



# Get out the Yardstick: Measuring the Business Value of IT

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## Agenda

- Why is IT's value important
- Defining value in business terms
- Effective IT management
- Calculating service value
- Getting started with value



# Why is IT's Value Important?

Aligning with the business demand

# Common Challenges

Business Needs/Demands

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Business Needs/Demands

Just in time delivery

Do more with less

IT costs too much

Non responsive to needs

# Common Challenges

Infrastructure Technology

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Vendor pressures

Best practice jungle

Superhero knowledge

IT is complex

# Common Challenges

## Business Needs/Demands



•Frustrated business users



•Frustrated IT Executive



•Frustrated IT technologists

## Infrastructure Technology

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## Common Challenges

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## Ideal End-State

Business Needs/Demands

Demand Aware & Managed

Services Focused

Cost Aware &  
Managed

Resource Aware  
& Managed

Infrastructure Technology

- Planned vs. actual demands
- Usage and consumption trending
- Integrated with financial management
- VOI and ROI of services & investments

Value managed organizations are demand aware and managed

## Ideal End-State

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Infrastructure Technology

- IT services are defined and managed through portfolios
- Provide accountability for each service
- Provide value-options for enabling new business
- Service level reporting is trusted & proven

Value managed organizations are services focused

## Ideal End-State

Business Needs/Demands

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Infrastructure Technology

- TCO is managed by service
- ROI is predicted and validated for all IT spending
- Service costs are predicted
  
- Resources are accountable for time and effort spent
- Utilization levels are tracked and managed

Value managed organizations are cost & resource managed

# Value Based Management

Business Needs/Demands

ALIGNMENT OF  
BUSINESS NEEDS AND  
IT'S VALUE

Infrastructure Technology

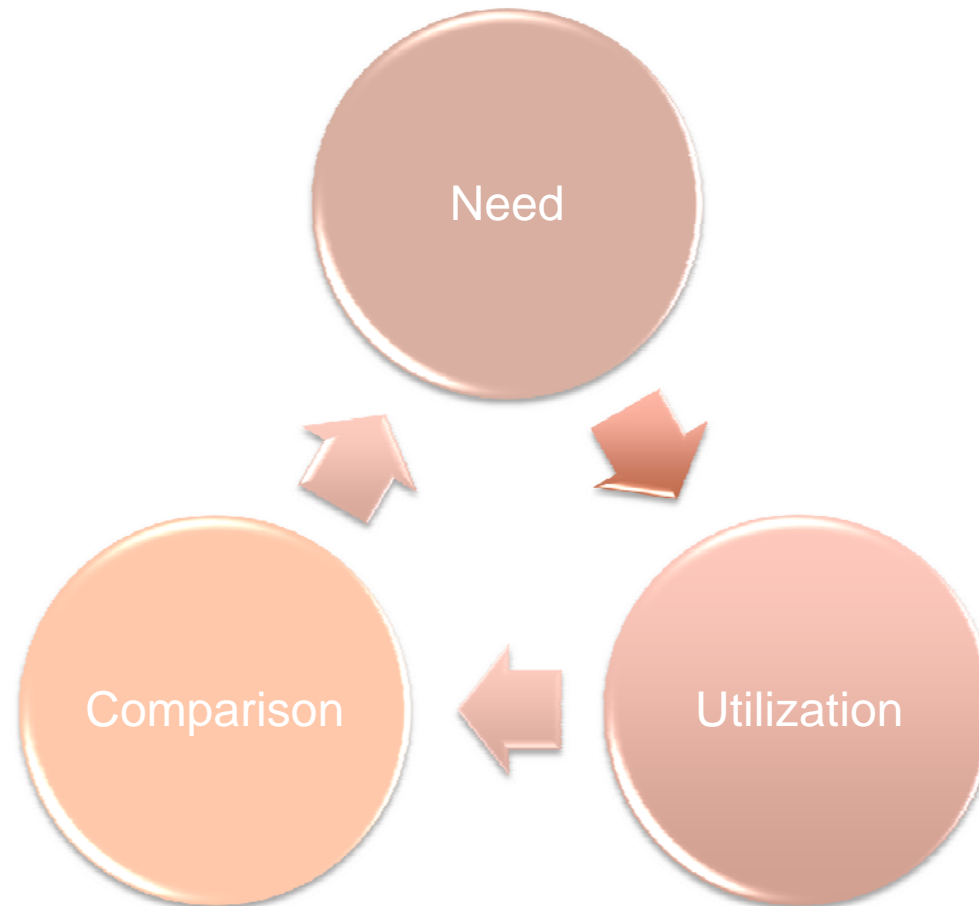
- IT services are mapped to and managed according to business demands
- Demonstrated the value to the business
- Using metrics for empowered decision making



