How to Create an Undisputable Service Management Business Case

Sponsored By

March 24, 2011

...educate & inspire®

"Our mission is to provide groundbreaking, sustainable, process solutions from Strategy to Execution."

Nina Segura B.S., M.A., CSSBB, President
Phone (954) 260-3888

Consulting, Classes, Team Training Coaching

About ITSM Academy

- **Accredited Education**
  - ✓ Certified Process Design Engineer (CPDE)®
  - ✓ ITIL® Foundation
  - ✓ ITIL Capability (OSA|PPO|RCV|SOA)
  - ✓ ITIL Lifecycle (SS|SD|ST|SO|CSI)
  - ✓ ITIL Managing Across the Lifecycle (MALC)
  - ✓ ITIL Service Manager Bridge
  - ✓ ISO/IEC 20000 Foundation
  - ✓ MOF Foundation
- **Practical, Value-Add Workshops**
  - ✓ ITSM Leadership
  - ✓ ITIL, MOF, ISO 20K Overviews
  - ✓ Apollo 13, Visible Ops: The Class
  - ✓ And more!

- Since 2003 - *Tens of Thousands Trained and Certified*
- ITSM Professional Diplomas
  - ✓ Change/Support/SLM
- Public Classes throughout U.S.
- Corporate On-Site Classes
- Virtual Classes
- Courseware Licensing
  - ✓ Corporate & Partner (GEM)
- Alumni Program
- PMI Global Education Provider
- Federal Government (GSA) Contractor
- Certified Woman-Owned

Welcome!

Introduction & Expectations

- Metaspire combines extensive management experience with proven methodologies to create a practical and customized approach to help each client address their needs.

- Our scalable methodology integrates Business Process Management, Organizational Development Principles with Six Sigma Disciplines.

We assist technology organizations in a variety of ways including:

- IT and Business Strategy Alignment

- Rapid Improvement Events

- Technology Service/ Acquisition Business cases

- Planning & Implementation of Portfolio Management, or Continuous Process Improvement Councils

- Process Reengineering & Re-design Analysis & Facilitation - ProVision

- Technology Solution Requirements

- Resolution of complex challenges facing large-scale IT system implementations.

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Session Objectives

- Understand What is a Business Case
- Identify Core Business Case Components
- Understand How to Determine Benefits
- Create a Cost Benefit Analysis
- Understand What Six Sigma Lean is
- Create an Awareness of Six Sigma Lean Tools:
  - Voice of the Customer
  - Value Stream Mapping
  - Root Cause Analysis
- Benefits of Six Sigma Lean in the ITIL Framework

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What is a Business Case?

Information-Based Tool that provides:
- **Planning**
- **Decision Support**
- **Project Prioritization**
- **Proposal Evaluation**

Answers Fundamental Question:
"What are the Financial & Business Consequences for taking an Action?"
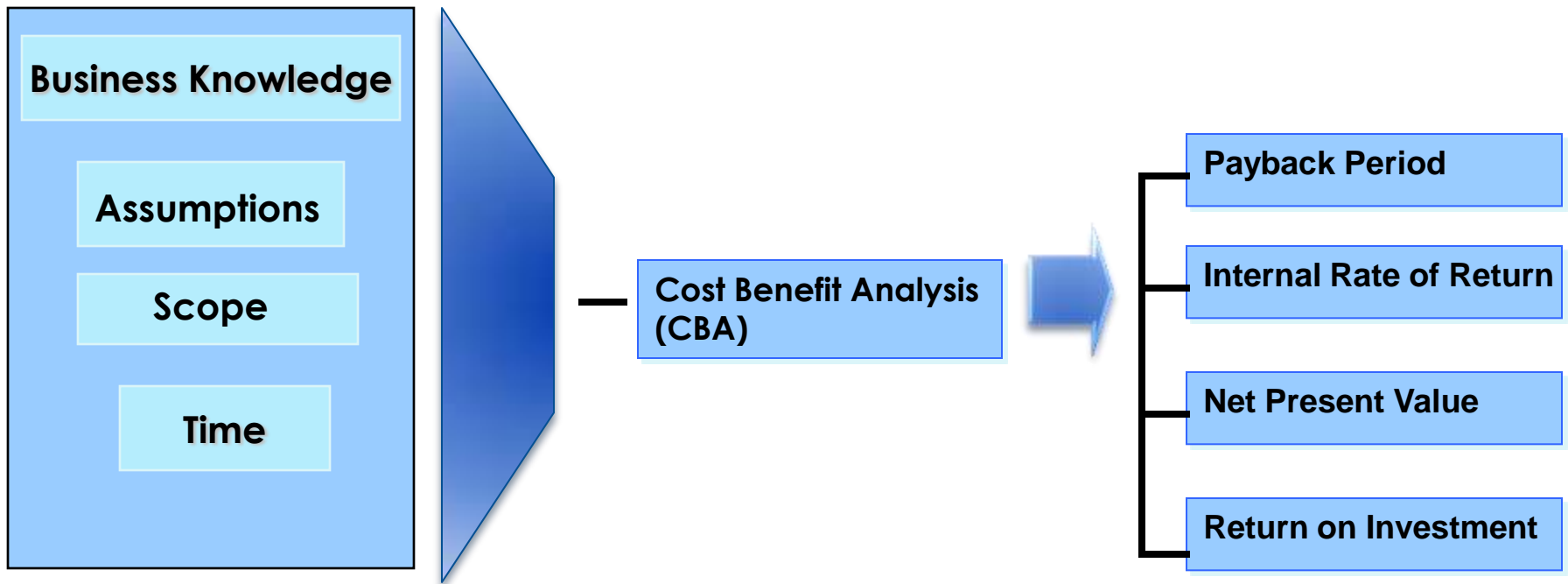
Utilizes multiple analytical approaches

