



eBook

The New Era of Managing Your Labor Financials

Driving towards an aligned, transparent, and efficient enterprise

Are your teams spending time on your organization's top priorities?

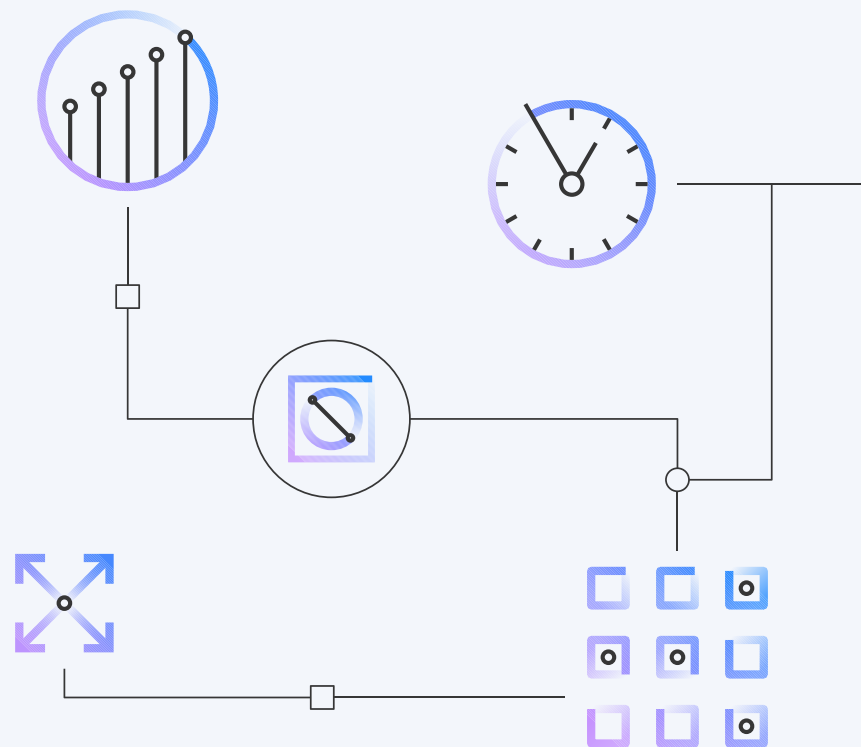
It's a straightforward question, yet most executives would be hard-pressed to track and quantify how tightly day-to-day work is aligned to strategic goals.

It's not for lack of trying or a reflection on senior tech leaders' business acumen. Rather, it's more about a historic lack of processes, transparency, and tools needed to assess alignment of work against goals. Efficient use of labor resources is also hampered by the accelerating pace of disruption in most industries. Labor financial management (LFM), a new solution, delivers more transparency in strategic workforce planning and enables alignment of enterprise strategy, finance, architecture management, and labor resources. With greater transparency and alignment comes greater business agility and the ability to course-correct earlier and more quickly – critical in today's environment.

By generating near real-time insight into the impact and outcome of investments in employees, assets, programs, and portfolios, LFM expands well beyond traditional resource planning. Legacy funding models rooted in projects and cost centers often fail to consider alignment with strategic goals, a gap that strategic portfolio management (SPM) and LFM solutions aim to bridge. What's more, LFM solutions integrate with enterprise resource planning (ERP), human resource management (HRM), and enterprise Agile planning (EAP) tools to align strategic objectives and provide financial insights into the impact of labor allocations.

Thriving in this age with labor-disrupting technologies like AI requires constant adaptation, including harnessing the use of data to better understand and evolve labor allocation strategies. Ready to learn how? This eBook explains:

- The business drivers and challenges affecting labor financial management
- The unique benefits organizations can reap by integrating an LFM solution
- Practical considerations for integrating LFM into the EAP ecosystem



