



Approach to Quantifying the Benefit of IT Service Management solutions



Return on investment challenges

Recent market economic conditions have strongly increased the pressure on business and IT managers to quickly and clearly produce tangible business outcomes to justify each significant technology investment. While return on investment (ROI) is a constant for any investment decision, the importance has been amplified. In this paper, HP explores how to approach ROI in the context of business technology and how to implement a service provider strategy using service management.

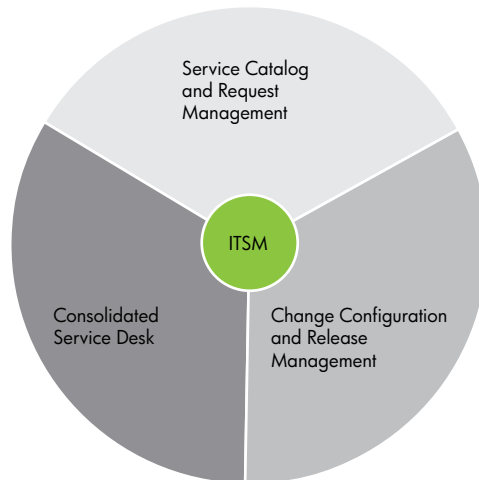
Information technology is more aptly described as business technology, and the results IT produces are measured strictly in terms of the business outcomes they support or deliver. For IT organizations to achieve meaningful business outcomes, technology and business decision makers need to align their goals and strategies more closely. This increased alignment between IT and business will go a long way toward helping IT broaden its perspective-focusing less on technology and more on how people, processes, and technology come together to most effectively support business outcomes.

To succeed in their new roles, IT executives need a new way of looking at service management – one that goes beyond technology to take into account everything IT does to drive positive business outcomes.

An integrated IT service management (ITSM) solution enables organizations to provide the high-quality services that are needed to do this.

Companies seek to transform their IT organizations from a traditional technology provider to a service provider. Meeting this challenge requires a lifecycle approach to service management, to align business goals and IT objectives. A systematic approach to ITSM can help deliver higher-quality services at reduced cost. The importance of IT service management has been recognized for many years, and demand for ITSM solutions has been climbing. In today's business environment, however, all IT expenditures must be justified in financial terms. ITSM solutions are no exception.

To help simplify the process of calculating ROI for HP ITSM, HP has developed a customer-centric ROI framework and a process to help its customers understand, quantify, and communicate the value of ITSM within their own organization. The HP ROI approach is based on firsthand research conducted with customers and has been validated across multiple industry segments. This ROI approach, along with the related customer examples, can serve as a starting point for an ROI analysis in any business organization that is considering the purchase of an ITSM solution.



ROI for ITSM Solutions

HP Software Professional Services has designed an ITSM solution portfolio where each solution is driving tangible ROI to customers. The diagram above illustrates the portfolio and solution categories.

Service Catalog and Request Management

- **WHAT:** Build a service catalog, define a support service-level agreement (SLA), and manage business service requests to maximize alignment to business needs
- **WHY:** Improve the relationship between IT and the customer by having a shared view of catalog of services, managing service levels, and business requests

Consolidated Service Desk

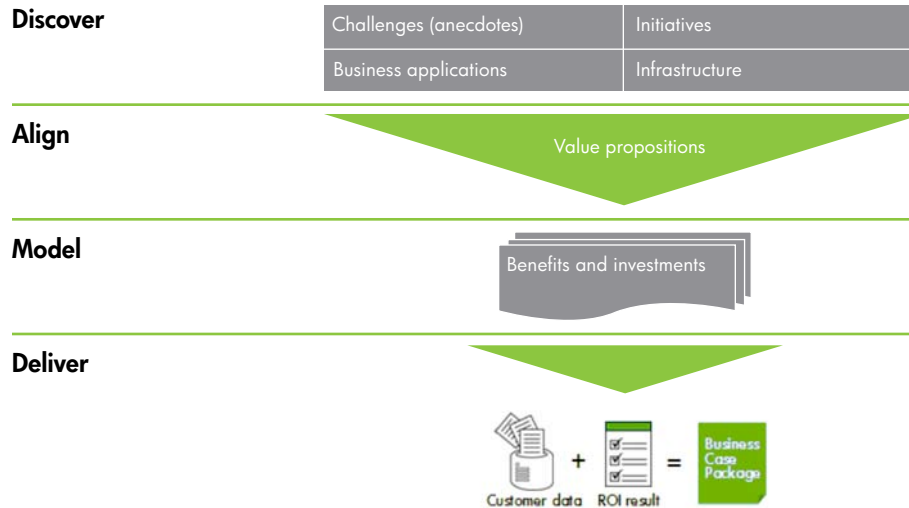
- **WHAT:** Optimize and automate a consolidated service desk to guarantee single point of contact for business aligned to ITIL Service Operations processes
- **WHY:** Improve the relationship between IT and the customer by creating a single point of contact for all business needs, and managing quick resolution of incidents and a proactive problem management

