

TBM Cost Pool Implementation Guide

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Introduction

This Technology Business Management (TBM) Cost Pool Layer Guide was written and peer-reviewed by experienced TBM practitioners, ensuring that the content reflects real-world implementation insights, best practices, and lessons learned from across industries. It offers comprehensive guidance and best practices for identifying, mapping, and managing the Cost Pool Layer within the TBM Model and Taxonomy v5.0. This material is also an integral part of the [TBM Pilot Guide](#).

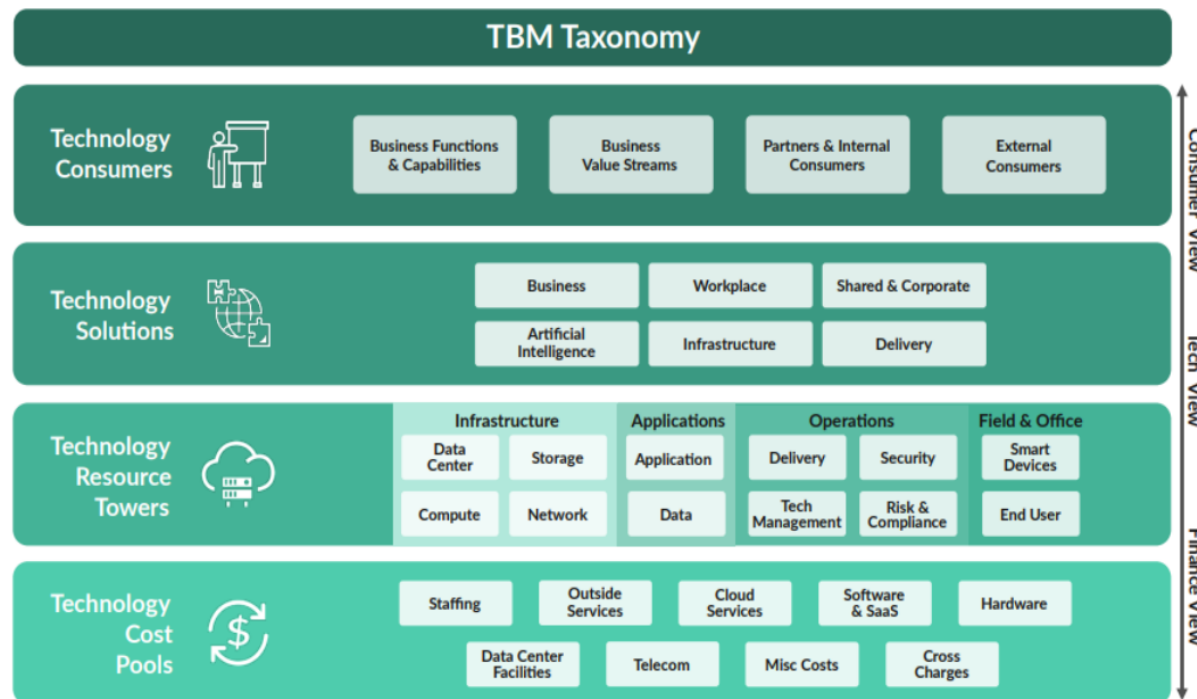


Figure 1: TBM Taxonomy 5.0 Summary View

The TBM Taxonomy consists of four interconnected layers that serve as the organizing framework for structuring technology financials. Each layer builds upon the one before it, forming the structural backbone of a TBM model. The Cost Pool Layer is the first layer of that structure.

Technology Cost Pools are standardized financial categories used to organize expenses based on their financial/accounting nature —staffing, outside services, cloud services, hardware, software & SaaS, data center facilities, telecom, miscellaneous costs, and cross charges. They enable traceability and clarity from general ledger systems and other financial sources into the TBM model.

Cost Pools distinguish between operating expenses (OpEx) and capital expenses (CapEx), and enable visibility to all technology costs across departments, breaking down silos and bridging gaps between disparate financial systems or cost centers.

