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How to Build a Business Case for ITSM

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Overview

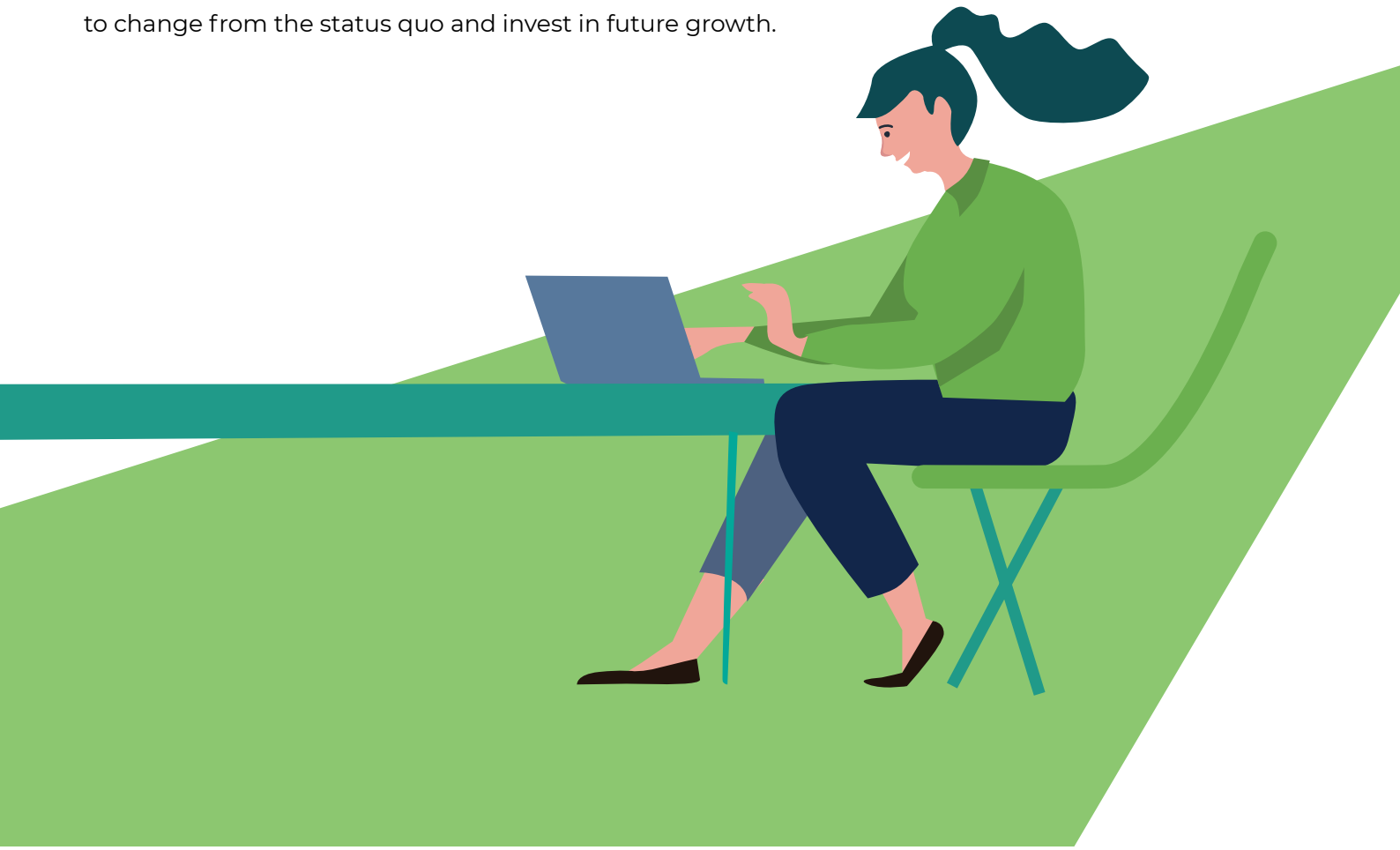
In the world of IT service management (ITSM), it's incredibly easy to be overtaken by the constant necessity to "put out fires" or deal with "break-fix" incidents as they occur. But that certainly doesn't complete the realistic picture of what is required by ITSM professionals.

It's the role of IT to keep your organization running smoothly, regardless of the company size. Adopting an ITSM solution will help to optimize your service delivery, allowing you to focus more energy on the value you provide to your business.

