TBM Conference 25

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Action and Architecture:

Southwest Airlines Connects Finance, Capabilities, and Demand for App TCO

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Presented in partnership with APPTIO an IBM Company

Our Panel

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Agenda

- Why
- EAM at Southwest Airlines
- Architecture Governance
- Apptio Platform Integration
- Q&A

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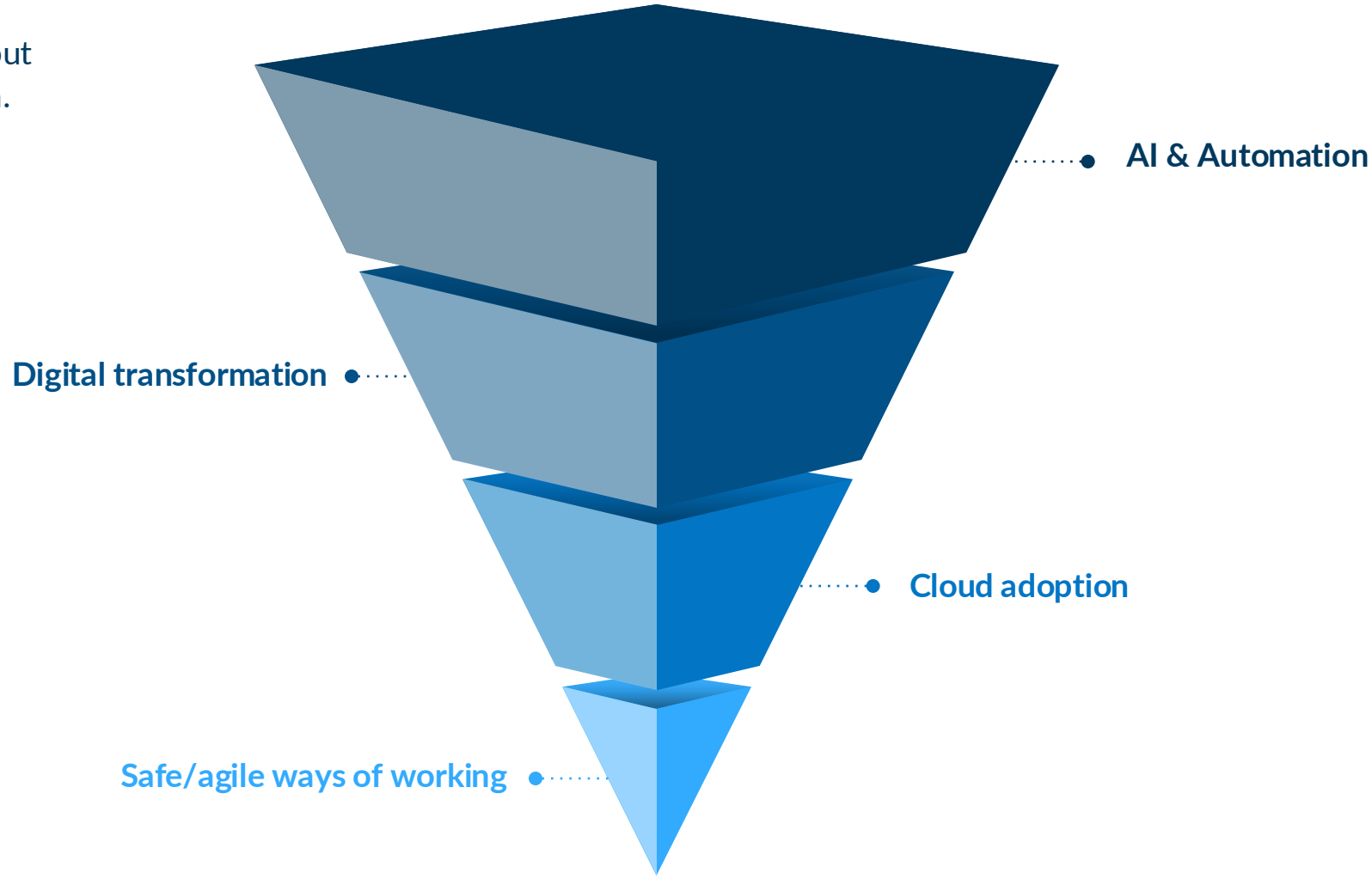
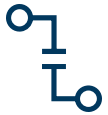
Disruption is constant

Each investment has been a step forward, but lack of orchestration impacts value creation.



The Challenge

Technology, customer expectations, and market shifts are advancing faster than organizations can predict their impact. Staying relevant and thriving in competitive and challenging markets is more difficult than ever. Traditional operating models bring additional challenges such as:

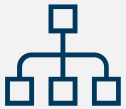


Misalignment

64%

of projects fail to meet their goals

PM Institute. Project Failure Statistics: The Shocking Truth



Lack Of Control

50%

of work is not able to be accurately allocated

IT Executive Interview 2024

Inefficiency

80%

of resource management processes are ineffective

Gartner. Emerging SPM trends

No Longer a Buzzword
Why Adaptability is Now a Business Imperative

Of digital value is lost between strategy and execution.

– McKinsey

Of enterprises will shift to product-centric models by 2026.

– Gartner

Of digital transformations fully succeed, and structure is one of the biggest barriers.

– BCG

The Risk Of Not Acting

Organizations that fail to strategically align risk the following:

Leaving revenue and profit on the table

Highly aligned organizations increase revenue **58%** faster and are **72%** more profitable than unaligned organizations.

LSA Global

Spending far more than necessary

In our experience, companies that deploy these (capital strategy and portfolio optimization) best practices can save **15 to 30** percent of a project's cost.