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Core Business Case Components

Inputs -Critical Elements	Approach	Financial Metrics

Business Knowledge

Assumptions

Scope

Time

Cost Benefit Analysis (CBA)

Payback Period

Internal Rate of Return

Net Present Value

Return on Investment

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How do we Determine Benefits?

Saves

- Cost Reduction - Variable or Base cost
- Rework Elimination
- Reduced cycle time
- Incremental Revenue - Increased Sales
- Cost Avoidance - Cost Prevention
- Labor Productivity - Time savings and not RIF
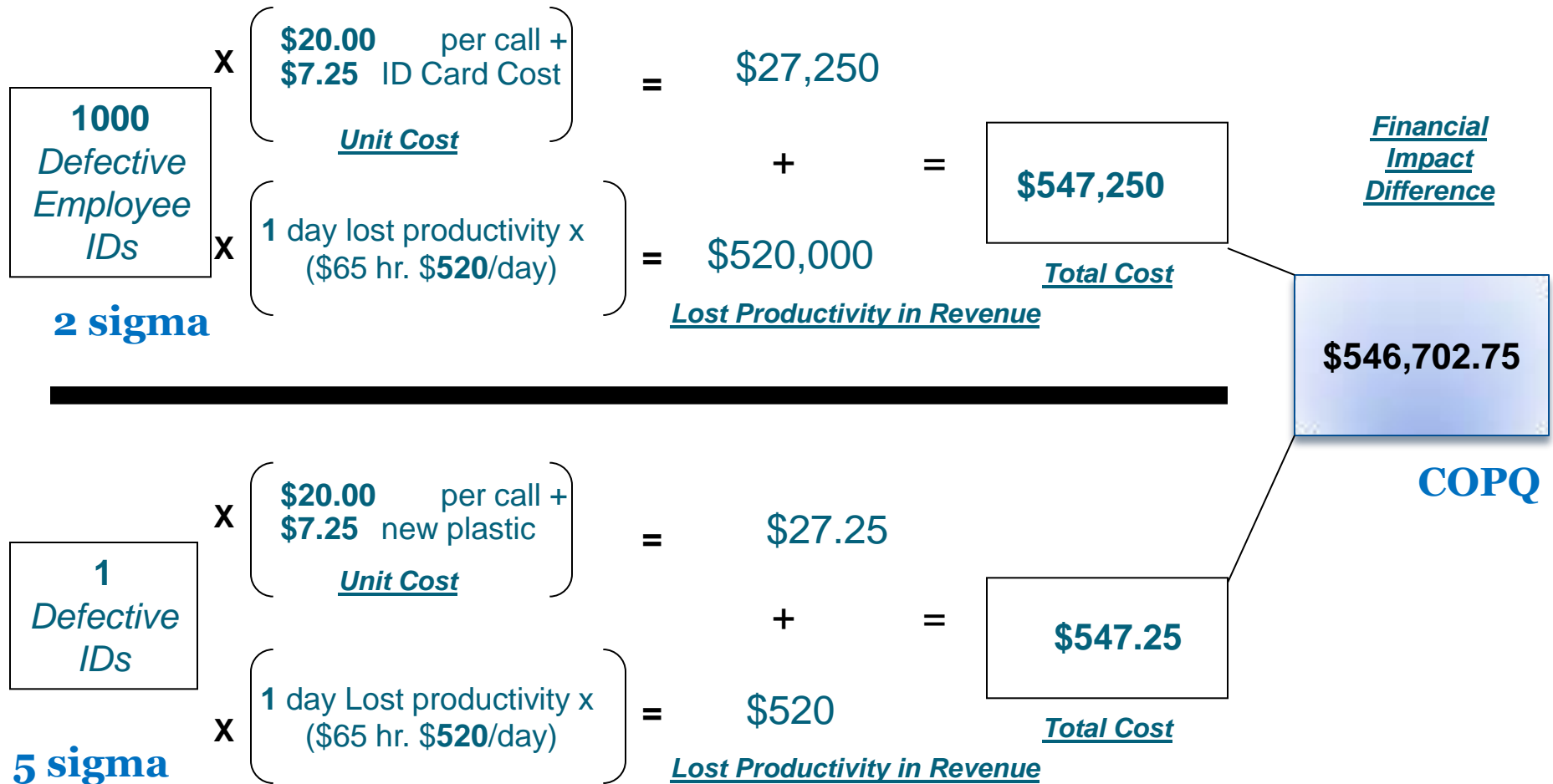- Competitive Landscape

