



THE BENEFITS OF ITIL®

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1. DOCUMENT OBJECTIVE

Pink Elephant consultants are often asked the question: “Can you provide me with the tangible benefits of ITIL?” Historically, this question has been difficult to answer since many of the benefits realized by adopting the best practices of the ITIL framework are often expressed as organizational or cultural. It is always challenging to establish key performance indicators that can be translated to numeric and percentage values.

In response to this challenge, this document strives to clarify and provide real examples of the benefits derived by adopting and implementing ITIL. Recent market research shows that ITIL awareness and adoption is increasing worldwide, and several companies have embraced the framework to the point where tangible and intangible benefits are being realized and publicized.

2. ITIL DEFINED & BRIEF HISTORY

The Information Technology Infrastructure Library (ITIL) is a set of guidance developed by the United Kingdom’s Office Of Government Commerce (OGC). The guidance, documented in a set of books, describe an integrated, process based, best practice framework for managing IT services.

In the mid-1980s, OGC (then called the Central Computer and Telecommunications Agency) started developing ITIL with the intention of producing a set of good IT practices for use by UK government ministries. Between 1999 and 2006 the 44 books comprising ITIL version 1 were updated and condensed into ten books, which became version 2.

In 2005, the OGC initiated the ITIL Refresh Project, and invited nominations for authors to carry out the updating of ITIL to a new version, taking in the emerging best practices since the last update. The five core books comprising ITIL version 3 (V3) became available in mid-2007:

Service Strategy

This core book looks at the overall business aims and expectations, ensuring that the IT strategy maps to these.

Service Design

Service Design begins with a set of new or changed business requirements and ends with a solution designed to meet the documented needs of the business.

Service Transition

This book looks at managing change, risk and quality assurance during the deployment of service designs so that service operations can manage the services and supporting infrastructure in a controlled manner.

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Service Operation

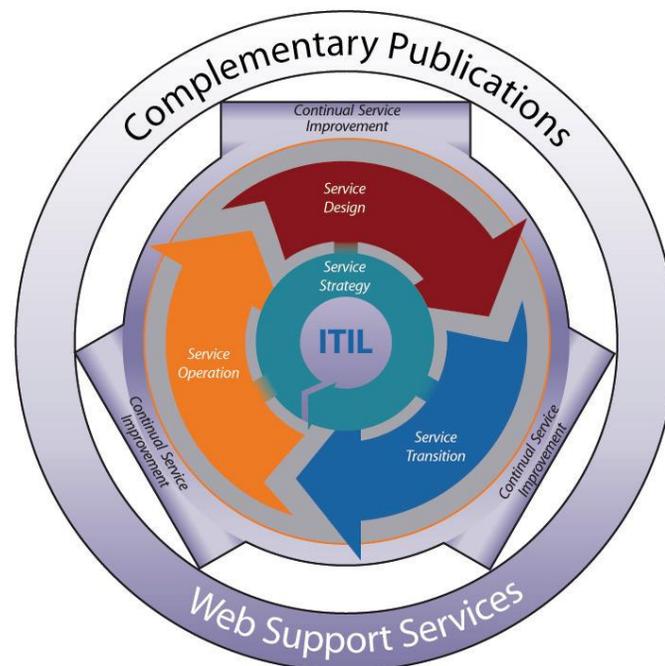
Service Operation is concerned with business-as-usual activities of keeping services going once they transition into the production environment.

Continual Service Improvement

Continual Service Improvement (CSI) provides an overall view of all the elements from the other books and looks for ways to improve the overall process and service provision.

In summary, ITIL V3's updated content includes new concepts, revised processes, terms and definitions pertaining to the management of IT services that follow a lifecycle approach. ITIL V3's intention is to bring IT fully in line with business demands as the industry matures and demands are greater than ever for high quality service delivery.

A wheel diagram represents the service lifecycle and depicts the positioning of the new publications within that approach:



To date, ITIL is the only comprehensive, non-proprietary, publicly available guidance for IT Service Management. And, ITIL represents more than books alone. It has generated an entire industry that includes:

- Training
- Certification
- Consulting
- Software tools
- Trade Association (*itSMF*)



3. BENEFITS

IT is what drives business today! The fact is that business profitability and shareholder loyalty is dependent on the high availability, dependability, security and performance of IT services. This fact has made the relative maturity or immaturity of IT management highly visible. This is further complicated by the fact that many businesses outsource the technology to deliver their core business processes to third party vendors such as ASPs, Network Operating and Data Centers, etc. Many companies state that due to the rapidly changing nature of their business, the recent downturn in the economy, and the pressure from competition to become more cost-effective while still achieving the same or greater profits and output, they do not have time or resources to apply to process improvement. In fact, this is the time when processes are critical.