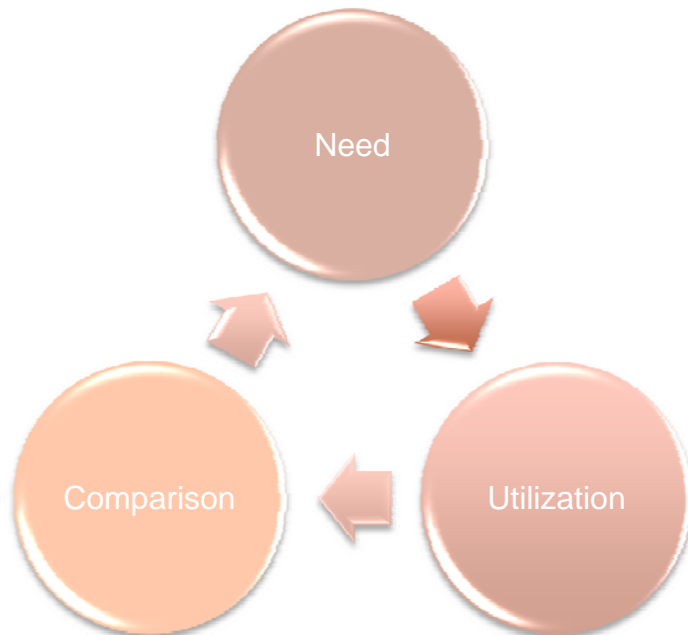
# Defining Business Value

What is value?

# What is Value



## What is Value



- Value starts with **need**
  - Increase top-line sales by 15%
  - Increase customer satisfaction
  - Lower time to delivery
- Effective **utilization**
  - Best way to meet the need
  - Efficiency and effectiveness
- Basis for **comparison**
  - If you only have one it is both the most and least valuable
  - Requires a business focused method for comparison

# IT's Value to The Business

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- The Need
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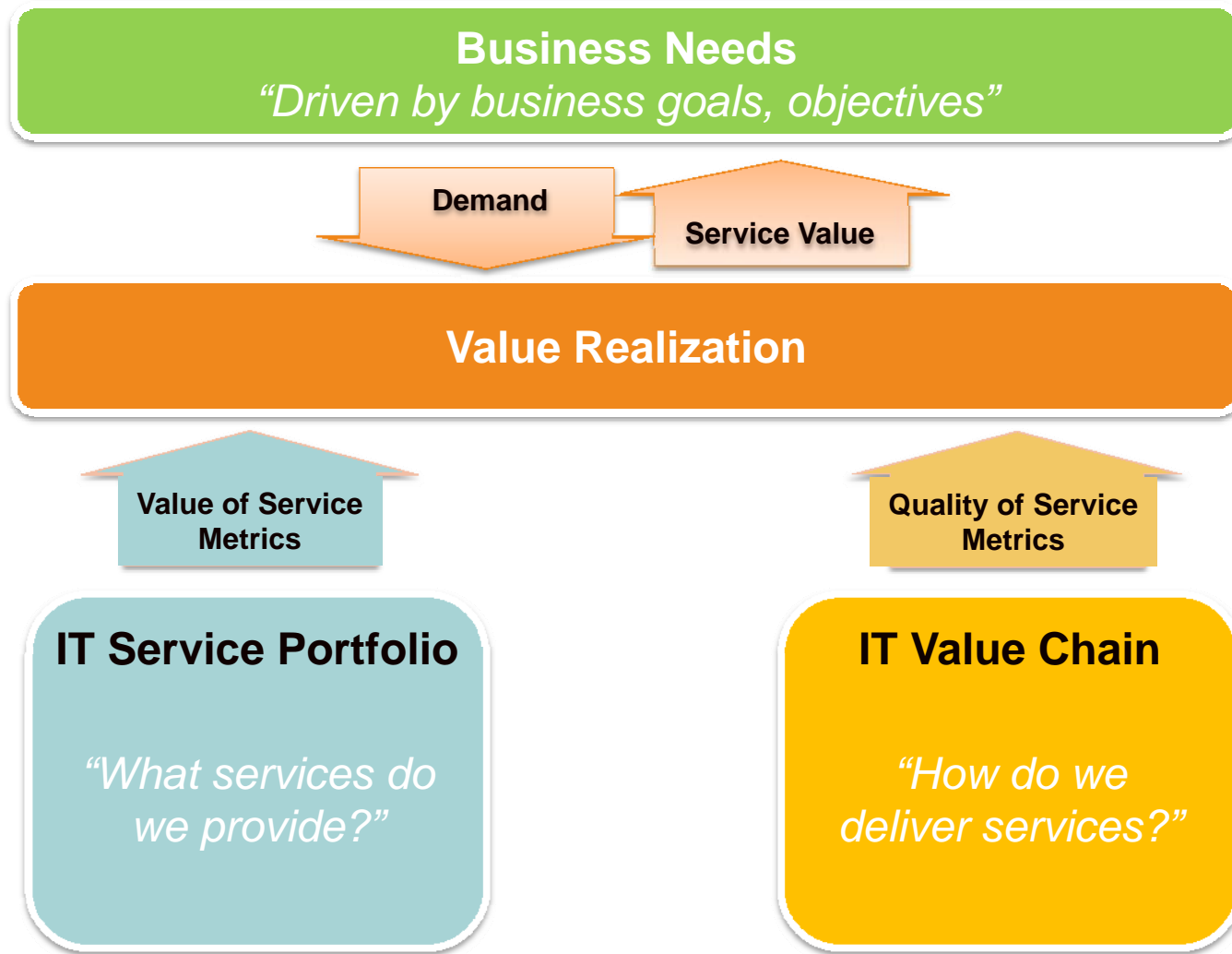
- **The Need**
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- **Comparison**
  - Continually being compared to other IT services both internal and external
  - Performance, Cost and Risk are key components