Costs

- IT software/hardware expenditures
- Vendor Costs
- Plant & Equipment
- Opportunity Cost
- Cost of resources
- Sunk Costs – Sizing Requests

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Business Case Scenario

- *A few months ago, ABC Company launched new Employee Identification Cards to 3,000 employees. Of the cards issued, 1,000 had magnetic strips that did not work, which resulted in employees calling the ABC Service Desk.*

- *Each call into the Service Desk costs $20.00. Each time a card needs to be re-issued it costs $7.25.*
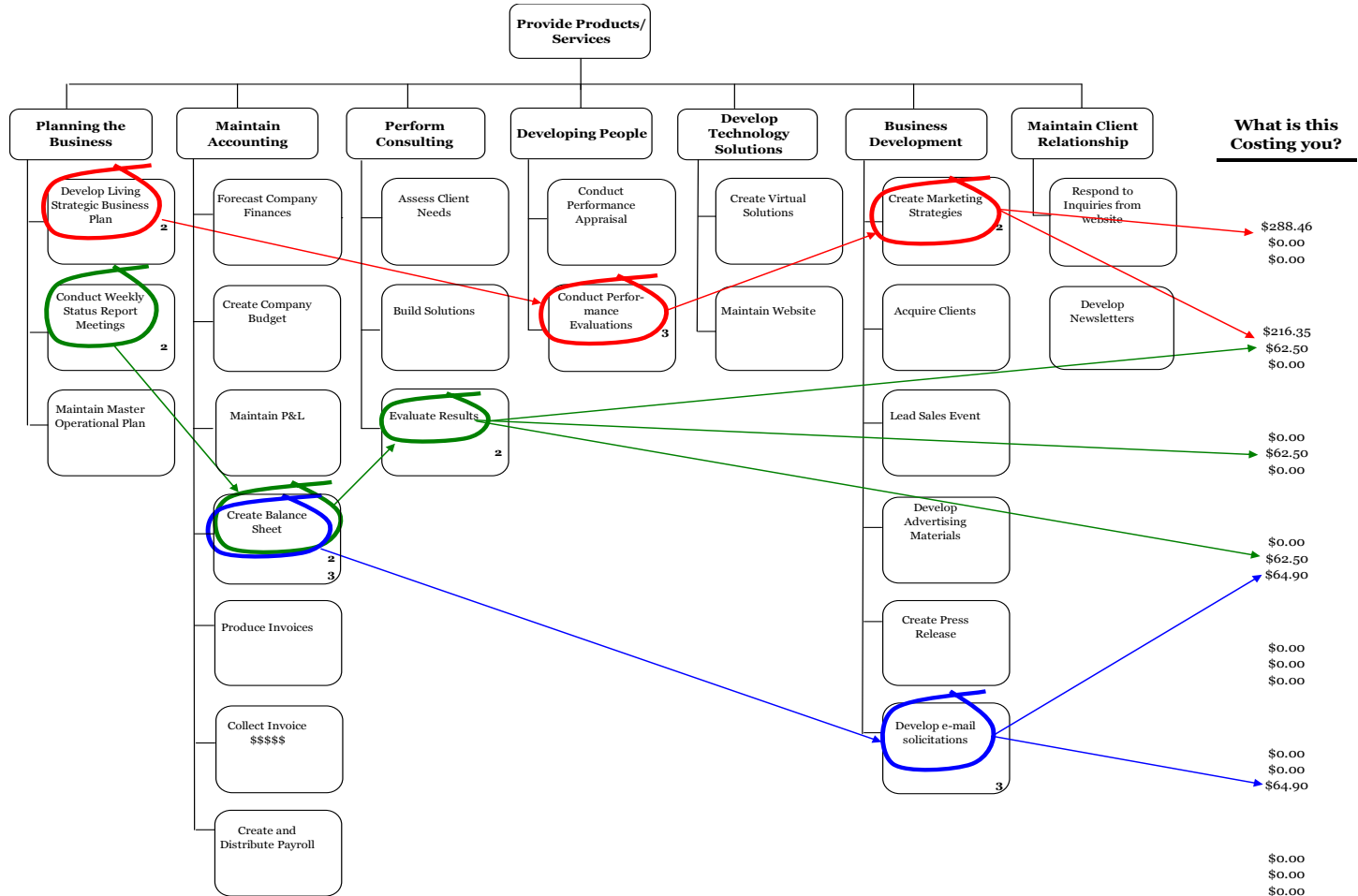
OOPS!

Cost Benefit Analysis

1000
Defective Employee IDs

2 sigma

X (**$20.00** per call + **$7.25** ID Card Cost)

Unit Cost

= $27,250

X (**1** day lost productivity x ($65 hr. **$520**/day))

Lost Productivity in Revenue

= $520,000

+ = **$547,250**

Total Cost

1
Defective IDs

5 sigma

X (**$20.00** per call + **$7.25** new plastic)

Unit Cost

= $27.25

X (**1** day Lost productivity x ($65 hr. **$520**/day))

Lost Productivity in Revenue

= $520

+ = **$547.25**

Total Cost

Financial Impact Difference

$546,702.75

COPQ

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Process Architecture -CBA

Provide Products/Services

Planning the Business	Maintain Accounting	Perform Consulting	Developing People	Develop Technology Solutions	Business Development	Maintain Client Relationship	What is this Costing you?

