



# itSM Solutions® DITY™ Newsletter Reprint

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# "Justifying ITIL"

## DITY Weekly Reader

The workable, practical guide to Do IT Yourself

**In today's cost consciousness climate rife with the mistaken belief that IT can no longer deliver a competitive advantage, more and more IT professionals struggle with justifying IT expenditures. The ITIL offers much more than process control – it provides a roadmap to doing more, for more, with less.**



By [Hank Marquis](#)

As the information technology used to support the business becomes a commodity, companies look closer at the costs of IT. Business managers continuously contemplate the worth of IT as they make decisions regarding its funding.

hank

MARQUIS

Since most IT departments have no idea of their own worth, they do not communicate it to their business customers. In effect, IT punts, and leaves matters of money, value, and worth to the business. Then, as would anyone left without visibility into IT worth, the business defaults to making decisions based on cost.

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The results of this abdication include IT directives from the business that go something like this: “do more, for more, with less.” Most IT managers receiving this directive start to focus on cost reductions associated with working harder. They immediately start with the usual measures of trying to increase productivity and reduce costs. The result is usually the same - reduced head count and slowed hiring, limited pay increases, and other well meaning but counterproductive measures.

Normally the usual measures demoralize IT and reduce the quality of services. The only way to “do more, for more, with less” is to work smarter, not harder. However, without a rebuttal to business managers, cost reductions become non-negotiable edicts based on bad assumptions derived from limited information.

How can you justify the cost of adopting IT Infrastructure® (ITIL®) when you must also reduce costs? Following I describe some of the most powerful benefits of ITIL adoption. These methods can deliver rapid and lasting return on investment in as little as 10 days

...making return on investment in as little as 18 days.

## **Show Me The Money**

The days of throwing money, people, and technology at problems are long gone. In any business climate, but especially today's, IT infrastructure expenditures are scrutinized by senior management.

Due to the extreme costs involved with large IT infrastructure deployments and on-going operations of IT infrastructures, executive management including the CIO, CEO, and CFO all take an active part in IT decision making. Today IT purchasers are not only requesting Return On Investment (ROI) justification -- they are demanding it.

You have probably heard all the stories of huge companies savings hundred of millions of dollars through applying IT Service Management best practices, including ITIL. Companies like Proctor & Gamble, Liberty Mutual, Caterpillar, and others have all publicly reported vast operational savings through IT best practices such as ITIL.

ROI is a standard accounting formula that compares the cost savings or revenue increase derived from deploying a solution with the investment required to deploy the solution.

Since you know what a solution costs in advance, the key to determining an ROI is the identification of the savings resulting from the solution.

With regard to ITIL, there are really four main areas of savings potential:

- Cost savings – money currently being spent can be reduced
- Cost avoidance – money allocated for spending can be saved
- Higher IT productivity – increased productivity and reduced costs
- Increased Business productivity – increased productivity resulting from higher quality IT services

Specific examples of ITIL empowered ROI include:

- Avoiding the high cost of redundant infrastructure investments
- Reducing costs through idle capacity identification and re-allocation
- Identifying vendor credits and rebates
- Saving money on IT infrastructure maintenance renewals
- Proactive performance or capacity problem forecasting
- Increased network uptime and its associated increase in user productivity

The ITIL provides a clear set of processes that deliver these and other savings. Instead of the usual belt tightening measures, here are five areas where ITIL can help you wring out costs:

1. Vendor management savings
2. Bandwidth management savings
3. Asset management savings
4. End-user productivity increases
5. Increased labor efficiencies

### **Vendor Management Savings**

### **Vendor Management Savings**

Effective ITIL processes provide the information to show you how good your vendors and their products are, allowing you to:

- Improve what you have by knowing which of your vendors are delivering
- Obtain refunds, rebates, and credits from vendors
- Eliminate maintenance costs
- Reduce the cost of service delivery by eliminating your non-performing vendors and services
- Increase negotiating power and manage your vendors before they manage you

Vendor management savings occur through:

- **Rebate, refund, and credit discovery**

ITIL Availability Management techniques can identify and document those underpinning services (e.g., WAN, Frame Relay, ATM, ISDN, Leased Line, etc.) which are not providing you the level of service for which you have subscribed. For example, most services (WAN, managed services, hardware support, etc.) come with performance guarantees that include refunds, rebates, or credits when service does not meet certain defined tolerances. I have worked with several firms to recover hundreds of thousands of dollars in this manner. Often you can identify and realize these savings in 60 to 90 days.

- **Cost avoidance through identification of correct underpinning services**

ITIL Service Level Management (underpinning contract) techniques can identify which services contribute or detract from overall service quality. You can determine which services you should maintain and which you should replace or cancel. For example, choosing Service type "A" instead of "B," or moving from "B" to "A." The result of these choices can be higher network availability and performance, which results in higher productivity of your enterprise. It is important to note that just because a service costs more does not mean it actually contributes positively to the bottom line. Sometimes, a less expensive product or offering may be more appropriate to your needs. Often you can identify and realize these savings within 90 to 120 days.

- **Higher discounts through consolidation and management of vendors**

Not every vendor is the same. Once you know your top performing vendors, you can choose to make them your primary suppliers. Eliminated vendors represent savings potential in terms of supplier budgets. For example, consolidating vendors leads to greater savings by being able to negotiate better terms for greater business with the remaining vendors. Often you can identify and realize these savings within 90 to 120 days.

