Market Guide for IT Financial Management Tools

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Initiatives: IT Cost Optimization, Finance, Risk and Value

IT financial management tools continue to be valuable for more advanced or complex IT financial management practices. When ITFM tools are properly scoped and implemented, CIOs can realize significant levels of financial transparency and business benefit.

Overview

Key Findings

- Many CIOs and IT leaders would benefit from an IT financial management (ITFM) and financial transparency tool, but are often missing this important software asset.

- ITFM tools are not a panacea for all ills. Successful financial management practices still require a clear vision, strong process discipline, key skills and business acumen.

- Specific and purposeful prioritization of financial objectives is key. The tools covered in this Market Guide review are generally more feature-rich and capable than many clients will have the capacity or capability to use.

- Many potential buyers perceive the tools’ complexity and cost considerations as impediments.

- An increased need to proactively manage IT costs has sharpened the focus for many buyers, ranging from transparency and total cost of ownership (TCO) to value-based cost management objectives.

Recommendations

CIOs focused on improving and maturing budgeting and cost visibility to deliver greater operational transparency:

- Improve the success rate of ITFM tool initiatives by identifying key stakeholders and documenting their needs and objectives.

- Maximize the success of the tool selection by prioritizing expectations, outcomes and timings.

- Select the appropriate ITFM tool by matching the stakeholder needs, objectives and timings to the tool.
Market Definition

IT financial management tools provide CIOs, IT leaders and business leaders with a TCO view of IT spend. That is, they provide multiple unique views of IT spend that are specifically structured to answer IT spend questions for specific stakeholders or audiences. ITFM tools include, at a minimum, the ability to:

- Aggregate all IT spend and consumption data, from disparate systems of record. And allocate that data against a cost model designed to provide transparency into IT spending.
- Create multiple views of IT spend at different levels of aggregation (such as asset class, technology type, applications, service structure and consumption).
- Manage IT financials for budgeting and planning at different levels of aggregation.
- Process resource consumption data (who used how much of what) to help inform the allocation of IT spend into a structured cost model. And then analyze and report IT spend data by various factors, including technical function, development project, vendor, application and services.

Market Description

ITFM tools continue to be a critical asset to CIOs who value clarity and visibility into their IT spend. The purpose of an ITFM tool is to improve IT spend and cost transparency, simplifying complex budgeting and forecasting requirements. Moreover, the tools aggregate, manage and plan for functional spend, such as cloud, infrastructure as a service, platform as a service, SaaS, and other IT expenses commonly billed by a third party at an aggregate or service level.

ITFM tools often replace customized spreadsheet-based tools when the spreadsheets and data imports become too difficult to manage and maintain as new datasets are added, data hygiene degrades or allocation models change. Reporting frequency — moving from annually or semiannually to monthly and weekly reporting — also plays a major role in accelerating the move from spreadsheets to purpose-built tools.

ITFM tools are a more dynamic and iterative way to aggregate, analyze and present IT spend data to multiple constituencies, providing views of spending that they will understand and value (see Figure 1).
Improved IT financial transparency can aid the CIO and IT leaders in a number of ways. These include justifying spending for ongoing operations, as well as building business cases for new investments in technology and business enablement. CIOs with mature IT finance practices are more often trusted with a larger ownership stake in companywide information and technology (I&T) spend.

It is important to note that ITFM tools do not replace enterprise and corporate financial systems. Most implementations will not modify corporate spend or resource consumption systems of record like configuration management databases (CMDBs), asset databases, contract management systems, and time and attendance systems.

**Market Direction**

The ITFM tool market grew at an estimated 12.6% in 2020 and an estimated 14.3% five-year CAGR, with a total size of $413.2 million in the served market for 2020. The vendor community remains relatively
small, with 10 vendors identified and actively tracked by Gartner. While the number of vendors is limited, the majority of products offered are mature, and most vendors bring seven to 10, or more, years of product development.

Several factors will contribute to the continued growth in the ITFM tool market:

- CIOs’ and IT leaders’ interest in, and the business demand for, better support, analysis and reporting to improve the management of IT.

