Service Management

Return on Investment from ITIL

White Paper

ITIL is currently the undisputed champion of best practice in Service Management but when so many consultancies describe the benefits of ITIL in vague, intangible terms it can be difficult to obtain concrete evidence of just what it can do for your business.

This document includes examples of how practical, tailored Service Management solutions with a foundation in ITIL best practice can help your organisation cut costs and improve service levels.

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Introduction

Survey findings from the Service Desk Institute indicate that the UK's IT Service Management industry has reached a new level of maturity in the last four years with the average first level resolution rate increasing from just 21 per cent to 60 per cent in that time. This dramatic improvement is primarily due to the fact that the industry has received significant investment around the adoption of best practice standards during this time, with the number of organisations currently without any standards in place half that of 2004.

ITIL remains the predominant standard followed by UK organisations and the correlation between its rise in popularity and the statistics above suggests there are significant benefits to be had from implementing a best practice approach based around ITIL standards.

However this only tells half the story. A percentage increase in resolution rates takes on far greater importance to the business if it can be related to how much time – and therefore money – is saved as a result.

This white paper is designed to complete the picture with real examples of large-scale savings, both in terms of time and money, which have been achieved as a direct result of ITIL-based best practice implementations.

Customer Satisfaction

The first example concerns a high-profile Government funded organisation that remodelled their helpdesk following the ITIL framework with the aim of increasing Customer satisfaction. The organisation had been through a long period of restructuring which left the helpdesk understaffed and unable to cope with the increasing number of Incidents being logged.

To make matters worse the helpdesk system was not equipped to support the processes that were in place. This meant that Incidents were not recorded and easily became lost, misplaced or forgotten. The culmination of this was Customer satisfaction and staff morale standing at an all time low. Users were disillusioned with the service they received and helpdesk personnel were lasting just a matter of weeks.

The project commenced with a review of the helpdesk in line with the ITIL best practice Service Support disciplines. Upon completion of the review it was apparent that in order to achieve the client's goals the helpdesk needed to be restructured and the software brought up to date and developed so it supported the new structure and processes.

The benefits of ITIL were implemented on a very short timescale using a bespoke, tailor-made concept. In addition a specialist helpdesk resource was placed on site to clear the backlog of Incidents while Service Management Consultants reworked the processes and delivered ITIL education to the entire IT organisation.

While the project was in progress a specialist partner was brought in to upgrade and develop the helpdesk software to closely fit the new processes.

The new structure means that information is now recorded properly and communication both within IT and out to the users has improved dramatically. Regular, accurate reporting is also now in place, providing senior management with visibility of the performance of IT.

Three months after completion of the project the client reported a 30 per cent increase in Customer satisfaction, the IT Director had fewer escalations and complaints to deal with and staffing levels were consistent.

The Cost Benefits

The recruitment process, including CV selection, interviewing and induction took the Support Manager on average 9 hours at a cost of £38 per hour = £342.

The retraining or 'bedding in' period would usually result in the new contractor operating at 60% capability for a period of 5 working days thus losing 40% of a 40 hour week = 16 hours x £20 per hour = £320.

In time losses alone the turnover would cost the organisation £662 per contractor.

While significant, these costs are small when compared to those involved in the recruitment of permanent staff. Using the same costing structure for time lost to recruitment and retraining while factoring in the 15% fee payable to the recruitment company on the annual wage shows the following costs.

15% of £25,000 = £3,750 + £662 = £4,412

Prior to the project the organisation in question turned over 100% of a 6 person desk (4 permanent and 2 contractors) over a one year period, leading to costs of £18,972 per annum. Once the desk was stabilised these costs were minimised to such an extent that in the calendar year following the implementation only one contractor left the business.

End User Downtime

The second example looks at a leading organisation from the Financial Sector that logged an average of 3,460 Incidents per month on a 6 person Service Desk. The average amount of time taken to fix an Incident (user downtime) was 15 minutes.

The implementation of the Best Practice aligned processes detailed below as part of a tailored consultancy solution resulted in the following;

24% Reduction in user downtime.

- A measure of successful Incident Management

16% Reduction in the number of repeat Incidents.

- A measure of successful Problem Management

54% Reduction in the number of Incidents raised in relation to Change

- A measure of successful Change Management

After a three month period of running with the new processes the client reported a 38 per cent reduction in the number of Incidents logged at the Service Desk. This enabled the client to reduce the Service Desk headcount

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initially to five and then to four by the end of the same year. This alone resulted in a saving of £5,000 per month.

The Cost Benefits

Prior to the project the average monthly volume of incidents was 3,460 with an average fix time of 15 minutes per Incident. This translates as 865 hours per month of end user downtime. With an average user cost per hour of £20 end user downtime was costing £17,300 per month.

The project resulted in an immediate reduction in end user downtime of 24 per cent, from 865 down to 657 hours per month. End user downtime cost was this reduced to £13,148 per month – a monthly saving of £4,152 – an annual saving of £49,824.

Coupled with the reduction in headcount the project led to an annual saving of £109,824.

