

# Get out the Yardstick: Measuring the Value of IT

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# Agenda

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

# Why is IT's Value Important?

Aligning with demand

# Common Challenges

Needs/Demands

Just in time delivery

Do more with less

IT costs too much

Non responsive to needs

# Common Challenges

Infrastructure Technology

Vendor pressures

Best practice jungle

Superhero knowledge

IT is complex

# Common Challenges

## Needs/Demands



•Frustrated users



•Frustrated IT Executive



•Frustrated IT technologists

## Infrastructure Technology

Just in time delivery

Do more with less

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Non responsive to needs

Vendor pressures

Best practice jungle

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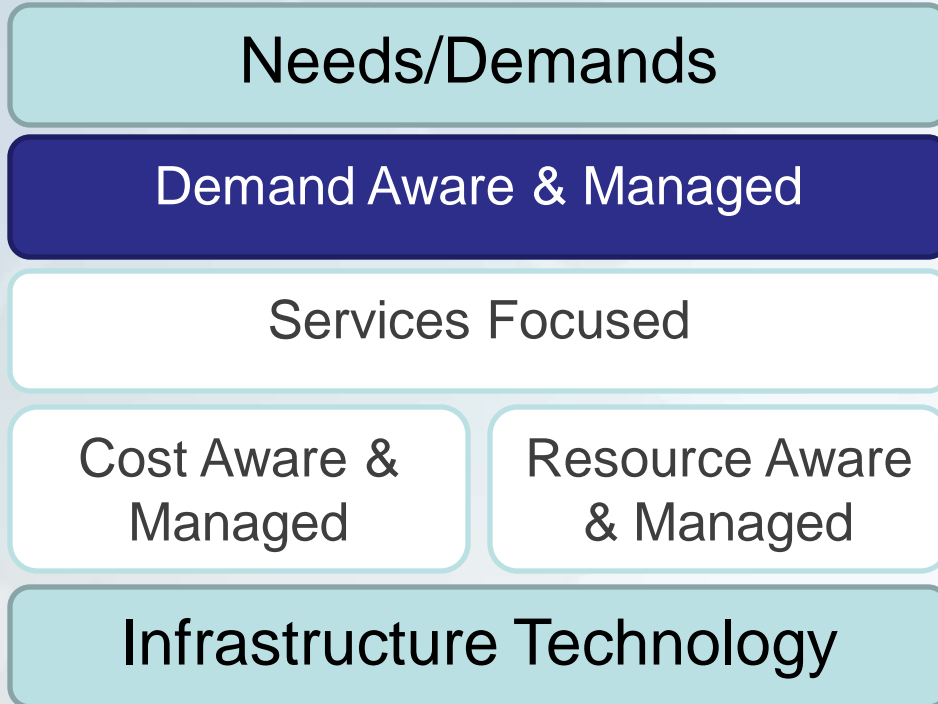
# Common Challenges