Visit the TBM Council's resource center for in-depth content on TBM Taxonomy v5 including review of layers & views:

<https://www.tbmcouncil.org/taxonomy/>

This guide walks through the implementation of the Technology Cost Pool Layer, covering:

- Mapping Steps: A structured approach to aligning GL accounts to TBM cost pools, including identifying source data, defining mapping rules, and validating outputs.
- Decision Tree: A visual aid to help determine the appropriate cost pool for various types of expenses, ensuring consistency and accuracy.
- Mapping Examples: Examples that illustrate how common GL accounts are mapped to TBM cost pools, helping to clarify edge cases and complex mappings.

Whether you're just beginning your TBM journey or refining an existing implementation, this guide provides the practical tools and insights needed to build a robust and transparent cost pool layer.

Cost Pool Layer in the Context of the TBM Taxonomy

The layers of the TBM Taxonomy enable views which represent the different data needs of various stakeholders within an organization. Collectively, the structural requirements of the layers provide an organizational view, or lens, through which the TBM Taxonomy can be used to analyze technology spend, improve accountability, and connect technology investments to business outcomes. The Cost Pool layer represents the financial view of technology costs, organizing expenditures into standardized categories that reflect how money is spent within the IT organization. This view removes organizational and accounting variability to establish a standardized structure for evaluating cost drivers.

Technology Cost Pool Layer

		Staffing	Outside Services	Cloud Services	Hardware	Software & SaaS	Data Center Facilities	Telecom	Misc Costs	Cross Charges
Total Technology Expenses	OPERATING EXPENSES (OPEX)	Internal Labor	Consulting	Cloud Service Provider	Lease	Licensing	Lease	Lease	Managed Services	by Internal Department
		Staff Augmentation	Managed Services	Other Operating	Maintenance & Support	Maintenance & Support	Maintenance & Support	Maintenance & Support	Other Operating	
		Other Operating	Other Operating		Depreciation & Amortization	Depreciation & Amortization	Depreciation & Amortization	Depreciation & Amortization		
					Managed Services	SaaS	Managed Services	Managed Services		
					Other Operating	Other Operating	Other Operating	Other Operating		
	CAPITAL EXPENSES (CAPEX)	Internal Labor Capital	Capital	Capital	Capital	Capital	Capital	Capital	Capital	
		Staff Augmentation Capital								

The Cost Pool layer is especially valuable for Finance stakeholders such as CFOs, Technology Finance teams, and Department Managers with budget accountability because they require a clear view of where technology dollars are going. This view supports budgeting, forecasting, and benchmarking efforts by providing a consistent classification of costs. Additionally, some organizations choose to extend the cost pools layer to enable more precise allocation of costs to other layers or reflect vendor relationships, staffing models, and cloud service usage to gain deeper insight into cost drivers.

Cost Pool Mapping Steps

1. Understanding Your Organization's General Ledger (GL) Structure

The **main data source** you will need to gather for mapping your technology spend to TBM Cost Pools **is the General Ledger (GL)**, typically from the accounting, finance, or FP&A department. A typical GL structure includes a few key elements including accounts, often with both a name and unique identifier, organized in a hierarchy for the purpose of Capital and Expense reporting.

Identifying Capital Expenditures (CapEx) and Operating Expenditures (OpEx): It's important to distinguish between CapEx and OpEx when categorizing costs. CapEx typically involves large, one-time purchases that create or enhance long-term assets, while OpEx covers recurring expenses that support daily operations. These are categorized differently in each organization and understanding how to determine the difference is important for tracking. **For this cost pools mapping exercise, we'll focus on Operating Expenditures or OpEx.**

Understanding the Hierarchy of Your GL Account Structure: Your GL account structure is typically organized in a hierarchical manner, with different levels representing various categories and subcategories of expenses. Understanding this hierarchy is crucial for accurate spend classification and mapping. At the top level, you may have broad categories such as Assets, Liabilities, Equity, Revenue, and Expenses. Within each category, you can further deconstruct costs into more specific subcategories. **For this cost pools mapping exercise, we'll focus on the subcategorization of Expenses.**

Collaboration with Accounting/Finance: It's recommended to work closely with your accounting and finance teams to ensure your organization's general ledger structure is interpreted correctly. Establishing a collaborative process will also help

in your adoption and maintenance efforts by ensuring that the mappings remain accurate and relevant as your organization evolves.