First Line Fix Rate

Simply reducing the amount of expenditure involved in running a successful helpdesk is only part of the saving. A leading Oil and Construction company increased its first line fix rate by 40 per cent in just three months by engaging Plan-Net to identify existing gaps in service and implement specific recommendations targeted to remove the gaps using ITIL-aligned Service Management solutions. The project immediately resulted in a significant decrease in downtime per user and a more efficient Helpdesk, along with a multitude of benefits to the Customer, some of which are listed below.

- True end-to-end ownership of faults, queries and requests
- Pro-active prevention of the above/failed Changes through corrective action
- Increased technical first line fix
- Effective Customer communication mechanism
- Meaningful, accurate and accessible management information and reporting
- Demonstrable performance indicators
- Provision for learning from previous experience
- Improved usage of IT Support resources
- Reduced negative business impact
- Enhanced focus and a proactive approach to service provision
- Improved teamwork and communication
- Improved management and control of infrastructure
- Increased customer perception

The Cost Benefits

The Organisation comprises 500 users who have an average hourly rate of £50. With a total of 5,000 incidents per annum and a working year of 200 days, if you reduced the downtime per user by just 1 minute per day, this would save the organisation £83,300 per annum.

Service Level Agreements

This major, London-based law firm had experienced massive growth in a very short time. The rate of change was such that the helpdesk had become completely reactive to user requests for assistance.

Often these requests related to services that were not within the scope of the helpdesk (personal computers, PDA's, Blackberries etc). On top of this, due to the status of the users involved these Incidents were regularly described as mission critical at the time of logging.

The large chunk of time helpdesk staff were spending on issues outside of the scope of service had a huge impact. Legitimate Incidents that were already delayed due to increasing demand and the aforementioned reactive environment were delayed even further.

To kick off the process off a review of the environment was conducted and the recommendations based on the findings were implemented. Service Management Consultants defined and produced a complete service catalogue based against the SLA's that had been pre-agreed. This was then delivered out to the business with directions clearly stating the services offered by the helpdesk and the priority levels for dealing with specific Incident types.

An Incident Management process was also implemented to reduce the amount of time users and helpdesk personnel spent on the phone. Not only did this allow users to continue working, but also allowed the helpdesk time to diagnose the faults.

The Cost Benefits

Following the project user downtime was immediately reduced by more than 2 minutes per week. With 1,500 users costing an average of £40 per hour this translates into the following saving;

2mins x 1,500 users = 3,000mins (50 hours)

50 hours x £40 = £2,000 per week x 48 weeks = £96,000

The results of a recent annual survey by a respected independent body showed that the average fully burdened cost per support call is £23. With the help of a Service Management Consultancy an organisation can expect to reduce call volumes by as much as 30 per cent.

If calculated to the industry standard of 5,000 Incidents annually cost savings following this model are as follows;

£23 x 5,000 = £115,000

A 30 per cent reduction therefore results in a saving of £34,500.

ITIL Standards Explained

The following are intended as examples of how to quantify the costs and benefits of implementing the key processes described in ITIL.

The examples, both in terms of time and money, are based on industry averages so in order to make the calculations specific to your organisation substitute your own assumptions, purposes, costs and benefits for those listed

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below. For these examples, the following model is used for all calculations;

All employees cost £50 per hour

The organisation comprises 500 users

The total number of incidents is 5,000 per annum

The average time taken to fix an incident is 10mins

A working year comprises 200 days

Configuration Management

"Controlling the IT Infrastructure and ensuring that only authorised hardware and software is in use."

Organisations implement Configuration Management processes, procedure and ultimately a CMDB to provide control and availability of asset information ranging from IT Infrastructure, applications, documentation and environmental equipment.

The primary benefit behind the implementation of Configuration Management is to equip the Service Desk with a much greater insight into the relationship between users, CI's and Incidents.

Reviewing and streamlining configuration should result in a reduction in the number of people assigned to Incident matching. If, for example, three staff could be reduced to two as a result of streamlined Configuration Management, savings at our example organisations would come to the following. 8 working hours per day at £50 per hour x 200 working days per annum = £80,000 per annum

Incident Management

"Ensuring continuity of service levels while underpinning the Service Desk function."

Incident Management is the first level of escalation after the Service Desk for the management of one major incident or many incidents that constitutes a serious impact on the business.The implementation of Incident Management is designed to result in a decrease in the amount of time a User is on the phone to the Service Desk, or cannot work because of a failure.

If, after implementation of an Incident Management standard, the downtime per user decreased by as little as 1 minute per day this would lead to a saving of £83,300 per annum. In reality, depending on the specifics of the organisation the decrease is likely to be far in excess of this figure.

Problem Management

"Minimising disruption of the service level"

The Problem Management discipline is the second level of escalation after the Service Desk and Incident Management. Organisations adopt and implement Problem Management functions to ensure there is a defined process and associated procedures available to manage high profile service impacting failures.

A high ratio of recurring Incidents is one of the most common causes of an inefficient helpdesk. Problem Management is designed to decrease the amount of recurring Incidents that take place.

Should implementation result in a yearly reduction of 500 Incidents (10 per cent of total) this would result in a saving of upwards of £4,000 per annum.