Needs/Demands

MISALIGNMENT OF  
ORGANIZATION AND IT

Infrastructure Technology

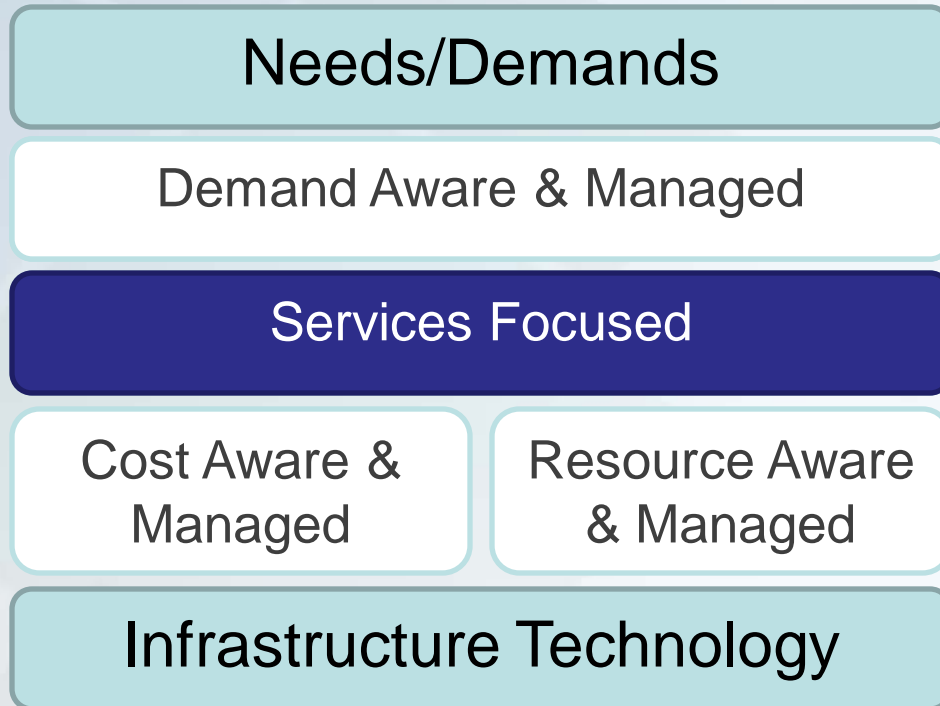
# Ideal End-State



- 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



- 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

Needs/Demands

Demand Aware & Managed

Services Focused

Cost Aware &  
Managed

Resource Aware  
& Managed

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

Needs/Demands

ALIGNMENT OF  
NEEDS AND  