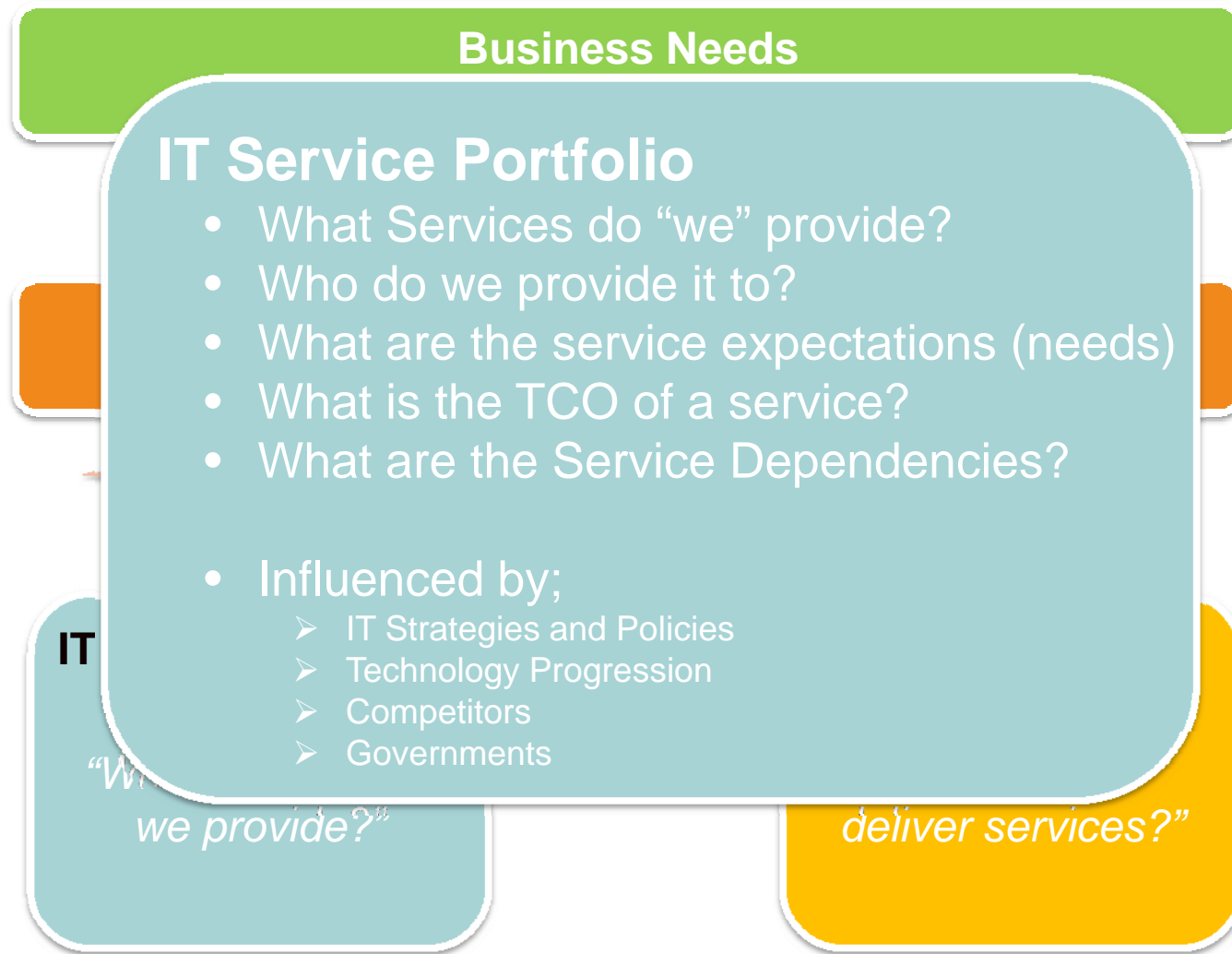
# Understanding IT

*What it does* is different than *how its done*,  
from the business perspective.