2. Data Collection

Bring in as much data as possible during this initial stage. While it's important to be thorough, don't get too hung up on the perfection of the data. The goal is to start with a solid foundation and improve over time.

Key Information: Begin by identifying the cost objects in your general ledger (GL) structure that need to be mapped to the TBM cost pools. While the **Account Name** is the most crucial piece of information to map this first layer of the taxonomy, it's important to gather as much relevant data as possible to ensure a comprehensive mapping and ease in the future. Key details to gather include:

Account Name

Account Groups or Hierarchy Points in your GL Structure

Vendor Name

Department Name

Amount

Importance of Account Name: The Account Name is essential because it directly indicates the nature of the expense and helps to accurately map it to the appropriate TBM cost pool.

If the way accounts are named isn't clearly defined or easy to interpret, **Account Groupings or Hierarchies** will provide more context to an account's purpose. **Vendor Name** and **Department Name** can also be helpful in determining the type of expenses posted in a particular account by indicating who the business is spending money with and from which business area.

Shadow IT: Recognize that IT-related expenses can be recorded in business areas outside of the IT department. You might consider software costs which the business might pay, or allocations for IT expenses for which transactions need to be

reviewed at the source or accumulated from all allocated areas. Alternatively, you may begin including only costs assigned to the IT department, clearly disclosing this limitation. Eventually, it will be crucial to add “Shadow IT” expenses to your model to visualize the full technology spend within your organization.

Tips for Gathering Categorization Data:

When examining your GL accounts **look for patterns** and commonalities in the account names and descriptions.

Engage finance/accounting stakeholders to gain insights into how different costs are categorized. Their expertise can help ensure accurate classification.

Use **historical data** to understand past categorizations and identify any trends or recurring expenses.

Leverage technology, financial management software and tools, that can help automate the categorization process and provide detailed reports.

3. Map GL Accounts to TBM Technology Cost Pools

TBM Technology Cost Pools are predefined categories within the TBM framework that are used to group similar types of expenses. TBM cost pools in v5 of the TBM Taxonomy include Staffing, Outside Services, Cloud Services, Hardware, Software & SaaS, Data Center Facilities, Telecom, Miscellaneous Costs, and Cross Charges.

Through the **Mapping Process** each GL account is aligned with the relevant TBM technology cost pool based on the nature of the expense. To complete the mapping process:

1. Carefully examine your GL accounts and categorize them into the appropriate TBM technology cost pools.

2. Maintain consistency in the mapping process to ensure accuracy. This may involve setting up guidelines or rules for how different types of expenses should be categorized.
3. Keep a detailed record of how each GL account is mapped to the TBM technology cost pools. This documentation will be a useful reference and support your adoption efforts as well as any audit requests.

Technology Cost Pools and Examples of Costs:

Staffing: This cost pool includes salaries, benefits, and other costs associated with internal personnel, time & material contractors, and staff augmentation resources contributing to headcount. Staffing costs can be further divided into the sub-pools:

- **Internal Labor:** Salaries, benefits, occupancy, travel, training, new hire investigation, office furniture, supplies, janitorial services, and any other internal labor related expenses.
- **Staff Augmentation:** External labor costs for staff augmentation, time & material contractor fees, related travel, training or fees. Excludes consulting and managed services resources.
- **Other Operating:** Other labor headcount expenses.