IT'S VALUE

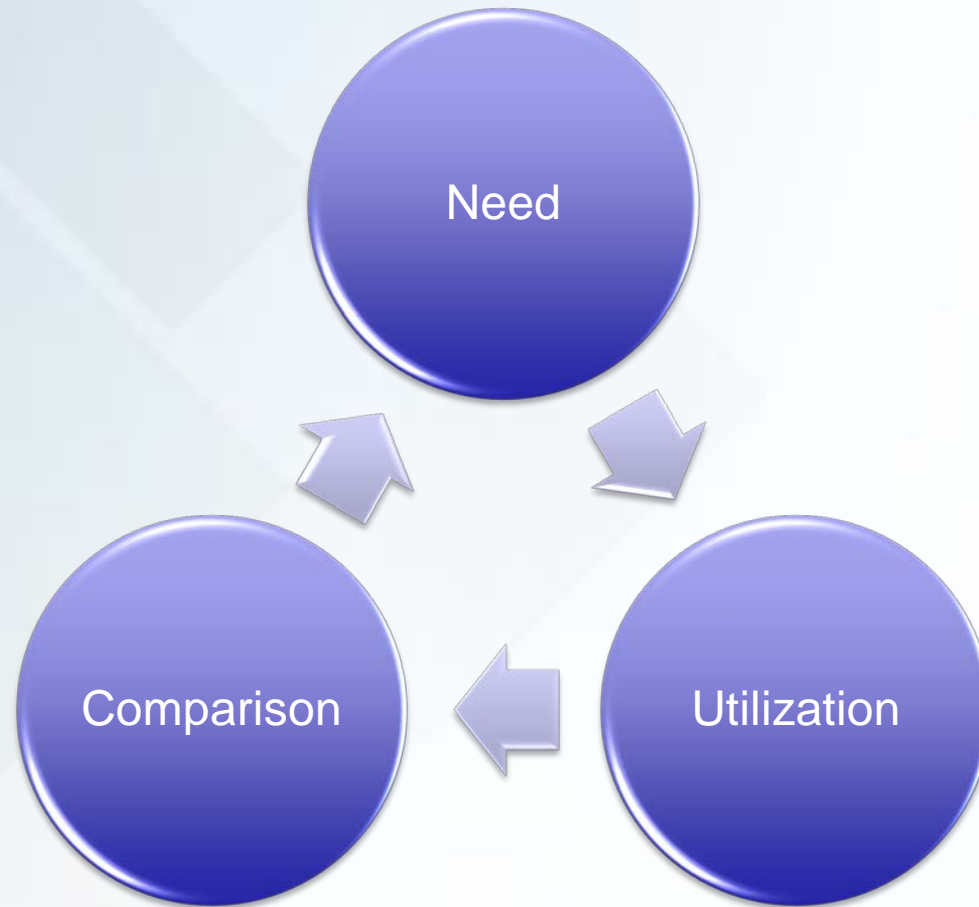
Infrastructure Technology

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

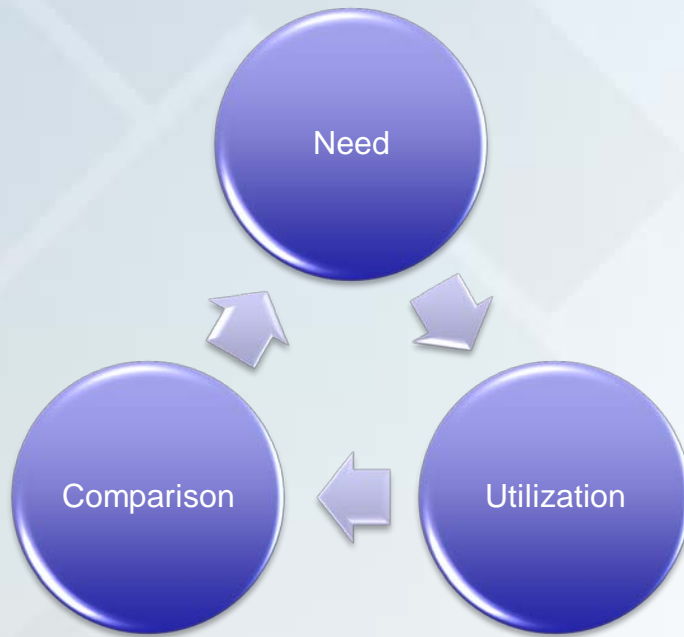
# Defining Value

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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  - Designed by the needs of the organization
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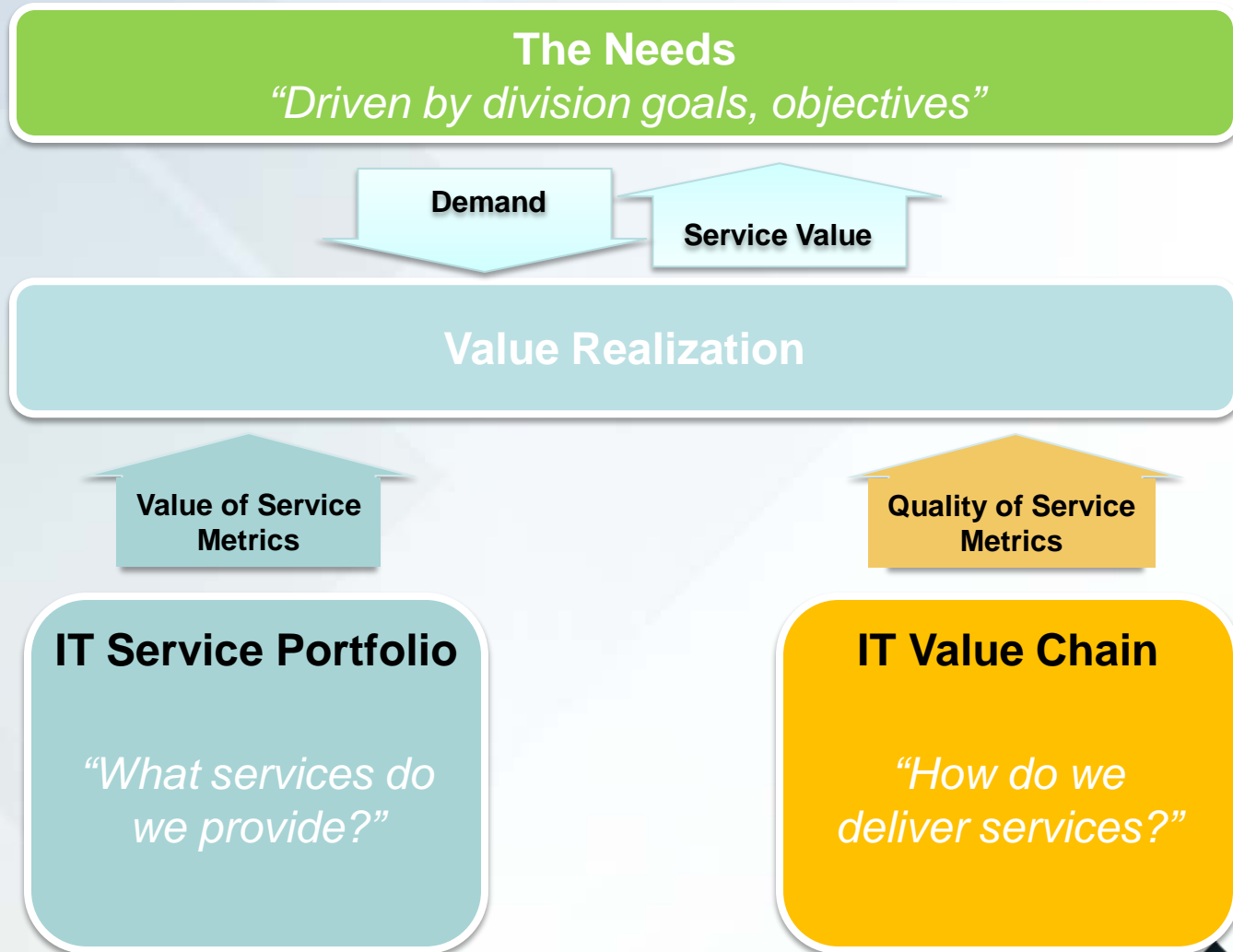
# IT's Value to The Business

