



A CASE FOR ITIL® RETURN ON INVESTMENT (ROI) WHITE PAPER

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ROI CALCULATOR

Whether facing standard budget constraints, a merger/acquisition, or dealing with layoffs, in these economic times, the task to, "Do more with less" seems to be on everyone's minds - and plates. ITIL has long been touted as a way to increase efficiency and decrease costs. The problem faced when justifying ITIL is that statistics on Return on Investment (ROI) are hard to come by. Since an ITIL adoption can only be successful when the organization undergoes a culture change, essentially morphing into a service provider, many of the savings are realized in soft costs. For example, a key benefit of ITIL is the ability to reduce the amount of unplanned work, which is a very difficult metric to prove.

Yet we hear statistics like the 2006 Gartner survey finding that a company moving from zero adoption of ITIL to full adoption can typically reduce its Total Cost of Ownership (TCO) by as much as 48 percent. This is considering all ITIL implementation costs, including the price of the actual library, staff time, tools and more.

Traditionally, ROI and TCO are touted by software companies as a means to sell software. Many of us have become hardened to these calculations, as experience has show they were grossly over-inflated. To help combat this, in 2006, ITSM Academy shared a realistic, un-biased ROI calculator which enables users to estimate potential costs savings of:

- Incident Management
- Availability Management
- Unplanned Work

Building on the logic presented, the spreadsheet allows for additional process areas to be addressed. Using your organization's unique Key Performance Indicators (KPIs) you can create calculations to estimate cost savings and measure progress toward organizational goals for KPIs such as: 30% Reduction in Incidents

- 30% Increase in Standard Changes
- 50% Reduction in High Priority Changes
- 10% Reduction in Capacity Overages
- 10% Increase in Availability
- 80% Decrease in Mean Time to Repair

Existing calculations can be easily tailored to produce these potential process improvement savings. Other areas, which are not current KPIs, can also be considered.

The following are a collection of published ROI statements and stories, broken out by industry type. These are presented in an effort to assist your business planning and potential financial justification of an ITIL adoption.

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CASE STUDY SYNOPSIS

COMPUTER SERVICES

Birlasoft began their ITIL venture to strengthen service delivery and response times by strengthening their IT Asset and Service Management processes. They realized a 22% reduction in service tickets, an 80% decrease in calls each day, a 10% decrease in resolution times, and a 6 month ROI. *IBM*

EDUCATION

Information Technology at Purdue (ITaP), **Purdue University**, trained 250 of their full-time staff on the ITIL framework in 2003. They implemented an ITIL-based Service Desk and were able to cut second-level support calls by 50%. *InfoWorld*

FINANCIAL SERVICES (BANKING & INSURANCE)

An ITIL program at **Capital One** resulted in a 30% reduction in system crashes and software-distribution errors, and in a 92% reduction in critical Incidents within 2 years. After the ROI analysis, the implementation of ITIL was estimated to save 10 percent to 20 percent in technology support costs over a five-year period. *Computerworld, CIO.com*

As confidentially reported from one of the **largest global banks**, "After implementing ITIL best Practices in change, incident, problem and release - reduced severity 1 incidents caused by change by 60% over 12 month period (190 to 76) – saved \$10 Million plus in service interruptions based on the cost to the business in real dollars, as well as productivity impacts. The actual ROI calculation was a \$10 Million save against \$30,000 incremental expense."

In 2002 **Visa** began implementing Incident Management, resulting in their incident resolution time being reduced by as much as 75%, and in improved monitoring of system outages. *Smart Enterprise Magazine*

Implementing key ITIL processes in 2001, led to a 40% reduction of system outages at **Nationwide Insurance**, and an estimated \$4.3 million ROI over the next 3 years. *CIO.com*

JP Morgan Chase implemented ITIL's Incident, Problem, and Change Management processes to improve their Service Desk operations. The Service Desk now sustains a 93% customer satisfaction rate and a first call resolution of 75%. Eliminating the root cause of Problems has lead to an overall decrease in 500,000 calls. *Computerworld UK*

After implementing ITIL, the number of calls to the **Raymond James Financial** Help Desk dropped by as much as 25% within 18 months. *Computerworld*

GOVERNMENT

By developing a strong enterprise architecture and IT Governance program, the **State of Illinois** was able to save over \$130 million dollars annually. *Public CIO*

