Impact2010

The Premier Conference for Business and IT Leaders

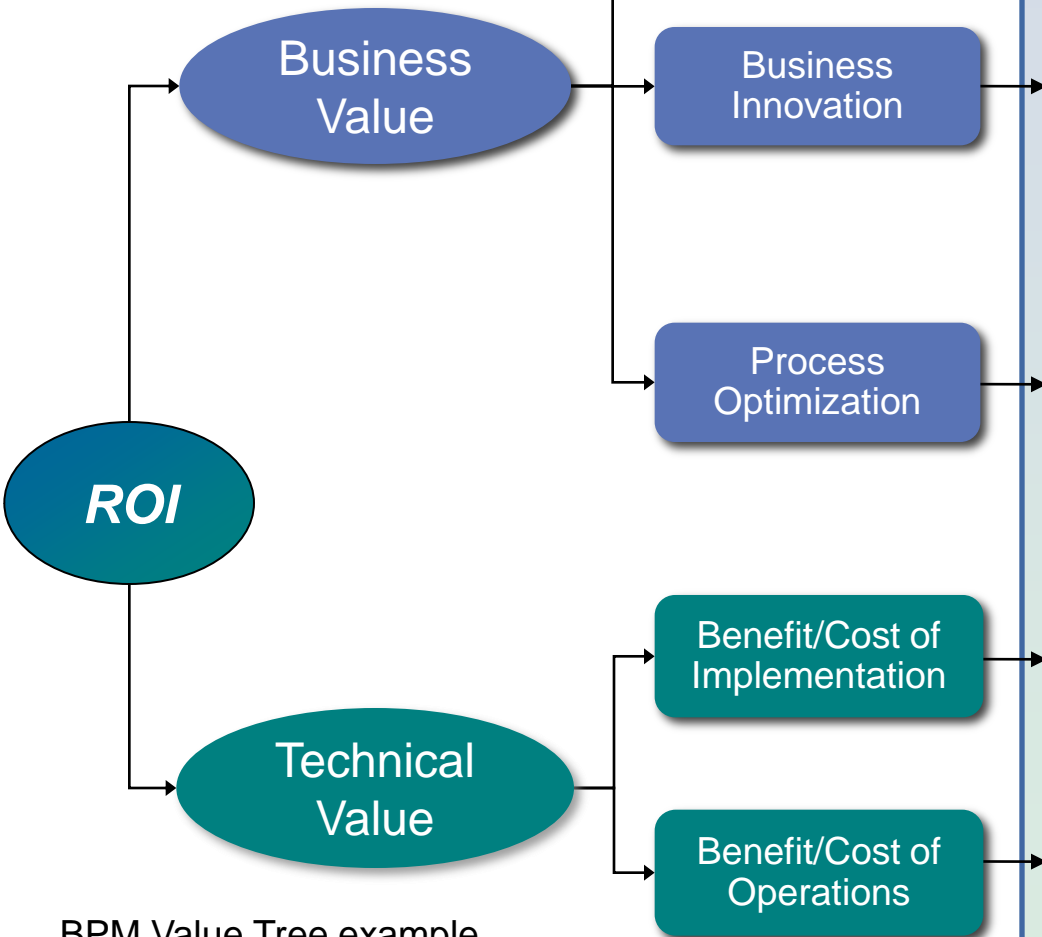*ROI analysis for Business Agility*

Discover. Interact. Optimize.

BPM Value Tree example

Calculating the benefits of Business Flexibility

ROI

Business Value

Technical Value

Strategic Change

Business Innovation

Process Optimization

Benefit/Cost of Implementation

Benefit/Cost of Operations

Quantify the impact of:

- Ability to rapidly change processes in response to business events, opportunity

- Ability to implement and change new business models more rapidly

- Improved productivity through process automation, workflows, business rules

- Ability to dynamically assemble needed process components at runtime

- Reduced solution design, build, test costs

- Lower cost of ongoing code maintenance, administration, fees, governance

Background of the example ROI model featured today…

- Keeps the conversation around value **simple**

- Quantifies the return of an individual service candidate focusing on **reuse**
  - Easy to understand, measure, communicate

- Can be applied to any reusable component – service, composite service, process, application

