THE CHALLENGE
Investment in IT Service Management can be substantial, yet budget signoff can be a daunting task if the business benefits are not clear. This article describes how to create transparent and tangible benefits and justify the cost of ITIL programmes, whilst gaining trust from the business and key decision makers.

By now every IT leader should be familiar with IT Service Management and the ITIL framework. Most agree it is a set of sensible, good practices with many turning to them to remedy internal IT issues. Most often, they find that there are indeed areas where IT Service Management could help them resolve some of their most burning issues. But there is a catch!

Introducing or improving IT Service Management costs money. Just like with any reform or organisational change programme, investment is essential before benefits can be achieved. Often, every element of the People, Process and Technology triangle needs to be touched upon and all will inevitably cost money in one form or another. When calculating the overall cost of such initiatives you may be taken aback and wonder “how do I justify all of this spend?” IT’s budget has never been particularly generous but in the current economic climate the ability to apportion funds to Service Management initiatives has become even more challenging.

A number of approaches (such as piggybacking on high profile projects, turning to compliance) could work in allocating some funds but none of these approaches will help you with the fundamental problem: the communications and understanding gap (the “alignment”) between the Business and IT.

It is harder to get business signoff on budgets for IT Service Management projects when the Business is not convinced that initiatives will really support the business’ key objectives and could just be another ‘technical’ playground. Furthermore some organisations have already attempted ITIL implementations but due to limited funding they were only able to get limited results - I can think of examples where expensive, all singing, all dancing ITSM tools have been bought but without the funding or foresight to develop the processes to elicit the required outcomes. Such situations can erode trust for future IT initiatives and so we are left in a position where the Business to IT gap is actually an inhibitor that hinders the closing of the gap itself. A Vicious Circle indeed!

BREAKING OUT OF IT
In this situation, you may want to look at the ITSM programme from a completely different angle. Why not make the business want IT Service Management as much as IT does?

IT Service Management fundamentally should be about supporting business goals, and a proper ITSM programme will have delivered far greater benefits for the business than for IT itself.

There are of course, cost savings that can be had with an ITSM programme (whether an initial implementation or an improvement). But ultimately, the goal is to make IT work in harmony with the Business to deliver tangible business benefits. If you can convince the key stakeholders in the business that it is what they want, they will not only support the programme, but they will be prepared to fund the programme as well. But given the problems highlighted above, how do you convince the Business?
Fortunately, there is a common practice that each executive, director and manager is familiar with which to fall back upon – the creation of a business case. If IT or the business wants to initiate a formal project, and requires funding, we create a business case – why should ITSM be any different? Business cases are often prepared for IT Service Management programmes as well, but these often stay within the boundaries of the IT department, and their wording and scope is not in line with what the business executives could appreciate.

What we need in this business case is to express the benefits of the ITSM programme in business terms. We need to expand its scope to uncover links between the IT process and tool deficiencies and business impacts. We need to understand how the proposed change program will ultimately re-shape IT’s approach and how will this impact the costs, inefficiencies and blocked opportunities of the business operation. We cannot leave out the IT focus of course, it being the main subject of the new work practices, but too often this is the only area on which business cases are focused.

It is important to have all the calculations validated by stakeholders across the business – the role of the Financial Director, the Sales Director and COO should not be under-estimated. They will want to see that this programme is important for them and understand that the ITSM programme will no longer be an “IT project” but something that the business will derive tangible financial benefit from.

The business case will also be the basis to build new metrics upon and can also form an input to a balanced business scorecard.

TECHNIQUES FOR BUSINESS JUSTIFICATION

Of course, if it was this simple, everybody would be doing it already. While this approach is straightforward enough, it does require the effort and knowledge to estimate the return on the ITSM implementation in business or monetary terms. Whether you hire experienced consultants who know how to do this or whether you endeavour to do this on your own, there are several techniques and angles that can be used to derive the necessary information. Some of these are discussed here:

- Concentrate on high or medium profile outages in the past and identify what their true effect on the business operation was. Estimate the loss of business productivity which was a direct result of these outages as well as lost sales and revenue opportunities. Cross-check with the Service Desk or operations figures (if available) to estimate the frequency and length of these outages over a longer period. You should be expecting to reduce the frequency and length of these incidents by implementing proper Event, Incident, Problem and Change Management processes and where appropriate, automation of the workflow. In the case of one of our medium sized clients, the reduced business impact of such outages was worth over £1.6m over 5 years, even though the IT department did not consider its services to be overly unreliable.

Try to estimate how many changes are being introduced and how many of them have failed. Consider the costs of re-work, overtime, end user issues and misalignment to business needs that can be reduced significantly by proper change control as well as packaging and deploying the changes correctly (release management) in a business aligned manner. Often, the business projects will be slipping or there will not be enough capacity from the IT to deliver all projects because of this inefficiency. Improving business alignment with Change and Release Management should increase the business benefits, which can be estimated in a higher generated business value. Another client has seen a projected figure of over £1.5m in business
value delivered as a result of removing certain bottlenecks by better coordinated releases and changes – this value is simply a result of IT enabling the business to deliver on its promise of utilising the newly delivered functionality.

- Risk Management in the business often already has financial calculations; therefore the reduction of risks (due to Availability, IT Service Continuity Management) can be related directly to financial benefits.
- Most medium and large companies have a huge amount of 3rd party suppliers. Unless the Configuration and Service Level Management (and in ITIL V3, Supplier Management) principles are utilised, it is difficult to tell exactly which of these 3rd party (support, licensing or other) contracts are actively delivering value, utilised fully, and which are simply extended because the effort to understand the implications of terminating them is just too great. If the full supporting chain of Business Service – IT Service - Infrastructure – IT Resource – its supporting agreements is understood, there may be a significant amount of money that is saved.

Consider the financial penalties (internal or external) that are being felt today and whether ITSM can eradicate them. If so, factor them in the benefits calculation.

Consider time spent in meetings, particularly where they are used to compensate for a lack of process or structure. Eradicating a single weekly meeting of 10 IT professionals for example, could reduce costs by £15k per annum (never mind the increased opportunity cost).

This is just a short list of examples, but hopefully it will exemplify the thought pattern that you should employ to produce a sound good business case that all stakeholders will be able to identify with.

SUMMARY
Business justifying a project is good business practice and IT Service Management implementation should be no different in this respect. In fact, using a structured approach to engage the business stakeholders in justifying an ITSM project helps create the bond between the IT and the Business in itself. Such an approach helps to break out from the vicious circle where IT management finds it difficult to fund programmes that could help to build this needed trust in the first place.

CONTACT US
If you would like further details on developing business cases for ITSM initiatives and improvement projects; or if you require further details on any of our consultancy services, please contact us:

Telephone: +44 (0) 207 464 8883
Email: sales@icore-ltd.com