By improving the processes around IT, the organization can begin to:

- Improve resource utilization
- Be more competitive
- Decrease rework
- Eliminate redundant work
- Improve upon project deliverables and time
- Improve availability, reliability and security of mission critical IT services
- Justify the cost of service quality
- Provide services that meet business, customer and user demands
- Integrate central processes
- Document and communicate roles and responsibilities in service provision
- Learn from previous experience
- Provide demonstrable performance indicators



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Many companies have made public the benefits they realized by implementing ITIL best practices for IT service management:

Government

Ontario Justice Enterprise: Embraced ITIL in 1999 and created a virtual help/Service Desk that cut support costs by 40%. *Network World*

State of Illinois: The implementation of a strong enterprise architecture and IT governance program in conjunction with ITIL saved the state over \$130 million annually. *Public CIO*

State of North Carolina: In 2006, the State of North Carolina's IT department (ITS) made some improvements with ITIL in less than three months and started with Incident and Change Management. These are the results of tactical quick-win efforts targeted in tandem with the training program and the state's awareness campaign:

- ITS improved its ability to resolve incidents within their target timeframe by 32%
- ITS improved its ability to resolve Service Requests within its target timeframe by 20%
- Change Management process compliance increased more than twofold, resulting in fewer incidents and reduced downtime *ITIL V3: Continual Service Improvement*

Victorian State Revenue Office (Australia): Completed full ITIL implementation in August 2005, resulting in cost savings of \$2 million per year while improving its overall capabilities and clarifying its IT vision. The State Revenue Office also became the first government agency in the world to gain ITIL certification (BS15000/AS8018). *ZDNet*

Finance (Banking & Insurance)

Visa: Began embedding Incident Management guidelines in 2002, resulting in improved monitoring of network and systems outages, and a reduction in the time to resolve Incidents by as much as 75%. *Smart Enterprise Magazine*

PEMCO: An investment in ITIL Essentials training with Pink Elephant in 2002 resulted in overall savings of \$500,000 within 12 months. *Gartner*

Zurich Life: Since implementing ITIL to maintain Service Desk consistency in the late 1990's, the company has reduced the number of contracted IT staff from 30 down to 10. *Network World*

Sallie Mae: Began adopting ITIL Service Support processes in 2005, resulting in a reduction in the length of Help Desk calls by 40% and improving the rate of first-call resolution to a two-year high. *Bank Tech News*



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Nationwide Insurance: Implementing key ITIL processes in 2001 led to a 40% reduction of its systems outages. The company estimates a \$4.3 million ROI over the next three years. *CMP*

Capital One: An ITIL program that began in 2001 resulted in a 30% reduction in systems crashes and software-distribution errors, and a 92% reduction in “business-critical” Incidents by 2003. *Computerworld*

JPMorgan Chase: Implemented ITIL’s Incident, Problem and Change Management in 2004 to improve Service Desk operations. Their Service Desk now maintains 93% customer satisfaction ratings and a 75% first-call resolution rate; in the bigger picture, ITIL helped JPMorgan Chase eliminate 500,000 Service Desk calls. *Computerworld UK*

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

Pershing: Adopted ITIL in 2004 to improve Service Desk operations. Within a year Pershing’s Incident response time dropped by more than 50%. *CIO Magazine*

Telecommunications

Avaya: ITIL has helped the telecom provider cut their IT budget by 30% while also helping to comply with Sarbanes-Oxley legislation. Their CIO now sits on the board, as IT is now viewed as part of the business, and not just an operational cost. *Techworld*

Telkomsel: Besides improving customer service at this Indonesian mobile operator, ITIL has helped reduce operational IT costs by 50-60% while keeping pace with the company’s growth. *Computerworld UK*

Manufacturing

Procter & Gamble: Started using ITIL in 1999 and has realized a 6% to 8% cut in operating costs. Another ITIL project has reduced Help Desk calls by 10%. In four years, the company reported overall savings of about \$500 million. *Network World*

Caterpillar: Embarked on a series of ITIL projects in 2000. After applying ITIL principles, the rate of achieving the target response time for Incident Management on Web-related services jumped from 60% to more than 90%. *nextslm.org*