Unfortunately, investment in such a solution often gets cancelled before it even gets off the ground – because the necessary work of presenting and understanding the ROI of the investment has not been properly explained to the authorized stakeholders.

This guide is designed to help you build a strong business case for an ITSM investment, show you how to increase the likelihood of getting the business case approved, and ultimately improve professional relationships by demonstrating how IT adds value to the organization as a true partner.

In the end, you'll understand how to highlight the need for the investment and be able to justify the cost based on the value it will offer. Your business case will build consensus and urgency among stakeholders – creating a compelling reason to change from the status quo and invest in future growth.



Current situation

According to IDC, the total worldwide spending on digital transformation is forecasted to reach $1.97 trillion by 2022. It's clear that business leaders are prioritizing the value of IT, yet it goes without saying that organizations have taken a harsh hit with the countless IT project failures.

Today, digital transformation demands that organizations continually change the status quo, experiment, and get used to failure. As a result, a huge strain has been placed on IT leaders and employees working in technology.

Harry Moseley, CIO at Zoom, had this to say about digital transformation:

"Feverish is the word I use. I think it's compounding itself, and I think some businesses are challenged on how to keep up – they're almost hyperventilating."

It creates a lack of trust in the IT department, which in turn causes business leaders to lack confidence in spending the big bucks on IT projects.

How can we alleviate this fear and strengthen business-IT relationships?

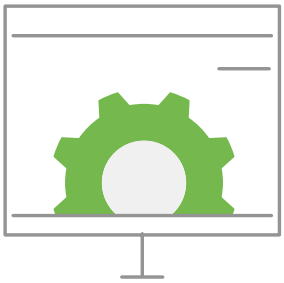
The solution is by proving that an IT investment is the same thing as a business investment.

Enter your business case for ITSM.

Here's your chance to show that an ITSM solution can help your organization grow technologically and prosper amidst the changing digital landscape.

You'll need to develop a compelling ROI matrix that includes easily tangible measures such as: increased productivity, decreased downtime, improved service quality, decreased mean time to ticket resolution (MTTR); as well as less tangible measures such as: compliance alignment, relationship improvement, cultural fit, and brand values.

The values of an ITSM solution



According to Gartner, "IT service management tools are vital for infrastructure and operations organizations to support and deliver IT services." The need for a strategic approach to designing, planning, delivering, operating, managing, and continually improving IT services is clear to service desk managers, IT leaders, IT operations executives, and service engineers alike.

The importance of a structured support model cannot be overstated. For service quality and efficiency, it's necessary to have in place a software solution that can address some of the IT service organization's biggest challenges, including:

- Prioritizing and automating services
- Ensuring transparency
- Enabling open communication with end users
- Providing reliable, easy-to-use self-service channels
- Providing support with mobility
- Continuous improvement of processes and services

Steps to planning a business case for ITSM

Here are key steps to getting you started with your business case for ITSM.

Step 1: Establish the need/opportunity being addressed

It's important to be clear in identifying the problem and the solution because without context or a compelling reason, your business case will quickly be thrown out.

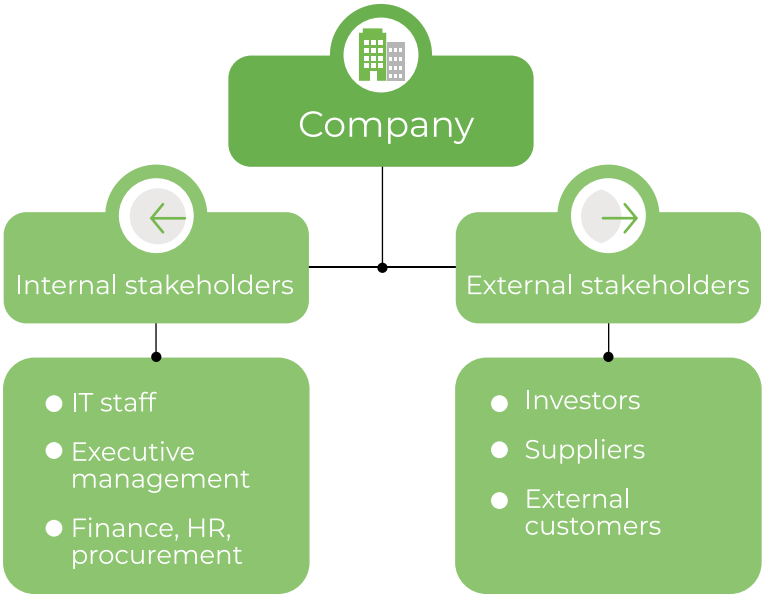
Typically, a large pain point or problem is the trigger to kick off the project. Regardless of whether it's a single inciting incident, series of incidents, or a desire to do better, strong identification of needs is essential for building the business case and creating buy-in from stakeholders.