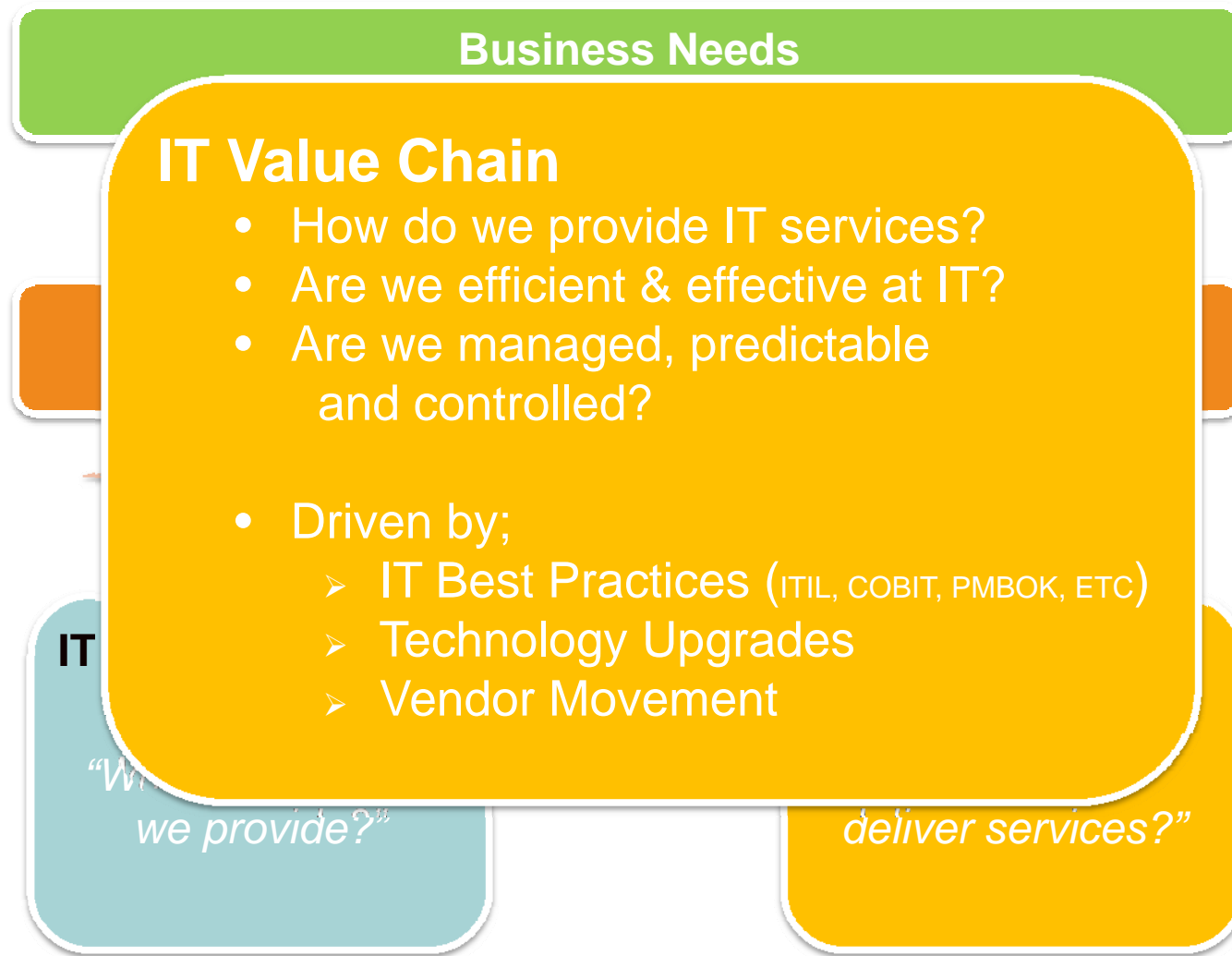
# The Value Model



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## The Value Model



## IT Service Portfolio

- Holistic Definition of IT services
  - Services are a combination of capabilities & resources
- Two Service Types
  - Availability-based services
  - Request-based services
- Three Service Categories
  - Business IT Services
    - Most visible demonstration of IT's value
    - Easily associated with corporate goals & strategy
    - Often interface with end-customers
  - Corporate IT Services
    - Very visible demonstration of IT's value
    - Not easily associated with corporate goals & strategy
  - Infrastructure IT Services
    - Services that enable other services
    - Typically do not provide direct value to the organization
    - Not easily linked to corporate goals & strategy

## IT Value Chain

- A set of IT capabilities
  - People, Process, Product, Partners
- This is “how IT delivers quality”

### Business Alignment

- Service Strategy
- Service Design
- Service Portfolio Management
- Demand Management
- Financial Management

### Service Operations & Support

- Service Desk
- Service Requests
- Incident Management
- Event & Availability Management
- Capacity Management
- Disaster Recovery Planning
- Configuration Management
- Change & Release Management

### Operating Practices & Governance

- Continual Service Improvement
- Knowledge Management Systems



# Calculating IT's Value

How valuable is an IT Service?