MeadWestvaco: Began using the ITIL framework in 2003. To date, the company has eliminated more than \$100,000 annually in IT maintenance contracts and recognized a 10% gain in operational stability. *CIO Magazine*

Shell Oil: Used ITIL best practices while overhauling and consolidating some 80,000 desktop PCs worldwide. With the project completed, Shell significantly reduced the time it needs to



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upgrade software, potentially saving the firm 6,000 staff-days and \$5 million dollars annually. *Smart Enterprise Magazine*

Finisar: The computer hardware manufacturer adopted ITIL in 2002 and achieved Service Desk standardization. As a result, customer satisfaction rates rose from 33% to 95%. Finisar also managed to cut the amount spent on IT from 4% of revenue to 2.4%. *CIO Magazine*

Education

Purdue University: Information Technology at Purdue (ITaP) trained half of their 450 full-time employees in ITIL in 2003, and implemented an ITIL-based Service Desk. From these efforts, ITaP was able to cut second-level support calls by 50%. Further, ITIL has enabled ITaP to implement a \$73 million ERP project without adding more full-time personnel or degrading service levels. *Infoworld*

Health

Hospital Corporation of America: Measured ITIL success and cost savings on the repeatable and consistent delivery of IT services, which directly relates to the infrequency of network/computing outages. *Network World*

MultiCare: After implementing ITIL, the not-for-profit health network has seen dramatic improvements in IT services and organizational productivity. For example, ITIL enabled MultiCare to reduce its usual backlog of trouble tickets from 700 to 50 within six months. *SearchCIO*

What do these numbers really mean? Are there direct associations to the implementation of ITIL best practices? Have these companies only applied some or all of the ITIL principles?

These questions are valid and there are many more. Furthermore, many of the answers lie within the motivations, needs, cultures and direction of each organization individually. While every company's requirements and application of the principles is unique, these examples indicate that by applying best practices (no matter how, what, when or why) these organizations have realized intangible improvements and tangible, bottom-line benefits.



4. INTANGIBLE BENEFITS

During the past decade, the redesign of business functions as processes have become an established strategy for reducing costs, shortening cycle times, and improving quality and customer satisfaction. There is a growing recognition that IT is a key driver of business process improvement, and this has led to a predictable shift in the expectations for the IS organization to emulate the process changes taking place within finance, sales, marketing and manufacturing. In some cases, this has led to the creation of such organizational structures as relationship managers, steering committees and user councils to improve the alignment of business and IT planning. Another effect of the change was to look at functionally separate IT activities as linked sets that share common information and customers.’¹

CIOs today are interested in allocating costs to the less tangible benefits of service provision or business performance. IT organizations are striving to detect and eliminate problems *before*, or at the very least *when* they occur. This is due to the increasing rate of change within organizations that require quick decision-making and less reaction time. The problem with traditional measures, such as revenue or market share, is that they reflect a delayed snapshot of business performance, thus making it too late to avoid a problem once detected. By having a balance between these lagging indicators and other measures that help forecast those early warnings, organizations can begin to manage proactively and more precisely. Additionally, measures such as customer satisfaction, staff training, internal processes and service metrics will be recognized as those leading indicators of whether an organization will achieve its business goals.

Measuring these provides early warnings and a more accurate measure of the internal business or IT contribution. These internal metrics may also be used to measure and manage the operational aspects of the specific internal business or IT function. This helps managers to forecast, diagnose and optimize their operation and the contribution it makes to the business.²

¹ Gartner, **Improved IT Processes Yield Numerous Benefits**, F. Magee, 3 September 1997

² Bruce Cochrane, October 1999, IT Support Solutions



5. RETURN ON INVESTMENT

Companies are beginning to value return on investment by addressing three key inputs to any project - people, process and technology. They then translate these into quantifiable returns, related to utility of the products and services they offer and the cost of delivering them. Once investments are viewed in this context, it is easier to define expected benefits and subsequently, measure those returns. Another crucial consequence is that this explicitly demands the creation of multi-skilled, cross-functional teams with shared accountability and responsibility for success. No longer can users point fingers at IT and vice versa, because the degree of mutual dependency for success is explicit.³

6. IT ON BUSINESS VALUE

IT and business alignment is a key ingredient to the successful implementation of ITIL best practices. By knowing the direction the organization is going and what the customers of IT are demanding, IT can begin to improve its own internal processes to meet customer demands. Steering IT on business value is becoming ever more important, although for many IT organizations, cost is still the primary steering indicator. ITIL improvement programs need to make the business case clear - what is the added value to IT not just in terms of cost savings....⁴

