5 Proven Strategies for Reducing Costs with IT Service Management
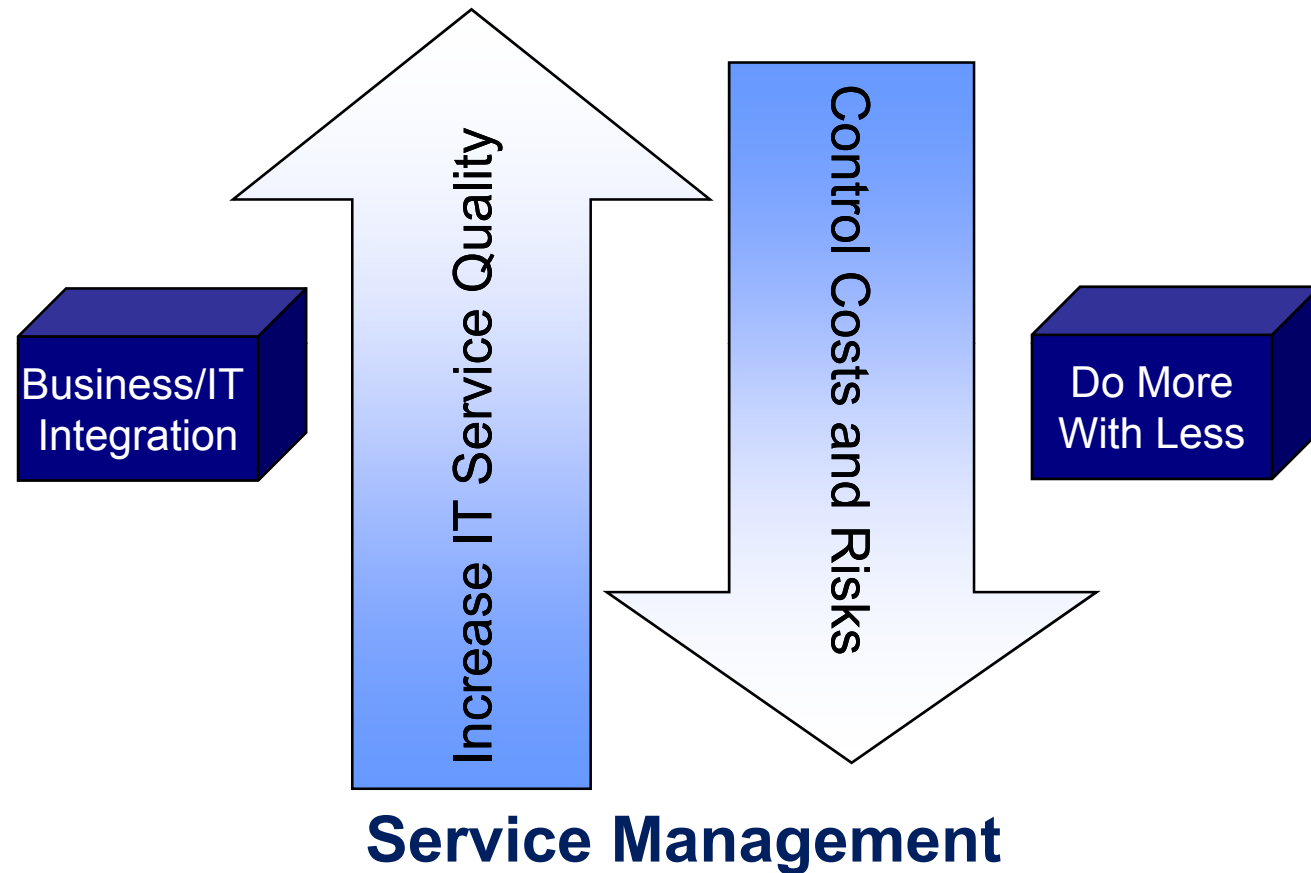
ITSM ACADEMY

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- Accredited ITSM Education Provider
  - ITIL® Foundation (V2 and V3)
  - ITIL® V2/V3 Foundation and Manager Bridge
  - ITIL® V2 Practitioner, Service Manager
  - ISO/IEC 20000
  - Certified Process Design Engineer (CPDE™)
  - Microsoft Operations Framework V4.0 (MOF)

- Federal Government Schedule Contract **GS-02F-0087T**
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- Public Training Centers: Fort Lauderdale and Dallas
- Corporate on-site classes
- Tens of thousands of learners trained since 2003

The Challenge

Increase IT Service Quality

Control Costs and Risks

Business/IT Integration

Do More With Less

Service Management

IT organizations must adopt a service-oriented approach to efficiently and effectively meet customer needs and deliver value for money.