## How do we Calculate IT's Value

- IT is valuable when it is delivering services to the business at required **performance** targets with accepted levels of **cost** and **risk**

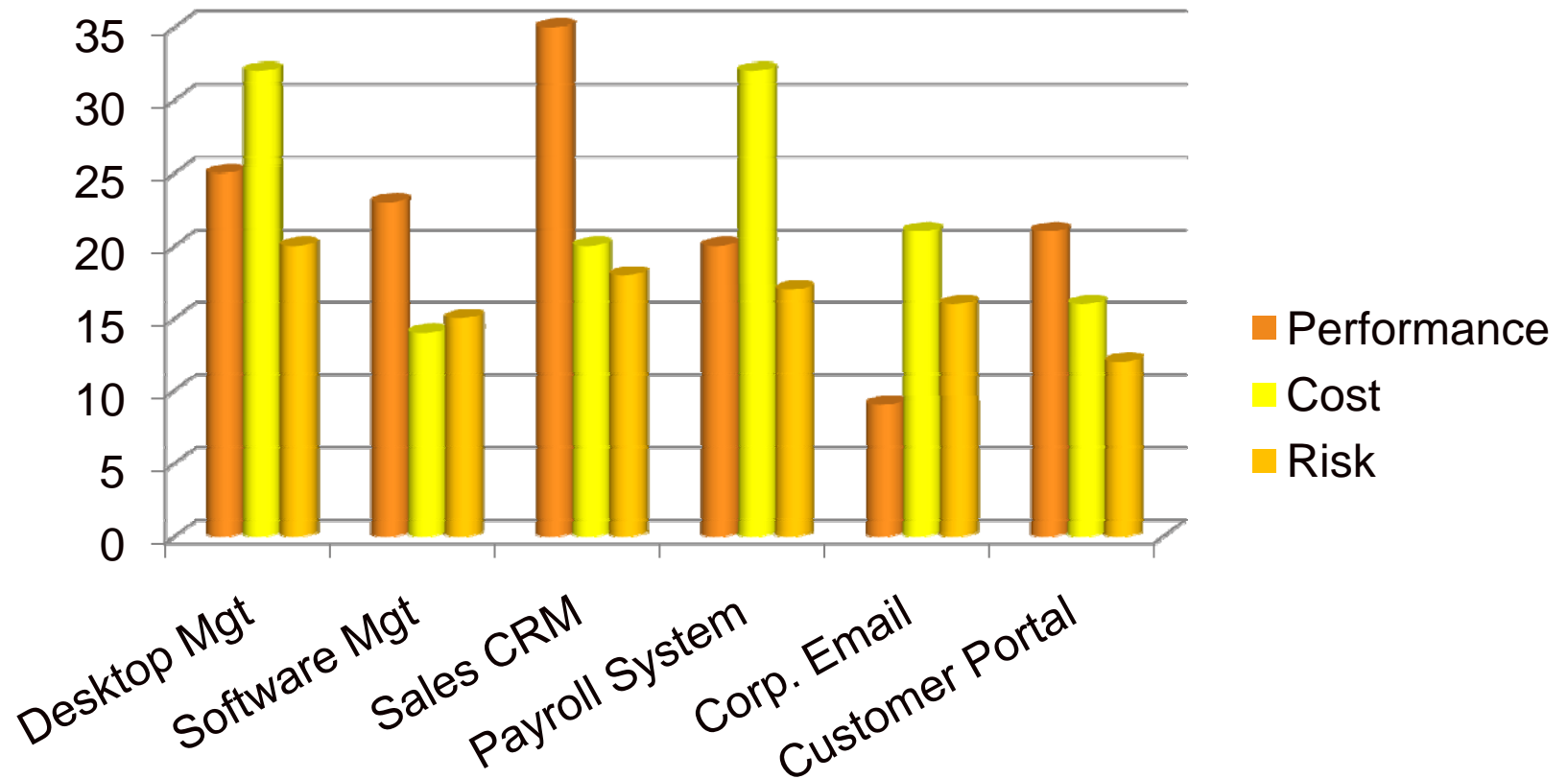
## How do we Calculate IT's Value

- IT is valuable when it is delivering services to the business at required **performance** targets with accepted levels of **cost** and **risk**