- Satisfies two main needs for IBM clients:
  - Portfolio management
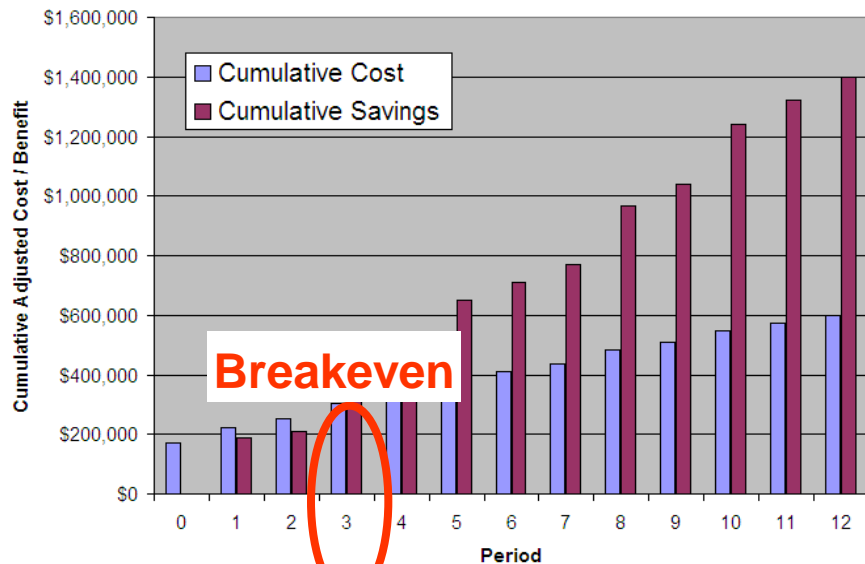 - Internal sales collateral for corporate sponsors
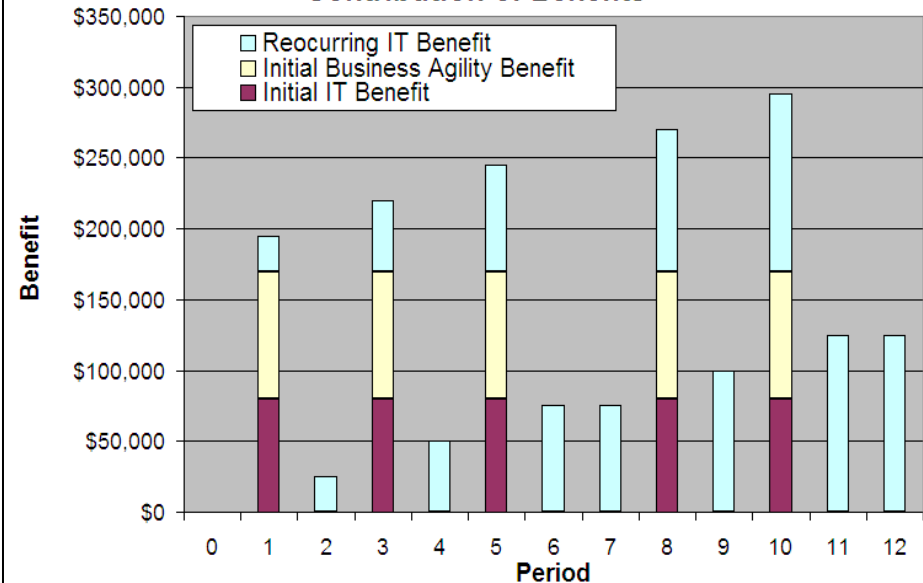
ROI Model
Demo

Staying simple in your calculations can still be powerful…

Assumption Inputs:	Likely
All required inputs are shown in yellow	
General Assumptions	
Annual Discount Rate	8.00%
Number of Desired Periods per year	4
Discount Rate for Period (quarterly)	1.94%
Individual Service Inputs:	
Initial Cost of Functionality (Dev., Sw, HW)	$100,000.00
Cost Premium To Make Functionality Reusable	40%
Average IT Savings for Reuse (per consumer)	80%
Months saved by reusing (as opposed to developing) functionality (per consumer)*	2
Average value created due to one month saved (revenue increase, market awareness, etc.)*	$ 45,000.00
Cost to Develop Enhancement (per consumer)	$20,000.00
Annual Reoccurring Support Cost	$50,000.00
Support Cost Increase per Consumer	5%