Owners
$150,000

Operations
$65,000

Technologies
$45,000

- Develop Living Strategic Business Plan (2)
- Conduct Weekly Status Report Meetings (2)
- Maintain Master Operational Plan

- Forecast Company Finances
- Create Company Budget
- Maintain P&L
- Create Balance Sheet (2)(3)
- Produce Invoices
- Collect Invoice $$$$$
- Create and Distribute Payroll

- Assess Client Needs
- Build Solutions
- Evaluate Results (2)

- Conduct Performance Appraisal
- Conduct Performance Evaluations (3)

- Create Virtual Solutions
- Maintain Website

- Create Marketing Strategies (2)
- Acquire Clients
- Lead Sales Event
- Develop Advertising Materials
- Create Press Release
- Develop e-mail solicitations (3)

- Respond to Inquiries from website
- Develop Newsletters

$288.46
$0.00
$0.00

$216.35
$62.50
$0.00

$0.00
$62.50
$0.00

$0.00
$62.50
$64.90

$0.00
$0.00
$0.00

$0.00
$0.00
$64.90

$0.00
$0.00
$0.00

		Total:	$822.12
Notes:	(Summary of Business Case)	Weekly Total:	$4,110.58
	This matrix will help you identify how much it is costing you per day, per week, per month, and per year when a process is not working properly.	Monthly Total:	$16,442.31
	In this example, we're examining the TOTAL monetary impact (Owner, Operator, Technology) of a malfunctioning system.	Yearly Total:	$197,307.69

What is Six Sigma? Lean?

- What is Six Sigma?
  Six Sigma is a rigorous and disciplined methodology that uses data and statistical analysis to measure and improve a company's operational performance by identifying and eliminating "defects."

- Lean is based on five principles:
  1. Specify what represents value to the customer
  2. Identify all specific actions required to bring a product or service from order to delivery
  3. Eliminate all kinds of non-value adding activities
  4. Produce only what the customers need
  5. Pursue perfection

Lean is a Cyclical Process

Six Sigma- Lean Tools

- A few Core Six Sigma- Lean Tools to support business case
  - Voice of the Customer
  - Value Stream Map/ Workflow/ SIPOC
  - Fishbone
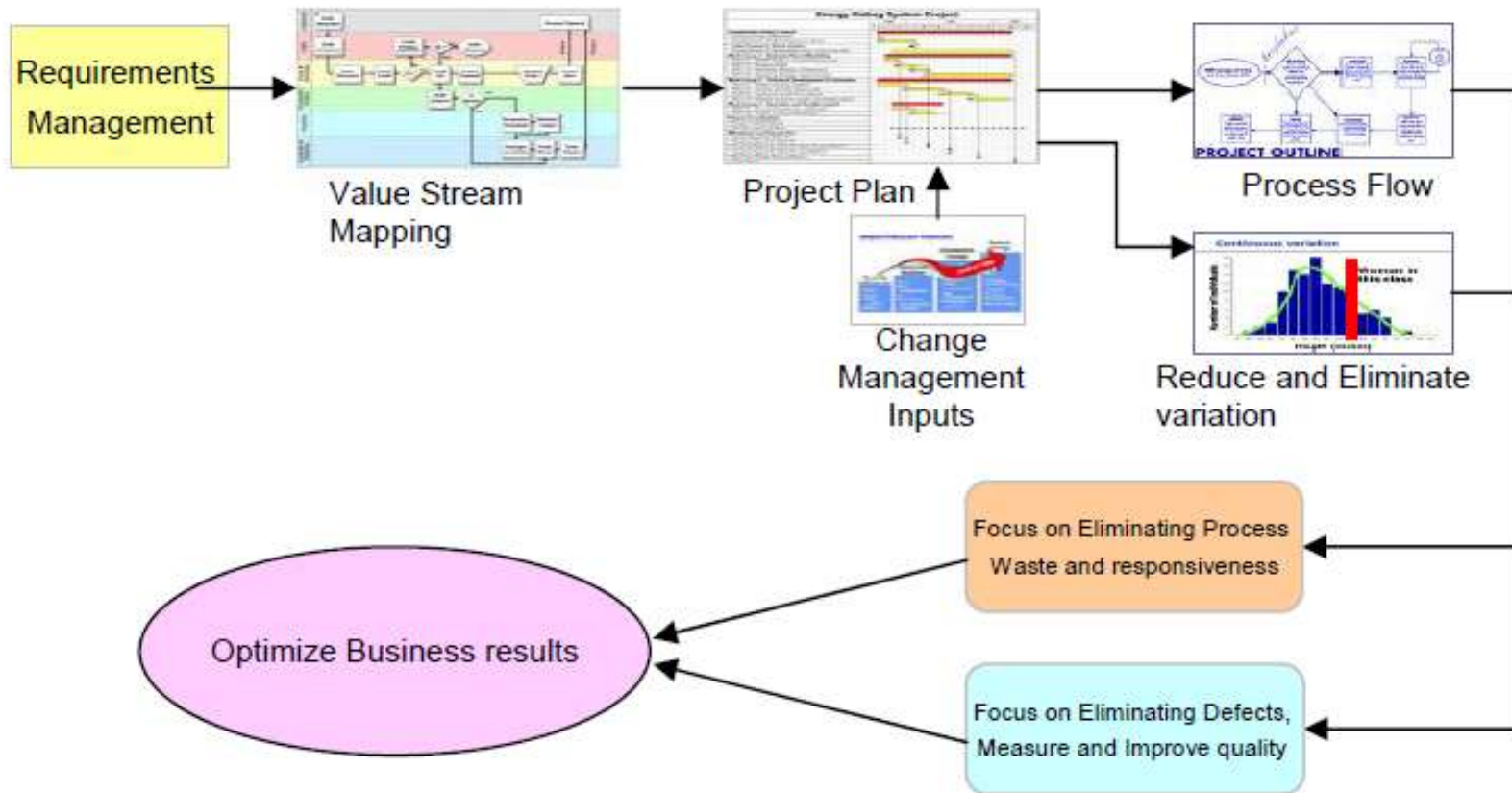 - FMEA
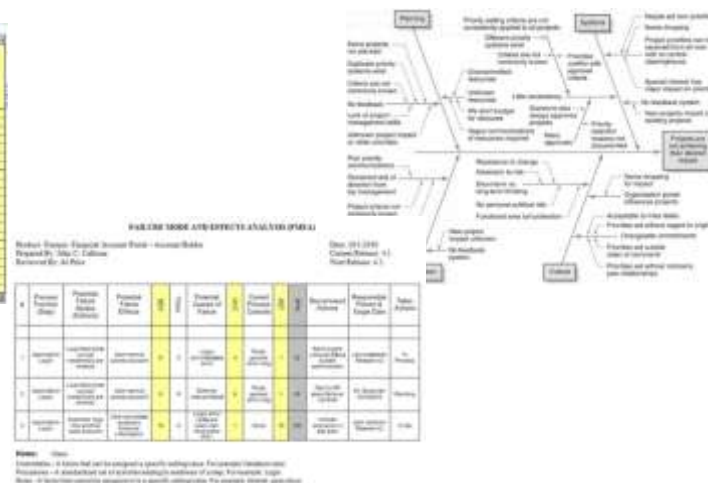
Voice of the Customer