- Significant investments in education and demand creation. Thus, CIOs and IT leaders understand how and why IT financial data and cost transparency can empower them to make better decisions and, ultimately, be more strategically relevant to business leadership.

- Growing expansion to the cloud — increasing cloud expenses both in terms of use and pricing that will drive a new level of accountability, service definitions and an expectation of billing practices.

- Consolidation of adjacent markets and capabilities — for example, infrastructure as a service (IaaS), platform as a service (PaaS) and SaaS expense management tools (expanding the total available market [TAM]).

- Larger, market-changing vendors and more money entering the market — helping to validate the need and to educate the market.

- CFOs’ growing need to track complete I&T expenditure across the enterprise and analyze the value that it contributes.

In the past two years or more, new money has been entering the ITFM tool market — see the examples in Table 1.
Noticeably missing is the investment of larger potential ITFM market entrants from adjacent markets like ERP and IT management. One-time ITFM vendors like ServiceNow no longer offer competitive products in the ITFM space. Companies like Oracle and SAP have announced offerings that are still too new and have too few points of validation to formally include in this market assessment.

**Market Analysis**

The ITFM tool market is relatively early in the life cycle of diffusion of innovative technology. Gartner’s estimates of the served market suggest the market is 15% to 18% penetrated. Gartner tracks a total of 10 software vendors based in five different countries (see Note 1). Germany boasts the greatest density of ITFM tool providers.
Representative Vendors

Market Introduction

The primary vendors in the ITFM market space have changed little over the past two years — Table 2 lists the 10 vendors covered in this Market Guide.

<table>
<thead>
<tr>
<th>Vendors</th>
<th>Primary ITFM Products</th>
<th>Country of Origin</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCIOD</td>
<td>KP-One</td>
<td>France</td>
<td>Majority of clients are headquartered in France.</td>
</tr>
<tr>
<td>ClearCost</td>
<td>ClearCost</td>
<td>Australia</td>
<td>Consulting and support are provided via the parent company DLG.</td>
</tr>
<tr>
<td>Clausmark</td>
<td>Bee360</td>
<td>Germany</td>
<td>ITFM is part of a larger IT management suite offering. Recently renamed the ITFM product to Bee360.</td>
</tr>
<tr>
<td>DextraData</td>
<td>CIO Cockpit</td>
<td>Germany</td>
<td>DextraData is an IT consulting firm that offers a proprietary ITFM solution.</td>
</tr>
<tr>
<td>ITBMO</td>
<td>EZITRM</td>
<td>U.S.</td>
<td>It is the newest addition to Gartner’s ITFM offering.</td>
</tr>
</tbody>
</table>

Source: Gartner (March 2021)

The ITFM tool market is captured in the two boxes above the line in Figure 2. Below the line are service providers. In the top left box are the 10 vendors covered in this Market Guide. ITBMO is the latest addition to the group of established software offerings.

The vendors listed on the right are newer entrants that have shown many of the core ITFM tool capabilities. However, Gartner has yet to see the requisite proofs and client validations to fully validate
the required capabilities and installations.

**Figure 2: ITFM Vendor Market**

### ITFM Vendor Market

**Established Software Offerings**
- ACCIOD
- APPTIO
- CLAUSMARK
- ClearCost
- DextraData
- MagicOrange
- ITBMO
- NICUS
- SERVICEWARE
- Upland ComSci

**New(er) Entrants**
- analytics
- sap
- valuемation

**Service Offerings**
- accenture
- advocate
- Capgemini
- Deloitte
- Maryville
- KPMG
- ProvenFM
- ProvenQuotes

Source: Gartner
Note: This is not a comprehensive list of vendors. It is a sample of vendors based on Gartner’s interactions and inquiries.

Consulting vendors often provide implementation services and custom-built applications that are critical services in the ITFM space. However, they will not be covered in this ITFM tool Market Guide.

