

A Forrester Total Economic Impact™
Study Commissioned By Serveware
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The Total Economic Impact™ Of Serveware Financial

Cost Savings And Business Benefits
Enabled By Serveware Financial — A
Platform For IT Financial Management

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Executive Summary

Key Benefits



Cost avoidance through demand minimization:

€2.98 million



IT spend reduction through unit cost benchmarking:

€1.86 million



Total implementation time:

6 months

In the era of digital transformation, IT has become increasingly complex to manage. The large-scale migration to cloud and an anything-as-a-service (XaaS) model coupled with heavy investments in new tech spending to support digital transformation has significantly altered tech budgets in recent years. As IT spending continues to creep up in light of these new initiatives, business and technology executives alike are finding that the traditional way of cost accounting and reporting (fixed allocations charged back to the businesses and managed with inefficient spreadsheets and processes) do not offer the speed, accuracy, and flexibility needed in this new age. Furthermore, the lack of clear, transparent communication between business and IT can often lead to a disconnect and an uncooperative atmosphere between the two parties.

To deliver IT services effectively and efficiently and to ensure that business and IT collaborate towards a common goal, organizations need to move to a more agile way of accounting for and managing their IT expenditures.

Serviceware Financial provides an IT financial management (ITFM) solution that helps organizations streamline financial management, accounting, and reporting of IT services. Serviceware commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying its ITFM solution: Serviceware Financial. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of an ITFM solution on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester gathered data from 12 Serviceware customers about their use of the Serviceware Financial ITFM solution. The surveyed customers each represent large enterprises with multinational footprints. On average, these customers have been using Serviceware Financial for three years to manage their end-to-end IT financial management needs, including: service definition and cataloging; service unit costing and benchmarking; showback, chargeback, and transfer pricing management; IT performance management; financial reporting, planning, and analysis; project portfolio management; etc.

Prior to adopting this ITFM solution, the customers typically used manual spreadsheet-based solutions to coordinate these processes. Moreover, most still used legacy fixed-allocation chargebacks for their IT cost chargebacks. However, the fixed-cost allocations did not provide transparency on unit costs and service volumes, and the manual processes were inefficient, slow, and prone to errors. To modernize their IT finance operations, these customers sought a scalable solution that provides a centralized system of record that would enable a more agile way of working.

To develop a financial model for this study, Forrester built a composite organization that is representative of the customers studied. The findings presented in this study are based on this composite organization, and assumes an annual IT spending of €150 million (growing at 2.5% per annum) and a company size of 20,000 employees (or internal service customers).

Key Findings

Benefits. The surveyed organizations experienced benefits in five key areas. Not all benefits have been quantified for this study.



ROI
270%



Benefits PV
€5.48 million



NPV
€4.00 million



Payback
<6 months

- › **Cost avoidance of €2.98 million through minimization of IT services demanded/consumed.** With the ability to track not just costs but also volume of services consumed, Serviceware Financial enables organizations to shift from a fixed-allocation cost model for shared services to a usage-based one. This incentivizes business managers to supervise their usage more prudently. The surveyed organizations took two approaches to cut back on their IT consumption: 1) monitoring of costs to scale back on volume, and 2) retirement of unnecessary applications or projects. By cutting back on redundant consumption, the organizations achieved cost savings of approximately €2.98 million over three years.
- › **Overall IT spending reduction of €1.86 million through unit cost benchmarking and minimization.** By consolidating data from multiple sources, the Serviceware Financial platform provided visibility and transparency into unit costs of all IT services, as well as corresponding performance levels. More importantly, this transparency into the cost and performance implications empowered business and IT leaders to make informed decisions about the IT services they chose. Surveyed organizations were able to identify cost savings of €1.86 million over three years by benchmarking unit costs and by opting for lower-cost services.

With visibility into unit costs, the Serviceware Financial platform also allowed business and IT managers to simulate the impact of different service cost options, which empowered them with better insight to prioritize their investments better. This additional benefit is not quantified for this study.

- › **Improved IT financial management operational efficiency of €419,000 through workflow automation.** Replacing manual-based processes centered around spreadsheets, Serviceware Financial also acted as a transaction system. With automation built into workflows, businesses minimized human error and effort during financial planning and reporting cycles. Based on our study of Serviceware customers, an estimated 7,200 hours can be saved per year, translating into €419,000 over three years.