Voice of the Customer

			Plan	Develop	Market	Deliver	Support

Legend:
- ● 4 Strong
- ○ 2 Medium
- △ 1 Weak

Business Functions

Importance (1-5)

Customer Requirements

Better
Customer Requirements	Importance (1-5)	Plan		Develop		Market		Deliver		Support						
Treat me like you want my business	5	2														
Deliver products that meet my needs																
Products/services that work right																
Be accurate, right the first time																
Fix it right the first time																

Faster
- I want it when I want it
- Make commitments that meet my needs
- Meet you commitments
- I want fast, easy access to help
- Don't waste my time
- if it breaks, fix it fast

Cheaper
- Deliver irresistable value
- Help me save money
- Help me save time

Total Weight | # | 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0

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Value Stream Mapping

Requirements Management → Value Stream Mapping → Project Plan → Process Flow

Change Management Inputs

Reduce and Eliminate variation

Focus on Eliminating Process Waste and responsiveness

Focus on Eliminating Defects, Measure and Improve quality

Optimize Business results

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What is a Workflow Model?
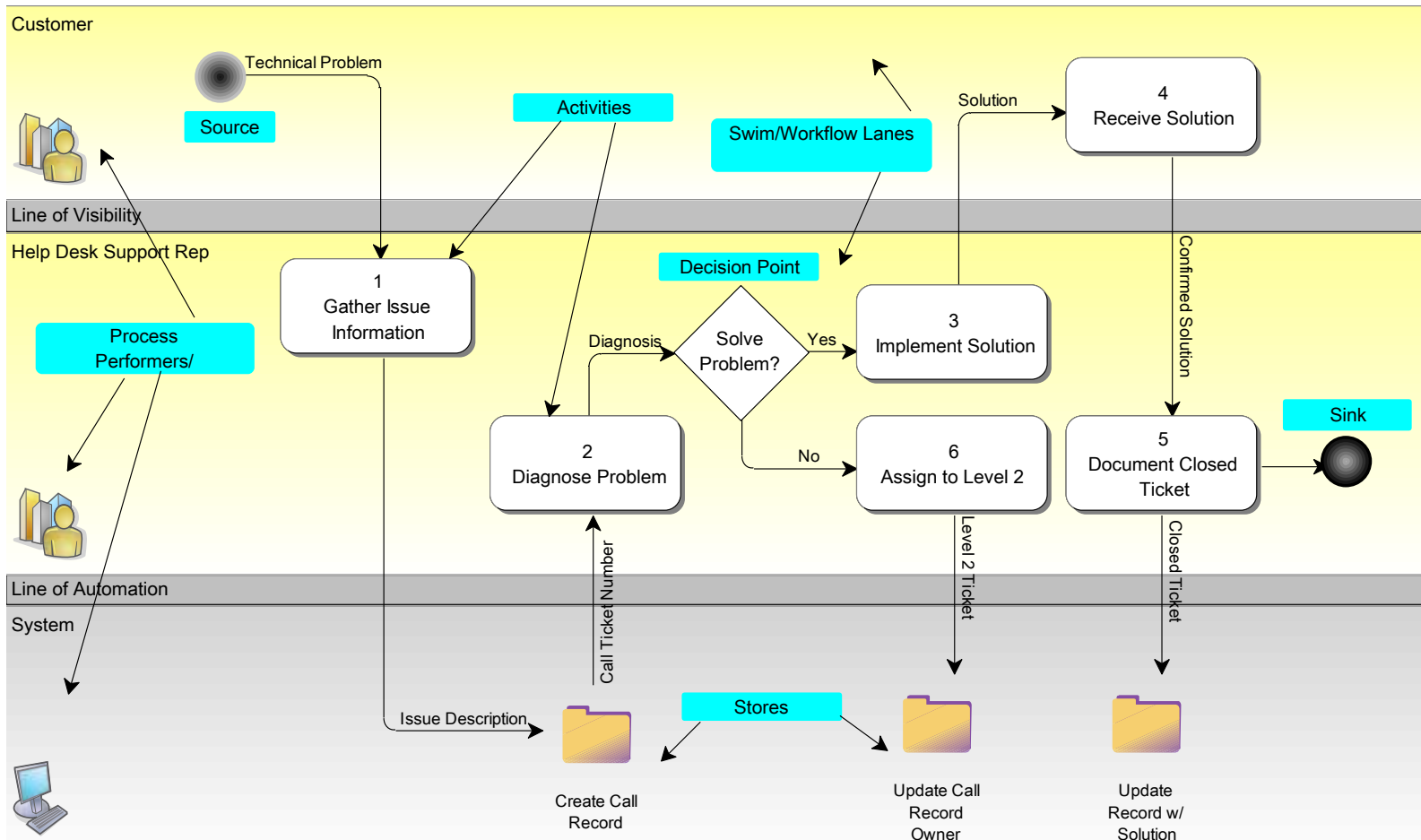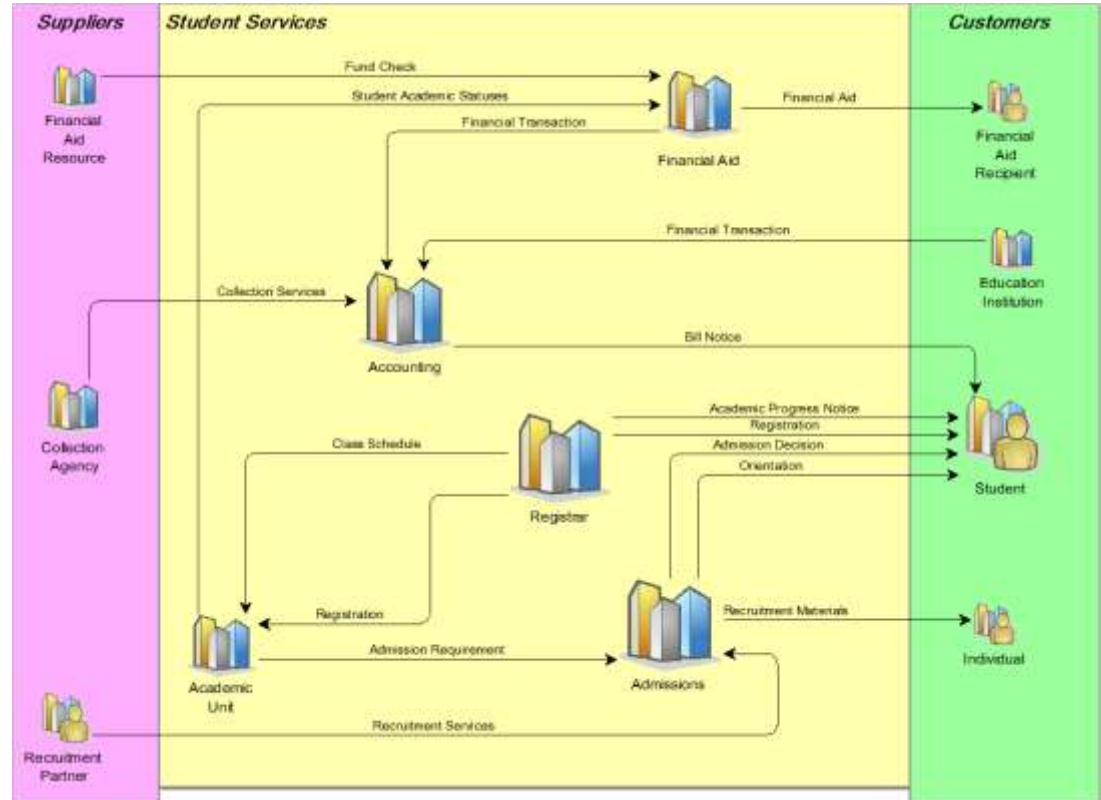
Business Interaction Model - SIPOC