*The vendors listed in this Market Guide do not imply an exhaustive list. This section is intended to provide more understanding of the market and its offerings.*

### Market Recommendations

#### Planning Is Key Before Buying a Tool

The success rate of ITFM tool initiatives is commonly determined by work done in advance of purchasing a tool. The majority of issues that Gartner encounters in this market are tied to insufficient planning, scoping and expectation setting. Tools in this space are generally robust with strong track records. Preparation and planning prior to tool selection and implementation play a more significant role in a tool’s success than the capabilities of the vendor and tool do. To improve the success of an ITFM tool implementation, CIOs and IT leaders should consider four key steps.

#### Step 1: Identify Stakeholders, and Document Objectives and Needs
Enterprises can spend 18 months or more building a view of IT spend that does not meet the needs of the target audience. To deliver ITFM initiatives that return value quickly, CIOs and IT leaders must clarify the mandate first (see 7 Factors Drive IT Financial Management Tool Success).

Too often, ITFM tools are viewed as a panacea to cost transparency, cost management, chargeback and business value challenges. Our conversations with Gartner clients indicate ITFM tools are being regularly purchased and implemented with too little consideration given to expected deliverables and the critical questions of the primary beneficiaries (see Build a Focused ITFM Cost Model and Use a Simple Allocation Approach to Deliver Rapid Value).

Gartner research suggests four primary priorities and audiences drive the bulk of ITFM initiatives (see Note 2).

Each of these four objectives (shown in Note 2) has different primary issues, target audiences and defining questions, and each will require a unique approach to the supporting data structure and model. Each objective is different in both outcome and execution. Where possible, CIOs and IT leaders should narrow the implementation focus and deliver specific value first. They should identify and deliver value for a single purpose or objective first, and only later expand the mandate. This is the quickest path to delivering discernible value and return.

**Step 2: Prioritize Expectations, Outcomes and Timing**

The success of an ITFM tool initiative is most often tied to thorough planning and scoping of the project. Prior to selecting any ITFM tool, CIOs and IT leaders should identify and then prioritize the stakeholders and their needs. However advanced the tool may be, it cannot offset deficiencies in planning.

To ensure success in the project, CIOs and IT leaders should first clarify and prioritize the stakeholders and audience, their questions and objectives, and desired outcomes. CIOs and IT leaders should use the chart in Figure 4 to, first, identify and then prioritize (sequence) their objectives and audiences. They should consider scoring each quadrant with the appropriate amount of 100 points based on relative priority of each objective and audience. Then plan to address the most critical audience and their questions first.

Next, CIOs and IT leaders should determine the timing expectations for the outcomes from the initiative. This will then inform the overall planning for the tool initiative. They should set expectations with key stakeholders for the intended process, stages and the timelines to be followed. They then use the prioritized requirements, needs, outcomes and timings as key inputs into the tool selection process.

CIOs and IT leaders can accelerate the time to value of an existing ITFM initiative by implementing a purpose-built ITFM tool to address the most critical audience and questions first.

**Step 3: Match the Tool to Objectives and Needs**
ITFM tools can deliver financial transparency and budgeting objectives faster and more easily than most spreadsheets. As cost models become more complex, integrating and rationalizing multiple consumption data sources (data used to improve the accuracy of cost allocation) are more complex and more difficult to accomplish in a spreadsheet. Similarly, reporting frequency, data management requirements, and interactive reporting and dashboarding all accelerate the move to a purpose-built tool (see Build a Focused ITFM Cost Model and Use a Simple Allocation Approach to Deliver Rapid Value).

To speed the time to value, CIOs and IT leaders should map vendor selection to the organization's mandate and secure buy-in from key stakeholders based on the priorities and objectives as defined in the sections above. CIOs and IT leaders should build the business case for ITFM tools by quantifying the potential opportunities, documenting desired outcomes and identifying success metrics before selecting an ITFM tool.

CIOs and IT leaders should define implementation and tool adoption time frames in light of organization goals and objectives, rather than accept default tool implementation models. Learning and internalizing the tool's setup, operational and design change skills during the implementation process is critical for rapid time to value. CIOs and IT leaders should avoid the inclination to add complexity and detail that do not add value or answer priority questions — perfection is too often the enemy of progress.