Change Management

"Encouraging efficient handling of Changes"

The Change Management function provides a process and associated procedures to enable effective initiation, planning, control, implementation and review of all changes to defined assets.

Without Change Management a situation could easily arise where two Changes are implemented simultaneously, which is likely to result in a major problem.

A likely outcome should a situation like this develop is a failure in the Customer support system, which, using the cost structure outlined earlier, would lead to downtime for 50 Users with an average purchasing power of £500. This would cost the company £25,000.

Release Management

"Ensuring authorised software modules are used, providing means to build Change releases and automating release of software"

Suppose that a new software module is released containing a bug. The previous version should be reinstalled but due to poor Version Management the wrong one is used resulting in a system shutdown that lasts for three hours and affects two thirds of employees. This would cost the organisation £50,000.

Release Management standards are designed to avoid situations such as these occurring. This means the benefits are more difficult to quantify. If Release Management is working properly the benefits are intangible, however with examples of what a malfunction could cost the benefits do become apparent.

Service Level Management

"Agreeing on and controlling service levels while understanding business needs"

Service Level Management is essential to ensuring that the level of service required to support the customer can be understood. It's implementation allows monitoring of service to identify whether required levels are being achieved – and if not, for what reason.

Service Level Management applies a clear set of agreements that work to ensure the Service Desk is untroubled by calls that do not relate to the services it offers.

If this allows the four Service Desk employees at our example organisation to work 5 per cent more efficiently, immediate gains would run to £16,000 per annum

Availability Management

"Guaranteeing high availability of services"

The goal of the Availability process is to optimise the capability of the IT infrastructure, services and supporting

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organisation to deliver a cost effective and sustained level of Availability.

If, due to a physical error on a hard disk, a server supporting 100 people crashes it is likely to take a significant amount of time to have a new disk delivered and installed before starting up the system again.

With Availability Management processes in place, the need for a mirror disk that could immediately take over would have been identified, negating the risk.

At our example organisation costs in user downtime would run as follows. 100 people x 3 hours x £50 hourly rate = £15,000

Capacity Management

"Ensuring the optimal use of IT"

The Capacity Management function is primarily responsible for ensuring all IT Service are scoped and capacity is assigned sufficiently to meet the demands and expectations of an organisation both for today and the future.

Most IT professionals recognise that being under-equipped will lead to problems with Service Delivery but many overlook the cost issues over-capacity can create.

Using Plan-Net's benchmark of a 20 per cent improvement direct from Capacity Management, an IT infrastructure that cost £5 million to build would save up to £1 million following implementation and frequent reassessment to define the required capacity.

IT Service Continuity Management

"Recovering quickly after a disaster"

The key output of Service Continuity is the understanding of the services that are of primary importance to the business and the production of plans to manage the 'worst case scenario'.

In essence, Service Continuity is adopted to ensure an organisation can safeguard itself against extraordinary events which could result in the loss of critical services for an extended period of time.

Should, for example, a water pipe break, flooding the server room and two days be needed to fix the situation the average user will have missed 10 hours of work.

While a good contingency plan doesn't come cheap the recovery costs are often dramatic, especially considering that not having one in place could jeopardise the future of the business.

Total costs (not including clean-up) can be calculated as 500 users x 10 hours lost at £50 per hour = £250,000

Financial Management

"Providing insight, control and accountability for the cost of IT services"

Implementing Financial Management processes and procedures creates a model where the costs of IT services are charged to individual departments across the business.

Financial Management enables IT to demonstrate how much the provision of services actually costs in real terms. Cost identification can take place without actual implementation of a departmental cross-charging model to provide awareness of the possible costs that would be incurred from each action, though equally, many organisations do progress to a cross-charging environment over time.

This provides an insight into real costs that usually proves surprising to users – so much so that a 10 per cent reduction in requests for new services is generally the minimum that can be expected.

Conclusion

It is understandable that organisations are cautious about investing in new IT projects, and especially those that involve wholesale changes in the way IT operates. But for organisations seeking to maintain or improve competitive advantage, IT best practice initiatives should not be seen as a 'project' but as an underlying blueprint for service delivery that requires short term investment for long term gains.

Considering the evidence contained in this White Paper it is safe to assume that adopting a best practice framework will deliver increased efficiency and a reduction in costs and while this is undoubtedly the case, organisations should be wary of following ITIL to the letter without considering its relevance to the individual needs of their specific business.

The key to getting the most from ITIL is to ensure its implementation is tailored to the requirements of your organisation and delivered by a Service Management Consultancy with real-world experience in using it to deliver tangible improvements to IT Service Delivery.

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About Plan-Net

Plan-Net provides strategic IT expertise through a range of best practice services including effective and flexible on-site support, specialist technical knowledge and practical project implementation.

Plan-Net is a multi-discipline Microsoft Gold Partner in Advanced Infrastructure Solutions, Security Solutions, Networking Infrastructure Solutions, Information Worker Solutions and Mobility Solutions, as well as a Citrix, Novell and VMWare partner.

With a track record stretching over nearly two decades and a client base that includes many household names, as well as smaller organisations, Plan-Net has the skills and track record to assist you in achieving your IT service and development goals.

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