Some common examples that may apply to your organization:

- We've been experiencing high levels of end-user downtime due to poor information gathering.
- We've been asked to investigate how to increase/improve productivity.
- We've had a lot of dropped issues/emails/tickets resulting in very unhappy end users.
- We're not properly alerted to downtime on a high-value asset resulting in $X lost revenue for the business.
- Our business processes and approvals are still done through email, creating a lack of transparency and inconsistent turnaround times.
- We failed our last software or inventory audit, which cost $X, so we need a better way of dealing with this.

- Our highly paid IT professionals are spending too much time on low-value activities, and we need to improve our efficiencies.
- Joe was our “go-to-guy” who knew everything, but all his troubleshooting and easy fix knowledge was in his head. We lost those resources when he quit, we need a better way to share knowledge.
- Our compliance office has raised a red flag that we don’t have effective change management and history tracking, which creates compliance risk and could damage our reputation if something goes wrong.
- Our service levels across our multiple locations are inconsistent, which create frustration and mistrust within our department.
- We are so concerned with service “break-fix,” we can’t seem to prioritize high-value activities like preventive maintenance.
- We have no way to track our leasing/licensing agreements and easily see what assets are associated with them, and be reminded to start our renewal processes.
- Our department is seen as a “black hole” by our executive management. We have no way of tracking and communicating the value we add to our business every day.

Typical stakeholder breakdown:



Step 2: Identify the stakeholders and get their input

Here’s the truth – successful projects and investments are not just about the dollars and cents, but also about the internal politics of the organization. The larger the scale and scope of the project the more stakeholders will typically be involved.

Engaging with stakeholders is key in the entire lifecycle of your business case. Right from the beginning, it’s important to identify your stakeholders in order to persuade them to invest in your plan. Setting your priorities from the beginning will assist in building your case. It’s also important to identify the key pain points of each stakeholder, as well as their needs and KPIs. The ITSM business case should be crafted around these points. The focus should be on how the solution will solve these issues.

Step 3: Clearly define business objectives and outcomes and make sure they're strategically aligned with business priorities.

Set the stage for success.

This is where you write up a brief summary of the value you're expecting to bring to the organization with your new ITSM solution. Be sure to answer this question:

How will an ITSM solution create efficiencies and/or reduce costs while aligning with core business objectives?

Be sure to clearly describe why this project is important, and why change is needed. Think of it as the elevator pitch and guiding goal for the project.

"We have a problem. The problem is causing this negative impact. Let's find a better way to improve on this."

Next, you will define how your business case will support the larger business objectives. If the business priorities do not align, then the chances of rejection are much higher due to the fact that there's no evident value to the organization. Although every organization's business objectives and outcomes are different, many of the core objectives or outcomes will fall into the following categories:

- **Controlling operational costs** – Overhead costs cut into the profitability of the company and limit the executive management's options for making strategic investments and returning value to shareholders/owners.

- **Improving business productivity** – Generally, the matter (and solution) isn't cutting prices, rather, it's deriving a lot of worth from the resources the company has. Improving end-user engagement and streamlining business processes have huge impacts on creating efficiencies and improving the bottom line.

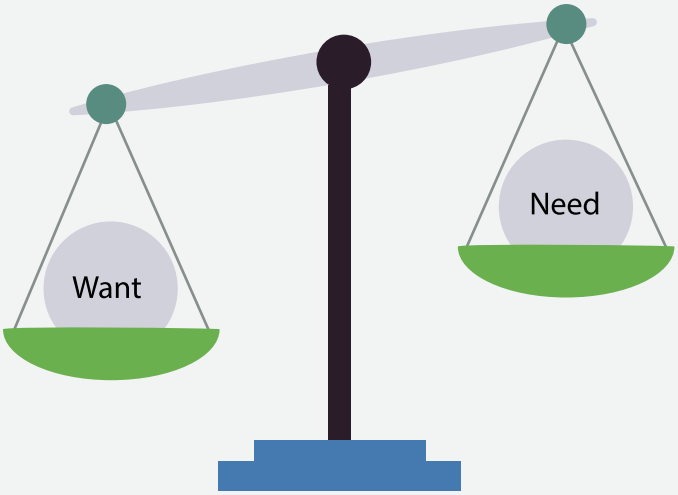
- **Improving service quality** – By decreasing response time, increasing self-service options, shifting low-value activities from high-value human assets (through automation) – all these contribute to an overall higher end-user/client satisfaction.