Services Provide Value

Services are a means of delivering value to customers by facilitating outcomes customers want to achieve without the ownership of specific costs and risks
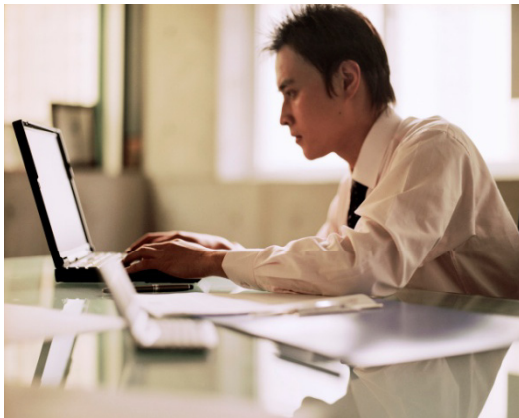
- ◆ Services facilitate outcomes by
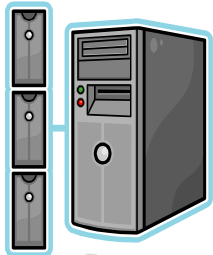 - ◆ Enhancing performance
  - ◆ Reducing constraints

Service management (SM) is a set of specialized organizational capabilities for providing value to customers in the form of services

Realizing Value

Once "services" and "processes" have been defined, activities become

- ♦ **Value Add** – services and processes that directly benefit your customer

- ♦ **Non Value Add** – "overhead" that must be done to support the "value add" activities

- ♦ **Waste** – work that does not add value or support added value and cannot be described as a part of a service or process

Value is only realized if services, processes and activities directly support your organization's business objectives.

# Before You Can Reduce Cost, You Need to Understand IT Costs

♦ Do you know

- ♦ The cost per service?
- ♦ The cost per customer?
- ♦ The cost per activity?
- ♦ How best to allocate indirect costs?

How Do You Reduce Cost and Increase Value?