Outside Services: This cost pool contains all costs related to external resources that do not contribute to headcount. Outside services can be further divided into the sub-pools:

- **Consulting:** Fees for advisory services or consulting engagements
- **Managed Services:** Costs related to resources engaged for specific projects, operations, or support functions, excluding staff augmentation and Time & Material contractors.
- **Other Operating:** Other labor expenses unrelated to headcount.

Cloud Services: This cost pool contains the costs of all public, private, and hybrid cloud services and can be further divided into the sub-pools:

- **Cloud Service Provider:** External public cloud expenses for IaaS and PaaS. Excludes SaaS costs.
- **Other Operating:** Other cloud services expenses.

Hardware: This cost pool contains the cost of all physical technology assets. Excludes the costs related to physical space or data center fixtures like racks. Hardware can be further divided into the sub-pools:

- **Lease:** Fees for leased or rented equipment.
- **Maintenance & Support:** Costs related to maintaining or supporting equipment including repairs.
- **Depreciation & Amortization:** Depreciation and amortization related to capitalized hardware assets.
- **Managed Services:** Managed service provider costs related to hardware operations and maintenance.
- **Other Operating:** Other hardware expenses.

Software & SaaS: This cost pool contains the costs of all licensing, maintenance, support, and SaaS costs for all software, including operating systems, middleware, databases, and applications. Software & SaaS costs can be further divided into the sub-pools:

- **Licensing:** Costs for software licenses and renewals. Excludes SaaS, maintenance, and support services.
- **Maintenance & Support:** Expenses for maintaining and supporting software, including updates and patches for existing licenses.
- **Depreciation & Amortization:** Depreciation and amortization related to capitalized software assets.
- **SaaS:** Expenses for software provided as a service (SaaS), including cloud-hosted solutions.
- **Other Operating:** Other software and SaaS expenses.

Data Center & Facilities: This cost pool Includes the costs related to floor space, power, cooling, and other utilities, environmental controls and other related costs for managing data center facilities. Excludes personnel and hardware components like servers and storage. Data center & facilities can be further divided into the sub-pools:

- **Lease:** Fees for leased or rented facilities.
- **Maintenance & Support:** Costs related to maintaining or supporting data center facilities including repairs and upgrades.
- **Depreciation & Amortization:** Depreciation and amortization related to capitalized data center investments.

- **Managed Services:** Costs associated with an external service provider who takes responsibility for managing and maintaining an organization's data center facilities.
- **Other Operating:** Other data center facilities expenses.

Telecom: This cost pool includes all fees for telecommunications. Excludes mobile devices, IP phones, and related hardware expenses aligned to the hardware cost pool. Telecommunications can be further divided into the sub-pools:

- **Lease:** Fees for leased telecom equipment including circuit costs.
- **Maintenance & Support:** Costs related to maintaining or supporting telecom equipment including repairs and upgrades.
- **Depreciation & Amortization:** Depreciation and amortization related to capitalized telecom assets.
- **Managed Services:** Managed service provider costs for telecom related services.
- **Other Operating:** Other telecom expenses.

Miscellaneous Costs: This cost pool contains all costs for miscellaneous or non-standard expenses that do not fit within other defined cost pools, covering irregular or undefined expenditures. Miscellaneous costs can be further divided into the sub-pools:

- **Managed Services:** Managed service provider costs unrelated to any other Cost Pool.
- **Other Operating:** Other miscellaneous or non-standard expenses.

Cross Charges: This cost pool contains fees incurred from other internal groups. Cross Charges can be further divided into sub-pools by internal departments allocating the costs (e.g. allocations of HR, finance, facilities, and other Technology groups).