McKinsey

Alienating customers

While **96%** of highly-aligned organizations report high levels of customer satisfaction, that drops to **30%** of poorly-aligned organizations.

LSA Global

Being left behind by better-aligned competition

By 2027, **75%** of organizations will enrich business architecture by connecting financial benefits to digital investment decisions.

Gartner

Losing valuable employees

68% of companies with low organizational alignment reported poor to very poor levels of employee engagement.

LSA Global

The Southwest Challenge

Siloed data and disjointed business processes prevented efficiency, insight & forward-looking indicators.

Our goal was to create a tightly-integrated Business of IT ecosystem that brought our Work, Workforce, Financials, Products & Services, Architecture, and even our Software Supply Chain into focus.

Multiple Point Solutions

Planning, workforce, capital governance, technology assets, and finance were all in different, disconnected systems.

Maturity In Isolation

Each silo has a relatively high degree of process maturity, but they were hamstrung by the absence of **interoperability**.

Master Data Challenges

Each silo had their own – and occasionally conflicting – lists of master data.

Uncorrelated Facts

Cross-cutting insights were **agonizing** to derive, creating an incredible amount of human toil.

Platform Operating Model Capability Blueprint

Advisory Services

1.0 STRATEGIC ALIGNMENT	2.0 WORK MANAGEMENT	3.0 WORKFORCE MANAGEMENT	4.0 FINANCE & ACCOUNTING	5.0 ENTERPRISE ARCHITECTURE MANAGEMENT
Set and Track OKRs	Demand Management Work intake and prioritization	Roster Management Org View	Initiative budget approval	Application Portfolio Management
OKRs Alignment to Enterprise Strategy	Business Case Development Enterprise/Customer Value	Product / Project Delivery View	IT Planning / Forecasting	Capability Based Planning
Align Demands to OKRs	Prioritization / Approval	Resource and Capacity Management	Budget vs Actuals	Technology Risk and Compliance Management
OKRs QBR review and realignment	Roadmapping	Team Management Health Metrics	Re-Forecasting	Transformation Planning and Roadmapping
Value Management Business Value Realization	Backlog Refinement PPM Activities	Workforce of the Future Skill Based Demand	Labor Capitalization	Governance and Standardization
	Dependencies Tracking and Visualization	Time Management Time Writing / Allocation	WIP Accounting / Reversal	Application Costing
	Execution / Tracking / Measure Results		TCO and P&L	

6.0 Organization Change Management and Training | 7.0 Enterprise Operating Model/BPM

8.0 Governance and Controls – Finance, Accounting, IT, TBM, Performance and Value

9.0 Generative AI

Key Strategic Considerations – Making It Real

Customer/Market Demand

Leverage real-time data and customer-driven insights to continuously innovate and anticipate evolving needs.

Strategic Portfolio Management

Align enterprise strategy to team level execution - driving accountability to ensure investments and initiatives are focused on delivering value.

Optimized Workforce

Redesign resource planning and flexible talent strategies to ensuring the right skills, tools, and resources are in place to achieve business outcomes.

Strategic Funding/Finance

Pivot traditional capital planning and enterprise portfolio planning to align with and support the new way of working.

Enterprise Architecture Management

Modernize enterprise architecture management to ensure technology, data, and processes are integrated and scalable

Governance & Controls

Enhance governance frameworks and control mechanisms to ensure effective risk management, fostering accountability and compliance.

