

How Much Does IT Cost

How to Estimate the Time and Cost of Implementing IT Asset Management

In 2006, I conducted structured interviews with over sixty ITAM and ITSM Program Managers of large IT Organizations (ITOs). The compiled results showed that a significant percentage of ITOs that invested in IT Asset and Service Management were not fully satisfied with the outcomes of their investment. In the case of ITAM, perhaps this was because only some 35% of companies have progressed to a basic proactive level of ITAM¹ where value really starts to show to management. The most common complaints these companies reported were that they were unable to achieve the results they expected or the time and cost of achieving the expected results were much higher than they anticipated. A significant percentage of organizations deploying ITAM found the actual time and money spent on the implementations they called successful exceeded the original estimate by more than 50%.

The consequences of failure to properly estimate the costs versus the expected benefit of your ITAM program can be severe. Achievement of expected ROI can be difficult if the functionality required to achieve promised benefits cannot be created because of cost overruns. When significant cost overruns occur, programs may be only partially completed or cancelled altogether. Those organizations that scale functionality down to fit a too-low budget are unlikely to achieve the expected results – loss of senior management confidence is then likely, even loss of credibility for the IT Organization.

In this article, I share fifteen ideas gleaned from hundreds of implementations and improvement engagements about the steps to set reasonable expectations regarding your ITAM program and suggest some practical steps on how to better estimate the time and cost.

1. Understand the constraints of estimating an IT Asset Management program – some quick cautions

A) Avoid estimating “Rules of Thumb”

The price of your ITAM software does not correlate to the cost of the implementation of that software. The price of the software is deal-driven. The cost of an

implementation is effort-driven. Do not use a “rule of thumb” for estimating the cost of your implementation. It is best to ignore all suggestions that the cost of the implementation can be estimated based upon average project costs; cost as a multiplier of software costs; costs as a percentage of assets; or, per user costs.

B) Be wary of comparisons to other implementations or improvement programs

Be wary of comparisons of your intended implementation to the costs of other ITAM implementations at other organizations. IT Asset Management is a term that can refer to a broad range of capabilities: from simple desktop device inventories to granular total-cost-of-ownership visibility of every IT configuration item with controls over acquisition to enforce enterprise architecture standards. Many factors affect the achievable benefits and costs within the range of ITAM programs. Each organization’s combination of goals, expectations and obstacles are unique.

C) Don’t select your IT Asset Management technology products based upon price

Mature ITAM is three-quarters process and one-quarter technology. The cost of the products is a minority portion of the price of the technology because you must also consider the cost of configuring the software and building the integrations needed to work within the greater context. I recommend you select your product not based on the price of the software, rather on the value you are likely to receive out of full implementation.

2. Estimate the time and cost to educate yourself and get help

When it comes to implementing or improving ITAM, organizations just do not know what they do not know. Gartner says that 90% of their clients use marginal ITAM processes. For the most part,

managers looking to cure their organizational ills rely on obsolete knowledge they picked up in school; long-standing but never proven traditions; patterns gleaned from their own experience; methods they happen to be skilled in applying; hype; mindless mimicry of what they believe to be top performers; and, information from vendors. Your challenge is, quite simply, to ground your decisions in the latest and best knowledge of what actually works. Managers can practice their craft more effectively if they relentlessly seek new knowledge and insight, from both inside and outside their companies, so they can keep updating their assumptions, skills and knowledge.

Help is available. IAITAM courses are a great place to start to understand the context and issues of ITAM. Persuade your most senior staff to attend executive briefing sessions.

Before you select your software, before you make any investment other than IAITAM training, consider hiring a coach. Every great has a coach, even Tiger Woods. A coach can help you understand the broader issues and possibilities of putting ITAM and ITSM to work in your organization. A truly experienced coach can help your organization continuously change towards an approach that actually works for you. ⁱⁱ

3. Estimate the cost and time of developing a diagnosis of your current situation

Develop evidence of your current situation – good and bad. Baseline your costs. Create a high-level activity flow chart of ITAM operations – from budgeting through final disposition of the item and the data. This will provide a high-level baseline of ITAM processes and an “as-is” view of things.

Spend the valuable management time needed to perform a thorough, honest assessment of your current ITAM processes, capabilities and policies. This investment in time will pay big dividends because it will help you come to terms with your unique situation and help establish a sense of urgency. IAITAM and others offer a maturity model structure against which you can compare your capabilities.