$$\text{Service Value} = \frac{\text{Performance} + \text{Risk}}{\text{Cost}}$$

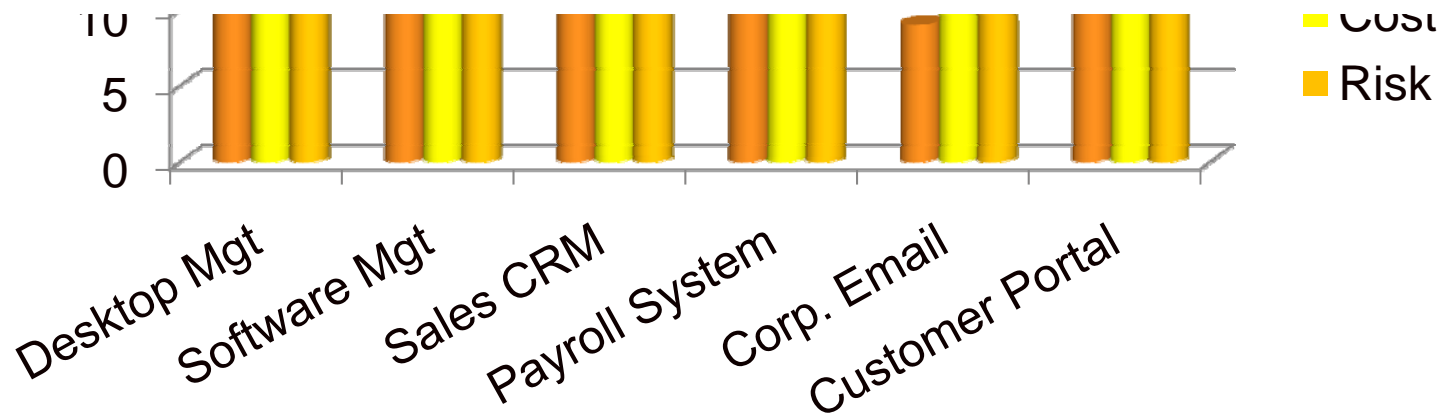
- As cost increases without additional performance, service value decreases
- As performance increases without additional cost service value increases
- Risk is a function of business need, without the service what is the risk to the business

## Service Value



# Service Value

Project	Cost Est.	Status	Targets
System Upgrade	\$104,000	GREEN	Sustained support, reduced risk of failure, increased functionality
Web-Outlook	\$23,201	GREEN	Increased performance, decreased cost of support
Self-Recovery	\$12,092	YELLOW	Reduced service TOC
Automated Pwd Resets	\$42,147	GREEN	Reduced service TOC



