Seven Steps ITSM ROI

Ken Hamilton, Director HP ITSM Education

Agenda

- ITIL/ITSM Intro
- ROI Background
- ROI in IT Investment Decisions
- ROI Calculation
- Steps to an ROI Business Case
- ITSM Costs
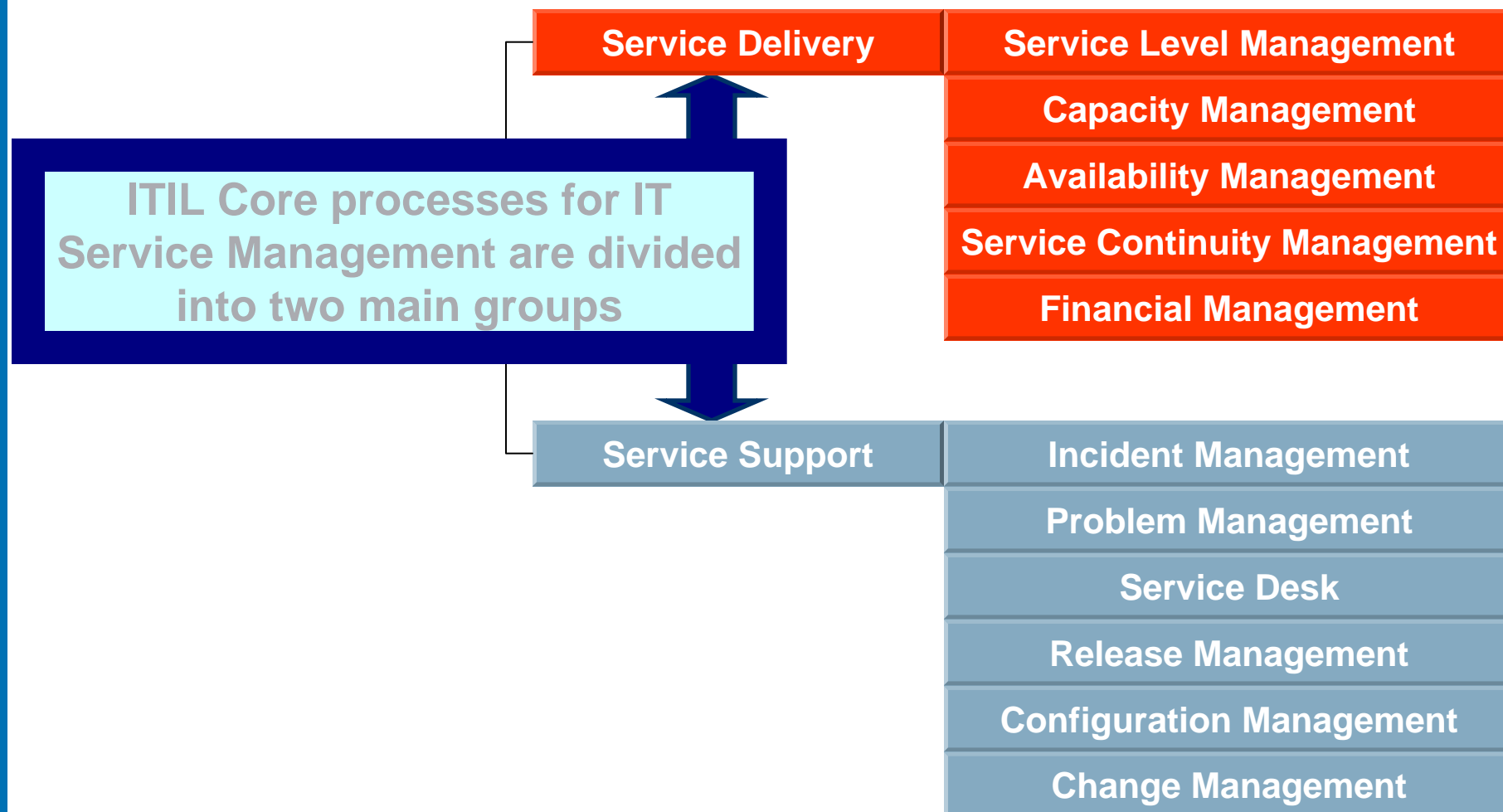- ITSM Benefits
- ITSM Case Studies
- Education
- Questions

An Introduction to ITIL

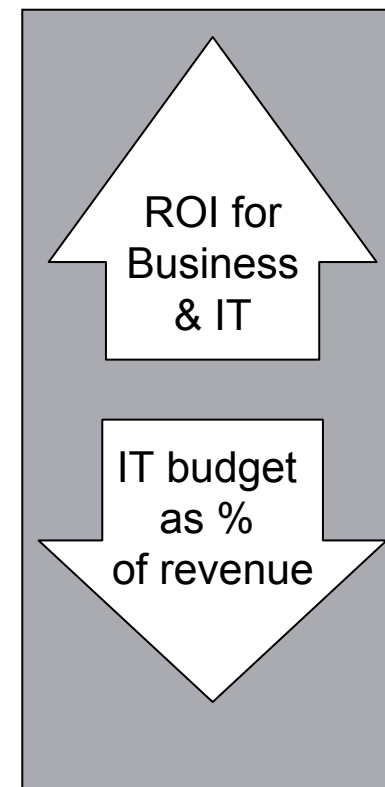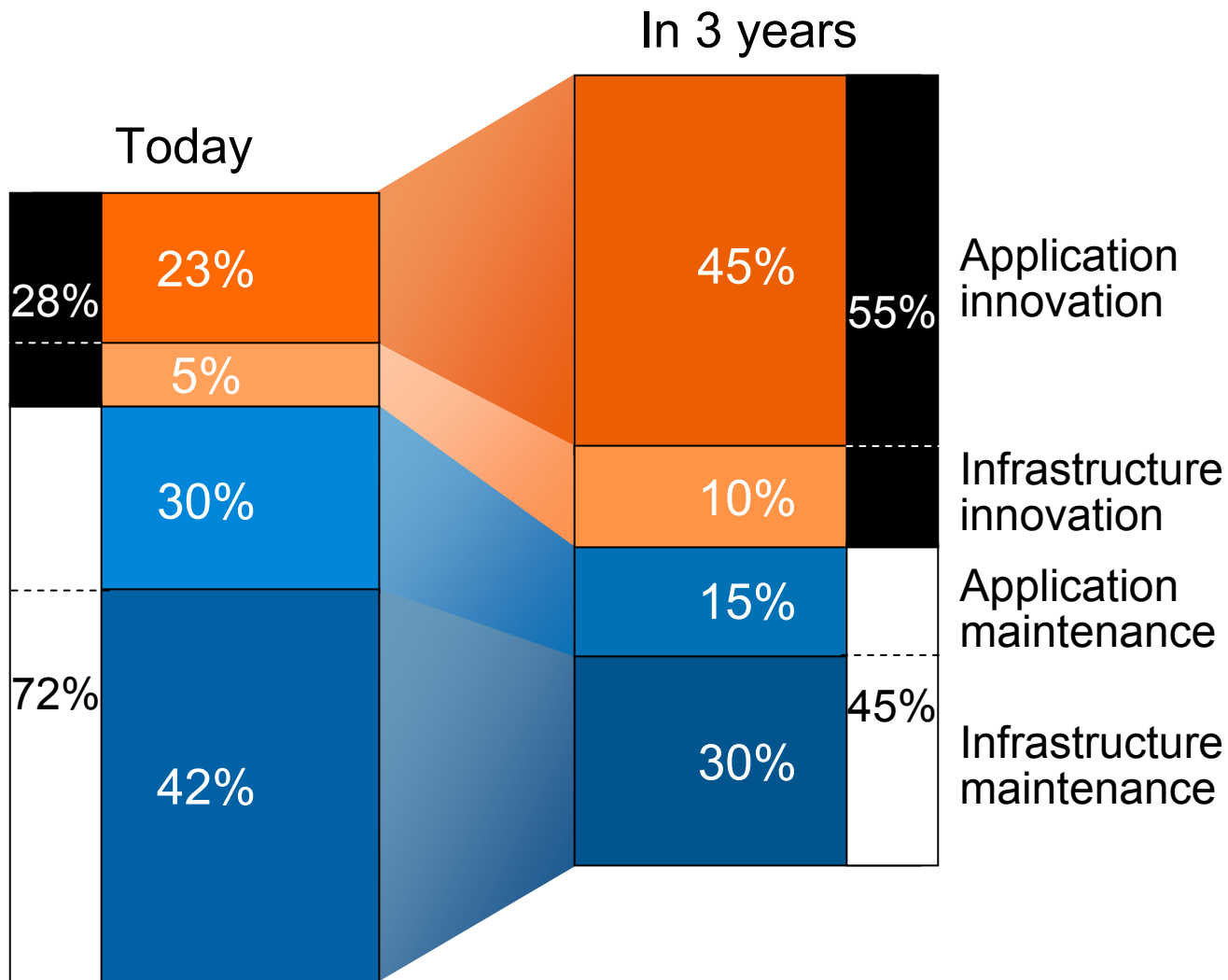## IT Infrastructure Library (ITIL)