Change Configuration and Release Management

- **WHAT:** Build a consistent Configuration Management System to support service configuration and automate the change management process down to complete release, aligned to ITIL Service Transition processes
- **WHY:** Ensure a single, consolidated service and infrastructure configuration to guarantee an automated and efficient change and release management process

ROI for an ITSM solution can be quantified in terms of cost reduction, risk mitigation, or time-to-value benefits as suggested in following table.

ROI category	ROI value proposition
Service Catalog and Request Management	
Reduce cost	<p>Service-level management. Automated service-level management minimizes costs by lowering the level of effort associated with identifying requirements and recording SLAs, monitoring service, evaluating service levels with customers on an ongoing basis, and maintaining the Service Catalog.</p> <p>Request management. Automated tracking and execution of end users' requests strongly reduce the number of operators needed to support end users and increase the flexibility and end-user satisfaction on IT support.</p>
Accelerate business growth	Service Catalog. Defined catalog of IT services ensures much better alignment to business strategy and better agility to adapt provided services to changing market needs.
Mitigate risks	Service Catalog. A defined catalog of IT services, fully shared with business strategy, allows better visibility of services and expected SLA, consequently mitigating the risk of misalignment among IT provided services and business needs.
Consolidated Service Desk	
Reduce cost	<p>Incident management. Proactive end-user experience application and system monitoring, effective diagnostics, and workflow automation minimize IT costs by reducing the level of effort associated with incident detection, classification, diagnosis, resolution, recovery, reporting, and collaboration.</p> <p>Problem management. Proactive service monitoring, diagnostics, and workflow automation minimize costs associated with problem / error control, problem (root cause) analysis, reporting, and cross-team collaboration.</p> <p>Availability management. Automated availability management minimizes costs by lowering the level of effort associated with defining availability requirements, monitoring and optimizing, and continuously improving the end-user experience.</p> <p>Service desk. Optimized service desk functions in terms of technology, processes and organization, strongly reduce the total cost of ownership. Particular focus is placed on consolidating different service desk functions.</p>
Accelerate business growth	Service desk. A single point of contact for all business requests allows faster reduction of business-impacting issues and supports higher flexibility and alignment to business.
Mitigate risks	<p>End-user outage effect. Proactive end-user application monitoring and "deep-dive" diagnostics minimize business costs by reducing the number and duration (MTTR) of outages and performance degradation, thereby reducing end-user minutes lost.</p> <p>Revenue protection. Proactive end-user application monitoring and "deep-dive" diagnostics reduce the number and duration (MTTR) of customer-facing application outages and performance degradation, thereby protecting revenue.</p> <p>Compliance penalty avoidance. Proactive end-user application monitoring and "deep-dive" diagnostics reduce the number and duration (MTTR) of outages and performance degradation, thereby minimizing the risks and costs of SLA non-compliance / regulatory penalties.</p>
Change Configuration and Release Management	
Reduce cost	<p>Change management. Effective application mapping reduces costs by decreasing the number and duration of change impact review sessions required each day to assess medium-to high-risk change requests.</p> <p>Configuration management. Automated discovery and relationship mapping of the CMDB contain costs by reducing the level of effort associated with configuration planning, identification, control, and accounting for configuration items.</p> <p>Release management. Automated and fully optimized release management process reduces the number of resources to execute a release.</p>
Accelerate business growth	<p>Mapping and business service deployment. An automated mapping solution minimizes deployment and maintenance costs and expedites time to market of business services to enterprise problem isolation initiative.</p> <p>Change and release management. Clearly defined and optimized change and release management processes provide more flexibility and agility to support the release of new critical business applications.</p>
Mitigate risks	Change and release management. Clearly defined and optimized change and release management processes ensure full control of critical changes, strongly reduce risks of service impacts resulting from end-to-end changes and release the flow of new IT services.