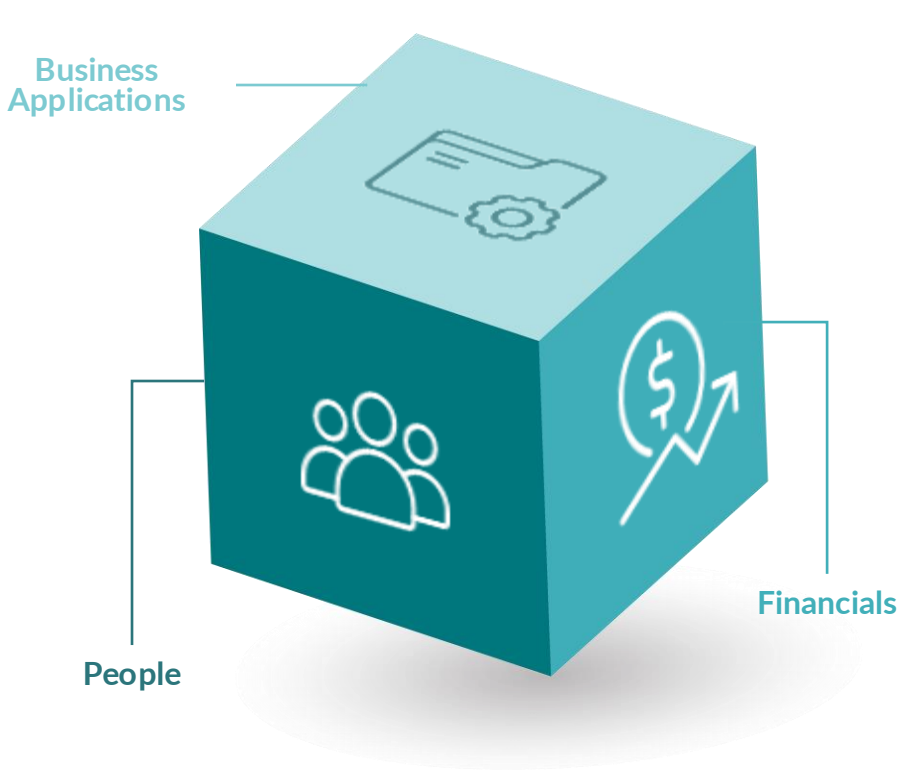
Enterprise Architecture Management

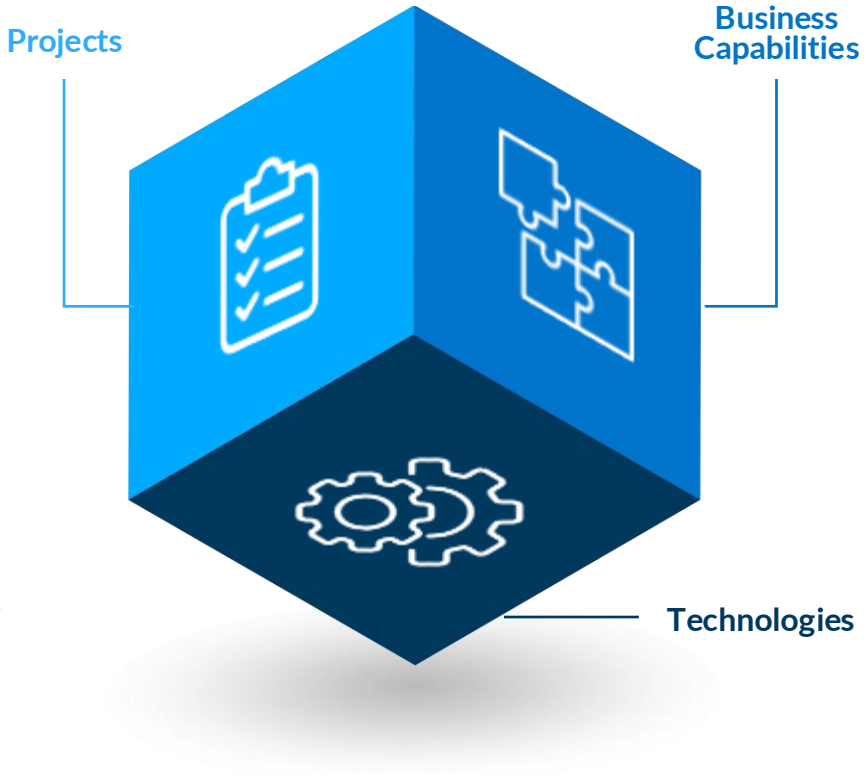
EAM's Role in Enterprise Value

What is EAM & Why is it Important

Enterprise Architecture Management at Southwest is a data asset at the intersection of all the facts of the Business of IT and how those facts relate to the operations of our airline. Charlie Feld, of Frito-Lay fame, calls this asset **"The Cube"**, and we often refer to it as such.

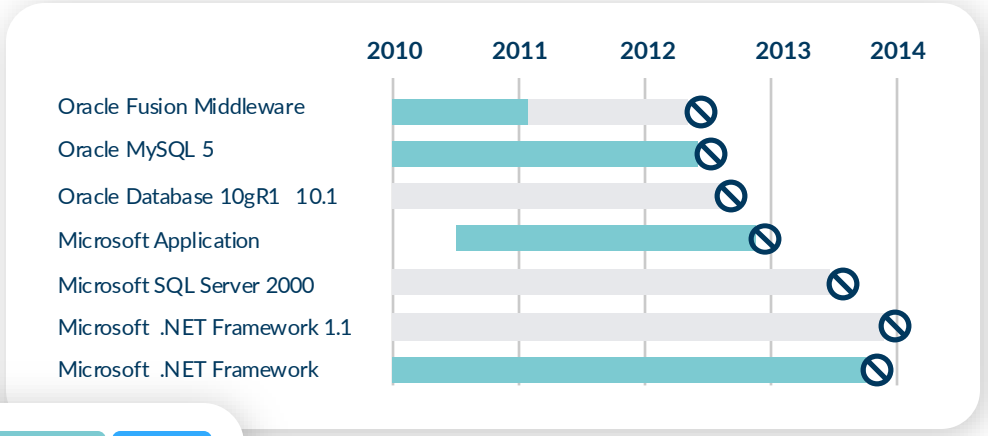
- What do we have?
- How much does it cost?
- Who is supporting it?
- Where are we investing?
- What are our risks?
- What's on the horizon?

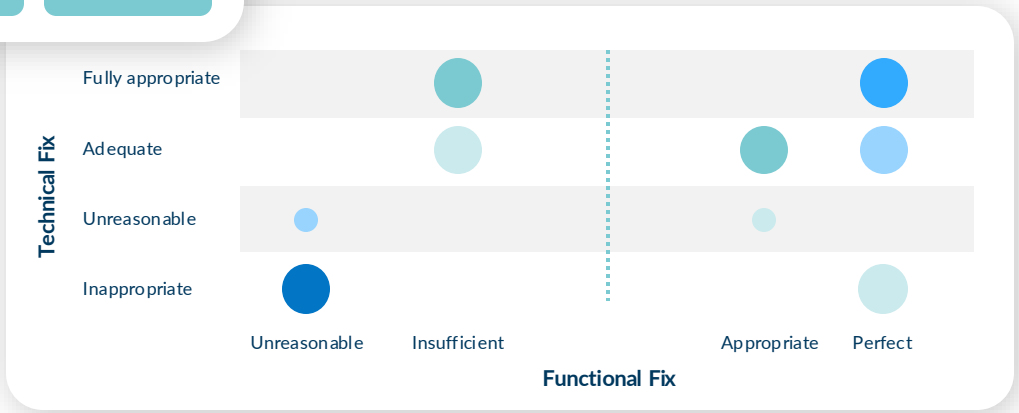




The Cube: Vision

A view of the forest:
Create a consistent, managed, correlated database of information, delivered as familiar and repeatable artifacts to support decision-makers at all levels of the enterprise.