- Series of books giving guidance on the provision of quality IT services

- Produced by OGC, published by The Stationery Office
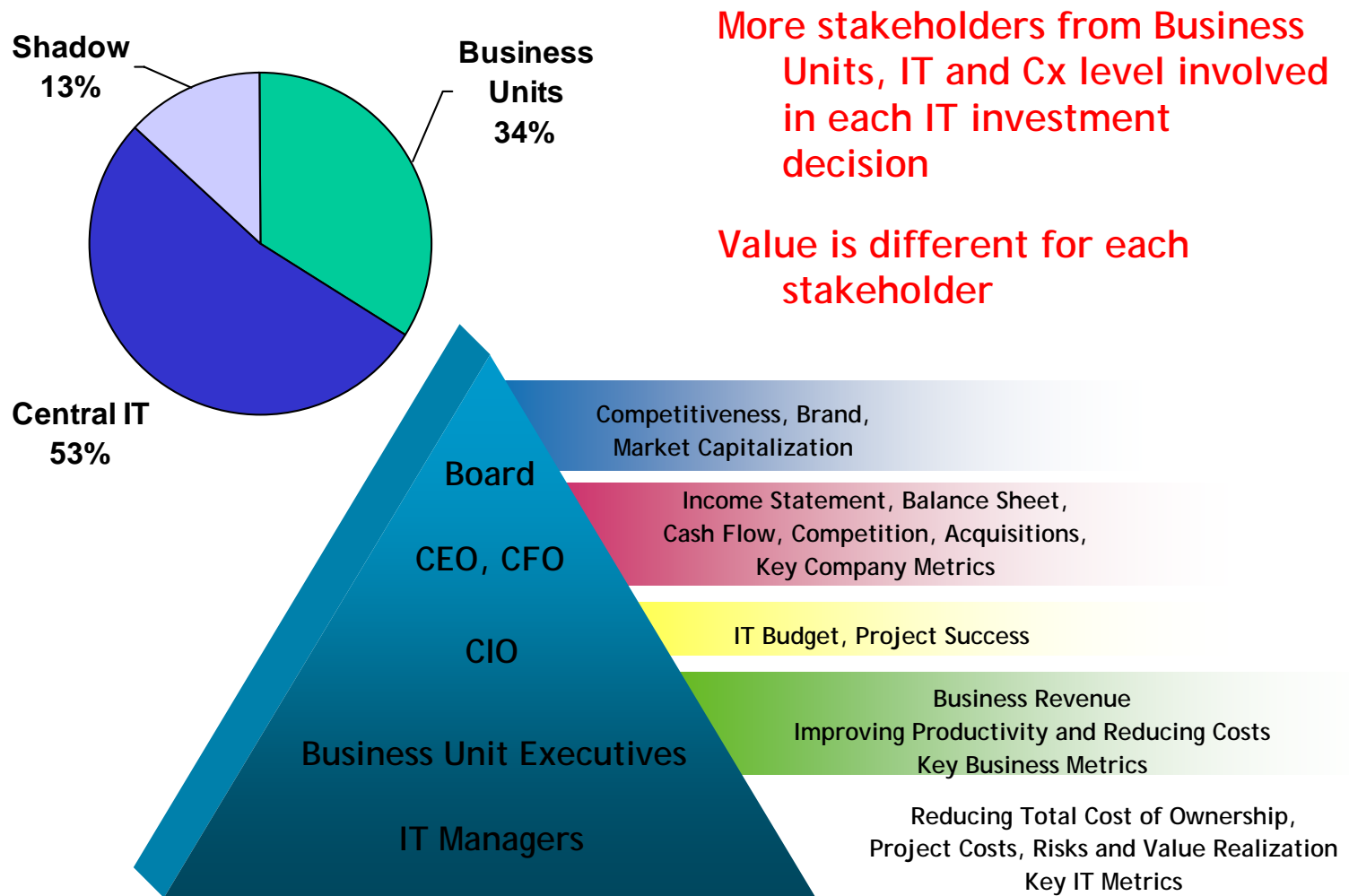
- Non-proprietary

- itSMF

An Introduction to ITIL

Service Delivery	Service Level Management
	Capacity Management
	Availability Management
	Service Continuity Management
	Financial Management

ITIL Core processes for IT Service Management are divided into two main groups

Service Support	Incident Management
	Problem Management
	Service Desk
	Release Management
	Configuration Management
	Change Management

ROI for innovation and agility

In 3 years

Today

28%	23%		45%	55%	Application innovation
	5%				
	30%		10%		Infrastructure innovation
72%			15%		Application maintenance
	42%		30%	45%	Infrastructure maintenance

ROI for Business & IT

IT budget as % of revenue

Stakeholders in IT Investment Decisions

Shadow 13%

Business Units 34%

Central IT 53%

More stakeholders from Business Units, IT and Cx level involved in each IT investment decision

Value is different for each stakeholder

Board — Competitiveness, Brand, Market Capitalization

CEO, CFO — Income Statement, Balance Sheet, Cash Flow, Competition, Acquisitions, Key Company Metrics

CIO — IT Budget, Project Success

Business Unit Executives — Business Revenue, Improving Productivity and Reducing Costs, Key Business Metrics

IT Managers — Reducing Total Cost of Ownership, Project Costs, Risks and Value Realization, Key IT Metrics

