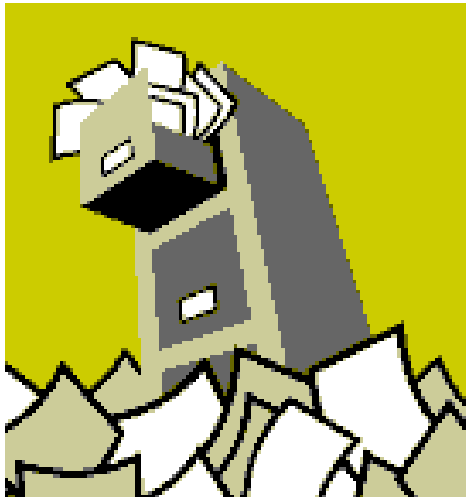


Quantifying Benefits for Your ITIL/ITSM Business Case

June 2009

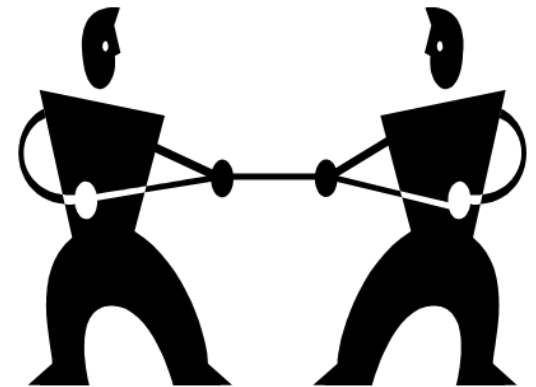
- **Common Challenges**
- **Big Picture Approach**
- **Building A Foundation**
- **Benefit Opportunities**
- **Qualitative Benefits**
- **Packaging and Presenting**
- **Summary**
- **Questions**

- Disproportionate share of IT budget is Maintenance/Operations



- Business changes driving need for greater agility and additional utility ... adding operational costs

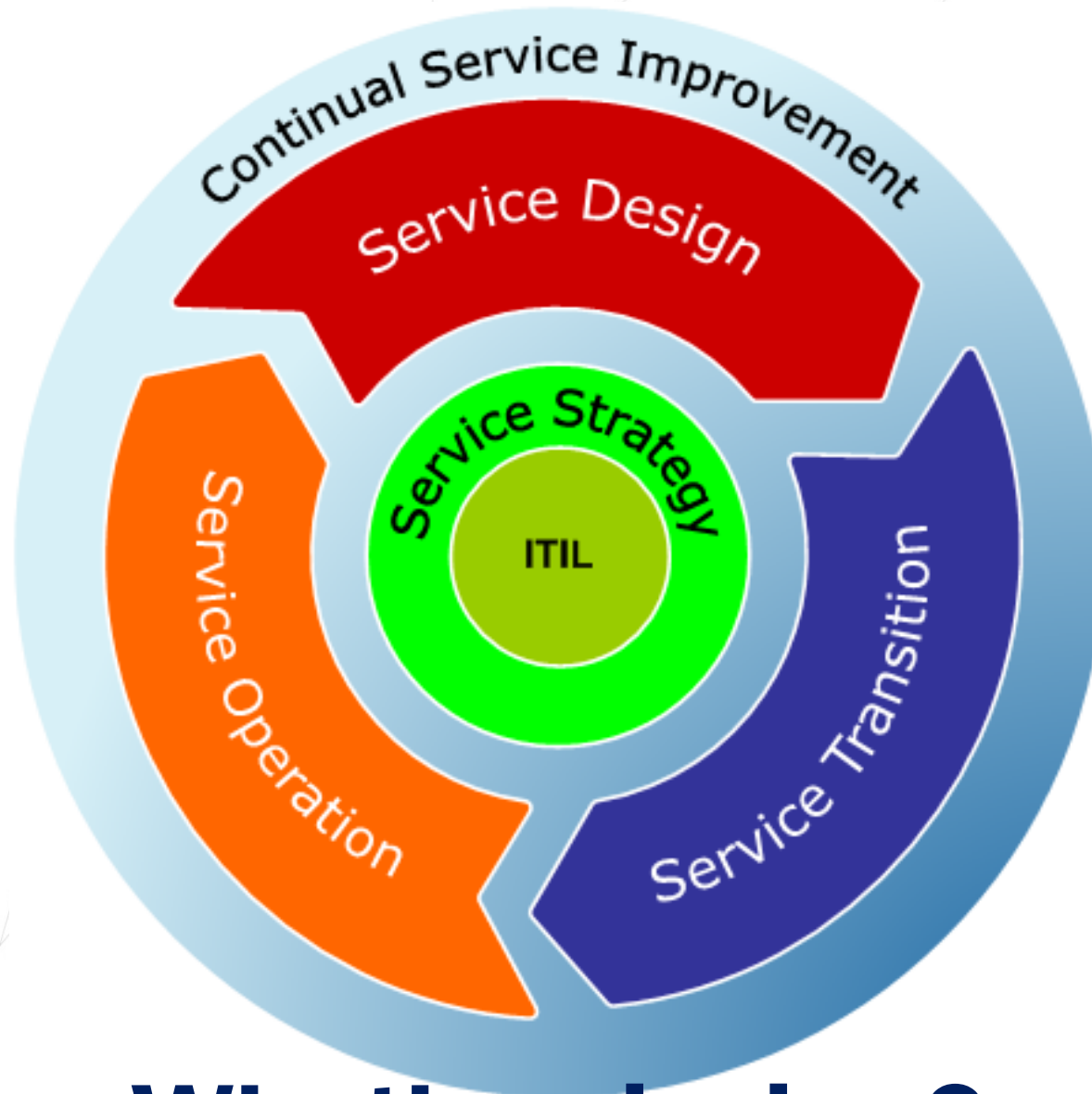
- Competition for limited discretionary dollars