4. Estimate the cost and time to work with management to develop a vision

Your ITO management team needs to develop a common understanding of the improvement possibilities for ITAM and what those improvements mean to you. According to a Gartner study, ⁱⁱⁱ 40 – 60% of IT spending is for hardware, software and telecommunications. William Snyder of Gartner suggests that, “Through 2010, customers that commit a minimum of 3 percent of their annual operating

budgets to ITAM programs and tools can expect a 25 percent reduction in their total cost of ownership (0.8 probability).” ^{iv}

Understand the possibilities for improvements and define a long-term vision for your IT Asset Management program; establish, “the way things ought to be.” Try not to place prior constraints on the definition of the problem and scope of the total effort because it can become so self-limiting. Besides the obvious, immediate gains from good ITAM practices, such as software license management, senior IT Organization management should consider evaluating the potential that complete, accurate and timely ITAM information is likely to have on evidence-based decision-making and the potential effect upon:

- Improvement of IT service quality by providing better infrastructure information to service management design, transition and operational processes
- Visibility of IT Costs to support IT Governance and other Shared Services
- Service Catalogs – providing cost information for pricing of IT Services and Chargeback
- Reducing corporate and IT costs by controlling complexity of the environment through better management of the purchases to support enterprise architecture standards
- Reduction in operational risk by providing accurate information to security and for IT continuity

5. Get Commitment from senior staff

Warren Bennis, author of *Leading Change*, said that, “Leadership is the ability to translate vision into reality.” Companies successful with ITAM make a commitment to the systematic, purposeful and organized conduct of their ITAM program to improve their economic benefit. Sponsorship from the “C-level” is important, but it is rarely enough to achieve success. Truly effective ITAM processes cut across the whole ITO and must interface with many other corporate shared services. The best way to stay “on track” is for management to establish clarity and consensus on the problems to be solved and on what constitutes evidence of efficacy. Written, visible, regular commitment to those goals from senior IT staff will do wonders to accelerate the needed changes.

6. Define opportunities for immediate improvement

Develop an understanding for the value of the immediate opportunities for improvement – the “low hanging fruit.” This is not a mere look at current

pressing problems, but rather a full understanding of what opportunities really exist to improve the consistent execution of the processes involved and the value that would bring. Understanding your unique value drivers and your priorities are vitally important for optimizing ITAM investments and, perhaps even more importantly, for helping to “sell” the necessary changes internally.

In most programs, there are only a few capabilities that deliver most of the benefits. It is often best to focus on two, not more than three, capabilities for improvement at a time. Understanding which capabilities those are provides a better framework for managing your investments in tailoring your processes and software to achieve your success; and for knowing where to manage risk. When you understand the drivers of benefits, you can develop a benefits-based set of rules of engagement.

It is important to gain credibility by creating short-term wins, but many programs go “off track” for failure to stay focused on the real, long-term benefits.

7. Consider using a Product Management approach

After the initial push of change, excellent outcomes from ITAM result from making continuous improvements to the quality of the processes and decisions. Some companies that fail to achieve real success lose their nerve after the first problem arises; some companies call off their further improvements as soon as they have something to show as a success. In either case, by failing to persevere the company forgoes the huge payoffs down the road. Continuous improvements in functionality and processes can afford you an opportunity to maintain the focus on the importance of ITAM to compliance and cost controls for IT.

You might consider planning and estimating for at least two “releases” of your ITAM service “product” each year. Use the success created from each step to consolidate your gains and produce even more change. Each release package might contain both planned advances in process capability and updates to the underlying technologies. Consider creating a roadmap that defines the scope of each release far in advance. For each release, you will want to define a time-phased, resource-loaded plan and associate that plan to the improvements.

8. Create an organization accountable for IT Asset Management and its components

Admiral Hyman Rickover, known as the father of the U.S. nuclear Navy, once said, “Unless you can

point the finger at the man who is responsible when something goes wrong then you never had anyone really responsible.” Even if you and your management team commit to goals and you create a good virtual team, unless you make an individual accountable for ITAM then success with IT Asset Management is unlikely because the changes necessary will take leadership, persistence and follow-up. This individual must have adequate authority to do the job; regular, visible support from the senior management that committed to the vision; and adequate staff and resources to do the work required to build and maintain the policies, processes and technology.

For your estimate consider staff salaries, training and overhead; consider how you will handle all fourteen of the IAITAM identified Best Practice Model processes; consider how ITAM will interact with your IT service management processes and other shared-services organizations.

9. Estimate the cost of Organizational Change Management

Our 2006 survey identified poor organizational change management as the number one cause of failure to successfully achieve the outcomes they desired. A human and organizational change management program should be put into effect from the inception to plan and manage the changes this will have on your business. Change is always difficult, and sustaining those changes is even more of a challenge. Define your systems architecture in not only technical terms, but also how it will distribute political control over information, because all economic benefits arise from use and not from design.

Your estimate might include senior management time, change management time, training and awareness campaign tasks. A guideline for these activities range from 15% to 20% of the overall costs. In more complex organizations, like public sector or healthcare, this may range somewhat higher.

Consider the time and cost of core team process and technical training, attendance at appropriate conferences, end-user training and associated travel. In addition, you might include the time and cost of development of change management communication mechanisms (e.g., internal web site), regular newsletters, etc. Most successful programs include the staff required to sustain ongoing communications and change.