ITFM tools will not solve poor process management, lack of interest, misaligned datasets or marginal skill sets. CIOs and IT leaders should strengthen the skills and business acumen required to meet ITFM goals by providing education and training opportunities to fill gaps in current skill sets.

CIOs and IT leaders should determine and then set implementation and phasing expectations early in the process with potential tool providers, based on stakeholder requirements, expectations and needs. CIOs and IT leaders should then make sure that implementation conversations include the phases and timing of delivery.

Step 4: Accelerate Time to Value — Start Small and Build on Success

Too often, organizations embarking on an ITFM tool initiative try to “boil the ocean” by tackling too much and too quickly, meaning that, often, they fail to deliver real business results. Successful ITFM programs commonly start with a narrower set of goals, focusing on one or two key objectives or areas, and delivering rapid and tangible outcomes. In doing so, they demonstrate the real value of the initiative and the tool to stakeholders. And as they deliver outcomes, they gain momentum and buy-in.

There are common keys to successfully executing an ITFM tool implementation:

- **Focus and start small** — Pilot a key outcome, and build early success to gain buy-in and momentum.
- **Set realistic expectations** over timing, data needs and the real time to benefit.
- **Maximize ITFM project impact** by regularly communicating delivery against the plan.
These recommendations will help CIOs and IT leaders make a better tool choice and speed a tool's time to value. Gartner recommends that, before purchasing an ITFM tool, CIOs and IT leaders clearly define and validate the ITFM objective or mandate and align tool selection (and implementation phasing) to deliver mandated priorities.

Evidence

1 Estimates of ITFM tool market growth through 2024 provided by Gartner analyst Laurie Wurster, which are based on Market Share: IT Operation Management, Worldwide, 2019 and Forecast: Enterprise Infrastructure Software, Worldwide, 2018-2024, 4Q20 Update. See Figure 3.

Figure 3: ITFM Tool Market Growth Estimates Through 2024

Note 1

Representative Vendor Selection

Vendors represented in this Market Guide are vendors that Gartner has identified independently, via vendor briefings or client inquiries, and meet Gartner's requirements as an ITFM vendor as outlined in this Market Guide.
Note 2: Four Primary Drivers of ITFM Initiatives

Gartner research suggests four primary priorities and audiences drive the bulk of ITFM initiatives (see Figure 4).

Figure 4: Four Primary Drivers of ITFM Initiatives

Four Primary Drivers of ITFM Initiatives

<table>
<thead>
<tr>
<th>Demonstrate IT Value</th>
<th>Optimize IT Spend</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Business</strong></td>
<td><strong>IT Leaders</strong></td>
</tr>
<tr>
<td>• What’s the business value of IT?</td>
<td>• What is the IT TCO by technology stack?</td>
</tr>
<tr>
<td>• What does IT cost per user?</td>
<td>• Is vendor spend optimized?</td>
</tr>
<tr>
<td>• Why is our investment in IT so high?</td>
<td>• How do we reduce technology costs?</td>
</tr>
</tbody>
</table>

**Governance/Regulatory/Boards**

• Is IT meeting the prescribed regulations?
• Is IT’s performance comparable to industry standards?

**CIO/CFO**

• How do I change consumption?
• How can I encourage less-expensive options for users?

**Demonstrate IT Compliance**

**Manage IT Demand**

Source: Gartner
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Document Revision History

Market Guide for IT Financial Management Tools - 17 October 2018
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Recommended by the Authors

CIOs Must Master Four Views of Spend to Manage IT Finances
Build a Focused ITFM Cost Model and Use a Simple Allocation Approach to Deliver Rapid Value
6 Pillars of IT Financial Transparency Drive Business Value
Key Concepts in IT Financial Management: Budgeting, Transparency, Allocation and Funding

Solution Scorecard for Apptio Public Cloud Cost Optimization Tools, 2019

How to Identify Solutions for Managing Costs in Public Cloud IaaS

Vendor Rating: ServiceNow

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