.7	1,030.0	2,063.5	1,928.1	5,021.6	148.9
Total	26,230.9	27,472.5	27,221.0	80,924.4	26,081.8	27,043.9	26,994.0	80,119.6	(804.8)

Marketing Automation

Chip Lastname
713-918-1234



Business Services



What Is This Service?

Application Development, Support and configuration of BMC.com internet site and 30+ integrated applications.

What Is Included?

Standard

- Clickability (\$245K per Year)
- Akamai (\$100K per year)
- Omniture
- ~30 Customer Application
- Vignette 6.08 (legacy)
- Autonomy (legacy)

Optional

- Acquisition Web Site Properties and Migrations

What Should You Expect?

Incident SLA

See Standard Incident Management Response/Resolve SLA

Service Continuity

SLA Performance

Availability
last 90 days

Incident Compliance

Critical

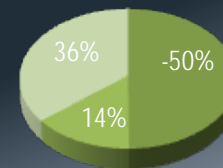
High

of Outages last
90 days

Users

- WW Users base of BMC.com
- All BMC organizations

Cost Breakdown



- Non Labor Expense
- Internal Labor
- Project Costs

Cost

\$1,051,240

- Direct Allocation to User Group
- Cost Drivers: Enhancement Projects with Clickability, Enhancement & Development of new WWW Applications.

Planned Enhancements

- Q1, FY10 Go-live new BMC.com
- Q1, FY10 Re-Write of ~8 applications from legacy Cold Fusion technology to Java Based

IT Business Service Expenses by Bus Unit Dimension 5

- ▶ Dimension 5 distributes the costs of Services between the business units
 - ITBM Service Costing handles this dimension

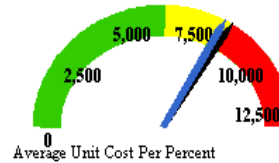
YTD	Total			ESM			MSM		
	Actual	Budget	B/(W)	Actual	Budget	B/(W)	Actual	Budget	B/(W)
R&D Support									
Engineering - ESM	15,569.1	14,798.9	(770.3)	15,569.1	14,798.9	(770.3)	-	-	-
Engineering - MSM	17,935.6	19,239.6	1,304.0	-	-	-	17,935.6	19,239.6	1,304.0
Front Office									
Customer Care	8,132.8	7,559.3	(573.5)	5,706.7	5,354.5	(352.2)	2,426.1	2,204.8	(221.3)
Professional Services	4,660.2	5,275.1	614.9	4,660.2	5,275.1	614.9	-	-	-
Education Automation	493.9	812.8	318.9	306.2	504.0	197.7	187.7	308.9	121.2
Sales Automation	9,677.3	9,182.0	(495.3)	7,555.1	7,169.0	(386.0)	2,122.2	2,013.0	(109.2)
Marketing Automation	1,047.4	942.2	(105.2)	649.4	584.2	(65.2)	398.0	358.0	(40.0)
Back Office									
Finance	12,397.8	11,463.7	(934.1)	7,864.8	7,307.7	(557.1)	4,533.0	4,156.1	(377.0)
Human Resources	2,269.1	1,912.7	(356.4)	1,426.7	1,193.4	(233.3)	842.4	719.3	(123.1)
Order Management	3,868.6	3,911.7	43.1	3,207.6	3,352.9	145.2	660.9	558.8	(102.1)
End User Support									
	4,872.7	5,021.6	148.9	4,342.1	4,500.7	158.6	530.6	521.0	(9.6)
Total	80,924.4	80,119.6	(804.8)	51,287.9	50,040.3	(1,247.6)	29,636.5	30,079.3	442.8

ITBM Service Costing Service Cost Summary

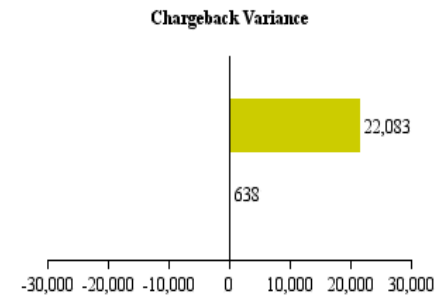
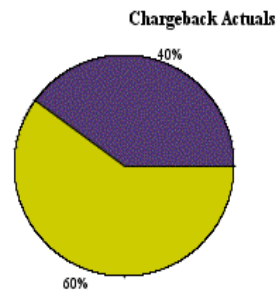
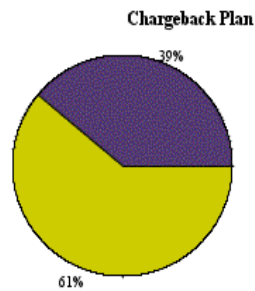
IT Service Details: IT Management

