WHAT VALUE DOES YOUR IT ORGANIZATION BRING?
Explore How Activity-Based Costing (ABC) Can Help Your Strategic Planning and Annual Budgeting

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INTRODUCTION
Activity-Based Costing (ABC) is a costing model that manages costs or expenses by identifying activities used to support services. The costs of associated activities are assigned to all services, including indirect costs, in order to identify actual value of the services.

TRADITIONAL VS. ABC

EVALUATING THE INVESTMENT
Identify benefits and drawbacks for your IT department to determine if ABC is right for you.

Benefits
- Gain understanding of true cost required to support each product and service
- Increase efficiency by identifying and shifting cost at a per service level basis
- Improve responsiveness to the questions of value – with detailed information
- Better pricing for chargeback models

Deterrents
- Time-consuming
- Complicated
- 1 + 2 above = Expensive, requires additional FTE to maintain, accountants
- Lack of industry benchmarks

PRELIMINARY WORK

Hired WTC Consulting, Inc.
July 2013

Kickoff ABC
September 2013

Final Report for FY13
March 2014

FY14 ABC
January 2015

Kickoff ABC
May 2015

REALIZED BENEFITS

INFORMED DECISIONS

IMPLEMENTING THE MODEL

REALIZED BENEFITS

Before
- Cost of doing business allocated at the hardware/software/FTE level
- Financial Services
- IT Service Portfolio Redefined
- Vendor Contract Negotiation
- Indirect costs are unknown
- Project payout based on incremental funding model
- Details of resource requirements cannot be communicated to customer
- Pricing for services based on FTE

After
- Cost allocated by the customer perceived service level
- Indirect costs are allocated accurately to products and services
- Align budget and portfolio planning with a focus on growth or reduction in target areas
- Customer gains understanding of true costs for services = creates transparency
- Pricing model includes fully loaded costs:
  - Direct costs: hardware, software, maintenance, FTE
  - Indirect costs: procurement, rent, support

IT SERVICE PORTFOLIO REDEFINED

By Function for Faculty, Staff and Students (General and Administrative Services)

By IT Function (General and Administrative Computing Co-investments and Shared Initiatives)

APPLICATION SERVICES

Application Administration
Application Development
Application and Website Testing
Data Visualization
Document Management
Enterprise Application Integration
Enterprise Data Warehouse
Enterprise Batch Scheduling
Service Desk Management
Web Content Management System
Network and Desktop Services
Backup Management
Collaboration Services
Desktop Support
Storage Management
System Monitoring, Alerting, and Availability