- **Risk and compliance** – The executive managers are key players in the company's governance process and process consistency is a powerful tool in demonstrating regulatory compliance and managing risk.

- **Growing revenue** – The more revenue the company can bring in, the more resources the executive management has to work with.

This is also a fantastic opportunity to work actively with all stakeholders to create requirements lists, criteria weight requirements, and ensure that all stakeholders agree with the potential evaluation criteria and process.

Step 4: Consider the technology requirements



One of the most important aspects of a business case is to include the technical requirements for the desired solution. Every vendor you consider will have different technical requirements. These differences can have a high impact on the functionality, compliance, cost of purchase, and total cost of ownership.

One of the biggest mistakes many organizations make in purchasing any new software is trying to "save money" by not purchasing enough implementation support. In the end, these companies are not able to set up and implement the software properly on their own, resulting in low engagement, wasted time and money, and no ROI on the investment. To compound the problem, many vendors don't include implementation information in preliminary pricing. It's vital to understand the implementation requirements and costs at this stage in order to build the strongest possible business case and ensure long-term success with this investment.

To drastically impact who makes your vendor shortlist, here are some of the key questions to include as part of your vendor discovery:

1. **Cloud or On-Premises?**
    a. Is your project budgeted for CapEx or OpEx? Cloud will generally be a SaaS-based pricing model, which means yearly recurring cost. Although SaaS can sometimes still be purchased through CapEx budgets, it is typically considered an OpEx line item. On-premises may also be yearly recurring cost or perpetual license depending on the vendor. Perpetual licenses are often approved for CapEx budgets and maintenance and support is typically then part of the OpEx budget.
    b. Is there any functionality difference between platforms? Some vendors will have no functionality differences between their on-premises and cloud platforms, where others will have exceptionally limited functionality in one of the platforms. It's important to understand the differences.
    c. How much server space is required for on-premises? What operating are compatible with this software?
    d. How often do updates occur, and are the updates automatic?
    e. Compliance: Have a full list of all major compliance standards your organization requires (ex. HIPAA, FedRamp, SOC) This can drastically impact if an on-premise or cloud is the best fit.
2. **Who takes care of the implementation?**
    a. Are we responsible for all implementation on our own or does the vendor recommend implementation and training services?

b. Are those service in-house with the vendor or outsourced to a third-party?

c. What does a typical time investment for implementation look like?

d. Is implementation support included or is it an additional cost? If so, how is it typically charged?

3. **What is the rollout schedule?**

a. Is there a recommended or typical rollout and implementation schedule?

b. How often is the technology updated/changed?

c. What is the average lifespan of this software? Is lifespan impacted by a delivery method?

Understanding these key requirements makes a huge difference in determining vendor fit and determining a budget for a successful business case. Many of the above questions also help to compare the total cost of ownership (TCO), not just purchase cost.

Part of your process will undoubtedly involve discovery calls to potential vendors as well as the creation of a vendor shortlist in order to move into more formal demos and potential POCs with potential vendors.

Step 5: Construct a compelling ROI matrix

Nothing speaks louder than a solid ROI. In alignment with your organization's definition for what a 'solid ROI' is (6 months' return, 12 months? Less? More?), create the spreadsheet and present a financial justification that cannot be refuted. A sample ROI model is provided in Appendix A.

Step 6: Address the risk factors in the eye

The nature of the job and culture of IT professionals is to trust in technology and the growth that it can produce. For executive management, it's to be skeptical and limit risk.

Not adequately assessing the risk with large budgets on the line is not a smart move. It leaves you susceptible to failure, with tainted credibility, and at risk for irrefutable damage to your business case. Therefore, being unprepared for potential risks is highly frowned upon.