Unit Cost Summary

Cost Type	Average Unit Cost	Minimum Unit Cost	Maximum Unit Cost
Plan	\$8,450.94 Per Percent	\$8,450.94 Per Percent	\$8,450.94 Per Percent
Actual	\$8,223.74 Per Percent	\$8,223.74 Per Percent	\$8,223.74 Per Percent
Variance	\$227.20 Per Percent	\$227.20 Per Percent	\$227.20 Per Percent



Chargeback Analysis



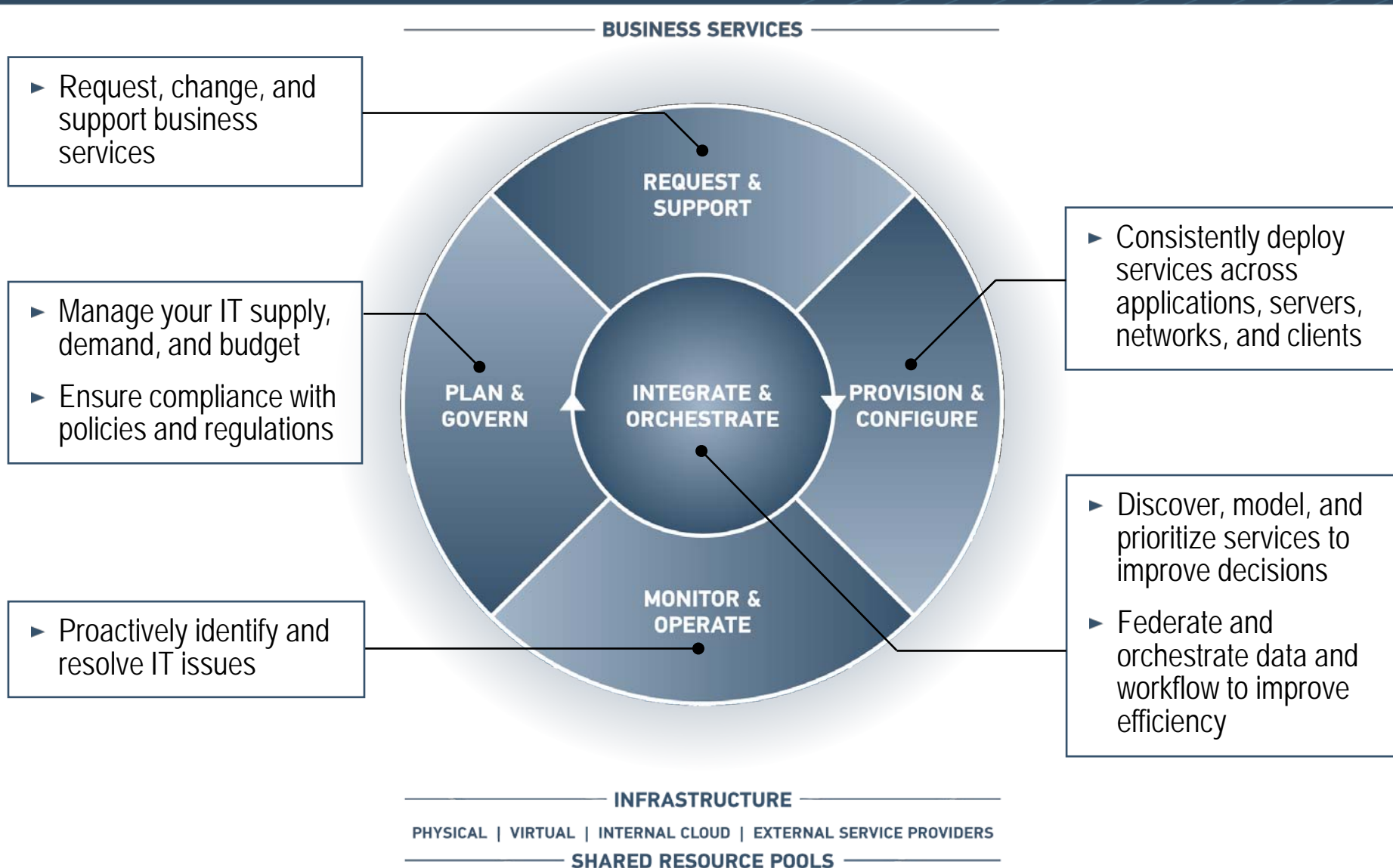
MSM

ESM

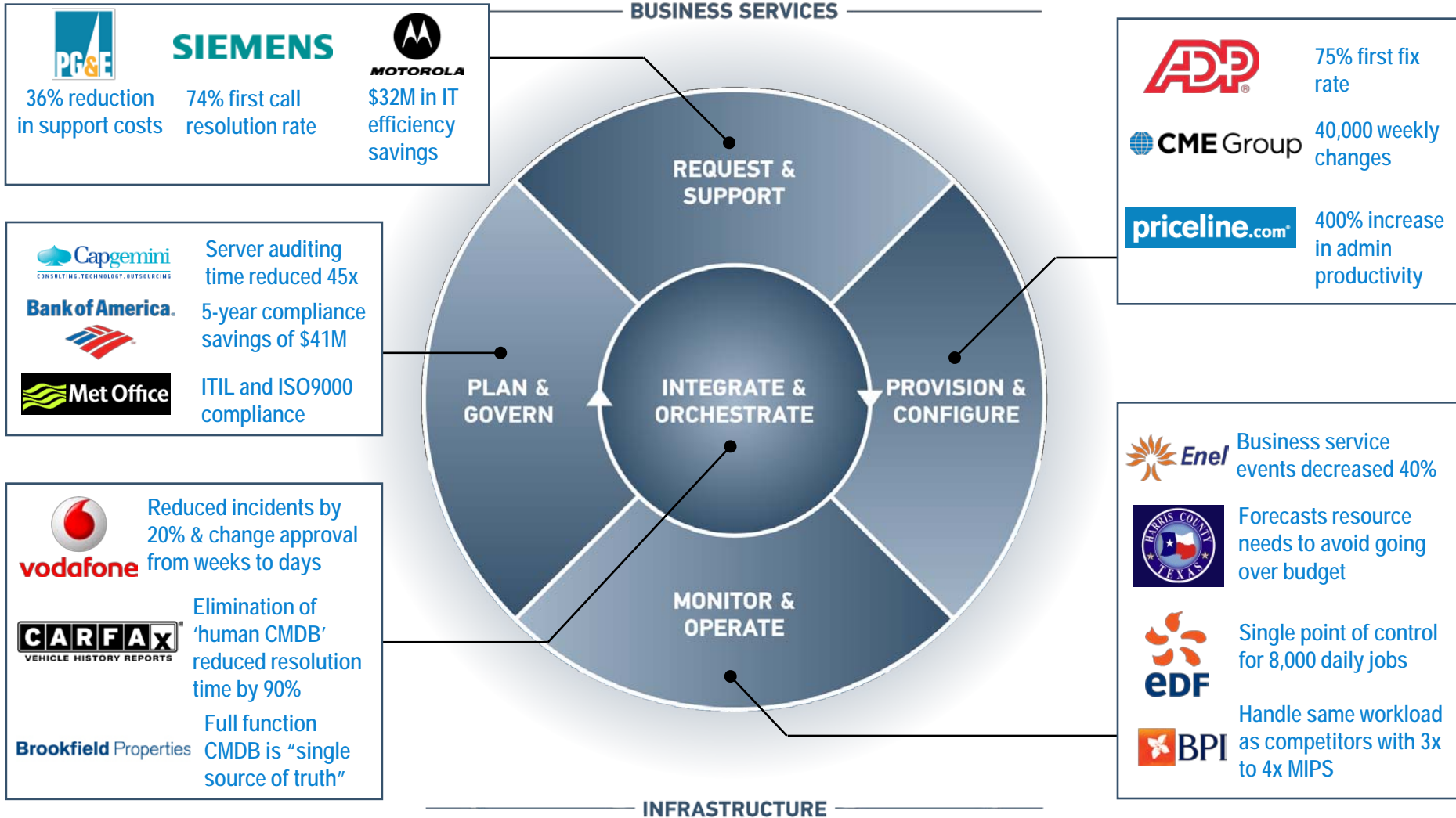
Organizational Unit	Average Consumption (Percent)			Total Chargeback		
	Plan	Actual	Variance	Plan	Actual	Variance
MSM	39	40	-1	\$329,586.82	\$328,949.75	\$637.07
ESM	61	60	1	\$515,507.58	\$493,424.62	\$22,082.96
Total	100	100	0	\$845,094.40	\$822,374.37	\$22,720.03

- ▶ Define your Service Catalog at a level that will make sense to the business
- ▶ Define and cost your Business and Shared services first, then technical services
- ▶ Keep it simple
 - Start with estimated %'s for shared service and BU allocations then move to more complex consumption metrics as the process matures
- ▶ Start aligning each type of work entity to the services
 - Incidents, problem, changes & releases
 - Projects, Internal Labor, HW, SW, Services, Maintenance
- ▶ Need people with both Financial and IT intelligence and acumen to design and implement
- ▶ Automate to reduce maintenance time
 - 8 spreadsheets monthly = 48 spreadsheets
 - Summary spreadsheets
 - Presentation spreadsheets
 - 3-4 weeks time each quarter
- ▶ Train both IT and the Business on the dimension differences

BSM simplifies and automates IT management



Proven customer value



Comprehensive adoption:



BUSINESS RUNS ON I.T.
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