6.1. Market Trends

1. There is a growing body of compelling evidence that supports ITIL implementation for its benefits and value to the business, such as achieving good governance. According to a global survey of C-level executives conducted by KPMG in 2004, only 50% of respondents believed there were risks associated with not aligning IT with the company's overall business goals and less than 20% of organizations used recognized IT governance frameworks such as ITIL effectively.⁵
2. Other ITIL adoption research has consistently revealed a growth in the best practice framework, especially among large enterprises. In a 2004 Gartner survey, the number of respondents who said they applied ITIL in their enterprises increased by 10% over 2003.⁶

³ Measuring the Return of IT Investment

⁴ Paul Wilkinson, Pink Elephant, BITA research note. Steering on Value

⁵ KPMG International. Creating Stakeholder Value in the Information Age: The Case for Information Systems Governance, Copyright 2004. Available from KPMG International, www.kpmg.com

⁶ Brittain, K; Colville, R; Curtis, D; Haight, C., April 4, 2005, "Use And Awareness Of ITIL Is Increasing", Available from Gartner Research, www.gartner.com



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3. With ITIL awareness rapidly gaining momentum in North America, many organizations are considering an action plan for implementation. According to an InformationWeek online poll gauging ITIL adoption among over 450 IT professionals, 57% were either already in the planning phase or were expected to start planning in the next six to 12 months, whereas 30% were actively engaged in ITIL implementation.⁷
4. Based on a survey of more than 500 IT executives, the majority of top 10 management priorities for 2006 are directly related to the benefits of implementing ITIL best practices, including business continuity/risk management; controlling IT costs; improving internal user satisfaction; and ensuring regulatory compliance.⁸
5. Forrester forecasts ITIL adoption among billion-dollar companies continuing to increase to 40% in 2006, and to 80% by 2008.⁹
6. After 2008, ITIL will be set to become the de-facto best practice service delivery standard methodology that every IT department will have to adhere to.¹⁰

⁷ InformationWeek Vendor Perspectives TechWebCast – Transforming IT Using ITIL Best Practices: Optimizing Service Delivery; Original Air Date: March 30, 2005; URL: www.informationweek.com

⁸ CIO Research. State of the CIO 2006, Copyright 2006. Available from CIO Research, www.cio.com/state

⁹ McNeill, R; Mendel, T., October 24, 2005, “IT Asset Management, ITIL, And the CMDB: Paving The Way For BSM”, Available from Forrester Research, www.forrester.com

¹⁰ Mendel, T., “ITIL’s Final Breakthrough: From ‘What’ To ‘How’”, Available online: www2.cio.com/analyst/report2843.html



6.2. Case Study

A postal service company carried out an ITIL based improvement program focusing on integrated change management and as effective customer support.

What did they get out of the investment business-wise?

Balanced perspective	Indicator	Result
Internal	Productivity gains	<ul style="list-style-type: none">• The same throughput realized with 50% less resources (from 400 to 200 people)• 50% reduction in average incident resolution times
Innovation	Reduced time to implement change	<ul style="list-style-type: none">• 30% shorter time to realize new changes
Financial	Reduce costs	<ul style="list-style-type: none">• Company realized improvements in resource utilization without impacts on throughput and time to accomplish activities



7. OTHER BENEFITS

1. By increasing the knowledge available to first level support through Problem Management, organizations can increase the first level resolution rate, and then in turn decrease the required work by second level that is typically four to six times more expensive.
2. Reduction of elapsed incident handling time by agreeing to improvements between first and second level support teams.
3. Quicker root cause analysis and improved impact and risk analysis for Change Management due to available Configuration Management information.
4. Release & Deployment Management requires improved testing, resulting in a reduction in the number of failed changes.
5. As organizations develop and scale their internal processes to compete in the knowledge based economy, the ability to exploit and automate intangible assets, such as knowledge and business processes, has become far more decisive than simply managing static physical assets.
6. Cost analysis applied to a process or service assists in answering the following questions.
 - What should a product or process cost?
 - What are the non-value-adding activities that contribute to its current cost?
 - What is the cost based pricing for a product or service?
 - What can the organization do during the design and engineering stages of a process or a service to avoid unnecessary costs in the first place?