### **Bandwidth Management Savings**

ITIL Capacity Management indicates how to determine current, historical, and projected future network capacities allowing you to:

- Maximize what you have to reduce surplus and balance demand
- Reduce your bandwidth costs
- Manage existing bandwidth more efficiently
- Proactively identify capacity shortfalls with projected saturation dates, allowing you to avoid the costly problem of saturated links

Most engineer design links and circuits to handle peak load traffic. Often, some links or circuits are overloaded, underutilized, unbalanced, or nearing saturation. Using Capacity Management techniques, you can categorize links and circuits into these classification categories. Each category represents an opportunity for savings. Bandwidth management savings:

- **Cost reduction through identification of excess capacity**

Of the Links/Circuits that are underutilized, some represent redundancy in the transmission facilities

infrastructure. Others do not carry any significant load worth paying for every month. Therefore, it is prudent to route the traffic over underutilized and non-redundant links to another set of links, and then drop the underutilized non-redundant links. Consider redundancy when computing savings from consolidating underutilized links. Often you can identify and realize these savings within 10 days.

- **Minimizing downtime from saturated links**

Once a link or circuit is saturated, downtime impacts business. The provisioning cycle time of the provider determines the recovery time. Predicting link or circuit saturation date and taking into account provider provisioning lead-time, minimizes negative impact on the business. Often you can identify and realize these savings within 10 days.

### **Asset Management Savings**

Configuration Management can show you what IT assets or Configuration Items (LAN/WAN, server, equipment, OS, software, etc.) you have. Combined with other ITIL processes you can then determine the assets utilization. Knowing asset location and utilization lets you:

- Reduce the cost of maintenance renewals by only paying for what you have and use
- Maximize your current investments through re-allocation your existing but idle resources
- Manage change safely by ensuring that you have the required resources before implementation

Many CIs can help with cost avoidance savings through:

- **Maintenance contract cost reductions**

When you know exactly what your assets are, where they are located, who uses them and to what degree, you can develop an "asset map" showing those devices that require maintenance contracts and those that do not. The difference between maintenance on all elements vs. just the elements you actually use may be substantial and result in a powerful ROI justification. These savings can usually be identified within 10 days and realized at the anniversary of the maintenance renewal.

- **Redundant/idle element re-allocation**

When you know to what degree an asset is utilized, and can identify both future requirements and current utilization of assets, you can avoid purchasing new assets by leveraging existing assets. Significant idle or redundant capacity is often available in the enterprise; finding out where your idle/redundant assets are may result in a significant ROI. One company I worked with was able to avoid a \$600,000 hardware purchase by simply re-deploying existing assets. These savings can be identified within 10 days and realized at the point of purchasing new elements.

### **End-user Productivity**

Business is very dependent upon IT. ITIL processes and techniques show you how to quantify the business impact of outages. Understanding the financial costs of downtime lets you understand your costs for outages and downtime. You can increase productivity and revenue through defining, tracking, and optimizing the availability of services to your users. These savings can be identified and realized within 30 to 60 days.

When you can manage services as entities, and relate the impact a service has on your companies productivity and revenue, you can begin making changes and driving strategies that increase end-use productivity; which results in higher profits and reduced costs. These savings can be identified and realized within 90 to 120 days.

### **Increased Labor Efficiency**

Consider the labor savings and improved operation efficiency of a Configuration Management Database of all equipment, its make, model, idle ports and its operating system or OS version compared to the time required to acquire this information manually (in hours).

### **Summary**

There are other areas where ITIL can have an impact on costs as well, but these ITIL empowered benefits can directly reduce costs and improve service within 3 to 6 months. These are real, hard dollar savings. These savings improved corporate competitiveness, increased customer satisfaction, reduced operating expenses, and “did more for more with less.” These are not pipe dreams. Here are some specific examples of using the techniques outlined in this article.

- The City of Boston publicly announced that within 30 days they identified more than \$170,000 per month savings by applying the techniques in this paper to transmission, utilization levels, and asset consolidation. Through vendor management, they identified worst performing suppliers and renegotiated some deals, obtained rebates, and saved the city more than \$10,000 per month more. This, along with the associated operating costs, saved the city more than \$190,000 per month.
- Purdue University Calumet applied these techniques to justify some upgrades and deny others. For example, bumping up to gigabit Ethernet in some locations, and continuing the use of legacy token ring based infrastructure segments in others because their utilization trends did not warrant a change. Every time a supplier fell below acceptable levels of availability, they asked the supplier to either replace the faulty component, or send engineers free of charge to fix the issue. In one example, they used availability benchmarking metrics to negotiate free replacement of equipment from a large networking vendor. In another scenario, a remote building had intermittent outages at infrequent intervals, and they used the outage metrics to negotiate a healthy rebate to the tune of several thousand dollars.

ITIL adoption reduces costs and improves IT performance and quality for most. A survey by Bruton Consultancy of 125 companies of all sizes reported that 88% of ITIL adopters met, or almost met, their cost savings expectations. Regarding performance and quality improvement targets 57%met or exceeded targets, and 43% almost met targets. So, the next time the mandate is to “do more for more with less”, tell them your plan is to implement ITIL!

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