Alinean - 2005

Operations – The Manual Reality
People intensive nature drives costs
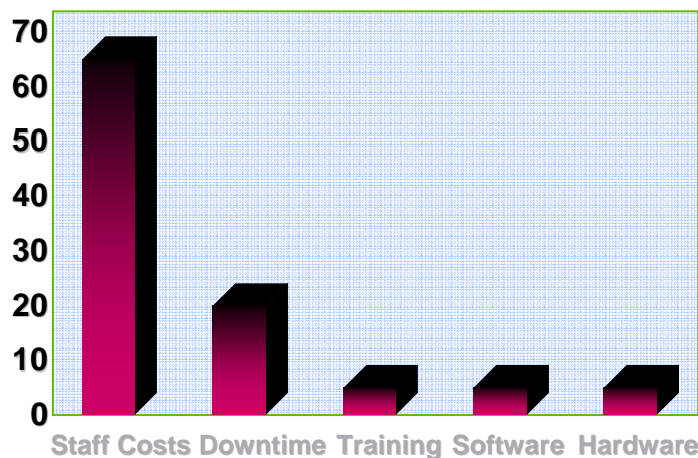
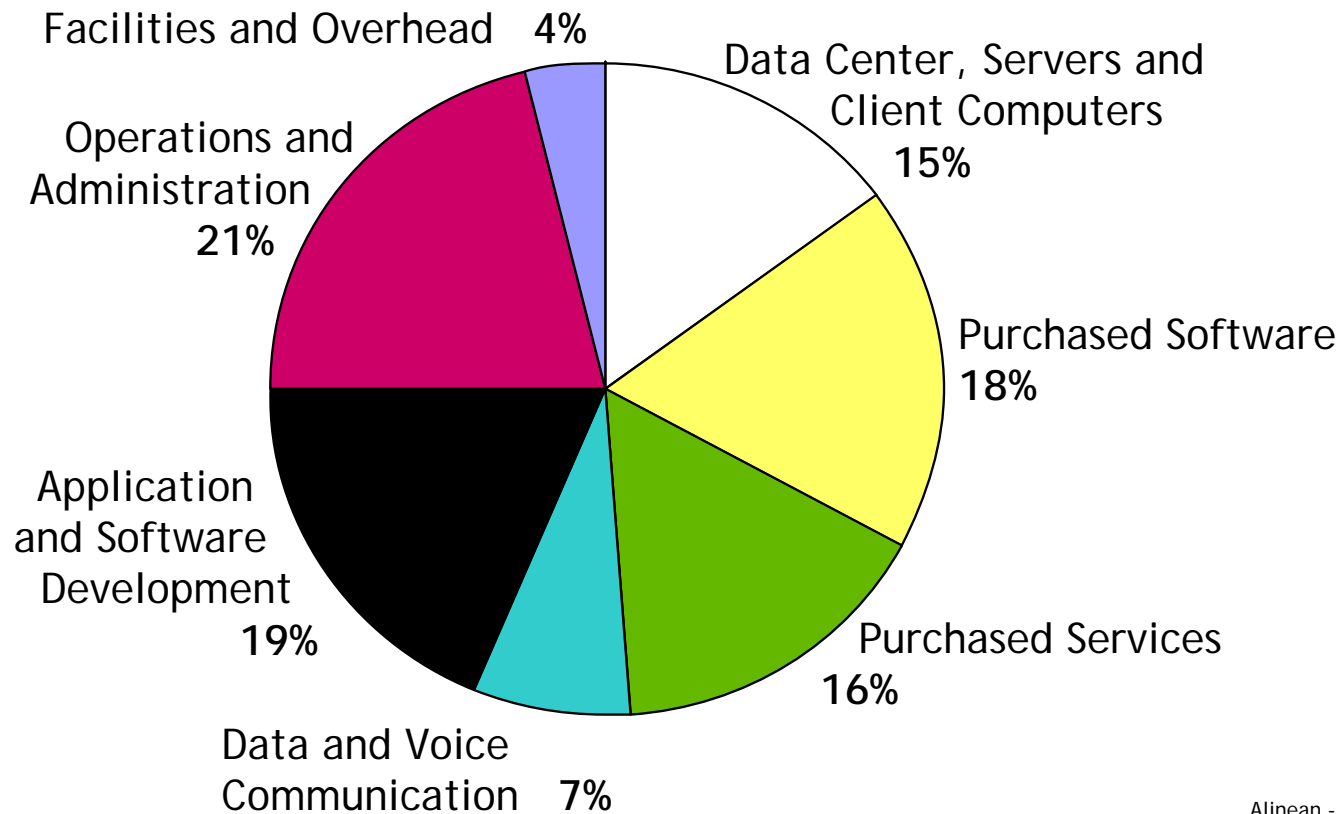**Over 60% of TCO over a 5 year period driven by people costs**

Those people are spending their time on manual tasks

Degree of Automation

	Manual	Scripts	Automated Tools
Security Mgmt	62%	14%	25%
Network	60%	16%	24%
Event	58%	18%	24%
Performance	56%	17%	28%
Storage	54%	17%	29%
Change/Config	53%	24%	23%

Percent of Reponses

Staff Costs Downtime Training Software Hardware
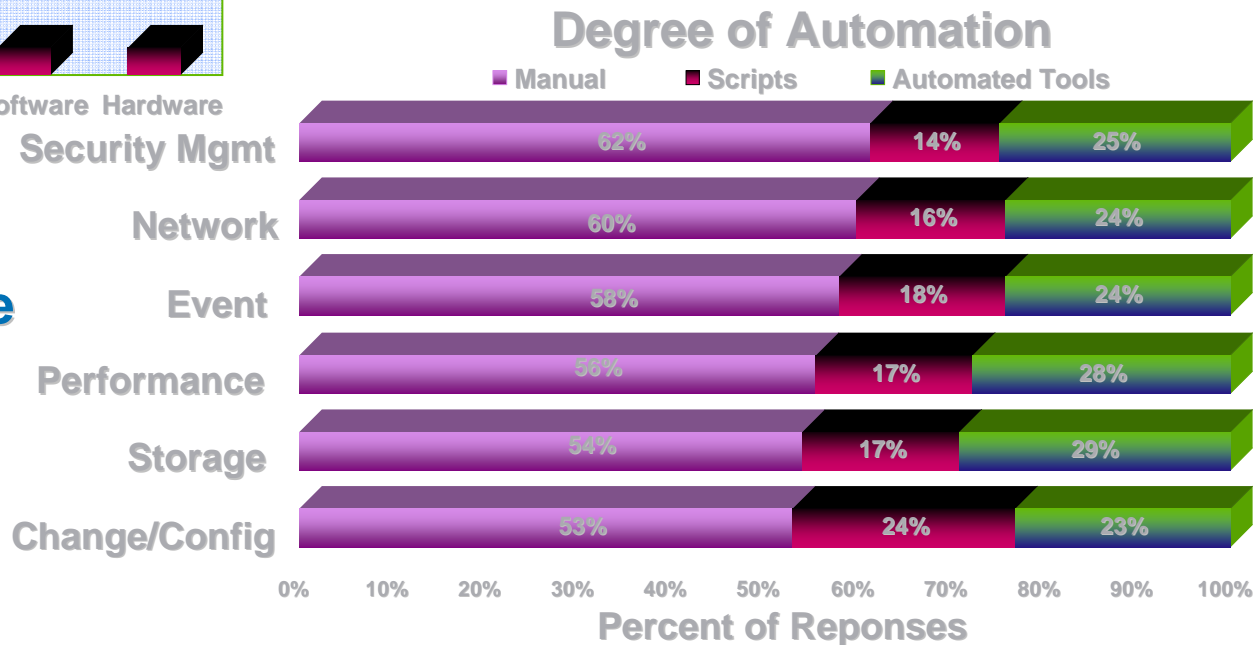
Internal labor continues to garner majority of IT budgets

Average Total Cost of Ownership - 2005

Facilities and Overhead **4%**

Operations and Administration **21%**

Data Center, Servers and Client Computers **15%**

Purchased Software **18%**

Application and Software Development **19%**

Data and Voice Communication **7%**

Purchased Services **16%**

Labor and equivalents consumes over 56% of current IT budgets

Alinean - 2005

Calculating ROI (The Formula)

- ROI = (benefits – costs) / costs * 100%

  - An ROI of 200% means that every dollar spent on project nets two dollars in return (original + two)
  - Typically need ROI of >100% to account for risk
  - An ROI north of 300% is likely too high for credibility and risk
  - Benefits and costs cumulative over the analysis period

