Calibrating IT Spend to Business Value

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Abstract

IT dollars and management hours are lost to inappropriate prioritization, based on who demands the most and who makes the most noise; and it ends up reducing the overall value that IT provides to business. Calibration of IT services based on business value and criticality can address the problem to a large extent. Using an integrated managed services platform can help in effective Service Calibration.

Separating the signal from the noise

A CIO of a Fortune 500 Financial Services Company once told me that his major issue was “too many small minded people making too many small minded requests”.

Even as Gartner predicts a worldwide IT spends of $3.8 trillion in 2014,1 a survey of several large organizations in the UK, conducted by IT research and consultancy firm Organization and Technology Research (OTR) reveals that determining the precise value delivered by IT systems is “very difficult or impossible”2.

Further, burgeoning costs and rapid shifts from traditional frameworks to new computing models, combined with leaner budgets mean that IT spends need to be controlled even more carefully.

Squeaky wheel gets the grease

Unsurprisingly, thanks to the lack of metrics that measure business value, spends tend to be directed more to high-demand areas at the expense of business critical areas. Consequently, we have “business friendly” practices without adequate decision gates, resulting in spend leakages that are not only hard to track and control, but that also preclude articulation of the value generated or preserved through such efforts. The common practice of allowing small enhancements and changes that require say less than 40 hours of effort is a case in point.

Training the spotlight on business value

Nearly 70% of an enterprise’s application budget is spent on sustenance and enhancement activities, loosely termed as “maintenance”. Also, in many organizations, the time taken for issue response and resolution are half as unlikely to be based on an application’s business criticality. Development of a framework for calibrating support spends to business criticality/value-add can help businesses address this problem in a systemic manner.

Figure 1 indicates how an enterprise can plot application sustenance and enhancement costs against their business value to arrive at actionable insights, subsequent to a quick data gathering and analysis exercise. For applications representing high annual spend lying on the right side of the graph, a service calibration and optimization operation can significantly reduce cost without additional business risk.

1http://www.gartner.com/technology/research/it-spending-forecast/
2http://www.computerweekly.com/feature/Justifying-IT-spend

Figure 1: Business Criticality vs. IT Spend
Service Calibration comprises three levers: scope, intensity and provisioning.

- **Scope of Services** – The higher the business criticality or value-add, the greater the range of services that need to be offered to business users. For instance, an application associated with a critical order-to-shipment process should have more services at its disposal than an application associated with non-critical internal reporting.

- **Service Intensity** – Although uniform SLAs across applications ease administration and measurement overheads, chances are that disproportionate focus on low value-add activities is at the expense of higher value-add activities. While informal techniques occasionally help in managing this issue, service managers would find it advisable to buffer in additional costs to safeguard SLA adherence, and that increases costs needlessly.

- **Service Provisioning** – Informal practices tend to be self-sustaining and self-regenerating, especially in an environment where the tools and platform for service management are inadequate. Effective implementation of calibrated services calls for service provisioning through a platform configured to service applications based on their criticality, precluding some applications from accessing expensive services.

While a short assessment can reveal opportunities for service calibration, enterprises can leverage a Managed Services Platform that has the following features, to implement and sustain the required changes:

- Ability to integrate portfolio monitoring and support, thereby providing a business process view of portfolio performance

- Incorporation of industry best practices in automation, self-help and self-heal to drive efficiencies and improve end-user experience

- An integrated dashboard with all critical portfolio and service performance parameters in a single pane of glass

- Ability to configure services that limit access in a graded manner, from providing access to the entire range of services for business critical applications to limiting usage for non-critical applications.

### Calibrating services to criticality

Service Management Tools need to be configured such that they reflect application criticality and centrality to business value adding processes. Applications prioritized at lower criticality will not be provided services or priorities that are available for more critical applications. Figure 2 indicates how services are provisioned based on business criticality. The least critical business applications require only basic incident management and access provision. At each successive stage of increasing business criticality, additional services are made available. The most critical applications are provided the all-encompassing release management service. Service processes can then be optimized for costs in a seamless manner.

![Figure 2: Calibrating Services to Criticality](image)

Service Management Tools should be complemented with good analytics features that will provide insights into the distribution patterns of support costs. Once mapped to the application and underlying infrastructure, costs can be tracked by business process. Further, work volumes of these applications in terms of tickets and service and change requests can be tracked and mapped back to the business process, facilitating further calibration and fine tuning.
Structuring a framework

Development of a framework for managed services enables integrated application and infrastructure support and the roll-up of the hardware and software components’ performance to business process KPIs. This is essential to track the effectiveness of any Service Calibration initiative. Figure 3 illustrates the ideal integrated managed services platform.

The automation, self-help and knowledge management components of the platform enable optimization of services, while the monitoring and event correlation components allow proactive monitoring to reduce incident impacts. Analytics and reporting help govern service provisioning and steer course corrections for better service delivery. With these components in place, you can focus on portfolio performance and service improvement initiatives that impact business critical processes rather than spreading the funds and risk spending on low impact initiatives.

Engaging with experts

Calibrating IT service management to business value-add and criticality is essential to deliver focused, high quality, cost-optimized services. Enterprises need to build a platform that enables service calibration, sustenance and provisioning in a seamless manner, while minimizing business risks. However, they often lack the resources and expertise needed for such an exercise and need to avail the services of a company with the required capabilities.
About the author

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Ramesh has over 25 years of experience and has handled several large ADM engagements for Fortune 500 clients. He has travelled extensively, providing solutions to complex IT problems for clients worldwide, besides managing large service delivery teams. He is currently working on the functional, technical and people aspects of Service Integration besides helping clients migrate from traditional outsourcing models to newer, outcome based Managed Services models. He has worked extensively on ensuring that service delivery is based on sound software engineering principles; and has authored articles on effective portfolio rationalization, deriving value from offshoring, managing champions and dealing with risks associated with outsourcing. Ramesh works in Wipro as a Principal Consultant and anchors our ASM Solutions and Presales activities.

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