LeanIX at the Core of our Cube

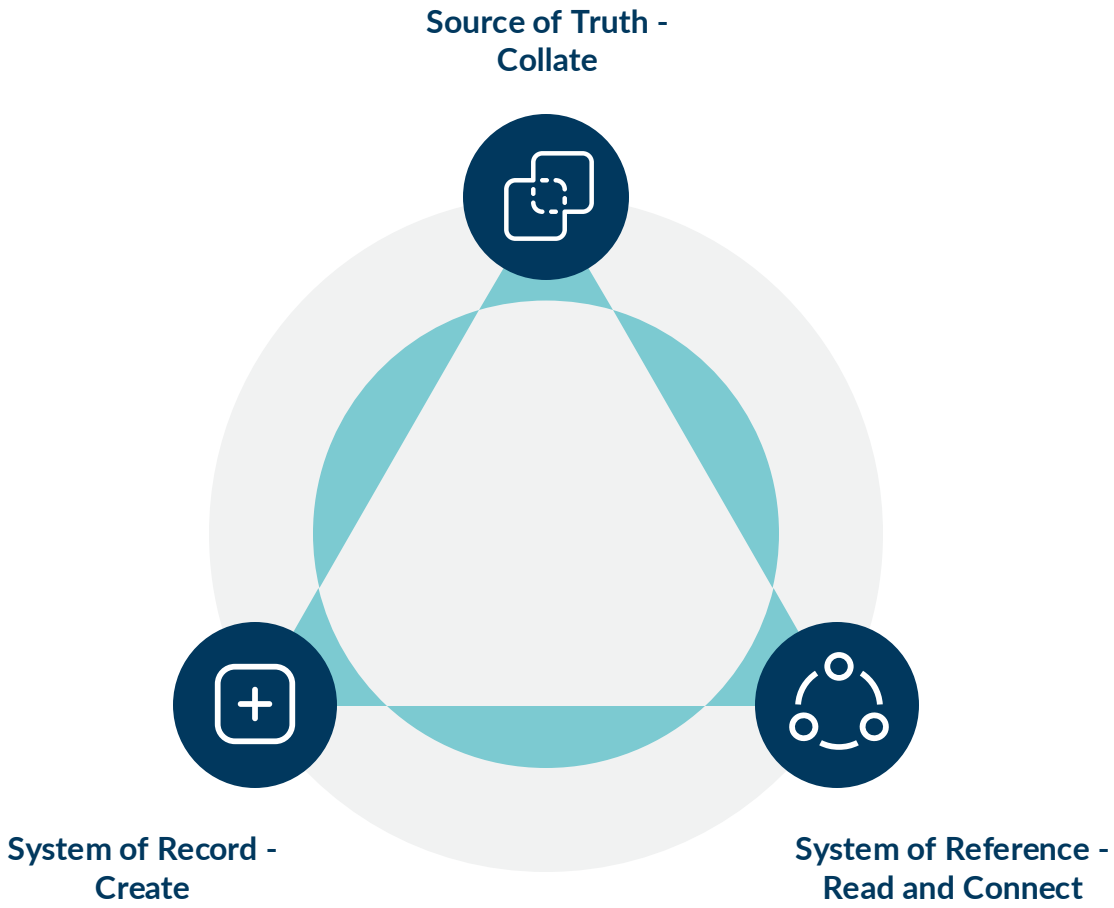
We use LeanIX to combine Application Portfolio Management, Technology Risk, Strategic Road mapping, Architecture Guidance & Governance, and Business Architecture into a single, correlated pane of glass that provides insights not only to architecture and executive stakeholders, but audit, business continuity, data privacy, AI governance, and literally anyone at the airline who wants information about our estate.

Master Data Management

As we continue to grow the integration stack onto the Apptio Platform, we catalogued every data attribute of every system

To get all this right requires a concerted master data management effort across a dozen Teams. We not only had to agree on what an Application is (no small feat!) but agree where the system of record would be and how we would correlate identifiers across LeanIX, ServiceNow, and a host of other systems that needed to interoperate. Repeat that for every entity in our Cube and you've got a challenge that required a lot of collaboration and more than a little top-down support.