Purpose:
- Depicts internal and external entities (organizational areas) interactions.
- Typically used for identifying major business functions and the associated deliverables that the area of focus performs.
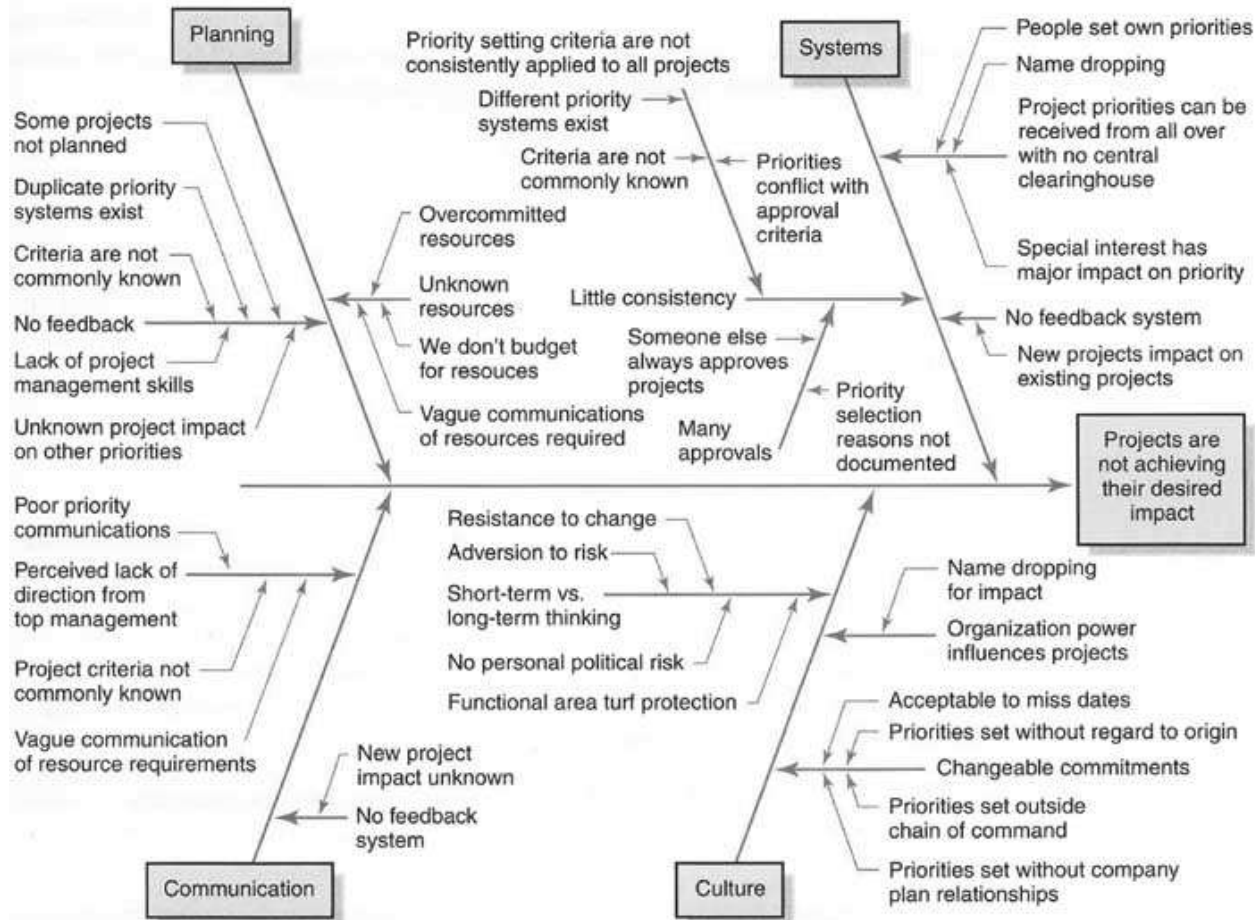
Benefits:
- Determines impacts of deliverables e.g. there may be two groups producing the same deliverables. Answers the question "How can we leverage best practices, departments, or positions ?".

- Helps establish what is required at a more tactical level to accomplish goals.

- Provides a framework for making process improvement scope decisions.

Determine Benefits

Root Cause Analysis (Fishbone)

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Prioritization Techniques Failure Modes & Effects

FAILURE MODE AND EFFECTS ANALYSIS (FMEA)

Product / Feature: Financial Account Portal – Account Holder
Prepared By: John C. Calhoun
Reviewed By: Al Price

Date: 10/1/2010
Current Release: 4.1
Next Release: 4.2

#	Process Function (Step)	Potential Failure Modes (Defects)	Potential Failure Effects	SEV	Class	Potential Causes of Failure	OCC	Current Process Controls	DET	RPN	Recommend Actions	Responsible Person & Target Date	Taken Actions
1	Application Login	Login fails when correct credentials are entered	User cannot access account	8	C	Logic error/database error	4	Posts general error msg	1	32	Send urgent notice to DBA & system administrator	Joe Josephson Release 4.2	In Process
2	Application Login	Login fails when correct credentials are entered	User cannot access account	8	N	External network failure	5	Posts general error msg	1	40	Talk to ISP about failover contract	Mr. Bossman 10/10/2010	Pending
3	Application Login	Customer logs into another use's account	User can access another's financial information	10	C	Logic error (different users can have same PW)	1	None	10	100	Include scenarios in test plan	Jack Jackson Release 4.2	In QA