Ensuring Labor Management Capabilities Keep Pace with Industry Dynamics

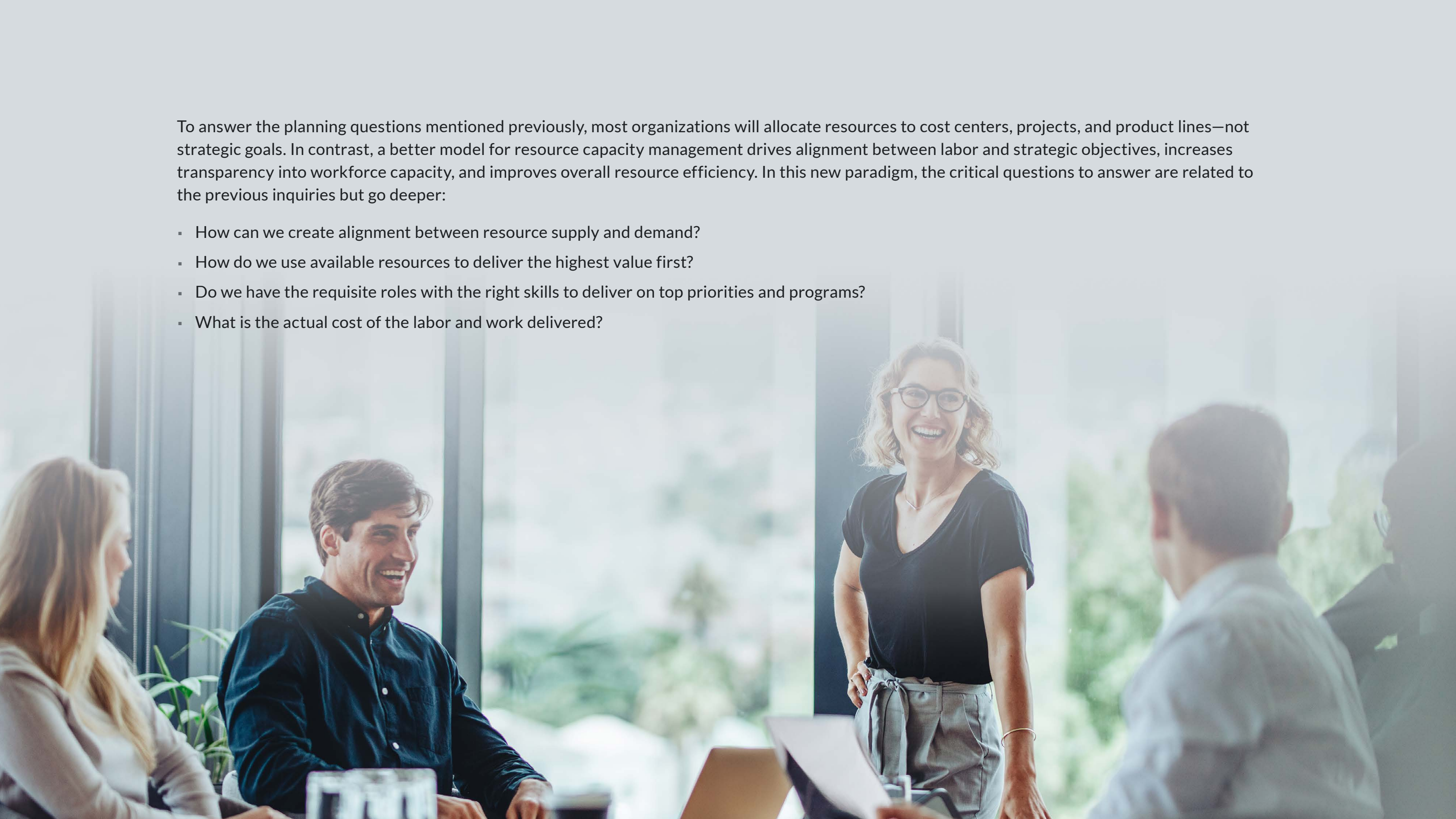
Every organization, no matter the size or industry, engages in resource planning. Basic questions in this exercise typically include:

- What information is needed to create a resource plan? And how best to align our labor to this plan?
- Where do I stand with current resources? Do I have what I need, and if not, what's the gap?
- What is the funding and capacity available for work? Are our investments paying off?



