5 Proven Strategies for Reducing Costs with IT Service Management
About ITSM Academy

♦ 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

♦ Certified Minority Business

♦ PMI Global Registered Education Provider

♦ Public Training Centers: Fort Lauderdale and Dallas

♦ Corporate on-site classes

♦ Tens of thousands of learners trained since 2003
The Challenge

**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 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: 20
- Average L3 salary: $75,000/year = $6,250/month
- Monthly L3 salary: $125,000
- Percentage of unplanned L3 work: 50%
- Monthly cost of unplanned work = $62,500

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

*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?
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

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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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