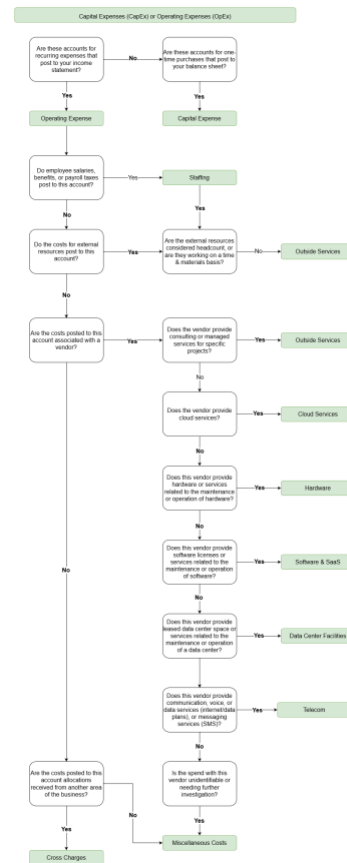
4. Validate the Mapping

Verify the accuracy of your mappings by **cross-checking** with financial reports or **reviewing with your accounting or finance stakeholders** to ensure that all expenses are correctly categorized. Being transparent with your data and methods will allow you to make needed adjustments without losing credibility.

5. Implement and Monitor

Apply the mappings in your modeling and reporting. Regularly review and update the mappings as needed to reflect any changes in your organization's GL structure or the TBM technology cost pools.

Decision Tree – Mapping Infographic



Mapping Examples

Cost Pool	Cost Sub-Pool	GL Account Name Examples	GL Account Description Keywords
Staffing	Internal Labor	Employee/Internal Labor - Salary	Internal Labor, Salaries, Billable Salaries, Employee Labor, 345 Traveler Bonus, Bonus, Exempt Employee Salary, Nonexempt Employee Salary, Other Compensation, Premium Bonus, Sign On & Referral Bonus, Employee Vacancy Rate, International Bonus, Commission, Sick Leave Buy-Out, OT and Callback, Short Term Disability, Payroll Taxes, FICA, Health/ Life/Dental/ Vision/ Disability Insurance, Retirement/ Pensions, Paid FMLA, Tuition Exp, Benefit Allowance Unemployment, Other Benefits, Sick Leave, Holiday, PTO, Recruiting, Labor Xchgs, T&E Exp, Travel Meals Exp, Company Party/ Recognition Exp, Airfare Exp, Lodging Exp, Rental Car Exp, Mileage Reimbursement Exp, Sponsorship Exp, Internal /External Communication Exp, Employee Development, Employee Dues
		Employee/Internal Labor - Benefits	
		Employee/Internal Labor - Taxes	
		Exp Recruiting	
		Exp Labor Xchgs	
		Travel & Entertainment	
		Meals	
	Staff Augmentation	External Labor	Contract Labor, Temp Labor, Outsourcing Hourly, Outsourcing xchgs, PS Service Contracts, PS Travel, PS Other
		IT Support Outsourcing	
		Professional Services	
	Other Operating		
Outside Services	Consulting	Consulting	Consulting expense, Consulting Fixed Fee Expense, Consulting Hourly Fee Expense, Consulting Travel, Professional Service Contracts, IT Support Outsourcing, Outside Service Expense, Expense Manage Service Providers, Computer and Information Services-Service Contracts, Management and Organizational-Service Contracts
	Managed Services	Outsourcing	
		Managed Services	
	Other Operating		

Conclusion

We hope you found this guide useful and gained valuable knowledge to successfully tackle the task of mapping costs to Technology Cost Pools and Sub-Pools.

By completing the Technology Cost Pool layer, you finalized the first layer of the TBM Taxonomy and ready to continue with the [Technology Tower Guide](#), as recommended by the [TBM Pilot Guide](#). You are also encouraged to visit the [TBM Knowledge Base](#) page for many other resources to help you, as well as the TBM Council's [Modeling](#) and [Events](#) pages.

TBM Council – Adoption Committee

The Adoption Committee, a component of the TBM Council, comprises TBM practitioners representing multiple industries who provide guidance and develop resources to support TBM adoption and advancement. Additionally, the committee offers expert advice and serves as a resource for various Council initiatives, particularly those focused on starting and enhancing the TBM practice.