Business Value Selling – Making the case for change

Revenue TO BE

Incremental Revenue Benefits

Revenue AS IS

Costs

Costs TO BE

Business Costs AS IS

Deployment Schedule

Cost Savings

Project Timeline | Initial | Year 1 | Year 2 | Year 3
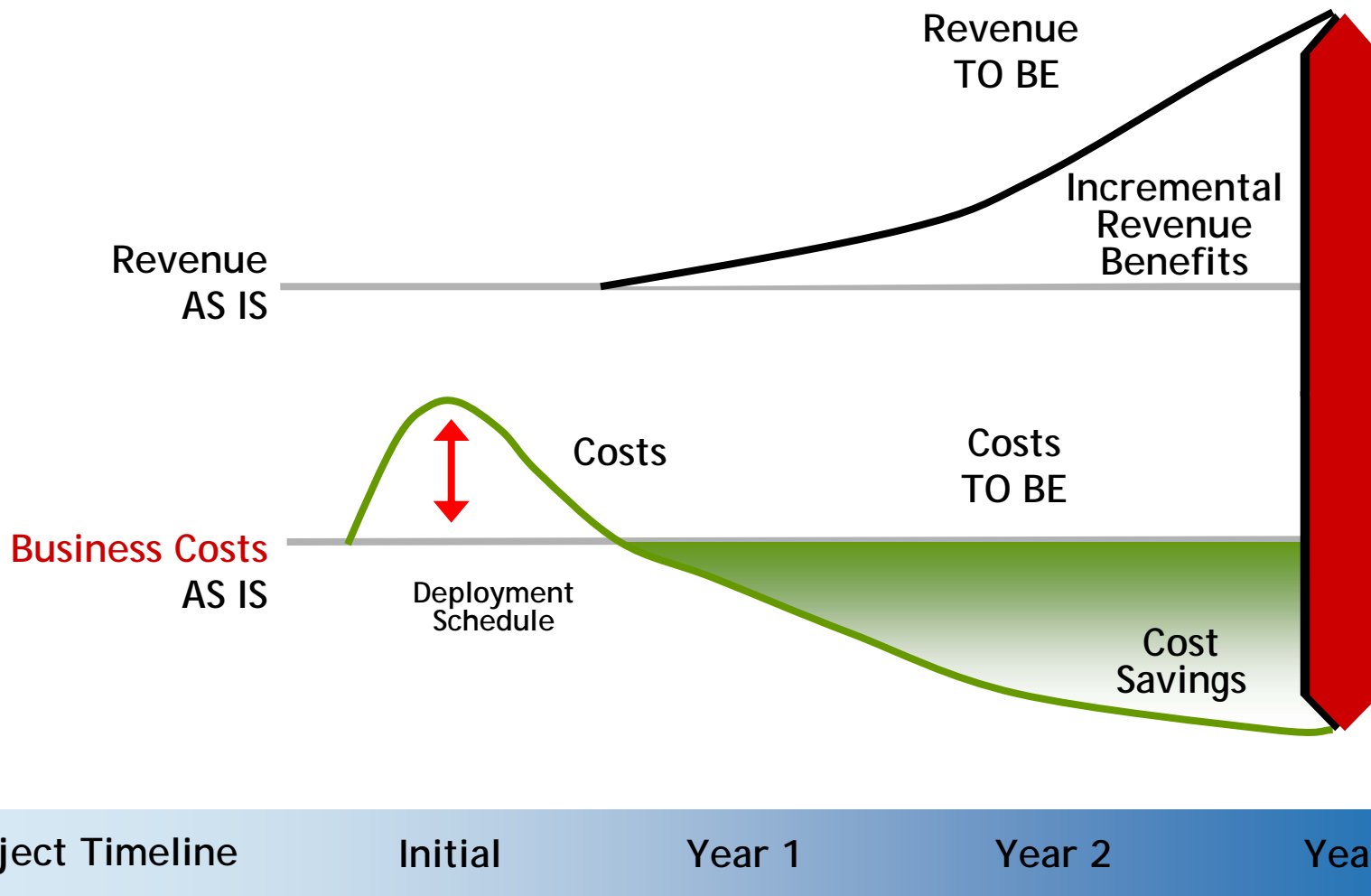
Alinean - 2005

Steps to ROI

Strategic Alignment

Identify Opportunities for Improvement → Align with Goals → Identify Potential Projects

Tactical Impact

Quantify AS IS Opportunity → Costs and Benefits → Risk Adjustments → Quantify TCO, ROI, NPV, IRR and payback

For each proposed project

Business Impact

Risk / Reward and Portfolio /Budget Optimization   Corporate Financial Impact

Alinean - 2005

ROI Analyst™ Methodology
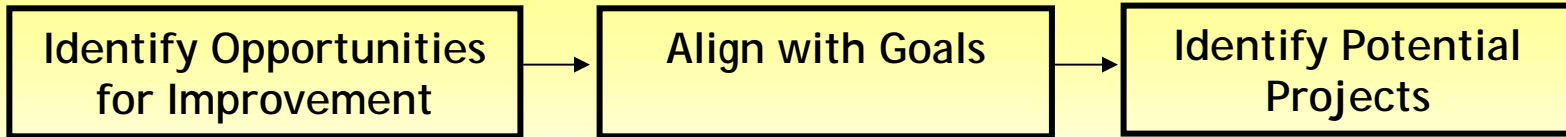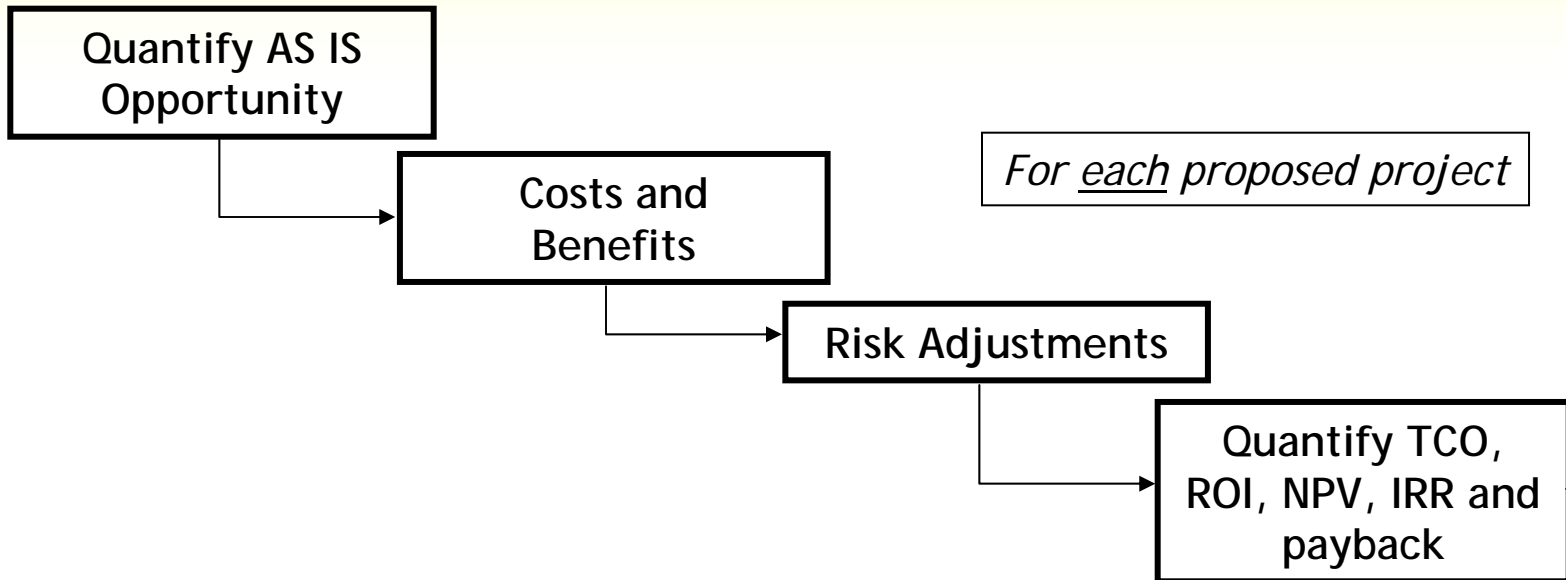
How much ROI is enough?

Minimum Acceptable ROI Level

No clear answer
Between 50-300% = 62%
Client specific - Ask

- Over 300% **4%**
- Between 200 and 300% **17%**
- Between 100 and 200% **24%**
- Between 50 and 100% **20%**
- Less than 50% **8%**
- No Minimum **12%**
- Don't Know **15%**
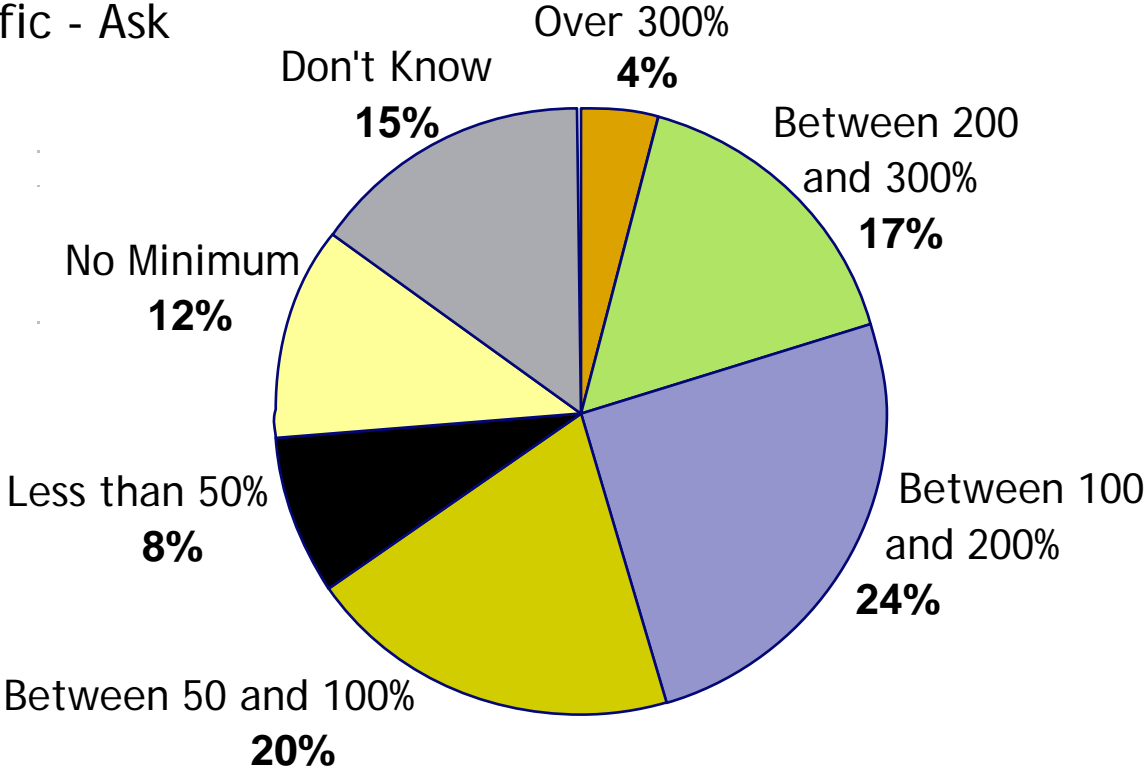
Source: *IDC | Alinean, Summer 2004*