The Challenge....



.... getting a piece of the pie!

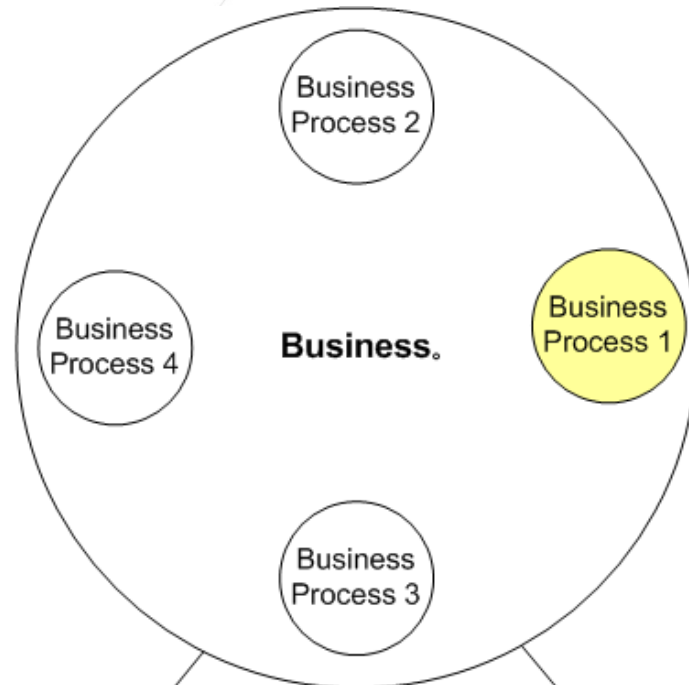
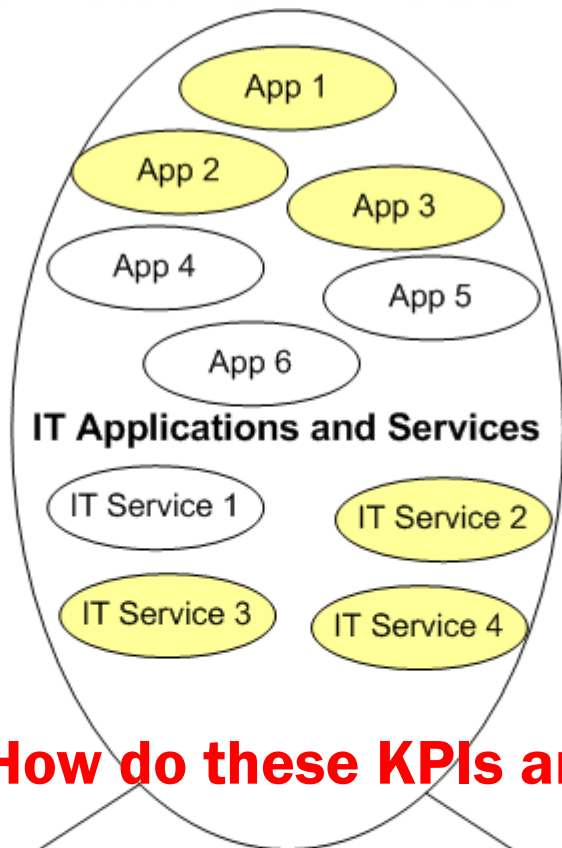


What's missing?