- **The Need**
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  - Delivered on various technology platforms
- **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



# The Value Model

## The Needs

### IT Service Portfolio

- What Services do “we” provide?
- Who do we provide it to?
- What are the service expectations (needs)
- What is the TCO of a service?
- What are the Service Dependencies?
  
- Influenced by;
  - IT Strategies and Policies
  - Technology Progression
  - Government Policy

IT

“What  
we provide?”

*deliver services?”*

# The Value Model

## The Needs

### IT Value Chain

- How do we provide IT services?
- Are we efficient & effective at IT?
- Are we managed, predictable and controlled?
- Driven by;
  - IT Best Practices (ITIL, COBIT, PMBOK, ETC)
  - Technology Upgrades
  - Vendor Movement

IT

“What  
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*deliver services?”*

# 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**

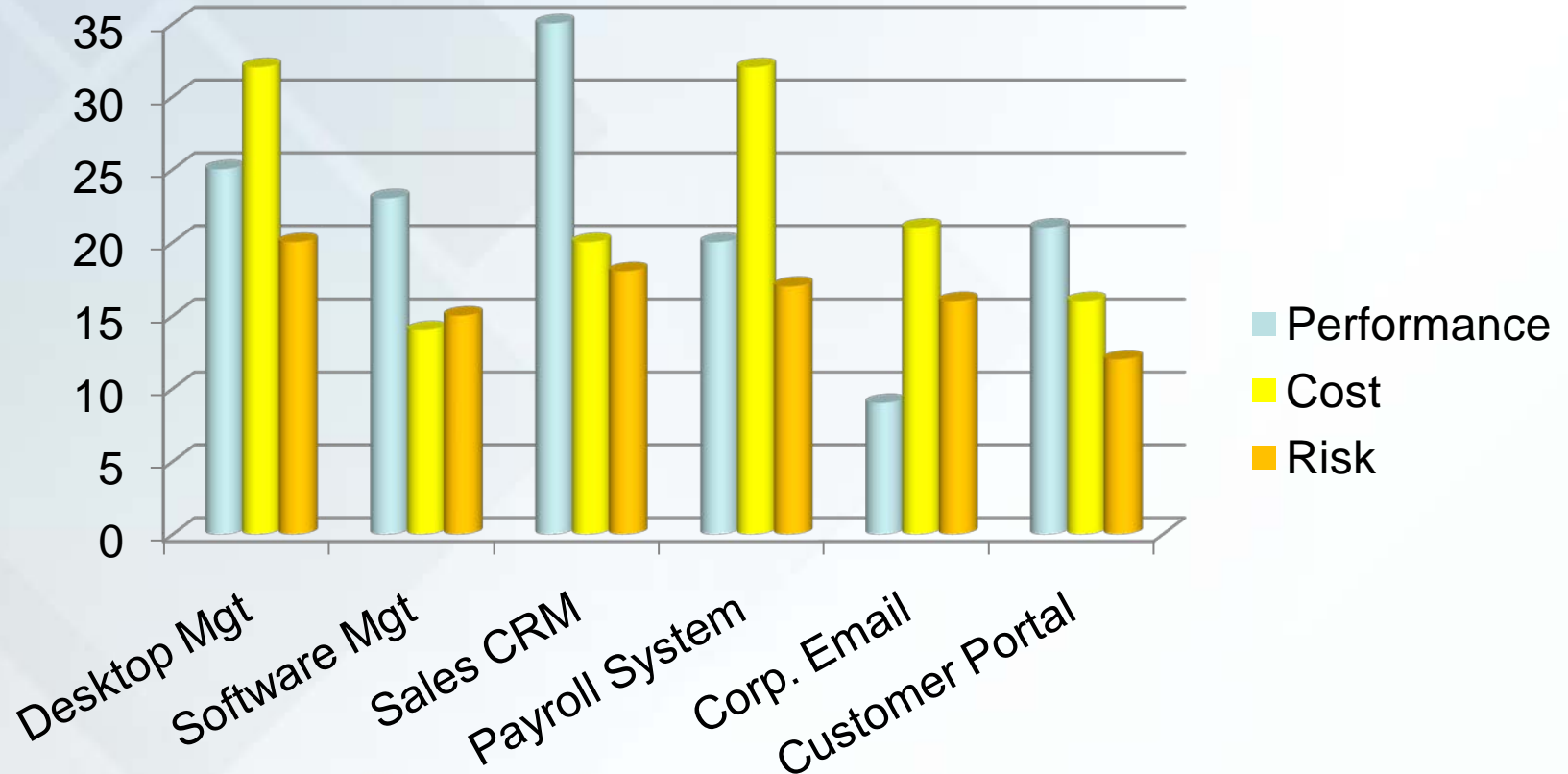
## How do we Calculate IT's Value

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

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

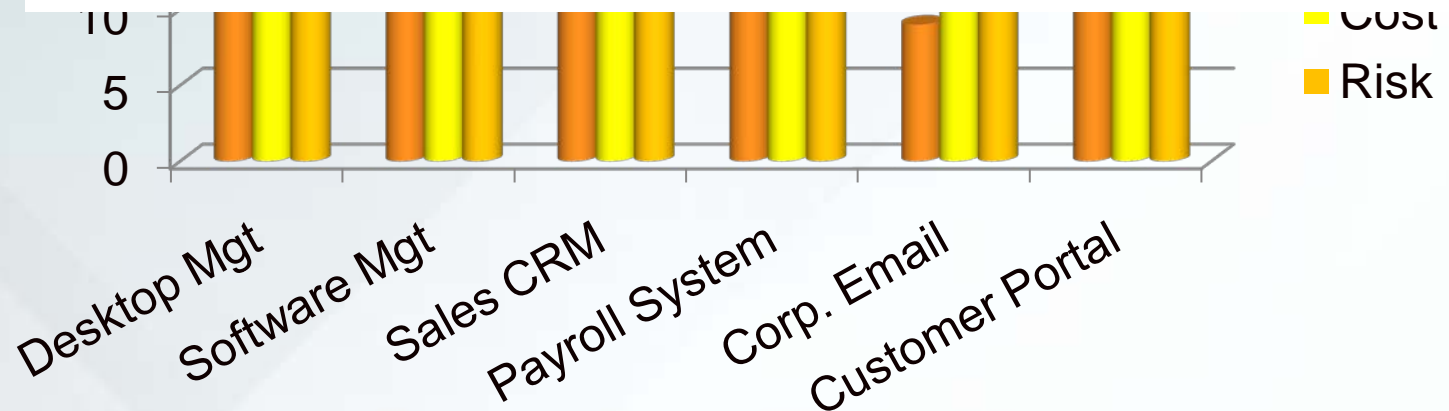
- As cost increases without additional performance, service value decreases
- As performance increases without additional cost service value increases
- Risk is a function of need, without the service what is the risk to the organization