The **Ontario Justice Enterprise** was able to reduce their support costs by 40% by creating a virtual Help/Service Desk. *Network World*

The **State of Wisconsin** credits ITSM best practices (ITIL) for the hundreds of millions of dollars saved by their State IT Department. *Government Technology*

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The **State of North Carolina** began their ITIL program in 2006 with Incident and Change Management. In less than 3 months they were able to increase their incident resolution by 32%, improve their ability to solve service requests within the agreed upon timeframe by 20%, and reduce overall downtime and incidents. *ITIL V3: Continual Service Improvement*

Four years into **Sarasota County's** implementation of ITIL the county's Help Desk is a model of efficiency and effectiveness. *StateTech Magazine*

HEALTHCARE

The **Hospital Corporation of America** credits the infrequency of network/computing outages to the repeatable and consistent delivery of IT Services resulting from their ITIL Implementation. *Network World*

After implementing ITIL, **MultiCare** has seen dramatic improvements in IT services and productivity such as reducing their backlog of trouble tickets from 700 to 50 within 6 months. *SearchCIO*

LEGAL

Legal Firm "...**Shoosmiths** decided it needed to improve the quality of service provided by its IT department by training up its staff to Information Technology Infrastructure Library (ITIL) Foundation." They deem it a success as the firm's first call resolution increased from 60% to 76%, and overall service levels increased from 80% to 88% in 10 months. The number of incidents they are able to handle has also increased significantly from 2,500 incidents (500 unresolved) to 4,000 incidents a month with only 130 unresolved. *Computing.co.uk*

MANUFACTURING

As a result of their ITIL implementation **Hershey Foods** achieved a 97% success rate on changes made, with less than 3% of changes requiring a step back to their prior state of operation. *Gartner*

Johnson and Johnson saw a cost savings and avoidance of more than \$30 million in 2005 alone by implementing their "Process Excellence" methodology, of which ITIL is a central component. The NCS annual report highlighted the China Help Desk for shaving one-third off the average time between incident report and resolution, from 27 minutes down to 18 minutes. *Ascendant Ventures*

Procter & Gamble's ROI story of their ITIL Implementation began in 1999 with a documented 6% to 8% cut in operating costs. Since then, P&G has publicly attributed nearly \$125 million in annual IT cost savings to its adoption of ITIL – an overall savings of about \$500 million in 4 years. That savings is equivalent to nearly 10 percent of the consumer-products company's annual IT budget. The savings were credited in part to a 10% reduction in Help Desk calls. *Network World*

In 2000 **Caterpillar** embarked on a series of ITIL projects. Their target response time for Incidents on Web-related services jumped from 60% to more than 90% after applying ITIL principles. *nextslm.org*

MeadWestvaco began using ITIL in 2003, to which they credit eliminating more than \$100,000 annually in maintenance contracts, and a 10% gain in operational stability. *CIO Magazine*

Shell Oil leveraged ITIL best practices while overhauling and consolidating around 80,000 PCs globally. Shell potentially saved the firm 6,000 staff-days and \$5 million dollars annually by reducing the time it needs to upgrade software. *Smart Enterprise Magazine*

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TELECOMMUNICATIONS

ITIL has helped the telecom provider **Avaya** cut their IT budget by 30% while helping to comply with Sarbanes-Oxley legislation. The Avaya CIO now sits on the Board of Directors, as IT is now viewed as part of the business. *Techworld*

ITIL has helped reduce operational IT costs at **Telkomsel** by 50-60% while improving customer service. *Computerworld UK*

TRAVEL

Since implementing ITIL, **Auto Club Group** has experienced a decrease in service outages of about 86%. *CIO.com*

ADDITIONAL RESOURCES

The Practical Value of the IT Infrastructure Library (ITIL)

http://www.cio.com/article/110156/The_Practical_Value_of_the_IT_Infrastructure_Library_ITIL

ITIL 101: An Executive Guide to the IT Infrastructure Library

http://www.cio.com.au/article/268215/itil_101_an_executive_guide_it_infrastructure_library?pp=4

ITIL's ROI Hard to Measure

<http://computerworld.co.nz/news.nsf/mgmt/E790E44FAD47D923CC2572300014F0FB>

Why ITIL Rules

<http://www.smartenterprisemag.com/articles/2007winter/bestpractices.jhtml>