The Business!

Big Picture Approach



How do these KPIs and CSFs relate to the bottom line?

IT Metrics, KPIs, CSFs

- Incident Resolution** - % within target duration
- Request Satisfaction** - % within target duration
- Application Availability** - target% during business hrs.
- Mean Time Between Disruption** - target duration
- Key Transaction Response Time** - max. allowable threshold

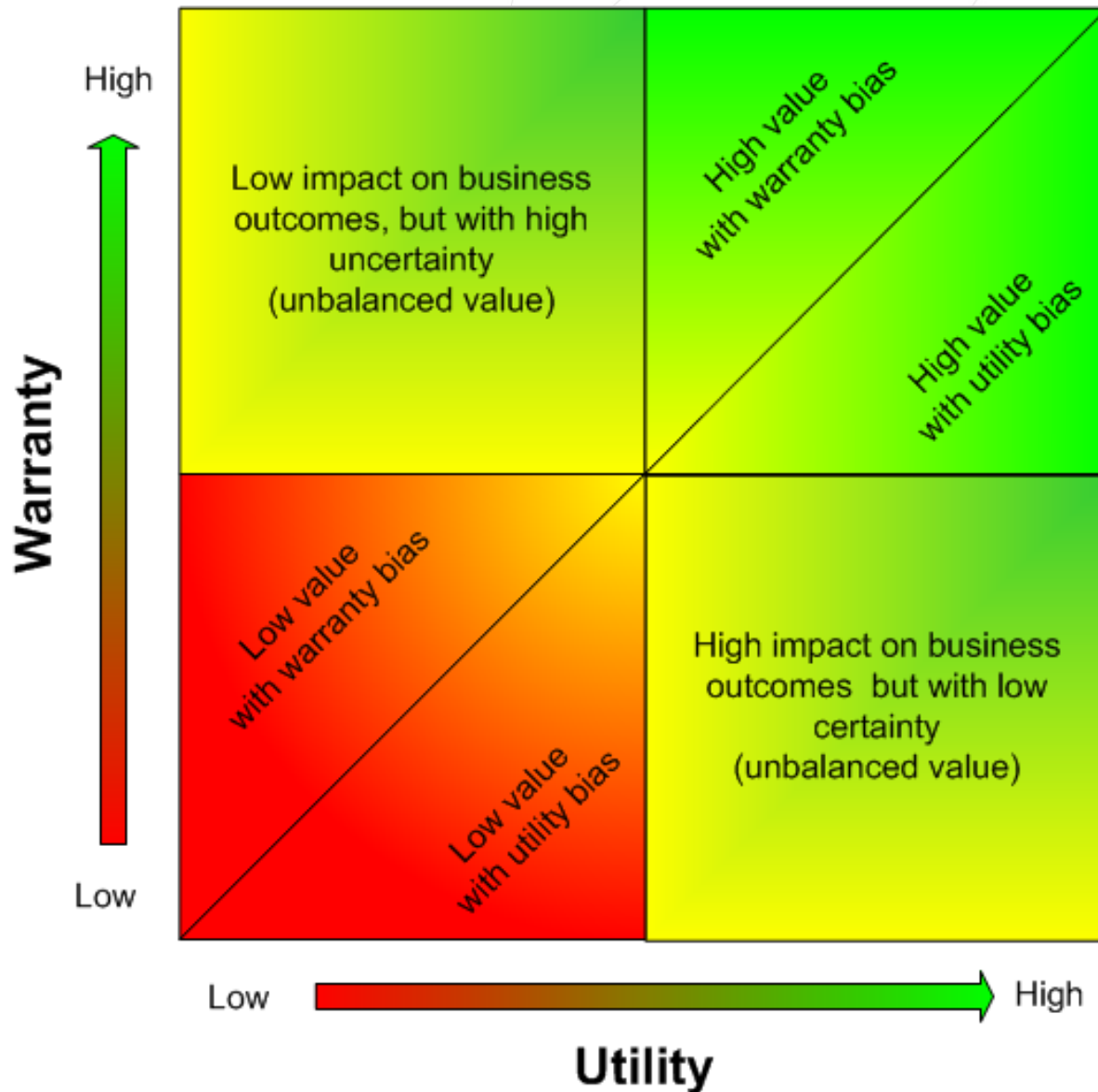
VALUE

Service
Contribution/
Impact to
Business

Business Metrics, KPIs, CSFs

- Document Indexing** - target duration
- Application Registration** - target% w/in 1 day
- App Ave. Pending Age** - target age
- App Ave. Turnaround Time** - target duration
- App Processing Time** - graduated targets by duration
- App Pending Inventory** - target volume
- PHHI Interview Time** - target duration

VALUE



It's all about Service... keep business in mind

ITSM – Lifecycle...

- Know the scope and objective of each process
- Explore the value of the objective
 - ✓ Manage Costs
 - ✓ Improve Warranty
 - ✓ Align Utility
 - ✓ IT and Business

Measurements and Baselines...

- Establish a measurement strategy
 - Identify KPIs and CSFs
 - ✓ IT's
 - ✓ Your Customers'
- Study the financials – partner with Finance
 - Each cost category – labor, hw, sw
 - Unit costs – each labor rates, transaction rates
- Relate KPIs to financials
- Time reporting
 - Unplanned vs. planned support
- Validate Assumptions with Senior Management

Repeatable, consistent benefit analysis “method”

- Peel the onion
 - A structured approach to identifying benefits
 - ✓ Immediate process area
 - ✓ Working “inwards” towards the business
 - Examine each cost and revenue category
- Establish a “Benefit” valuation structure
 - Structured for quantifying benefits
- Time reporting
 - Unplanned vs. planned support
- Validate Assumptions with Senior Management

Incident Management

- Benefit Opportunities:
 - Reduce “hot potato” routing (hand-offs)
 - Improve service operations by reducing MTTR