To answer the planning questions mentioned previously, most organizations will allocate resources to cost centers, projects, and product lines—not strategic goals. In contrast, a better model for resource capacity management drives alignment between labor and strategic objectives, increases transparency into workforce capacity, and improves overall resource efficiency. In this new paradigm, the critical questions to answer are related to the previous inquiries but go deeper:

- How can we create alignment between resource supply and demand?
- How do we use available resources to deliver the highest value first?
- Do we have the requisite roles with the right skills to deliver on top priorities and programs?
- What is the actual cost of the labor and work delivered?



~40% of IT spend is labor costs¹

And if unmanaged,

70% of IT initiatives will fail to deliver the expected business outcomes²

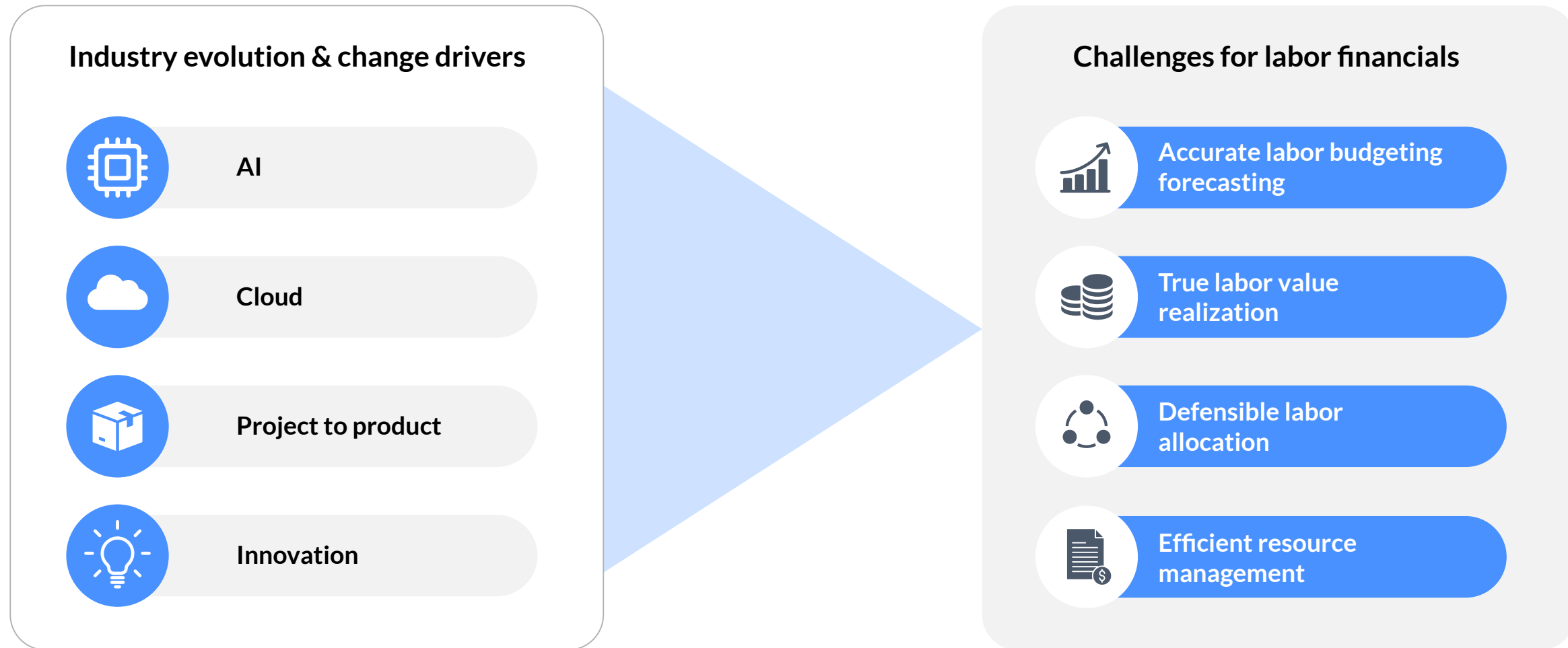
1. IT Key Metrics Data 2024: Industry Measures – Executive Summary, 14 December 2023- ID G00802506, Figure 27)

2. Gartner's Critical Capabilities for Strategic Portfolio Management Tools, 04/2023, ID G00771224

We live in a world where funding is limited and high-value resources are scarce. So, trade-offs need to be made and investments prioritized. This is to avoid sinking money into unproductive or underperforming assets – whether these are technology investments, resources, or even processes. Adding to the complexity are changes in dynamics and speed of innovation buffeting most industries.