HP approach to ROI

The HP ROI approach is based on third-party validated models and industry / customer research by leading ROI / TCO consultancy Alinean. The ROI Analysis process, models, and metrics were developed over the past four years by researching overall IT spending and KPIs worldwide in more than 37 different industries, interviewing selected customers to determine specific realized and proven value, and directly engaging with customers with the methodology and tools to further refine the modeling and value estimates. This work resulted in the definition of a customer-centric ROI framework and process as illustrated in the figure above.

ROI benefit scenarios provide a consistent way to quantify value propositions. Taken together, a set of ROI benefit scenarios can be aggregated to represent the value of existing or planned investments. ROI benefit scenarios provide a consistent way to characterize value and incrementally quantify solution benefits. They can also be combined to look at higher-level ROI benefit scenarios such IT service quality improvement, or visibility for decision making. The ROI result, or the total benefit to the business, can be measured by summing the value and the investment associated with all of the relevant ROI benefit scenarios. By breaking the problem down into smaller, more manageable ROI benefit scenarios, the HP ROI approach simplifies ROI measurement and removes some of the uncertainty associated with collecting and analyzing ROI data.

1. **DISCOVER.** A credible business case / ROI must be anchored in a customer's "business reality." This schematic suggests four categories of discovery to hone in on. It is during this initial discovery stage, it's helpful to document challenges and specific problems. These challenges can be collected as "business value / ROI anecdotes."
2. **ALIGN.** The key to successful ROI is converting this somewhat abstract understanding of a customer's business context and "business value anecdotes" into a set of quantifiable value propositions. A value proposition is a specific customer-centric statement of expected business or IT value – ideally, quantifiable in monetary terms.
3. **MODEL.** Two types of models are crafted. The benefits model consists of a set of benefit worksheets. Each ROI benefit scenario is a quantified value proposition – representing the most granular unit of annualized business or IT value. HP has compiled a collection of benefit worksheets from our work-to-date that customers may find helpful in launching their ROI projects. Investment models project requirements for a given solution into the future and use these projections as the basis for quantifying costs – providing both HP Software-related costs as well as any incremental staffing or infrastructure costs associated with the HP solution.
4. **DELIVER.** The benefit and investment models are packaged into an ROI business case package.

Solutions to deliver ROI

With HP Software Professional Services, you have access to a wide range of service offerings from solution consulting to software deployment to education:

- Business and technology advisory services recommend how to transform IT using service management.
- Solution consulting provides service management process design and solution implementation.
- Fast Track services use best practices for rapid HP Software product deployment.
- Blueprints provide service management process standardization with preconfigured HP Service Manager Software.
- Education services increase employee productivity, drive adoption, and increase the value of HP Solutions.

Why HP

As a pioneer in ITSM, HP provides a broad portfolio of service management services and solutions. With countless successful service management implementations across a range of industries and businesses of all sizes, HP is ready to help you assess your current situation and transform from managing infrastructure to managing services. HP advantages include:

- Over 17 years of experience deploying service management solutions.

- More than 12,000 ITIL-certified IT professionals.
- Packaged service management processes from the HP IP Factory delivered using HP's unique Directed Design methodology.
- HP Software is the sixth largest software company in the world. HP BTO Software products have been recognized as market leaders by industry analysts such as Forrester Research*.
- Recognized capabilities across relevant industry standards, including ITIL, COBIT, ISO 20000/9001, and CMMI.
- Continued commitment to industry standards such as ITIL and support for the user group, IT Service Management Forum (itSMF):
 - Global member of itSMF
 - Board member of itSMF USA
 - Founding member of itSMF chapters in the U.S., Canada, Japan, India, Singapore, Hungary, and Poland.
- HP has long provided authors and reviewers of ITIL books, including writing the Service Operations book and glossary for ITIL v3, and participating on the process model development team.

For more information:

www.hp.com/go/ITSOprofessionalservices

*The Forrester Wave™: Data Center Automation, Q2 2008 by Evelyn Hubbert, April 15, 2008.

*The Forrester Wave™: Service Desk Management Tools, Q2 2008 by Chip Gliedman, April 7, 2008.

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