- Benefit Identification and Analysis
 - IT Cost Savings Factors:
 - Incident volume
 - Tier 2 handling time
 - Service Desk handling time
 - IT labor rate

 - Warranty factors (Business cost and productivity factors):
 - No. of “High” priority incidents
 - Ave. hourly business cost
 - Hourly business volume
 - MTTR
 - Cost/revenue per bus volume

Benefit Opportunity

	<u>Low</u>	<u>Most Likely</u>	<u>High</u>	
IT COSTS				
IT Labor				
Ticket Volume	10,000	11,500	12,250	per Month
Ave. No. of Hand-offs per Ticket	2.2	2.8	3.4	
Ave. Handling Time per Handoff	0.5	1.0	2.0	Minutes
Ave. IT Labor Rate	\$85	\$85	\$85	
Targeted Reduction	40%	50%	70%	
Estimated IT Cost Savings	\$6,233	\$22,808	\$82,606	
WARRANTY				
Business Labor				
Ticket Volume	10,000	11,500	12,250	per Month
Percentage "High" Incidents	0.7%	1.2%	3.0%	
Mean-Time-To-Restore (MTTR)	3	7	12	Hours
Ave. Bus. Operations Cost	\$70	\$70	\$70	per Hour
Targeted Reduction	10%	20%	30%	
Estimated Bus. Op. Cost Savings	\$1,470	\$13,524	\$92,610	
Business Productivity				
Ticket Volume	10,000	11,500	12,250	per Month
Percentage "High" Incidents	0.50%	1.0%	1.2%	
MTTR	3	7	12	Hours
Ave. Disruption to Business	150	805	1764	Hours
Business Volume	0.05	0.12	0.18	Trans, per Hour
Cost/Revenue per Volume	\$1,000	\$1,000	\$1,000	
Productivity Cost/Revenue	\$50	\$120	\$180	per Hour
Targeted Reduction	10%	20%	30%	
Estimated Bus. Prod. Savings	\$750	\$19,320	\$95,256	
Total Projected Savings	\$8,453	\$55,652	\$270,472	Monthly

Request Management

- Benefit Opportunities:
 - Reduce service desk call volume with self-service portal (e.g., password resets, file restores, mail restores, vpn access requests)

- Benefit Identification and Analysis
 - IT Cost Savings Factors:
 - Request volume
 - Tier 2 provisioning time
 - Service Desk handling time
 - IT labor rate

 - Warranty factors (Business cost and productivity factors):
 - Request volume
 - Ave. hourly business cost
 - MTTR
 - Cost/revenue per bus volume