1. ## Portfolio
   ♦ Align IT investments with business strategies

2. ## People
   ♦ Reduce unplanned, redundant and re-work

3. ## Process
   ♦ Improve efficiency and effectiveness

4. ## Partners
   ♦ Retain management control of ITSM processes

5. ## Products
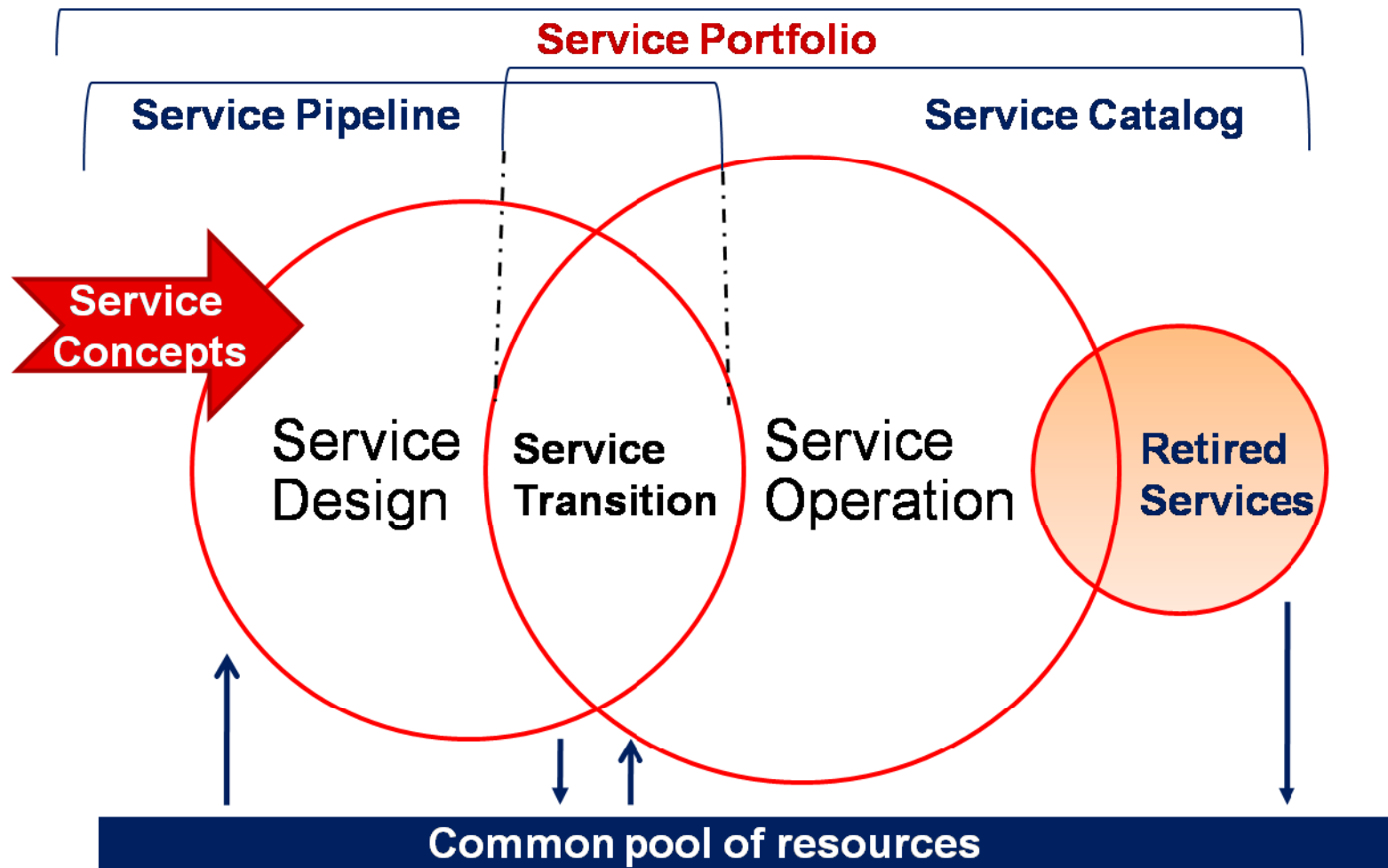   ♦ Ensure ITSM technology costs do not outpace benefits
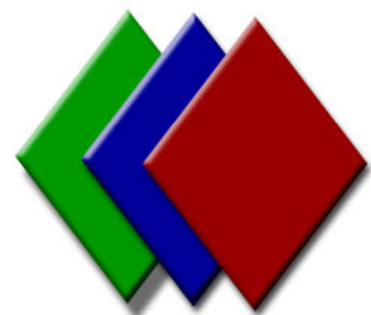
1. Review Your Service Portfolio

A Service Portfolio represents the complete set of services managed by a service provider.

The Service Portfolio and IT Investment

The portfolio management approach helps managers prioritize investments and improve the allocation of resources

Ask Yourself ...

♦ Are your human and financial resources invested in the services that deliver the most business value?

♦ Are less critical services consuming resources that could/should be applied to more critical services?

♦ Are there any services that could be consolidated or retired?

♦ Are IT investments delivering Value for Money?

♦ How do you know?
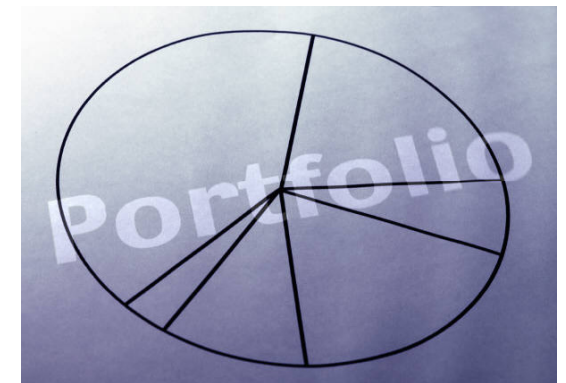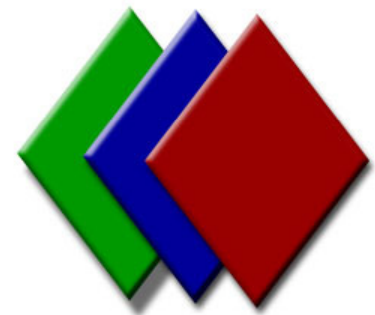
2. Optimize Your People