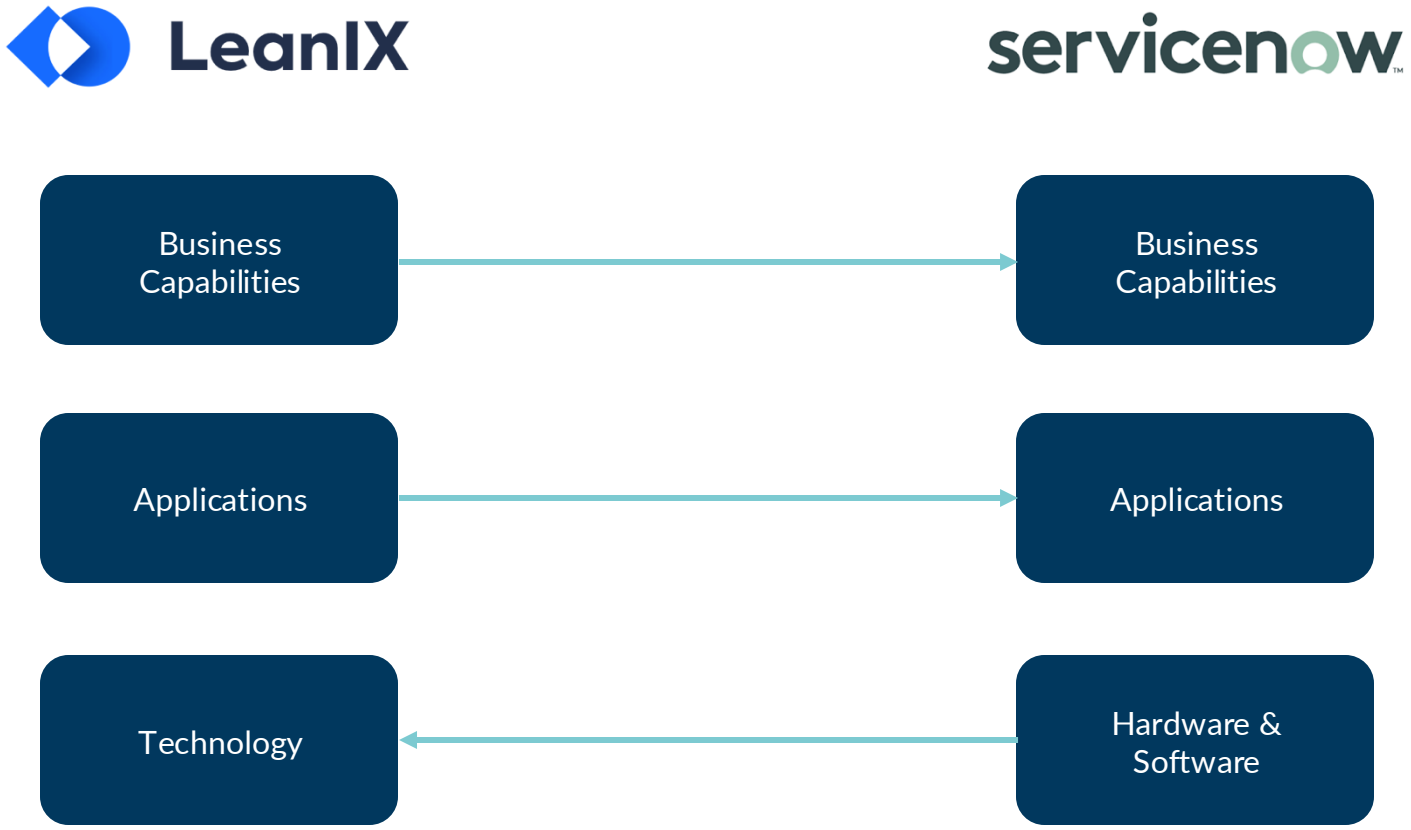
Intentional design and data cataloguing to support Data Governance and efficient data flow across systems.



EAM & CMDB

Our first goal in breaking down siloes was agreeing on the definition of an application. We integrated LeanIX to ServiceNow, using LeanIX as the system of record for Business Application.

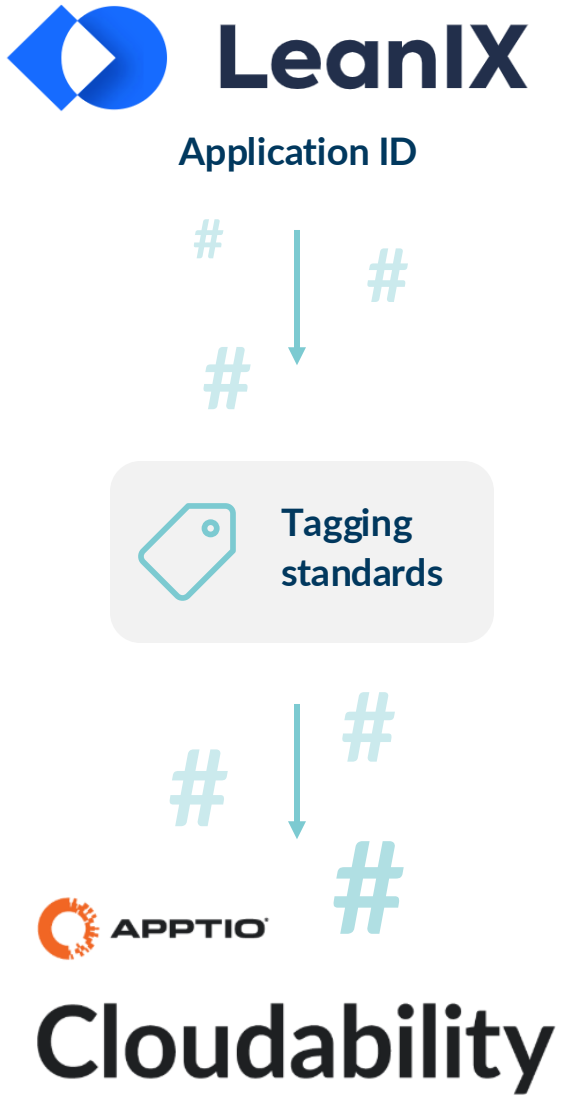
This link allows us to bring infrastructure, incidents, changes, and risks into our EAM ecosystem.



EAM & Cloud

Continuing with application master data, we needed to tackle our cloud infrastructure.

Our application ID from LeanIX became part of our tagging standards, which then flowed into Cloudability.



Integrating Work and Finance

We consolidated our Agile Project Management and IT Finance capabilities into TargetProcess and Apptio One, giving us visibility into the enterprise work hierarchy and related financials.

We used our architecture master data to jump-start the TCO model.

ATUM: The Standard IT Cost Model

Business Units

Describe the consumers of the technology supported by IT spend

- Business Unit 1
- Business Unit 2
- Business Unit 3
- Business Unit 4
- Business Unit 5

Applications & Services

Describe the products or outputs delivered by IT and consumed by business units

- **Apps by Business Capability**
  - Line of Business
  - Management & Support
- **End User Services**
  - Client Computing
  - Connectivity
  - Communication & Collaboration
- **Technology Services**
  - Application & Integration
  - IT Professional Services
  - Hosting

IT Towers & Sub-Towers

Describe the technology functions supported by IT spend in terms and groupings relevant to the owners and consumers of those functions

- Data Center
- Storage
- Compute
- Network
- Communication
- End User
- Application
- Delivery
- Security & Compliance
- IT Management

Cost Pools & Sub-Pools

Describe the type of asset or service purchased using terms and groupings relevant to both IT and Finance.