# 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

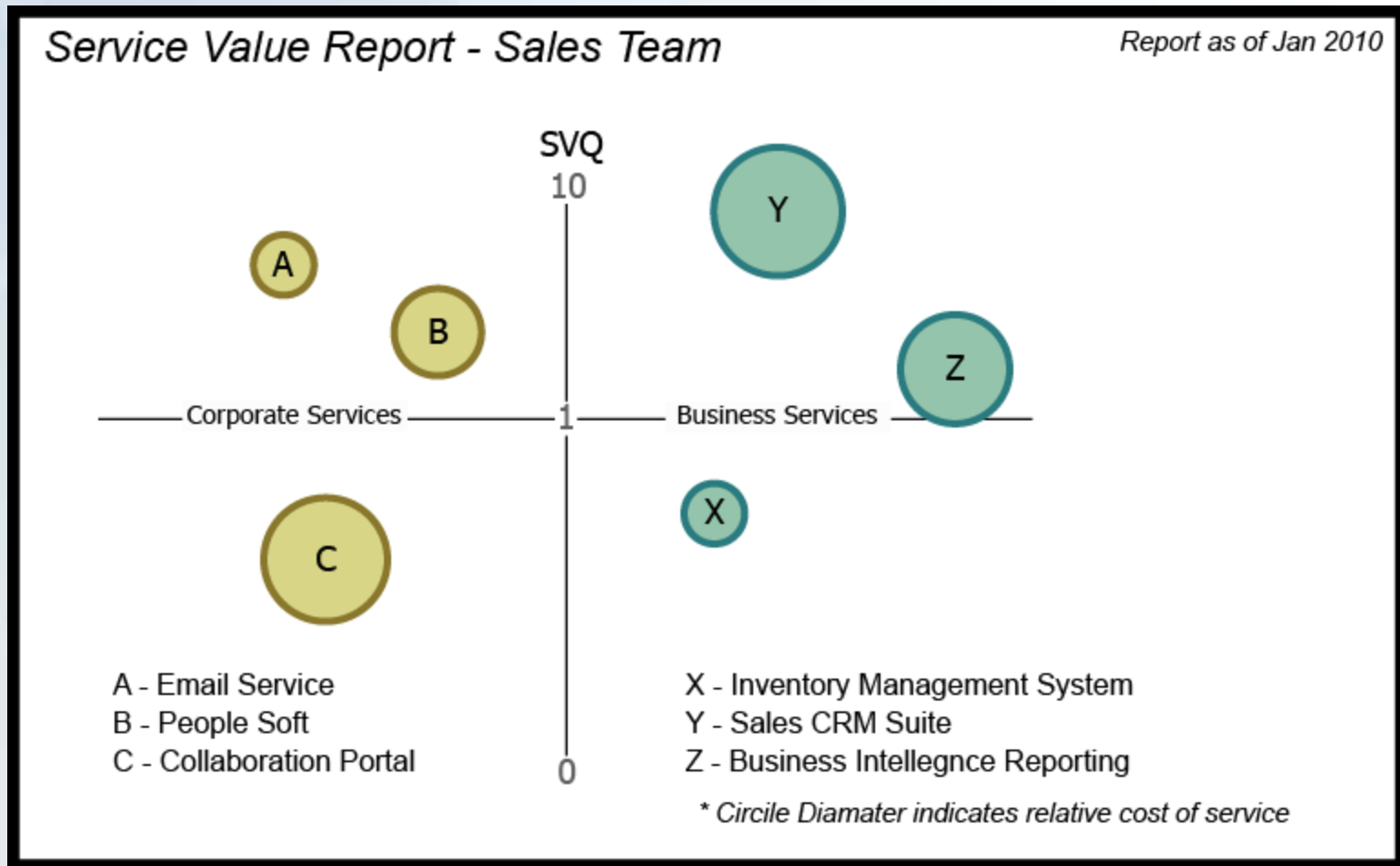
### Service Complexity

Dependant Services	4
Complexity of Service	2
Technology Maturity	3

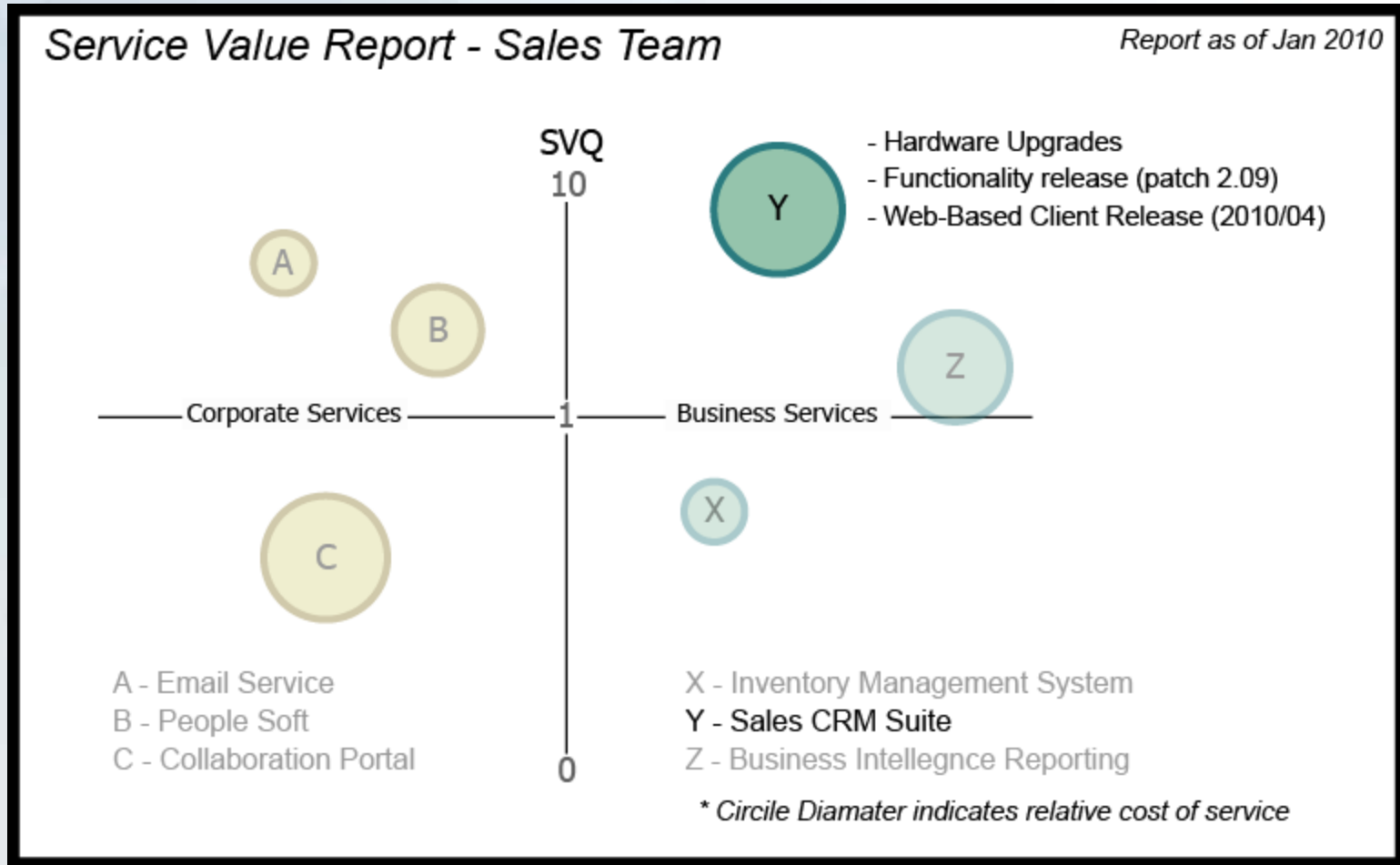
# Understanding Service Value Quotient (SVQ)

- 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)



# Understanding Service Value Quotient (SVQ)



# 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 ranking 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 & effectiveness gains
- Cost savings

# Value Maturity Roadmap

## Level 1 Risk Managed

*Focus on  
"what do we do" and  
"what do we deliver"  
to minimize risks  
through understanding.*

## Level 2 Performance Managed

*Focus on  
"how well we perform"  
and gathering  
performance metrics  
by service.*

## Level 3 Cost Managed

*Focus on  
"cost models" for  
understanding cost of  
delivering, supporting  
and maintaining  
services.*

## Level 4 Value Managed

*Focus on  
"creating business  
value" using  
performance, cost and  
risk for decisions  
and planning.*

# Thank you

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

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