Reduce Unplanned, Redundant and Re-Work

- ◆ Assess what everyone is doing and how it is being done
  - ◆ What's being done by more than one person or unit?
  - ◆ What's being done twice (or more)?
  - ◆ What percentage is unplanned (reactive) work?
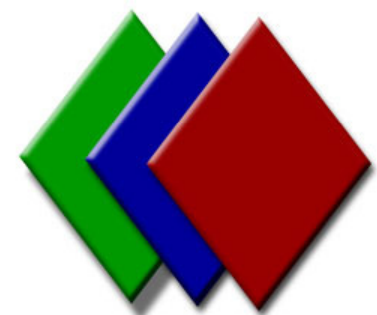 - ◆ Can you automate some tasks to reduce workload?

ROI on Reduced Unplanned IT Work

- ♦ Level 3 staff: <u>20</u>
- ♦ Average L3 salary: $<u>75,000</u>/year = $6,250/month
- ♦ Monthly L3 salary: $<u>125,000</u>
- ♦ Percentage of unplanned L3 work: <u>50</u>%
- ♦ Monthly cost of unplanned work = $<u>62,500</u>

Annual Cost = $750,000

Reduce to 25% unplanned work:
Save $375,000

3. Improve Processes

Use Process Models

- Repeatable, pre-defined procedures
- Define
    - Steps to be taken
    - Chronological order and dependencies
    - Responsibilities
    - Timescales and thresholds
    - Escalation procedures
- Ensure a defined path or timeline is followed
- Can be automated

Model Types
- Change models
- Incident models
- Problem models
- Request models

Pre-defined procedures control costs by predicting and optimizing the time, resources and effort needed to perform similar activities without "reinventing the wheel".

Leverage Problem Management

♦ **Recurring incidents**

  ♦ Are very costly

  ♦ Consume resources that could be otherwise applied

  ♦ Negatively impact the perception of reliability and customer value

♦ **Assess the Top 10 recurring incidents**

  ♦ Can you identify the root cause?

  ♦ Can you document a Known Error and trusted workaround?

 ♦ Can you prevent future incidents by removing the error?

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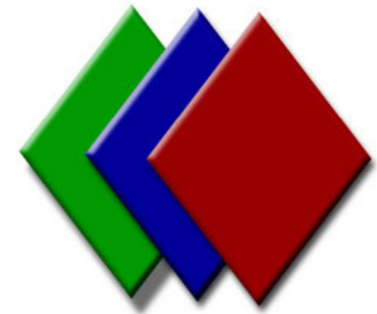
4. Align Partners

Retain Management Control

- ISO/IEC 20000 defines management control as
  - Knowledge and control of inputs
  - Knowledge and use of outputs
  - Definition and measurement of metrics
  - Accountability for process functionality
  - Definition, measurement and review of process improvements

- Reduce costs by
  - Aligning supplier processes to internal processes
  - Creating a common vocabulary
  - Using your tool whenever possible
  - Limiting time and resources spent on normalizing data or duplicate work
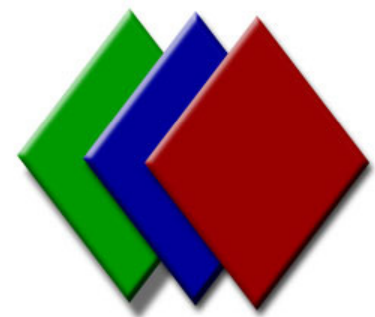
5. Assess Technology

Before Purchasing…

- Inventory your current ITSM technology
  - Monitoring
  - Incident/Change/Request/Problem Logging
  - Configuration Management System
- Assess the gap between what you need to meet current process maturity and available capabilities
- Optimize existing tools and capabilities
- Avoid the support costs of over-customization
- Consider modular suites that allow you to plan your purchases on a "just-in-time" basis

"Shelfware" is an unnecessary expense that may be obsolete when you actually need the capabilities.

Start Simple, Stay Simple

- ◆ **Do Not**
  - ◆ Try to "boil the ocean"
  - ◆ Over-complicate cost models
  - ◆ Spend more on cost-reduction efforts than expected benefits

- ◆ **Do**
  - ◆ Take baby steps – look for quick wins
  - ◆ Work to control costs before attempting reduction
  - ◆ Require clear business cases for non-value add expenses
  - ◆ Look for waste everywhere!

Questions and Answers

Thank you for attending

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