- Internal Labor
- External Labor
- Hardware
- Software
- Outside Services
- Facilities & Power
- Telecom
- Other

Actual & planned costs

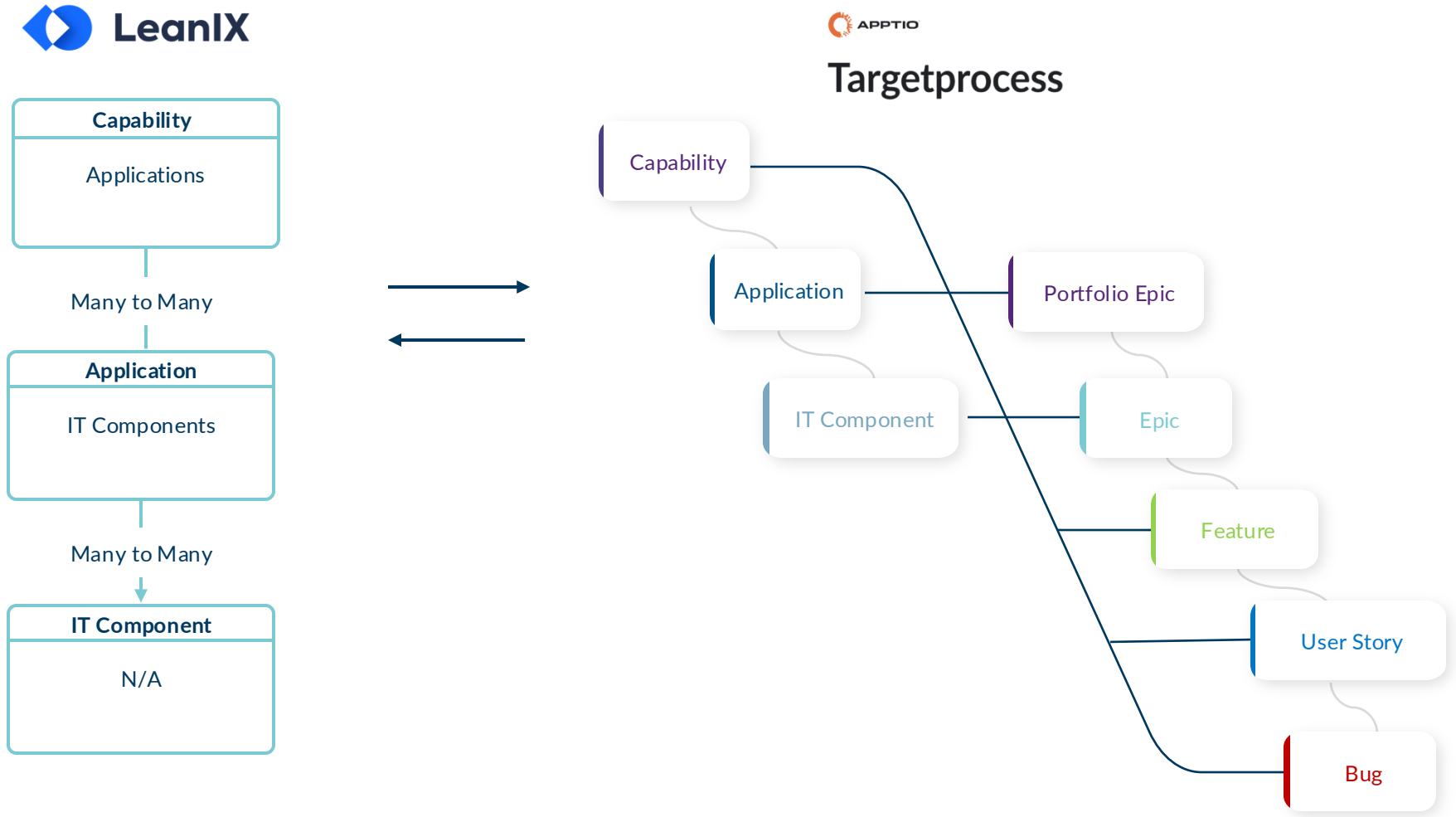
Business view

IT view

Finance view

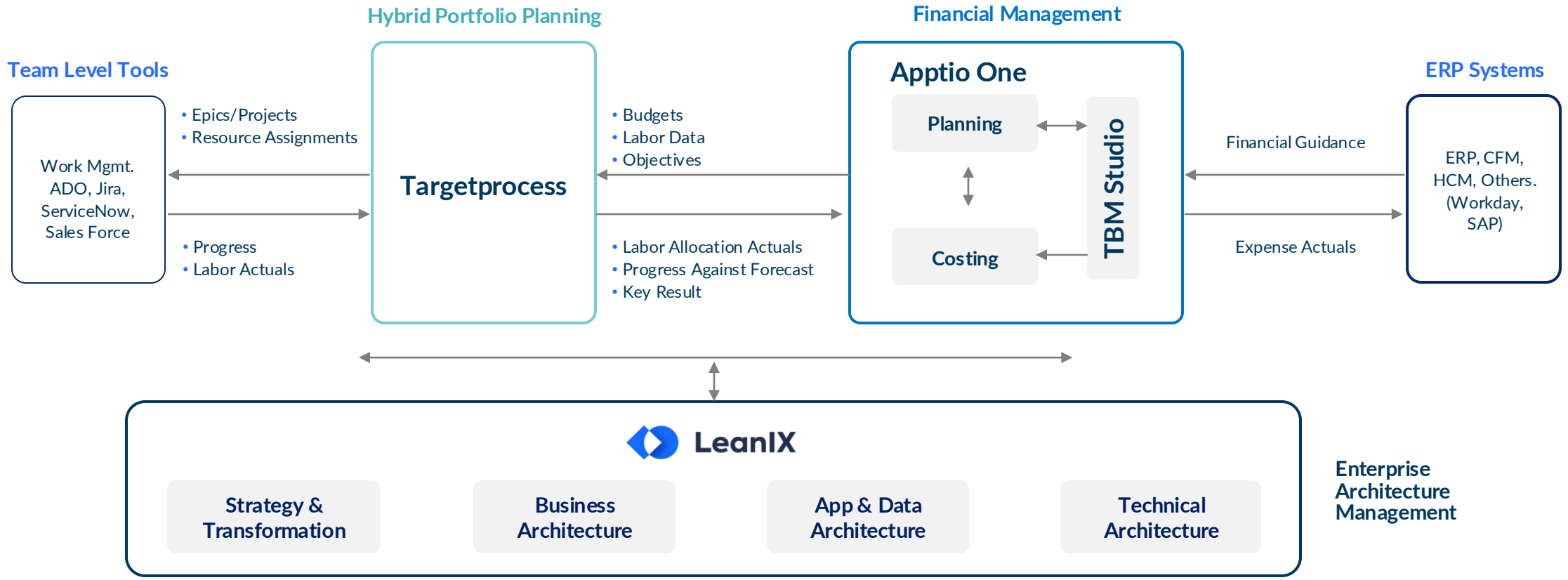
Lean IX & Apptio Targetprocess

Apptio Automated Data Management allows us to control bidirectional data flow creating a data highway on cadence.