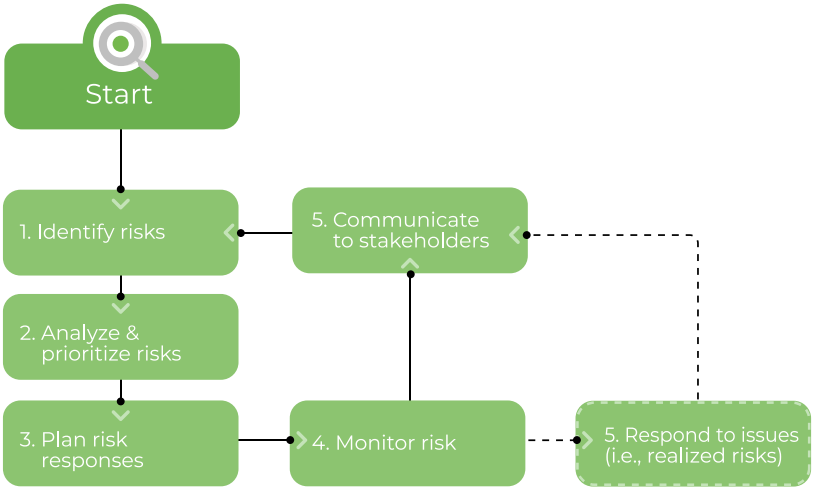
Project risk is defined as, "The exposure to a company that arises from taking on a particular task. This task can be internal, involve external events or can stem from any other circumstances that can hamper the project's overall success and result in loss or embarrassment to the firm undertaking it."

Below is an example of a process cycle, identifying the risks that can potentially threaten you meeting your project objectives as well as your overall project success.

Keep in mind, the risk management process is continuous. Assess and address the risks as they arise. This is the key to controlling risks and not letting them get the better of your project. Don't let your project get away from you by failing to address these risks early on and head on.

The risk managment process:

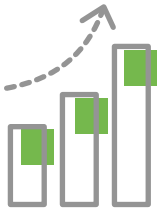
Successful risk management is a continuously iterative process



Step 7: Get your business case evaluated (so you can move forward with ITSM vendor evaluations)

Decision time! The next step is to swiftly and effectively move through your vendor evaluation. Some examples of vendor evaluations are outlined in Appendix B.

This is where a well thought out, well-planned, and well-executed business case receives final approval to either move forward with an evaluation or is denied.



CONGRATULATIONS on completing your business case! You have effectively proved that the business can't continue on in the status quo. There is now a better way forward!

If you have followed all the steps successfully, you should close the deal with ease. The decision should not come as a surprise, and you should glide through the final stages.

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What do I do if my business case gets ignored?

You wrote a strong business case, you addressed the pertinent topics, but still got ignored. What next? Don't give up yet, says ITSM thought leader Doug Tedder – here are seven actions you can try:

- **Do a double check:** Are your assumptions reasonable? Have the needs and benefits been clearly articulated? Is the ROI strong enough? Is the business argument strong enough? Have you demonstrated that you will be a good steward of the company's funds?
- **Engage the decision maker:** Try to understand why your case is not prioritized, which cases are, and why. Request assistance for gaining approval of the initiative. Identify the decision maker involved in your business case, and get them involved.
- **Engage key stakeholders:** Identify and seek out the key stakeholders. Make a clear point of how ITSM can help alleviate pain points and enhance performance for specific issues. This will help you in establishing a relationship as well as strengthen your business case.
- **Make goals and measures well-known:** Share your initiative and the anticipated benefits and results with colleagues. Explain how not meeting these goals will impact the organization and how ITSM would help. If you can recruit support in greater numbers, you will be able to more effectively develop a sense of urgency (and ultimately support) for your case.
- **Conduct an experiment:** Can you try out a sample of the ITSM implementation? Extract a current data sample as a tabletop exercise to confirm assumptions and the anticipated benefits of the implementation. Then, share the results to motivate advocacy for the initiative.

- **Execute a communications plan:** Great communication is one of the most important components of a successful project. Therefore, it should be clearly mapped out and planned at the earliest possible stage.

  Here are some key points to address:

  - Know why you need to communicate.
  - Draft your starting message.
  - Consider who you are communicating with.
  - Prioritize and characterize the audiences.
  - Define the reach of the messaging. Are there more than one audience parties? Are they subdivided?
  - Research and adapt to your audience.
  - Be relevant!
  - Develop a plan of action.
  - Put yourself in your audience's shoes.
  - Invite feedback.

  Regardless of the plan, the person with the most refined and well-honed communications orientation and skill-set should take ownership of this strategic task from launch to tail end.

