



Breaking out of the vicious circle

Investment in IT service management can be substantial, yet budget sign-off can be a daunting task if the business benefits are not clear. **Peter Suba** 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 (ITSM) and the IT Infrastructure Library (ITIL) framework. Most agree they are sensible, good practices with many turning to them to remedy internal IT issues. Most often, they find that there are indeed areas where ITSM could help them resolve some of their most burning issues. But there is a catch.

Introducing or improving ITSM 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 sign-off on budgets for ITSM projects when the business is not convinced that initiatives will really support the business's 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 ITSM as much as IT does?

ITSM 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 ITSM 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 programme will ultimately reshape IT's approach and how this will 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 finance director, sales director and COO should not be underestimated. 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.



Business justifying a project is good business practice and ITSM 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 itself

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 were 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 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 that was a direct result of these outages as well as lost sales and revenue opportunities. Cross-check with 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 £1.6 million over five 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 rework, 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 £1.5 million in business value delivered as a result of removing certain bottlenecks by better co-ordinated 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 and IT service continuity management) can be related directly to financial benefits.
- Most medium and large companies have a huge amount of third 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 third 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 – and 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 £15,000 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 ITSM 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 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. ■

Peter Suba is a 'Red Badge' IT service management consultant at iCore Ltd. Before becoming a consultant, Peter was responsible for the development and implementation of an ITIL-based service model for one of the world's largest outsourcing providers. He has also managed a division to build an application services portfolio from the ground up at a national ISP. Peter currently holds an ITIL Manager's Certificate, along with a BSc in IT, a CobiT Foundations certificate and he is an MCSE.