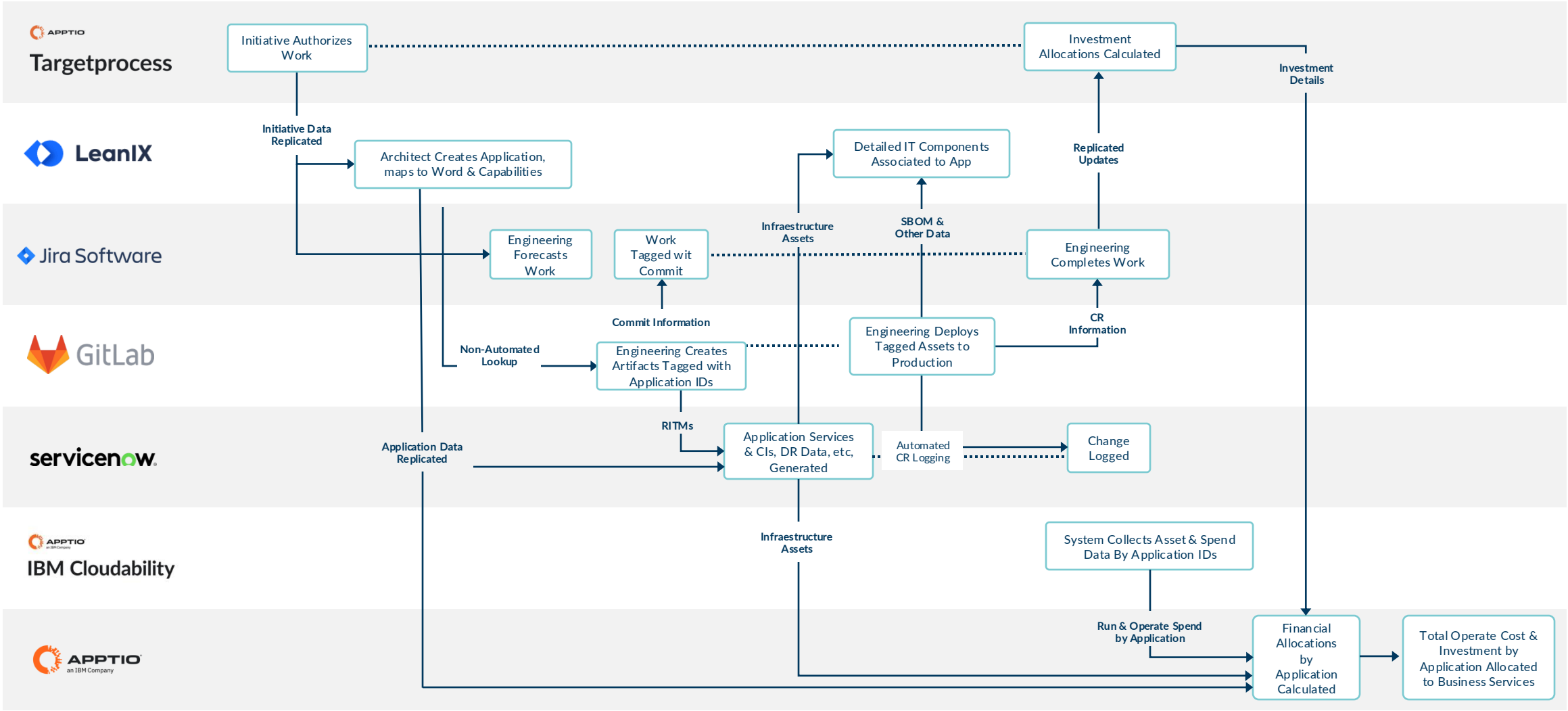


TCO by Application

- Align Enterprise Business Architecture with **fixed capacity allocation model "Block funding"**
- Calculate TCO by aligning Labor and Infrastructure costs to Enterprise Business Capabilities.
- **Automate Everything – Deprecate Time writing**
- Connect work to Applications in Apptio Targetprocess



Life of an Application



So What's Next?