Technology investments span infrastructure, vendor contracts, cloud, and labor, making efficient management essential. Approximately 40% of IT budgets risk wastage due to project shortfalls, especially in critical areas like cloud and AI services, as well as the shift from project to product team management¹. This all makes resource and labor planning more complex. The speed of these shifts outruns many organizations' ability to adapt, creating more challenges for those trying to align labor to strategic priorities. These challenges include:

- Tracking labor costs for accurate forecasts
- Connecting labor spend to value
- Capitalizing labor defensibly
- Lack of unified system to manage resources



Business model transformation, AI disruption, increasing reliance on cloud services, and the shift from project-based to product-based team management require clear alignment, financial and personnel transparency, and efficient allocation of resources. These drivers and challenges are daunting, with real consequences for businesses. Not being able to accurately tie the financial impact to labor allocation means that the organization cannot execute efficiently in the short term, cannot plan effectively for the long term, and is in danger of missing key data-driven insights for decision making. Fortunately, LFM provides a way to address these challenges and generate real benefits for organizations.

Meeting the moment: LFM enhances enterprise insights and agility

LFM solutions provide an accurate, dynamic method for measuring labor costs and output, offering a defensible basis for reallocating labor or hiring to address skills gaps. Unfortunately, many organizations remain wedded to resource planning tied to annual or quarterly budgets, preventing strategic decision-making. This is not because opportunities and challenges don't crop up more often but because too much resource planning is still done manually, which is too time-consuming to do more frequently. To do it continually and on demand would be a Sisyphean undertaking. This means labor adjustments are cumbersome and time consuming, depressing productivity and giving competitors an opportunity to move ahead or hire the skills you need.

In contrast, LFM accelerates business agility by injecting more dynamism into labor planning. By integrating real-time financial and operational data into the process, companies can ensure that misallocated labor and skill gaps are identified on a rolling basis. An enterprise-level strategic roadmap, coupled with a robust process for portfolio work intake and prioritization, can generate labor capacity (including roles and skill set estimates) and identify dependency constraints — key ingredients for making informed portfolio and contingent staffing decisions.

But getting the right people aligned to the right task is just one benefit of LFM. Companies have identified several others.

Case study

Insurer improves IT planning efficiency by 80% with LFM

A major life insurance company, for example, found that integrating LFM allowed it to link Agile and traditional work directly with budget estimates, which in turn improved forecasting accuracy and reduced the company's IT planning cycle time from 15 weeks to 15 days, an 80% improvement. Organizations can use LFM to restructure product teams and enhance financial processes, thereby shortening the time it takes to test and bring products to market.

As shown in Figure 2, the benefits of LFM extend beyond resource planning to the whole organization. LFM delivers tighter alignment across business units and functions, higher productivity and operating efficiency, and better decisions.

Benefit	How LFM delivers
Tighter organizational alignment between work and progress against strategic objectives	<ul style="list-style-type: none"> ▪ Improves business agility by allowing both cross-functional and product teams to see and react to the same labor data ▪ Bridges the gaps and disconnects created by traditional ERP solutions
Greater transparency that accelerates decision-making	<ul style="list-style-type: none"> ▪ Tracks the return on investment of solutions, programs, and assets ▪ Provides a single source of truth re: labor allocation outcomes ▪ Allows dynamic course correction to scale investments up or down
Higher productivity and organizational efficiency	<ul style="list-style-type: none"> ▪ Identifies organizational bottlenecks ▪ Allows leaders to shift investments and capabilities to address workflow issues

Figure 2

While automation and collaboration seem like opposites, many companies that integrate LFM find that the shared data fosters higher cross-functional collaboration and understanding. By creating greater visibility through a consistent approach to measuring labor productivity, for both in-house and contracted labor, LFM aligns financial plans with organizational capacity and cost centers. It's a way to get leaders from different areas on the same page, collaborating to meet the organization's goals.