# Service Value Score-Card (sample)

## Service Performance

### Fit for Purpose

User Functionality	9
Design Change Requests	5
Impact to Business Task	8

### Quality of Service

Availiability	9
Capacity	5
Continuity	8

## Total Cost of Service Ownership

### Direct Costs

Hardware Maintenance	\$20,000
Software Maintenance	\$7,200

### Indirect Costs

Technical Maintenance	\$40,000
Service Desk Support	\$5,000

## Risk to Business Goals

### Business Impact

Business Dependency	4
Business Alignment	2
Service Empowerment	3

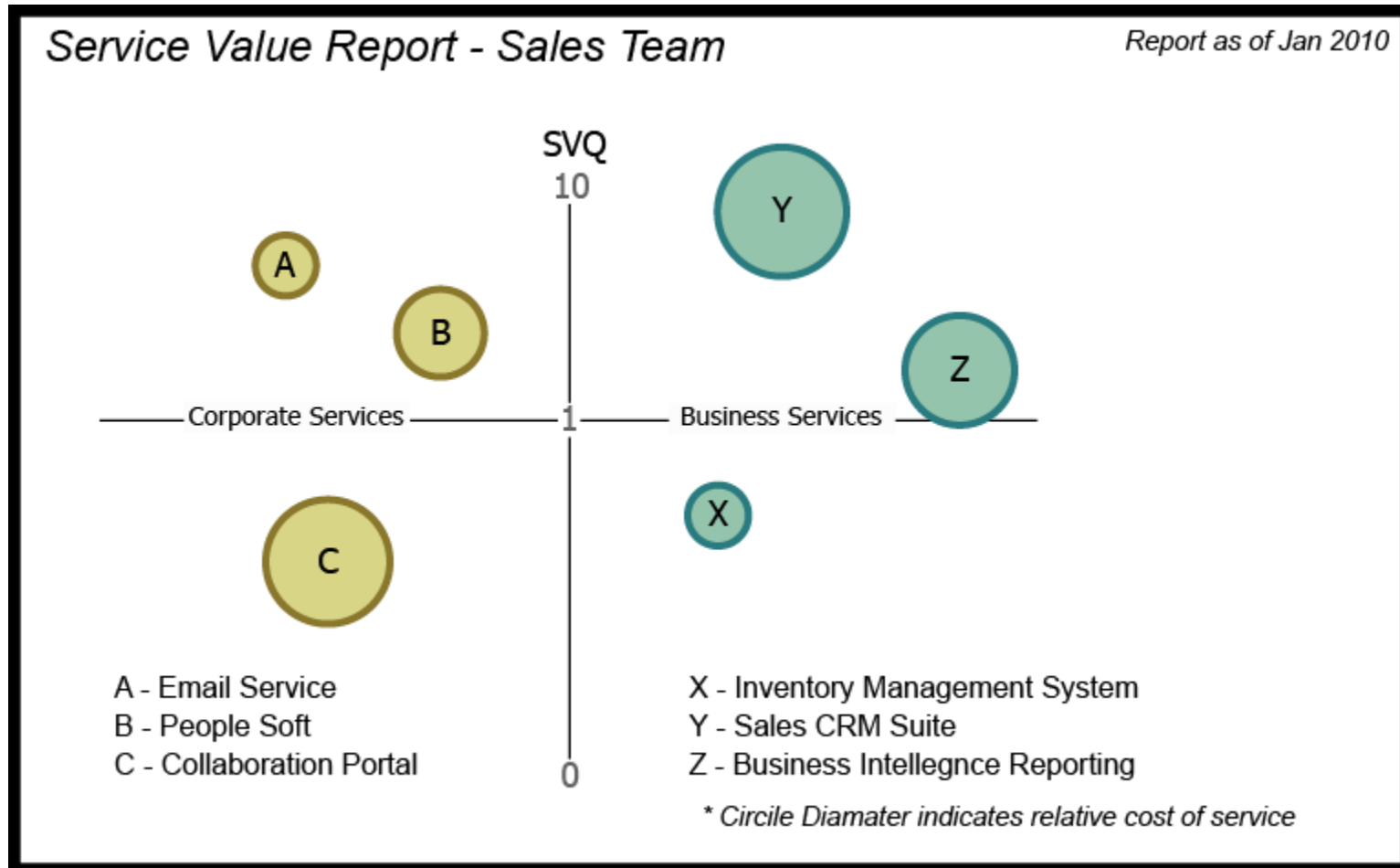
### Service Complexity

Dependant Services	4
Complexity of Service	2
Technology Maturity	3

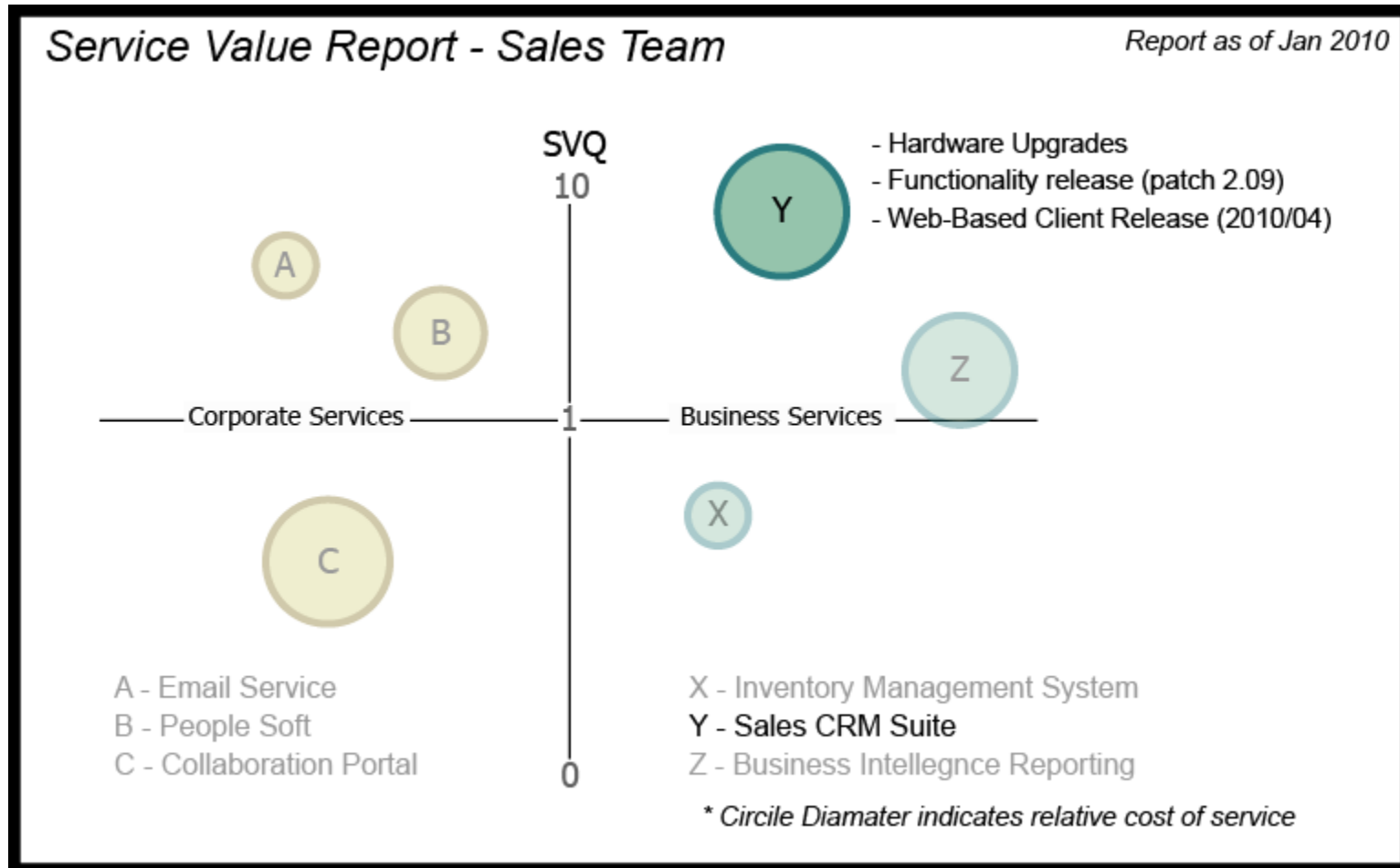
## Understanding Service Value Quotient (SVQ)