What are the expected Payback Periods?

Payback Period Requirements

No clear answer
Less than 1 year = 45%
Client specific - Ask

- Greater than 3 years 5%
- Don't know 5%
- Less than 3 years 15%
- No minimums 10%
- Less than 2 years 20%
- Less than 6 months 21%
- Less than 1 year 24%
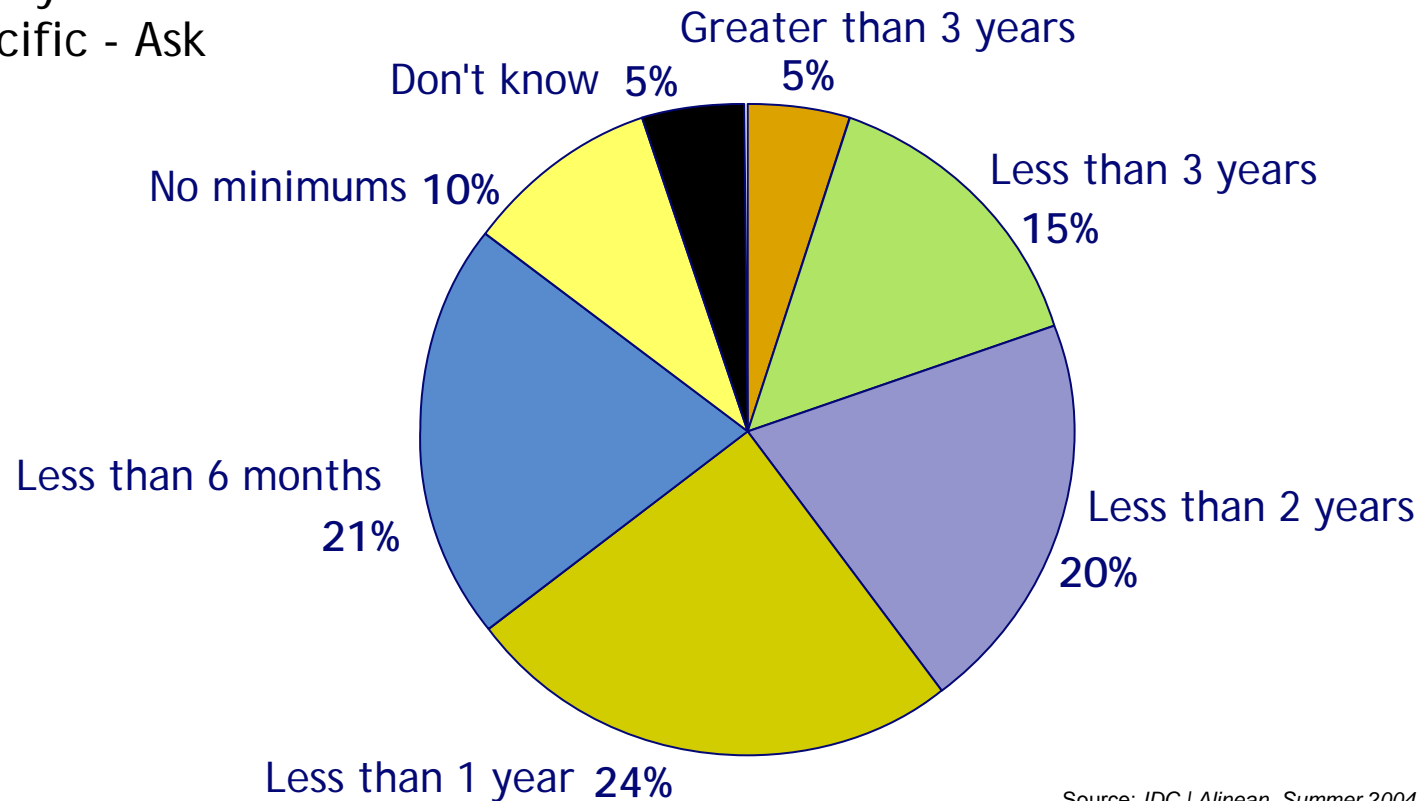
Source: *IDC | Alinean, Summer 2004*

Sample Costs

- IT Costs
  - Software and Hardware
  - Support and Maintenance Contracts
  - Planning and Deployment Labor
  - Application Development and Porting
  - Professional Services
  - Managed Services
  - Training and Learning
  - On-going Management and Support
  - Application evolution
  - Existing asset write-offs

- Business Unit Costs
  - Planning and Deployment Labor
  - Subject Matter Design Labor
  - Change Management
  - User Training

Source: *IDC | Alinean, Summer 2004*

Organizing and Analyzing Benefits – Class of Benefits

- ## Direct (Hard) Benefits
  - First Order Effect: Implementing product directly delivers a benefit
  - Results in direct cost avoidance or productivity increase
  - Typically not applied to revenue gains
  - Typically count 100% of direct benefits in the business case

- ## Indirect (Soft) Benefits
  - Higher Order Effect: Implementing product will result in a competitive change to the business, which should result in achieving the stated benefits
  - Drives changes in employee or customer behavior
  - Typically includes tangible benefits such as customer satisfaction increases, improved selling effectiveness and downtime loss avoidance
  - Typically count less than 50% of indirect benefits in the business case (10% by default in most models)

Alinean - 2005

Where to find Benefits?

- **Increasing productivity**
  - Reducing the number of tasks
  - Reducing time per task
  - Reducing skill level needed
  - Increasing resource utilization
  - Reducing need to add headcount
  - Reassigning headcount to more productive tasks

- **Reducing costs**
  - Reducing overhead expenses
  - Avoiding planned purchases
  - Improving asset utilization

- **Generating revenue**
  - Creating new revenue sources
  - Reducing time to market
  - Reducing lost revenue such as downtime avoidance
  - Optimizing current opportunities
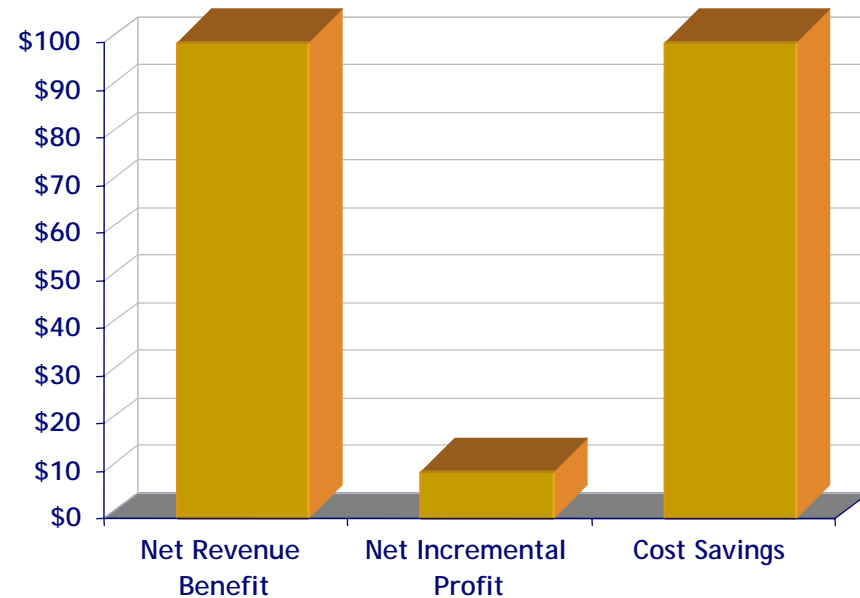
$100 in cost savings vs. $100 in revenue benefits