Benefit Opportunity

	Low	Most Likely	High	
IT COSTS				
IT Labor				
Ticket Volume	950	1,400	1,550	per Month
Ave. SD Handling Time per Ticket	1.0	1.5	2.0	Minutes
Ave, Tier 2 Time Completing Request	5.0	10.0	15.0	Minutes
Ave. IT Labor Rate	\$85	\$85	\$85	
Targeted Reduction	30%	50%	70%	
Estimated IT Cost Savings	\$2,423	\$11,404	\$26,130	Monthly
WARRANTY				
Business Labor				
Ticket Volume	950	1,400	1,550	per Month
Mean-Time-To-Restore (MTTR)	6.0	12.0	17.0	Minutes
Ave. Bus. Operations Cost	\$70	\$70	\$70	per Hour
Targeted Reduction	30%	50%	70%	
Estimated Bus. Op. Cost Savings	\$1,995	\$9,800	\$21,519	
Business Productivity				
Ticket Volume	950	1,400	1,550	
Mean-Time-To-Restore (MTTR)	6.0	12.0	17.0	Minutes
Ave. Disruption to Business	95	280	439	Hours
Business Volume	0.05	0.12	0.18	Trans. per Hour
Cost/Revenue per Volume	\$1,000	\$1,000	\$1,000	
Productivity Cost/Revenue	\$50	\$120	\$180	per Hour
Targeted Reduction	10%	20%	30%	
Estimated Bus. Prod. Savings	\$475	\$6,720	\$23,715	
Total Projected Savings	\$4,893	\$27,924	\$71,365	Monthly

Problem Management

- Benefit Opportunities:
 - Reduce the total number of incidents

- Benefit Identification and Analysis
 - IT Cost Savings Factors:
 - Incident volume
 - Tier 2 resolution time
 - Service Desk handling time
 - IT labor rate

 - Warranty factors (Business cost and productivity factors):
 - No. of “High” priority incidents
 - Ave. hourly business cost
 - Hourly business volume
 - MTTR
 - Cost/revenue per bus volume

Benefit Opportunity

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Change Management

- Benefit Opportunities:
 - Reduce the time to plan and approve a change

- Benefit Identification and Analysis
 - IT Cost Savings Factors:
 - No. of weekly CAB meetings
 - Ave. no. of CAB participants
 - IT labor costs
 - Volume of change requests
 - Duration of CAB meetings
 - Documentation time
 - Review/approval time

 - Warranty factors (Business cost and productivity factors):
 - No. of “High” priority incidents
 - Ave. hourly business cost
 - Hourly business volume
 - MTTR
 - Cost/revenue per bus volume

Benefit Opportunity

	Low	Most Likely	High	
IT COSTS				
IT Labor				
Volume of Changes Reviewed	400	450	500	per Week
No. of Change Meetings	2	3	4	per Week
Ave. Length of Change Meetings	1.00	1.25	1.50	Hours
No. of IT Personnel in Change Meeting	10	20	30	
Change Meetings	20	75	180	per Week
Ave. Time Spent Reviewing Changes	5	7	10	Minutes
Reviewing and Approving	33	53	83	
Ave. Time Spent Documenting Changes	5	10	15	Minutes
IT Labor spent Documenting	33	75	125	per Week
Total IT Labor Effort	87	203	388	per Week
Ave. IT Labor Rate	\$85	\$85	\$85	
Targeted Reduction	30%	40%	50%	
Estimated Weekly Cost Savings	\$2,210	\$6,885	\$16,504	Weekly
Estimated IT Cost Savings	\$114,920	\$358,020	\$858,217	Annual

Service Asset and Configuration Management

- Benefit Opportunities:
 - Visibility into external maintenance and support costs enabling elimination and significant reduction of these costs
 - Reclamation of underutilized or unused assets
 - Improved lifecycle planning and financial forecasting of assets
 - Foundational for enabling Continual Improvement

Service Level and Service Portfolio Management

- Benefit Opportunities:
 - Enhanced integration with the business enabling improved IT strategies, planning, service design, forecasting, and agility
 - Improved lifecycle planning of services and supporting infrastructure
 - Improved alignment of IT capabilities and business expectations
 - Enables improved Availability and Capacity Management