- When SVQ is less than 1;
  - Cost is greater than value the service provides
  - Risk or Performance should be reviewed for improvements
  - Cost reductions may be the only options
- When SVQ is greater than 1;
  - The cost is less than the value of the service
  - Potentially no actions required

# Understanding Service Value Quotient (SVQ)



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# Assessing Value

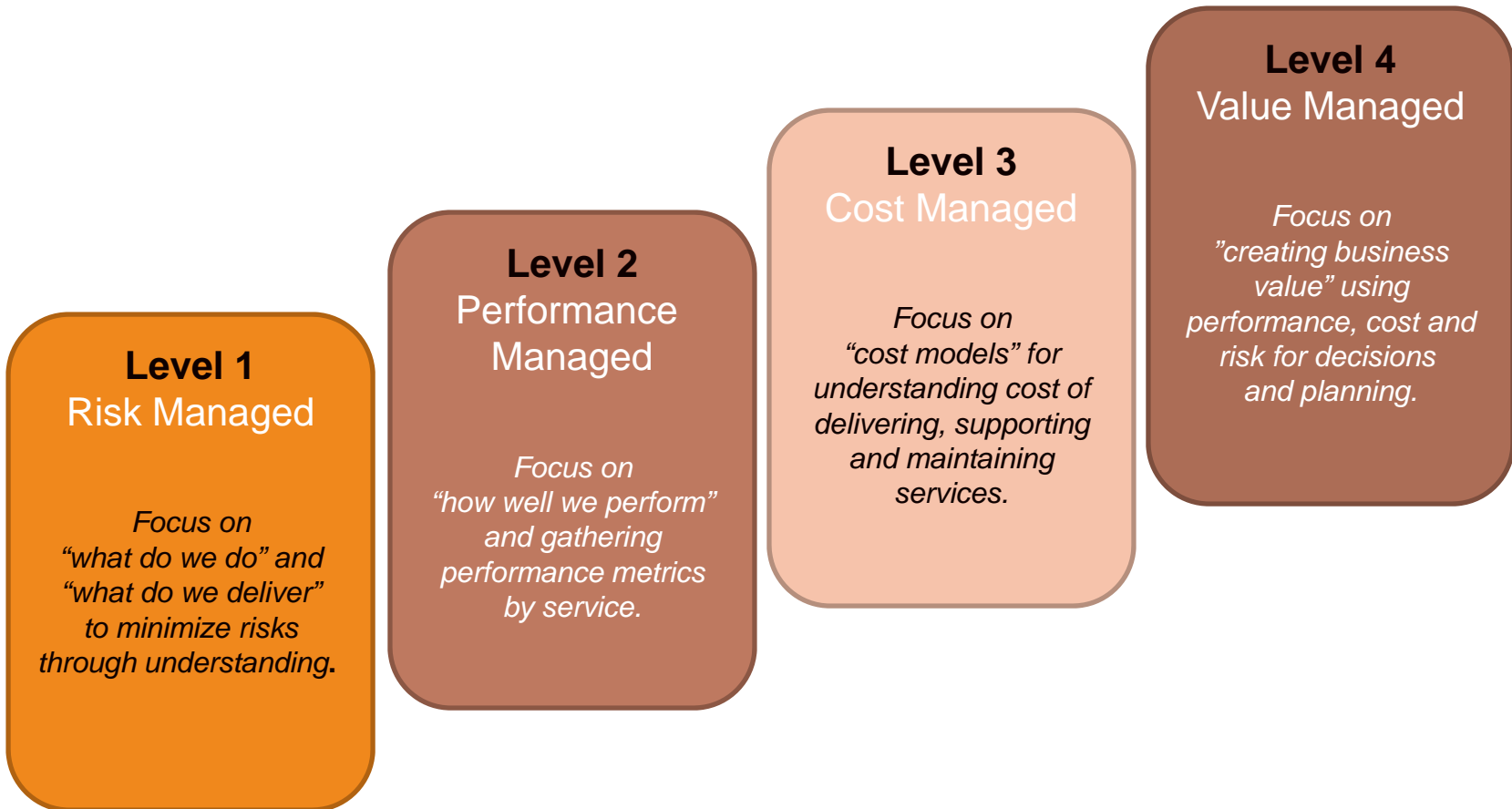
- **IT Service Value Assessment**

- Approach
  - Employ a standard service catalogue
  - Assess performance, cost and risk using pre-defined matrices and models
- Methods
  - Structured interviews
  - Artifact reviews
  - Systems data
- Results
  - Service value raking and report
  - Recommendations on service improvement and business alignment

- **IT Value Chain Assessment**

- Approach
  - Quantitative analysis of inputs, outputs and KPI's
  - Understanding of best practices & technologies
- Methods
  - System data & reports
  - Review documents and artifacts
  - Organizational review
  - Project success & shortcomings
- Results
  - Recommendations on IT process & technology improvements
  - Efficiency and effectiveness gains
  - Cost savings

# Value Maturity Roadmap



# Thank you

## Get out the Yardstick: Measuring the Business Value of IT

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