Case study

Oil producer gains greater transparency and alignment with LFM

A major oil producer credits LFM with helping it achieve full transparency into resources aligned to functional and digital platforms for more than 500 product teams encompassing 5,000+ resources. Even the most expert resource management team would find it difficult to achieve that via spreadsheet analysis. That would be difficult for even the most expert resource management team to achieve via spreadsheet analysis.

LFM implementation considerations: Is it the right time to start?

While the benefits of LFM become clearer, it's important to note that it's designed to be a near-invisible addition to the application stack that includes ERP tools, EAP tools, HR systems, procurement systems, and others. Labor financial management injects the same operating rigor into resource planning — a common-sense addition given that labor constitutes the vast majority of an organization's costs.

Evolving resource planning and aligning it to strategic goals isn't complex, complicated, or far-fetched, especially because it delivers unique, enterprise-wide insights. When organizations are considering tools to achieve this, many of the business-planning tools adopted by functions can be extremely specialized. These “point solutions” are incompatible with other solutions and produce results that have limited utility beyond their primary domain. In fact, function-specific tools can generate siloed pockets of information that reinforce misalignment and undercut collaboration. This can lead autonomous teams to focus on the wrong things if there is no connective tissue between the tool and other functions or programs.

In contrast, LFM solutions such as IBM Apptio's can be applied consistently across an enterprise using agreed-to goals as the touchstones without creating complexity or undercutting efficiency.

Case study

LFM increases transparency and accountability at Fortune 100 life insurer

A Fortune 100 insurance company found that the transparency generated by LFM helped increase accountability and alignment to meeting the company's topline objectives — something that it always aspired to but didn't have a platform for achieving without LFM.



Achieve alignment, transparency, and efficiency with LFM

There is no better time to consider LFM. With every industry facing dire consequences of not adapting to new market dynamics brought on by innovations like AI, businesses must act swiftly. While each organization is adopting Agile at its own pace to improve operations and outcomes, different business units may operate at varying speeds if they don't have a unified Agile planning platform – this hinders decision-making and creates friction. By leveraging LFM now, companies can bridge their finance and Agile practices across functional areas, including software and technology management, labor planning, budgeting, and portfolio management, reaping the rewards of enhanced transparency and improved efficiency.

You cannot effectively create value if resource planning and strategic goals are misaligned.

Given the rapid pace of industry disruption and new technologies, organizations must adapt their labor management models or risk falling behind. LFM is a powerful tool that enhances agility and flexibility, helping organizations thrive amidst constant innovation. By providing a unified approach to labor financial management, your organization can unlock:

- Enhanced visibility into resource utilization and cost allocation
- Streamlined budgeting and portfolio reprioritization based on performance and revenue
- Alignment of technology initiatives with enterprise strategy
- Integration of LFM solutions with existing ERP and HR systems, fostering alignment and efficiency

LFM empowers technology finance teams to manage labor financials and optimize costs by leveraging IBM Targetprocess' integration with IBM Apptio, the industry-leading financial management platform. To learn more, visit [Labor Financial Management](#).

Get Started

Apptio, an IBM company, is the leading technology spend and value management software provider. Apptio's AI-powered data insights empower leaders to make smarter financial and operational decisions across information technology (IT), multi-cloud FinOps, and digital product development. Apptio's mission is to deliver business value with every technology investment and team. Powered by Apptio's cloud platform, Apptio's SaaS applications translate technology spend into clear business outcomes and financial ROI. As a pioneer and category leader in Technology Business Management (TBM), FinOps, and Agile Portfolio Management, Apptio works with thousands of customers, partners, and community members worldwide.

To learn more, go to

[Labor Financial Management](#)

1. IT Key Metrics Data 2024: Industry Measures — Executive Summary, 14 December 2023- ID G00802506, Figure 27