Availability and Capacity Management

- Benefit Opportunities:
 - Reduction in capacity-related outages
 - Proper sizing, configuration and architecture of supporting infrastructure enabling targeted service performance
 - Reclamation of underutilized or unused assets
 - Improved lifecycle planning and financial forecasting of assets

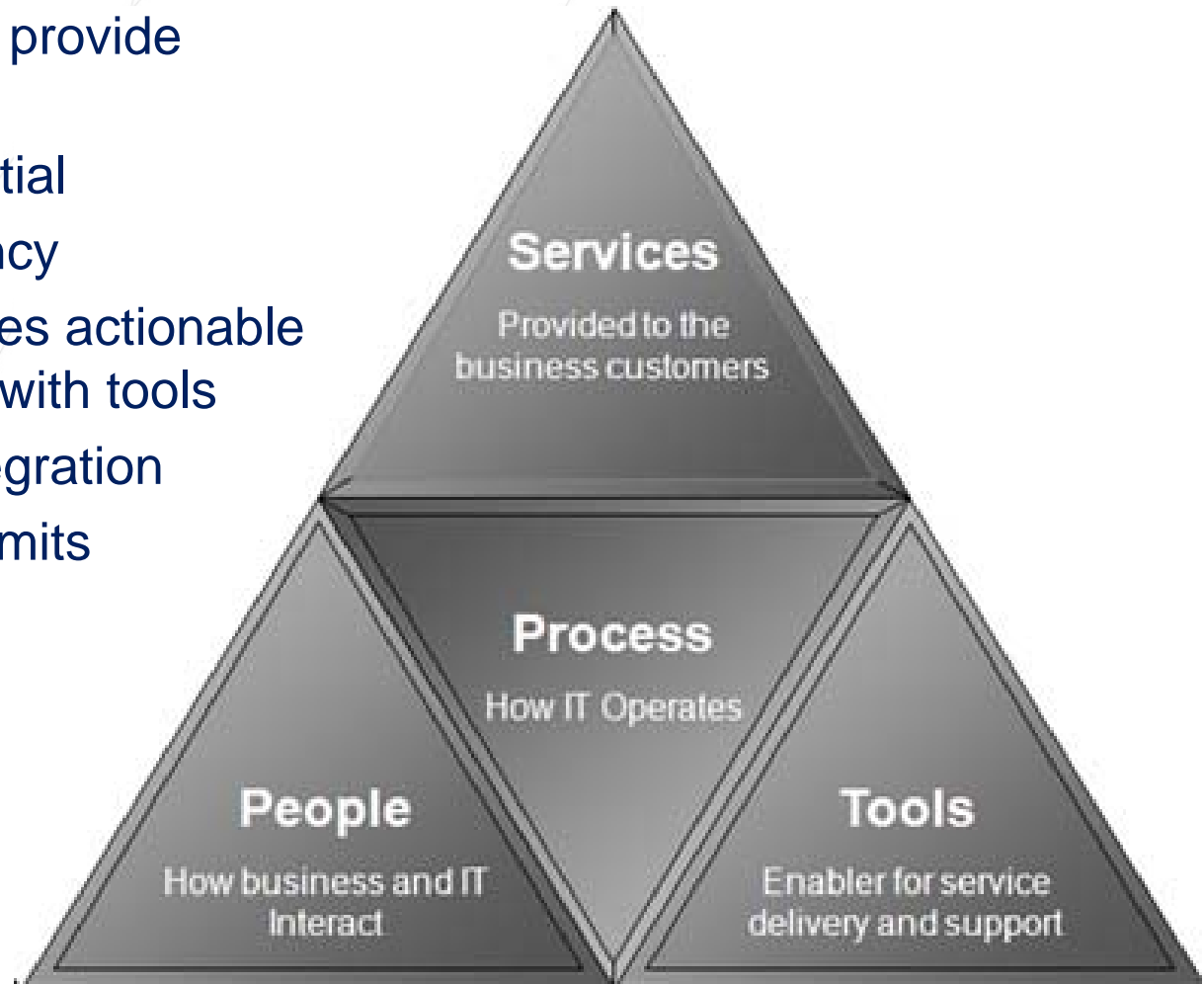
Continual Service Improvement

- Benefit Opportunities:
 - Measurement strategy of IT performance coupled with business performance
 - Effective , efficient, and consistent reporting
 - Awareness, alignment of business and IT investments
 - Prioritized investment in improvement opportunities