- **Accept that the timing might be a factor:** Sometimes even the best-presented business cases aren't always approved immediately. You shouldn't take it personally. This does not mean that ITSM is a bad idea, but it may mean there are other business priorities that need to be addressed first. Take the feedback from senior managers into consideration in your follow-up business case and present an even stronger one next time!

Appendix A:
The role of ROI (and a sample model)

"IT should not attempt anything that does not have a positive ROI for the business."

Source: ITSM Watch

The ROI plays a central role in any business case. A compelling ROI matrix for ITSM investment justification should present quantifiable benefits for high-value needs, such as reducing the monthly or annual cost of:

- Incidents
- Open problems
- SLA violations
- Unauthorized changes or rework
- Incidents incurred by changes
- New changes
- And more

To arrive at such quantifications, certain questions need to be answered. For example:

- Number of employees who use IT services
- Monthly working hours
- Number of IT support staff for incident management
- The average cost of IT support staff involved in incident management
- Number of incidents
- Average time to resolve an incident
- Average service downtime
- Number of affected users
- Number of IT support staff for problem management
- Number of problems
- Average Problem resolution time [hours]
- Number of SLA violations
- The associated costs with each of these parameters

You can then create a spreadsheet to calculate the current cost, plug in the target cost with the selected ITSM solution, arriving at the resulting savings and how long it will take to return the investment in the solution. By means of comparison, here's a simplified ROI calculator, from ITSM Academy, that can help you with your case:

Sample: Reduced Incident Volume				
$ 20	Average $ per incident*			
1,000	Average incidents per week			
$ 20,000	Incident cost per week			
			Savings	
			Weekly	Annual
	Goal: Reduced by	10%	$ 2,000	$ 104,005
		20%	$ 4,000	$ 208,010
*Source: Help Desk Institute		30%	$ 6,000	$ 312,016

Reduced Incident Volume				
$ 45	Average $ per incident*			
1,000	Average incidents per week			
$ 45,000	Incident cost per week			
			Savings	
			Weekly	Annual
	Goal: Reduced by	10%	$ 4,500	$ 234,005
		15%	$ 6,700	$ 351,008
*Source: Help Desk Institute		20%	$ 9,000	$ 468,010

Input Data

Further ROI resources:

How Can We Demonstrate ROI When Adopting a Best Practice Framework?

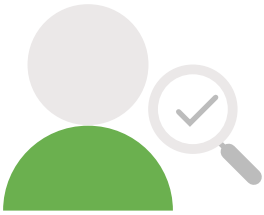
Calculating the ROI of ITIL: Case Studies, Issues, and Results

Appendix B:
Examples of vendor evaluations

The following are examples of vendor evaluation processes that you will encounter.

Option 1: Typical Evaluation

1. Full demos are scheduled with the evaluation committee (identified through stakeholder mapping and strategic alignment) and the top vendors. Typically there are 3 to 5 vendors at this stage.
2. Formal quotes are produced from the top vendors.
3. Q&A follow-ups with the vendor.
4. Proof of Concept (POC) is conducted with software trials.
5. A final vendor recommendation and quote is submitted for approval.
6. Terms of the contract are negotiated.
7. The final contract is approved.



Option 2: Typical RFP/RFQ

1. The formal RFP/RFQ is written in conjunction with the procurement department and is released (typically includes: goals, requirements, and vendor self-assessments).
2. Vendors will submit RFP/RFQ responses.
3. Responses are compared and weighted and a top list is generated.
4. Full demos are scheduled with the evaluation committee (identified through stakeholder mapping and strategic alignment) and the top vendors. Typically there are 3 to 5 vendors at this stage.
5. Formal quotes are produced from the top vendors.
6. Q&A follow-ups with the vendor.
7. Proof of Concept (POC) is conducted with software trials.
8. A final vendor recommendation and quote is submitted for approval.
9. Terms of the contract are negotiated.
10. The final contract is approved.
11. Winning bid is announced.

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About SysAid

SysAid is a leading provider of IT service management (ITSM) solutions that enable IT, professionals, to manage their IT infrastructures and IT services with greater ease and efficiency. Our aim is to simplify the daily challenges that IT professionals face with intuitive, innovative, and cost-effective solutions that combine uncompromising performance with ease-of-use. Available in 42 languages, our solutions are used by organizations spanning all industries and sizes—from SMBs to Fortune 500 corporations, and serve a constantly growing customer base of over 10,000 companies in more than 140 countries worldwide.

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