8. ITIL BOOK REFERENCE

The ITIL books cite some examples of how to quantify the costs and benefits of implementing the processes. These are only examples and are not meant to be comprehensive.¹¹

In this example, the following assumptions are made:

- All employees cost \$50 an hour
- Your organization comprises 500 Users
- The total number of Incidents is 5,000 per year
- The average time to fix an Incident is ten minutes
- A working year has 200 days

Example costs and benefits are set out below.

Process	Purpose	Cost/Benefit Examples
Service Asset & Configuration Management	Controlling the IT infrastructure. Ensuring that only authorized hardware and software are in use.	Following the implementation of Configuration Management, the Service Desk has a much greater insight into the relationship between users, configuration items and incidents. The three people assigned to incident matching can be reduced to two, resulting in a benefit of $200 * 8 * \$50 = \$80,000$ per year.
Incident Management	Continuity of the service levels underpin Service Desk function.	The implementation of Incident Management has resulted in a decrease in down time per user. This is defined as the amount of time a user is on the phone to the Service Desk or cannot work because of a failure. If the downtime per user is reduced by one minute per person per day, this would save the organization $500 * 200 * \$50 * 1/60 = \$83,300$ per year.

¹¹ Office of Government Commerce. Best Practice for Service Support and Best Practice for Service Delivery. Published by The Stationary Office, Norwich UK, Copyright 2000.



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Process	Purpose	Cost/Benefit Examples
Problem Management	Minimize disruption of the service level.	Suppose that the implementation of Problem Management decreases the number of recurring incidents by 500 (10% of total) per year. This means a revenue of $500 * \$50 * 10/60 = \$4,000$ per year.
Change Management	Efficient handling of changes.	Two changes are implemented simultaneously, resulting in a major problem. The customer support system fails, resulting in the loss of 50 Customers with an average purchasing power of \$500. This has just cost your company \$25,000 potential revenue.
Release & Deployment Management	Ensuring authorized software modules are used. Providing means to build change releases. Automating release of software.	Suppose that a new software module is released containing a bug. The previous version should be reinstalled, but due to poor version management, the wrong version is used, resulting in a system shutdown that lasts for three hours and affects two-thirds of all employees. This would cost the organization $500 * \$50 * 3 * 2/3 = \$50,000$.
Service Level Management	Agree on and control the service levels. Understand business needs.	Thanks to a clear set of agreements, the Service Desk is less troubled with calls that are not part of the services offered. In this way the four Service Desk employees can handle five percent more users, resulting in \$16,000 a year in new revenue.
Availability Management	Ensure high availability of services.	Due to a physical error on a hard disk, a server supporting 100 people crashes. It takes three hours to have a new disk delivered and installed before starting up the system again. Costs: $100 * 3 * \$50 = \$15,000$. On a critical system, Availability Management processes would have highlighted the need for a mirror disk, which could automatically take over.



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Process	Purpose	Cost/Benefit Examples
Capacity Management	Ensure the optimal use of IT.	There is an overcapacity of 20%. Assuming your IT infrastructure costs you five million dollars, you could gain up to one million dollars by implementing Capacity Management and frequently reassessing the necessary capacity or selling the extra capacity.
IT Service Continuity Management	Ensure quick recovery after a disaster.	A water pipe breaks, flooding the server room. It takes two days to be operational. The average User has missed 10 hours of work. Total costs (apart from the pumping): $500 * 10 * \$50 = \$250,000$. Please note that a good contingency plan is not cheap; However, the recovery costs (as in this example) could be dramatic - that is, if your organization is still in business!
Financial Management	Provide insight, control and charge the costs of IT services.	Imagine that the true costs of delivering IT services are charged back, or at a minimum communicated to the business customers that use them. If this resulted in a 10% reduction in the requests for new services, this would directly result in a reduction of IT expenditures. Providing insight into the real costs of IT services proves to be surprising in practice; Most users do not have a clue about the costs.



9. CONCLUSION

As outlined in this document, the benefits of adopting and implementing ITIL are many. Organizations have significantly cut costs, have improved processing time and have enhanced their overall service provisions. Since IT is what drives business today, service provision to customers has a major bearing on the interests of CIOs. The accurate measurement of service provides them with strategic information for decision making in their quest for return on investment and the alignment of IT with the business.

While the ITIL revolution is still relatively new in North America, awareness of the framework's ability to integrate IT and business objectives is increasing, and several organizations are already reaping in the rewards that ITIL has to offer. From small organizations to multinational enterprises and anything in between, this best practice framework has helped many improve efficiencies and bottom line figures, putting IT back in business!