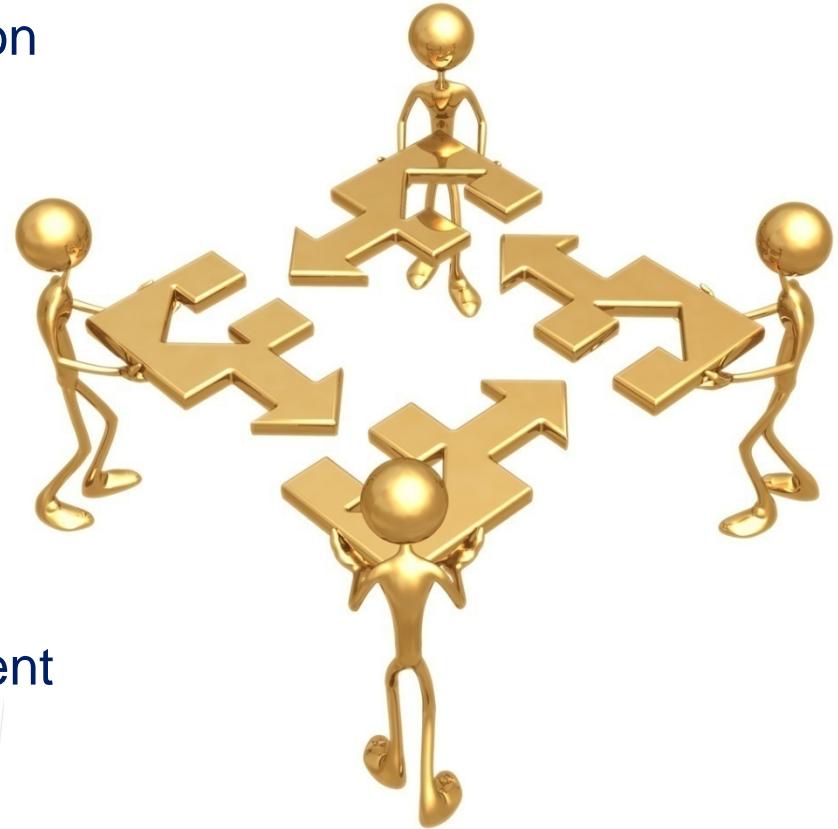
- Qualitative (Intangible Benefits)
 - Difficult to fully measure or estimate cash flows
 - ✓ Mitigate risk
 - ✓ Improve quality
 - ✓ Improve customer satisfaction
 - ✓ Greater reliability
 - An approach ...
 - ✓ Present financial measure (NPV, IRR, Payback)
 - ✓ Identify/describe qualitative benefits
 - ✓ Decision based on “sum”

Consider

- People execute
 - Process and Tools provide structure
- Quality data is essential
 - Requires consistency
 - Consistency requires actionable processes aligned with tools
- The value is with integration
 - Process isolation limits improvement



- People:
 - Common language; common vision
 - Teamwork
 - Integration fosters communication
 - Morale
 - Quantify:
 - ✓ Surveys
 - ✓ Complaints
 - ✓ Turn-over
- Process drives data:
 - Consistency enables improvement
 - Simplicity enables integration
 - Quantify:
 - ✓ Identify areas where data is limiting



General Guidelines

- Target your audience
 - Relate to their “pain”
 - Leverage preferences
- Present for action, not consumption
- Measure twice, cut once
 - Validate approach
 - Review estimates
 - Document assumptions
 - ✓ Validate assumptions early
 - ✓ Highlight key assumptions
- Follow your PMO Guidelines



Considerations

- Consult internal experts (e.g., your Finance Department)
- Use your company's preferred financial measures
 - Return on Investment (ROI)
 - Net Present Value (NPV)
 - Internal Rate of Return (IRR)
 - Payback
- Leverage charts/graphs/bubble charts
- Consider presenting “ranges” (e.g., conservative, most likely, potential)



Considerations

- It's all about service – relate benefits to services
- If you don't have services defined...
 - Segregate data by customer (e.g., calling organization)
 - Segregate data by provider (e.g., supporting organization)
- Start simple
 - Planned vs un-planned time utilization
- Focus on the Business...
- Identify and measure the pain

- Focus on the Business
- Establish a measurement strategy
- Establish a repeatable “benefit” analysis structure
- Validate and document assumptions
- Be complete – include qualitative benefits
- Engage the experts
- Treat as a project
- Know your audience



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