Total Consumers vs. Cumulative Adjusted Cost & Benefit

Cumulative Cost / Cumulative Savings / Breakeven

Contribution of Benefits

Reocurring IT Benefit / Initial Business Agility Benefit / Initial IT Benefit
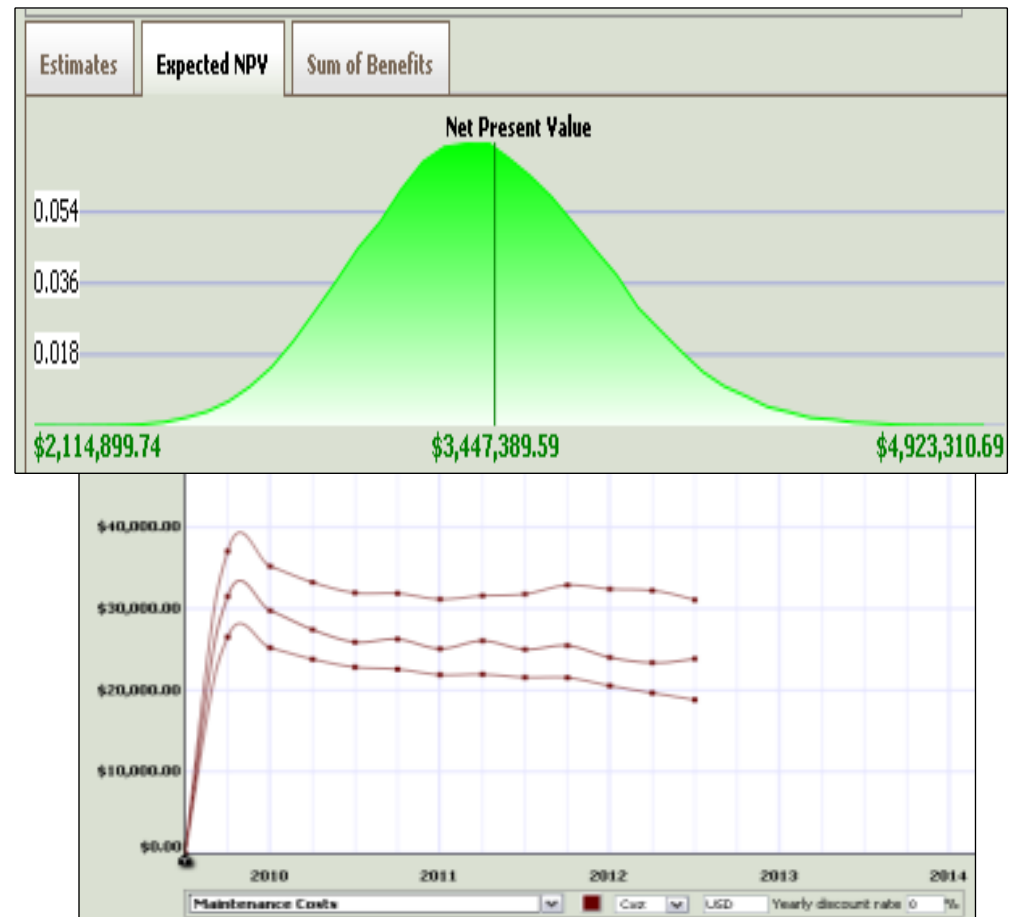
IBM is empowering our customers to more effectively manage their IT portfolio by providing capability that quantifies the value of IT investments

- Provides user means to define calculator templates for typical project types (i.e. calculating the value for an SOA service)

- Delivers a user-friendly interface to quantify the return and risk of IT investments

- Aggregates the value of investments to the portfolio level for easy comparison and identification of most attractive investments

New! 4Q 2009 Technical Preview

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Next steps…

- Ask how you are currently communicating the value of your IT initiatives in your organization

- Consider reuse opportunities in your organization where this model may be applied

- Gather data around model inputs within your organization

- Sign up for a BVA that will leverage this model as well as other IBM ROI assets that best suit your particular need.

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