Source: *IDC | Alinean, Summer 2004*

Incident Management Example Measures

Metric	Measurement	Cost Impact
Incident occurrence	• # of incidents	Included below
Time to record an incident	• Elapsed time to record incident	Avg time to record x incidents x labor cost
Time to resolve an incident	• Elapsed time from incident record to resolution	Avg time to resolve x incidents x labor cost

Case
Studies
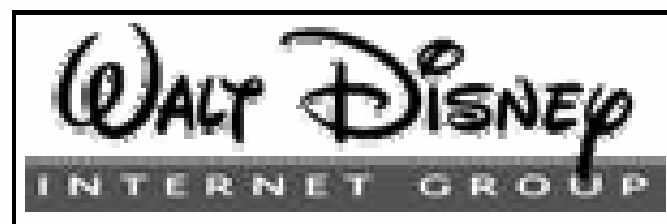
"Lost Boys"
The story of how Disney is
maturing a Dot com

What We Did

- Established project milestones and objectives based on survey feedback
    - Incident Management
    - Change Management
    - Configuration Management
    - Problem Management and Service Level Management to follow

- Very aggressive schedule – sense of urgency was very high
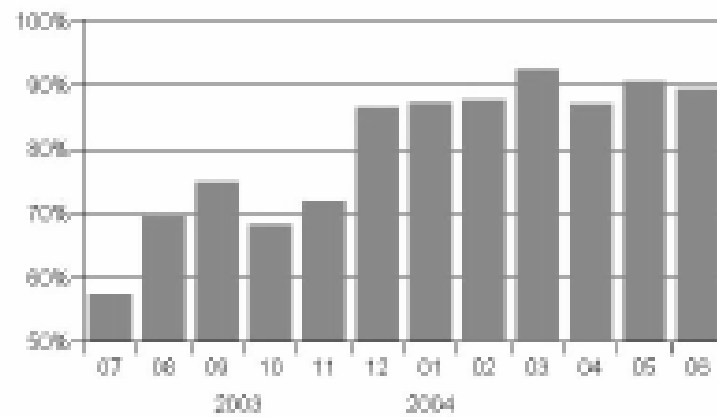
Additional Benefits

- Less revenue loss through down time
- Reduction in incidents through proactive identification of conflicting changes
- Additional benefit gained from improving low impacting incidents
- Guest experience improvements
- Increased visibility of internal processes
- Value of additional performance metrics
- Centralized management of services for a global operations

Biggest Challenges

- Determining ROI without having good forecasting data
  - It is easy to see the ROI in hindsight
  - It is a leap of faith.
- Quantifying the intangible benefits and opportunity cost savings
- Keeping the big picture in mind
- Sustaining a sufficient level of communication around the effort

DHL Case Study

- About DHL: 220 countries; 170,000 employees; 3,5 million customers; 112000 IT calls/month

- Consolidated multiple ITSM applications and data stores into HP OpenView Service Desk and it's integrated CMDB for 4000 IT people

- 16 HP trainers educated 4000 people in 3 months

- 30 HP consultants were involved defining and implementing processes and migrating data

- HP high availability hardware solution

- DHL wins the itSMF Project of the Year 2004 award

Number of items in the CMDB:

- Configuration Items: 121,593
- Locations: 4,995
- Maintenance Contracts: 28
- Organizations: 43,051
- Persons: 174,678
- Services: 948
- SLAs: 791
- IT Employees: 4,230
- IT Workgroups: 1,595
- History Lines: 100,000,000
- Documents: 80,000
- Service Calls: 1,026,750
- Problems: 3,418
- Changes: 113,927
- Incidents: 124,991

DHL

DHL is the global market leader of the international express and logistics industry

The HP difference
- One-stop shopping
- ITSM domain leadership

Business needs ➤

- Meeting the service level expectations of 170,000 employees
- Replacing an array of disparate tools by a single, coherent ITSM solution
- Migrating massive amounts of data without impairing business operations
- Bringing together more than 4000 IT professionals from a number of companies

HP solution ➤

- Core ITSM processes implemented in **11 months** with the help and expertise of HP Consulting & Integration and HP Education
- HP OpenView Service Desk as the central platform and consolidated configuration management database (CMDB)
- High Availability solution using multiple HP application servers,

Customer benefits

Simplicity
- Best practices shared across organizational boundaries

Agility
- Adaptability for growth and change in pace with business requirements

Value
- 20% cost reduction
- Enhanced call resolution efficiency and greater responsiveness

ITIL Assessment

Overall Scores

Service Management
Service Level Management
Release Management
Availability Management
Change Management
IT Service Continuity
Asset & Config Management
Financial Management
Problem Management
Capacity Management
Incident Management
Security Management
Service Desk
Customer Relationship Management
Supplier Management

5
4
3
2
1
0

■ Efficiency & Effectiveness
■ Maturity & Penetration

Improving and Measuring

```
┌──────────────┐        ┌──────────────┐
│ What is the  │────────│  High Level  │
│   Vision?    │        │   Business   │
└──────────────┘        │  Objectives  │
       │                └──────────────┘
       ▼
┌──────────────┐        ┌──────────────┐
│ Where are we │────────│ Assessments  │
│    now?      │        └──────────────┘
└──────────────┘
       │
       ▼
┌──────────────┐        ┌──────────────┐
│ Where do we  │────────│  Measurable  │
│ want to be?  │        │   Targets    │
└──────────────┘        └──────────────┘
       │
       ▼
┌──────────────┐        ┌──────────────┐
│ How do we get│────────│   Process    │
│ where we want│        │ Improvement  │
│   to be?     │        └──────────────┘
└──────────────┘
       │
       ▼
┌──────────────┐        ┌──────────────┐
│  How do we   │────────│ Measurements │
│ know we have │        │ and Metrics  │
│   arrived?   │        └──────────────┘
└──────────────┘
```

How do we keep the momentum going?
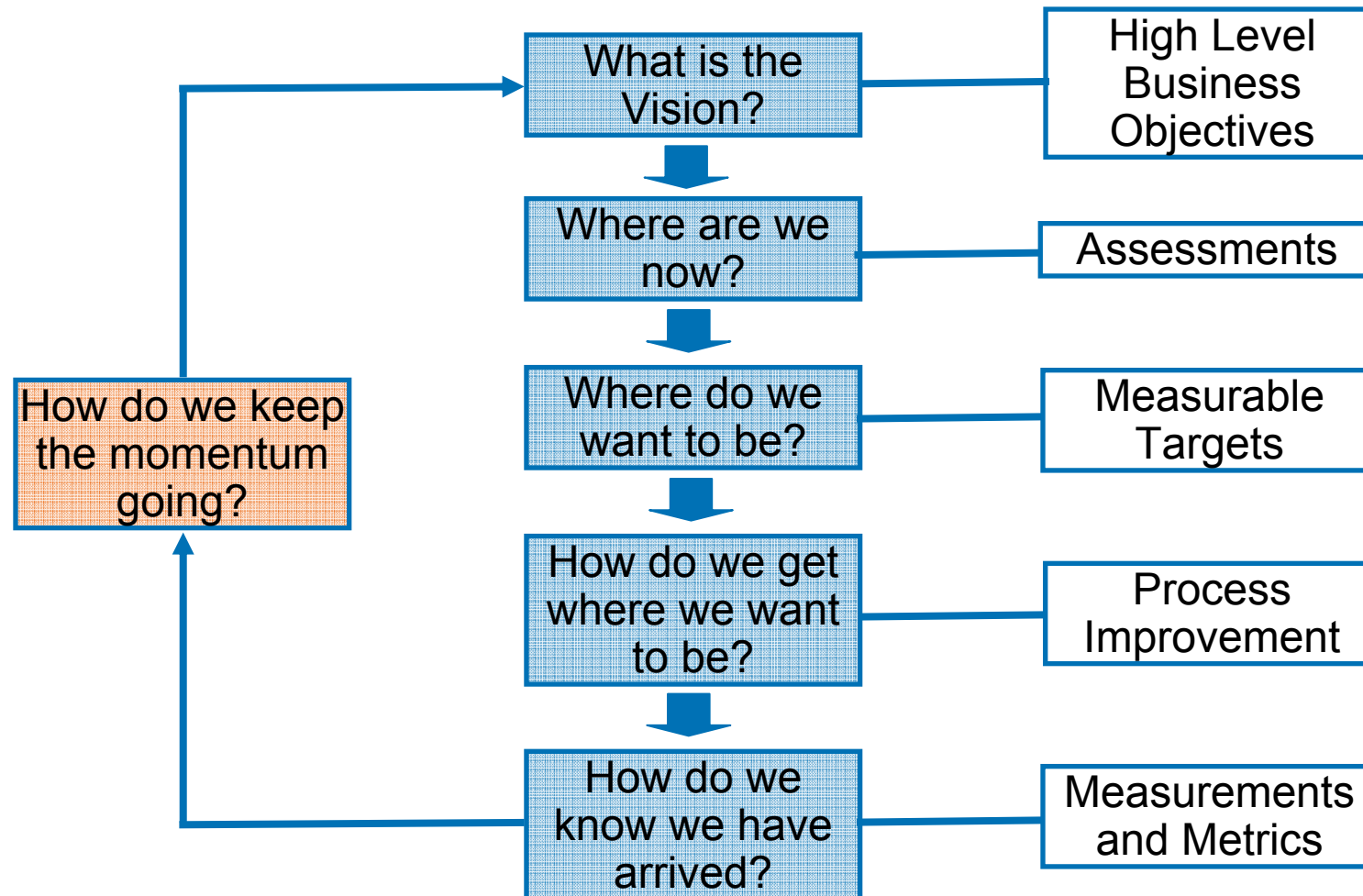
ITIL Benefits Summary