Leaders must not only implement changes in their operating models but evolve them—aligning technology, resources, and investments with enterprise strategy and desired business outcomes - to achieve sustainable success.

- **Edge cases**
- **How to allocate kafka costs – breaking it down by topic.**
  We quantitatively measure tech debt through automated product health calculus and Architecture Exceptions.
- **How do we allocate topics to applications.**
  Further engaging stakeholders and bringing them up to speed.
- **Upcoming Challenges:**
  After we figure that out, we can begin our journey to show back & eventually chargeback

Q&A

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Thank You

Scan to connect & learn more

Architecture Governance

Apptio Targetprocess & Lean IX

Architecture Governance

Our architecture organization has a governance program we're quite proud of. Our Teams develop more than 100 solutions a quarter across 4 risk/complexity lanes of solution governance.

By moving our Architecture Governance processes into TargetProcess, we created a link between initiatives and changes to the architecture.

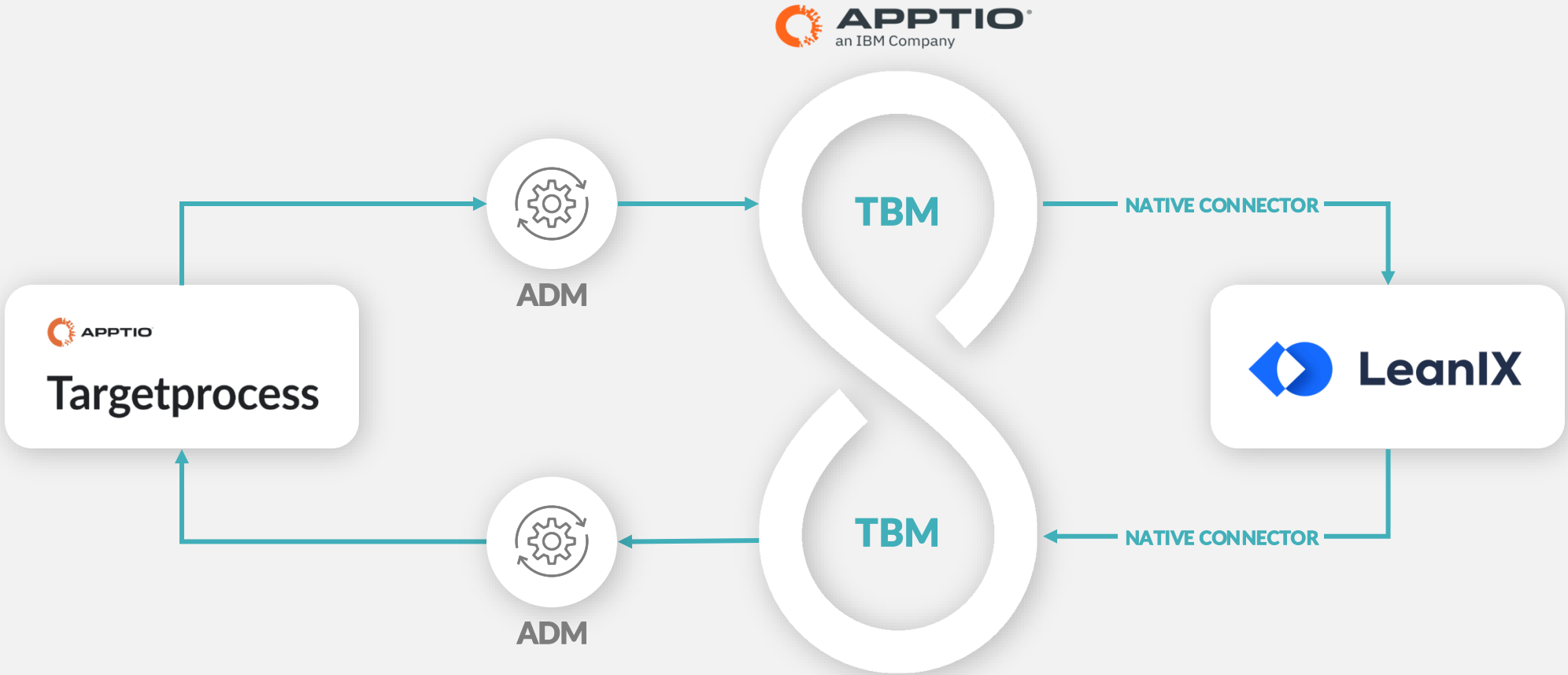
We quantitatively measure tech debt through **automated** product health calculus and Architecture Exceptions.

We have a Technology Review Board that governs the **lifecycle** of the technologies we bring into our house as well as the lifecycle of our reference architectures.

This is all a significant **investment** that we are continually monitoring.

Sol Gov on the Apptio Platform

- Talk about the integration model
- Business process managed in ATP
- Automatically sends & creates Solution & exception records in Lean IX.
- Customized workflow, approval process, audit history, notifications, role-based permission schema all in Apptio Targetprocess
- How it supports parody & data governance behind App TCO



Grayscale logo

When color printing is not available, use the appropriate grayscale artwork.

Southwest_grayscale.ai

Southwest_grayscale_rev.ai

Single-color logo

In rare situations, it is impossible to reproduce the color gradient in our symbol. In these rare cases only (e.g., when etching the logo), use the appropriate single-color artwork.

Southwest_single_blue.ai

Southwest_single_w.ai

Southwest_single_k.ai

News—Art prepared with optimal colors for printing on newsprint.

OOH—Art prepared with optimal colors for printing on vinyl and other large-format applications.

Online—Art prepared with different proportions of the wordmark to the Heart Symbol to ensure the best legibility on-screen. This art may only be used online.

Note: When the logo appears on a dark background, use the r