Notes: Class

Controllable – A factor that can be assigned a specific setting/value. For example Validation rules
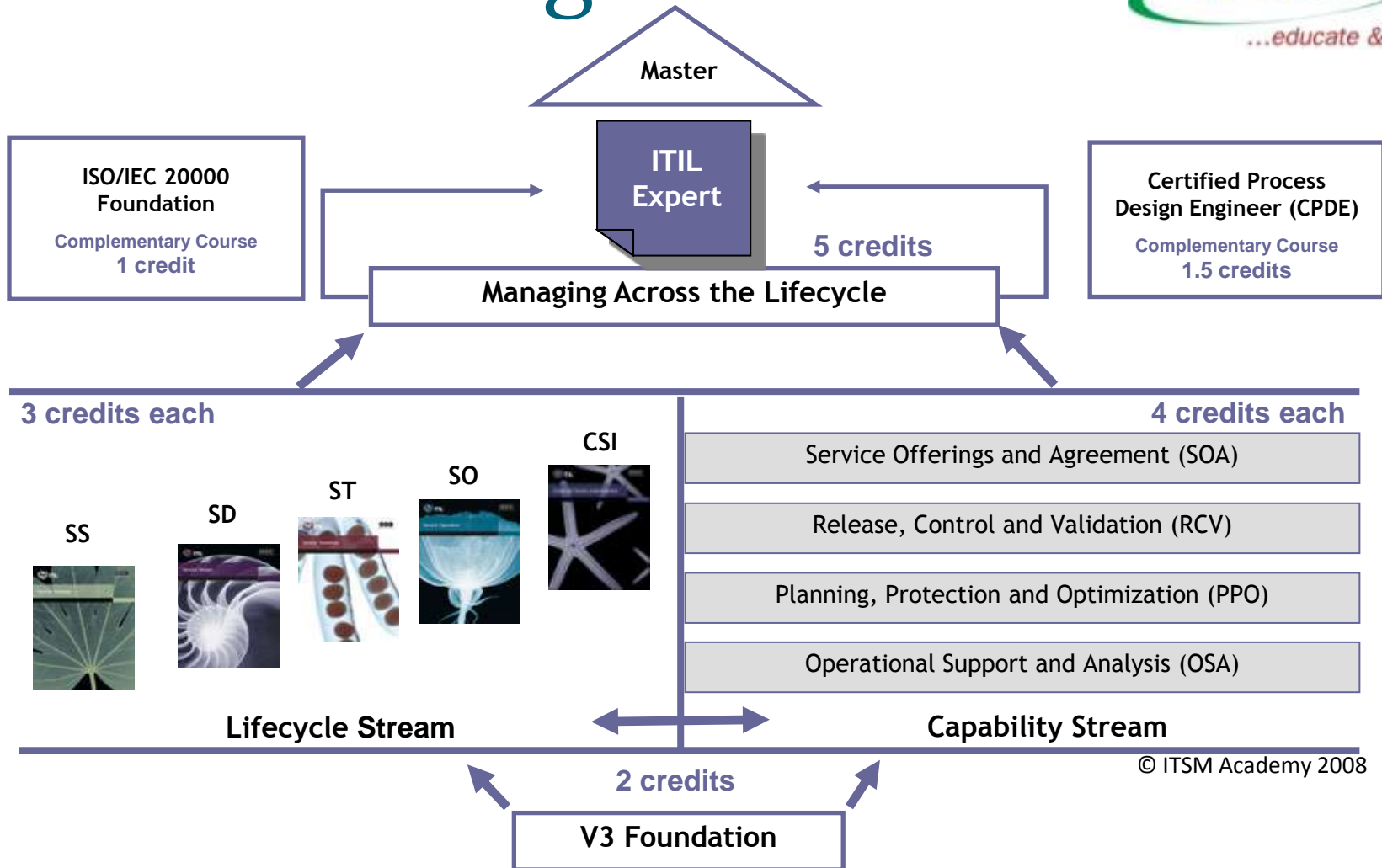Procedures – A standardized set of activities leading to readiness of a step. For example: Login
Noise - A factor that cannot be assigned in to a specific setting/value. For example: Internet goes down

Benefits of Lean in the ITIL Framework

- Help your IT organization achieve continuous improvement and organizational agility

- Introduces a more structured engineering approach to ITIL's framework

- Lean thinking promotes continuous improvement and waste reduction into ITIL's best practices

- Identify and target waste

- Document value streams

- Measure customer satisfaction

- Continuous process improvement

ITIL Training Scheme

Master

ITIL Expert

ISO/IEC 20000 Foundation

Complementary Course
1 credit

Certified Process Design Engineer (CPDE)

Complementary Course
1.5 credits

5 credits

Managing Across the Lifecycle

3 credits each

4 credits each

CSI

SO

ST

SD

SS

Service Offerings and Agreement (SOA)
Release, Control and Validation (RCV)
Planning, Protection and Optimization (PPO)
Operational Support and Analysis (OSA)

Lifecycle Stream

Capability Stream

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2 credits

V3 Foundation

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Thank you for attending!

Questions???

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