- Improved quality of IT services delivered

- Decreased IT operating costs

- More reliable business support

- Enhanced customer satisfaction

- Greater flexibility

- Clearer alignment of IT's capabilities to support business strategy

TARGET METRICS

Metric		Description
30% ⬇		Incident count
80% ⬇		Mean time to repair
25% ⬇		Cycle time for changes
⬆ **25%**		Implementation of no-fault changes
50% ⬇		Reduction in high-priority and emergency changes
15% ⬇		Reduction in (over)capacity
⬆ **10%**		Increase in availability

ITSM can deliver substantial, tangible benefits:

• Mitigate risk   • Enhance agility   • Cut IT costs   • Improve quality of service

ITSM Approach = People, Process and Technology

People: **Education**	Process: **Consulting & Services**	Technology: **Enabling Software**
• Certification training	• Assessments, workshops	• Service delivery, support and beyond
• Wide choice of training options	• Real-world global experience	

V3 Architecture…

VALUE ADDED PRODUCTS

Core

COMPLEMENTARY
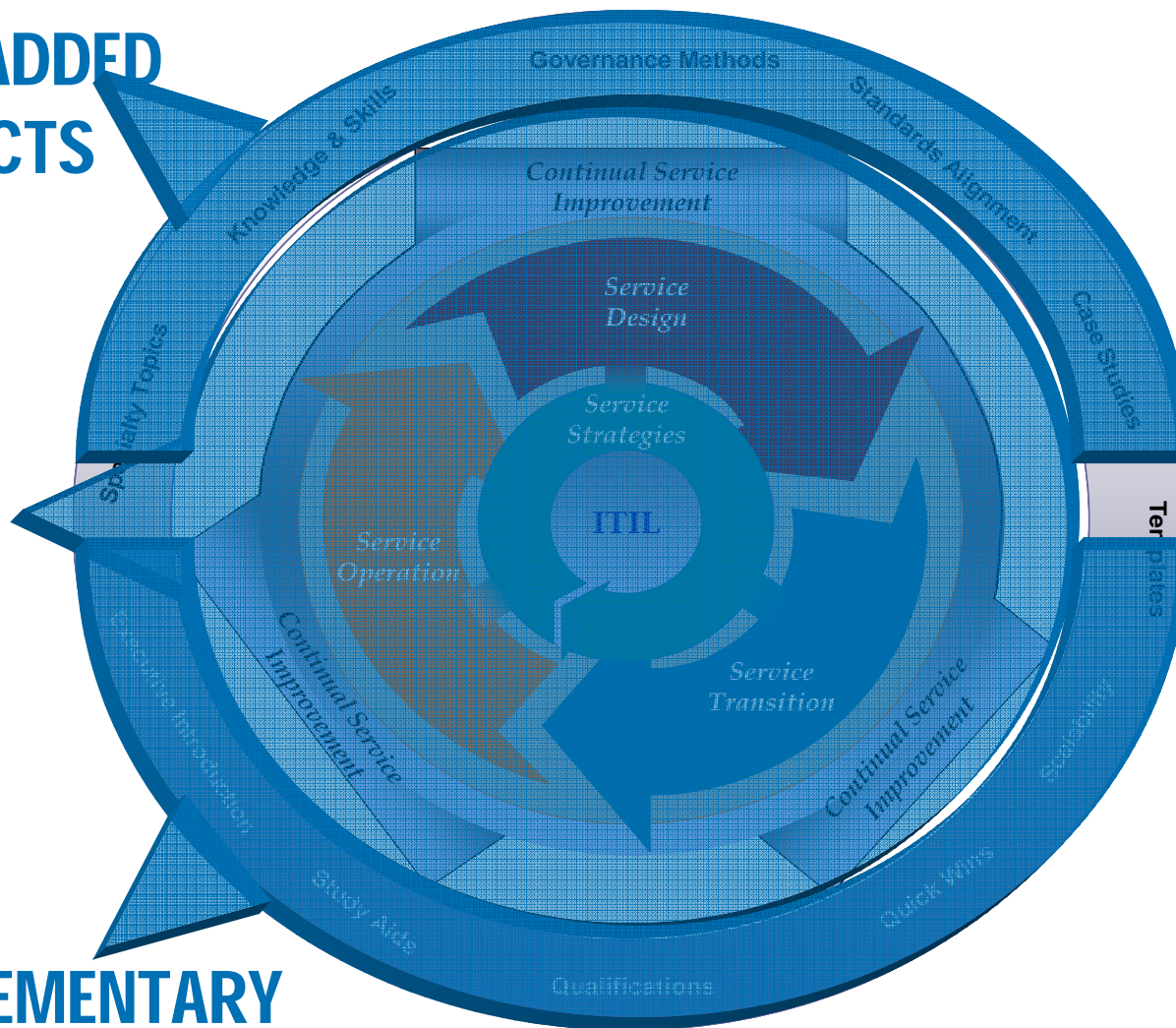
V3 – Synergy unleashed

- Best Practices
- CMMI
- TOGAF
- eTOM
- Six Sigma
- PMBOK
- PRINCE2
- SOA
- COBIT
- M_o_R
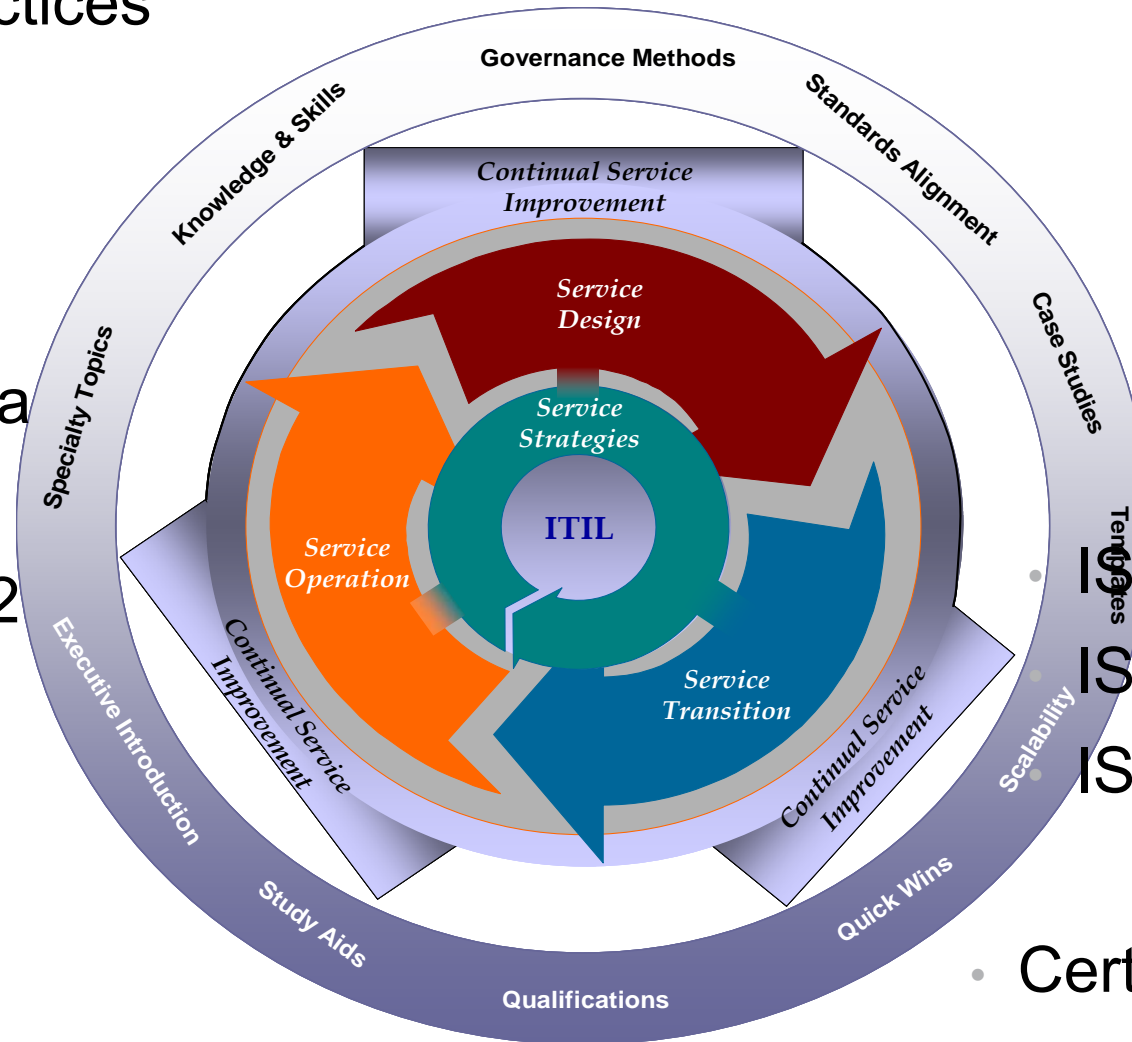
- Standards
- ISO/IEC 20000
- ISO/IEC 17799
- ISO/IEC 19770
- SOX
- Certified Training

Project Management ++
A curriculum from business strategy to operations

Business Objectives

Business Analysis
- Principles of Business Analysis
- PM Skills for Business Analysts
- Crafting High Quality Requirements
-

IT Project Management
- Race to Results PM Simulation
- PM Fundamentals
- PM Risk Management
- PM Cost & Schedule Control
- PMP & CAPM Certification

Completed Projects

IT Service Management
- Awareness
- ITIL Foundations
- ITIL Practitioner
- ITIL Service Manager
- ITIL Certification

PM helps bridge the business and operations

Proposed Service Improvement Projects