10. Consider a prototype or a “quick start” implementation to start your technical implementation

It is quite difficult, experience shows, for end users to visualize the actual use and constraints of the purchased software without seeing that software in action. A prototype gives your users and implementers a tangible, common starting point for communication that is more meaningful than abstract process diagrams and descriptions. A prototype can give your team a working view of what the technical implementation can be, and as a visible model from which you can perform a gap analysis. The prototype may also prove useful in helping your users understand how your organization may implement your processes within your chosen technology; in what condition of the interfaced data really is; and how much tailoring of the software might be required to achieve your vision.

Software vendors and service providers offer technology implementation packages that are often well rehearsed that may be suitable for most company's very basic needs. Once you understand your vision and the high-level view of the processes involved, you might consider such a quick prototype implementation of your selected software. These packaged programs provide a basic technical product implementation – and such a rudimentary implementation can serve well as your initial technical prototype.

11. Estimate the cost of defining and developing new policies and processes

ITAM policies should be reasonable, practical, and enforceable. ITAM processes need to be repeatable and consistently executed so that the data remains trustworthy and the decisions made based on the data can be correct. It is the operational consistency, the dependability, which creates the perceived value. It is not enough that the business obtains great service or a great product by catching the right person in the right location on a good day.

The source of “Best Practices” will come from readily available sources such as IAITAM's Body of Knowledge, CobiT, and ITIL. The repository and particular technological systems with which you implement your policies and processes will be a constraint on your ability to consistently execute your processes and reliably enforce your policies. There is a significant gap between the “Best Practices” and the actual implementation of the technology. Key to your success is the specialized knowledge and skills you can acquire from outside your organization to support you regarding how best to bridge that gap so that you can optimally implement your unique solution within your chosen technological system.

Where external resources are required, you should consider assigning internal personnel as “shadow” resources. With resource shadowing, you link an inexperienced internal resource with an experienced external one, so the shadow resource can learn from the external expert and speed the knowledge transfer process.

You may want to consider the time and cost of developing and promulgating new policies. Consider the time and cost of defining each of your processes so that you can measure, analyze, improve and, ultimately, control your consistent execution and the associated activity costs.

12. Identify the legacy systems that you intend to retire

Create a matrix containing a complete inventory of pertinent existing systems and determine which you will replace. Existing systems are potential repositories of data for conversion. Often, ITAM will serve as a centralized data store for a number of disparate silo discovery sources that focus on one component of the infrastructure; plans should include reconciliation rules and processes for those sources.

Estimate the savings you will realize from retiring the existing applications and the labor that would have been expended on maintaining these legacy systems.

13. Assess data readiness and data conversion efforts

The effort required to clean and organize data that is being integrated from other systems is generally significantly underestimated. Data stored in and used by other systems may not be suitable for use in your ITAM system.

14. Estimate the cost of creating and maintaining integrations

ITAM is a shared service that can produce an even better return for your organization when the data is shared by many other functions. Integration among the IT Asset and Service Management tools is essential to consistent, repeatable process execution. Certainly, there must be integration among the ITAM tools – repository, discovery and software distribution. To become proactive, you must develop and maintain integrations among between the ITAM and ITSM tools – change, configuration and release management in particular. Integrations commonly created and maintained include Human Resources System, Directory, Corporate Purchasing, Fixed Asset Accounting, Facilities Management, Tax



Management, outside vendors that provide maintenance services, manufacturer and vendor catalogs, etc.

15. Estimate the cost of the underlying technology necessary for IT Asset Management.

ITAM requires a technical repository for storing your asset data; a discovery tool capable of supporting your compliance effort across the organization; and, in most cases, a software distribution tool to enforce compliance. More mature organizations tie ITAM to ITSM because of the need to share information and processes. ITAM products have slightly different focuses based upon the underlying philosophy of the companies that produce them. The major vendors watch each other's functionality carefully and build the products to support their other products to achieve an overall goal.

Select your ITAM technology based upon the long-term needs your company may have and how it fits within the broader context. Consider selecting your software based on supporting all your ITAM functions, including functionality that companies beginning their journey to proactive ITAM do not often consider, like acquisition management and vendor management.

Estimate the cost of the software, supporting software, maintenance on the software, servers, additional disk space, continuity processes, and the labor to install and maintain it all.

- i. Patricia Adams, *Update to the IT Asset Management Maturity Model*, Gartner (August 2005) commentary on Patricia Adams, *Management Update: IT AssManagement Stages Form the Stairway to Success*, Gartner (September 2003)
- ii. David Rock and Jeffrey Schwartz, *The Neuroscience of Leadership*, strategy + business, 2006
- iii. Barbara Gomolski, *U.S. IT Spending and Staffing Survey, 2005*, Gartner (November 2005)
- iv. William R. Snyder, *Establishing an IT Asset Management Identity*, Gartner (January 2006)

Cary King
Managing Partner at Minerva Enterprises



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Cary.King@MinervaE.com • www.MinervaE.com