Need to break down functional IT silos
to deliver positive business outcomes
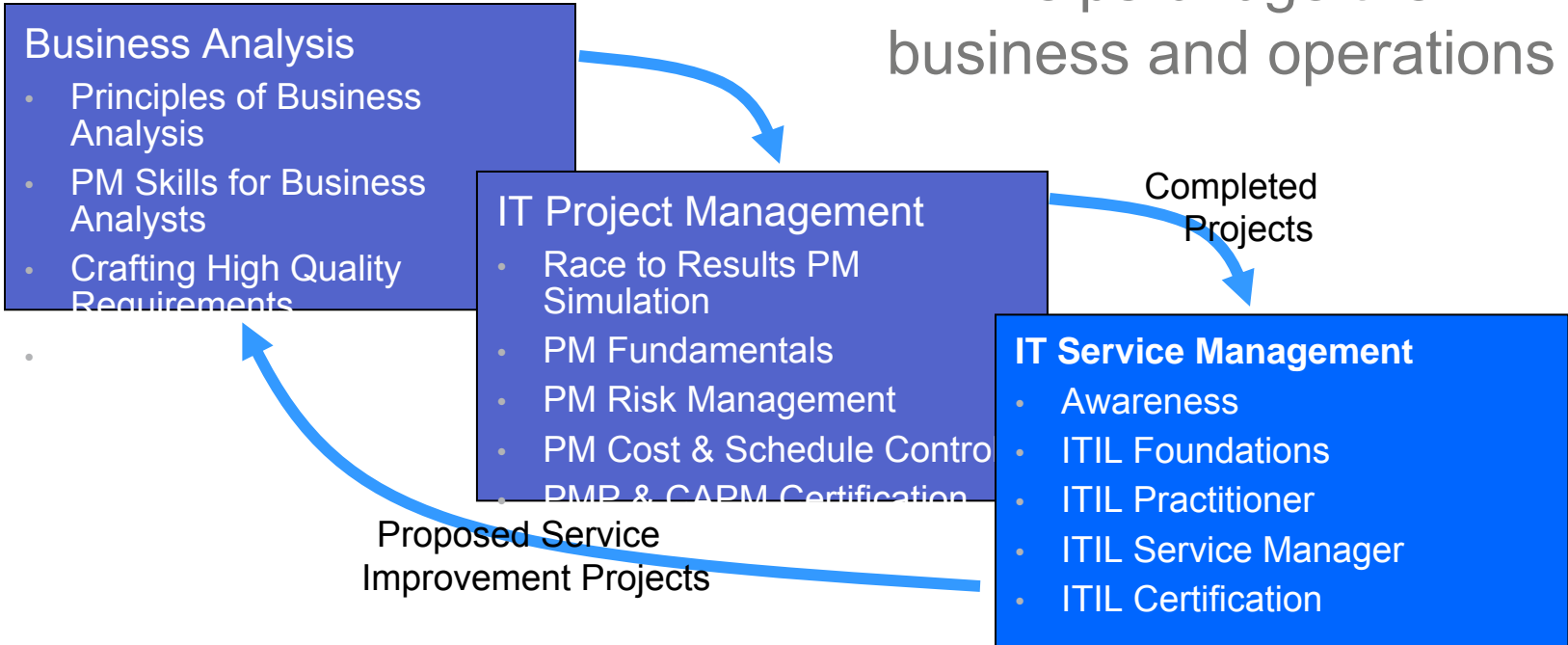
STRATEGY

IT DEVELOPMENT

IT OPERATIONS

ITSM Training: IT service management standard education curriculum

HP invent

Formula 1 simulation

1 day

ITIL Foundations (with simulation)

H1846S   3 days

ITIL Foundation Self Paced Web Based Training
U8467AAE

foundation certificate in IT service management exam

online introductory courses on IT service management

overview of IT service management

H3577I

introduction to configuration management

U2801aae

introduction to service desk & incident mgmt

U2802aae

introduction to problem management

U2803aae

introduction to change management

U2804aae

introduction to service level management

U2805aae

Xdays =traditional classroom training

=self paced web-based training

=online instructor-led training

=certification exam

=coming soon

=recommended book

Courses for ITIL Service Management

service support: ITIL manager in ITSM
U8687S   5 days

service delivery ITIL manager in ITSM
U8688S   5 days

ITIL SM exams preparation workshop
U2800AAE
2 days

Management certificate in IT service management exam

courses for ITIL processes

ITIL practitioner Change/Config. & Release Mgmt.
UA576S   3 days

ITIL practitioner service desk/ Incident, Problem management
UA575S   3 days

ITIL practitioner Capacity/Avail. Continuity Mgmt
UA577S   3 days

ITIL practitioner Service Level And Financial Mgmt
UA578S   3 days

courses for ITSM-related openview products

hp OpenView service desk application coordinator
H7084S   3 days

hp OpenView service desk 4.0 delta seminar
U1599aae

in addition to our standard ITSM courses, we offer tailored programs to meet your unique requirements

HP's Forumula1 ITSM Simulation Industry Leading Awareness and Collaboration Tool

Questions?

kennethh@hp.com