Other improvements to ITFM operations included: 1) line-of-business managers could now generate reports on their own, thereby reducing clarification requests and escalations to finance, and 2) improved collaboration and trust between IT and business units as the role of IT shifted from being merely a cost center to a valued business partner. These additional benefits have not been quantified for this study.

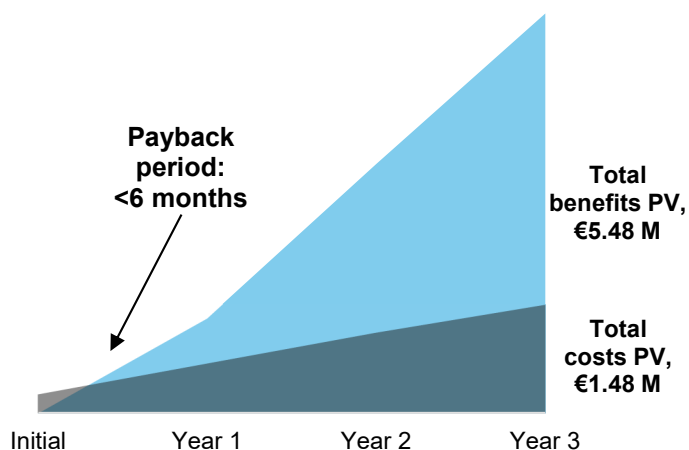
- › **Improved financial audit and compliance efficiencies of €218,000.** The Serviceware Financial platform acted as a centralized system of record for all IT financial and operational data. Chargebacks, showbacks, and transfer pricing are managed and documented on the platform, replacing manual processes of documentation. In doing so, it minimized human error and effort when preparing for financial audits, and helped organizations keep accurate financial records, lowering the possibility of penalties due to noncompliance with tax regulations. The improved efficiency of these processes over a three-year period is valued at €218,000.
- › **Improved data quality for decision making.** Serviceware Financial's record-keeping and reporting capabilities also serves as an analysis tool. Surveyed organizations experienced benefits including: 1) better forecasting that reduced budget overruns; 2) faster root cause identification for plan-vs.-actual deviations, which allowed for timely corrective action; and 3) better opex vs. capex management through cost structure simulations. These benefits have not been quantified for this study as they are dependent on the analytical capabilities of individual organizations and managers.

Costs. The surveyed organizations experienced the following risk-adjusted PV costs:

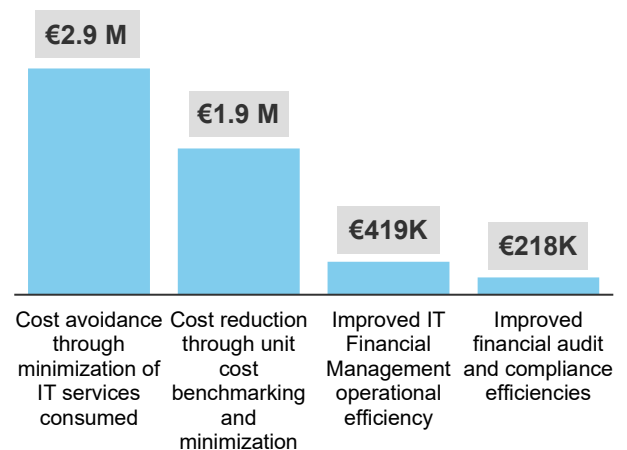
- › **Total license and service fees of €1.22 million.** This total included Serviceware Financial license and maintenance fees and professional service fees for implementation and ongoing support. It also included spending for new hardware and software associated with this investment (e.g., servers and database licenses).
- › **Planning, implementation, and ongoing management costs of €259,000.** This included the resources (i.e., employees' time and effort) spent on deploying and maintaining the solution.

Forrester's survey of existing Serviceware customers and subsequent financial analysis determined that an organization with €150 million in annual IT spending and 20,000 employees experienced benefits of €5.48 million over three years, against costs of €1.48 million, adding up to a net present value (NPV) of €4.00 million and an ROI of 270%.

Financial Summary



Benefits (Three-Year)



The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

TEI Framework And Methodology

From the information provided in the interview, Forrester has constructed a Total Economic Impact™ (TEI) framework for those organizations considering implementing Serviceware Financial.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that Serviceware Financial can have on an organization:



DUE DILIGENCE

Interviewed Serviceware stakeholders and Forrester analysts to gather data relative to Serviceware Financial.



CUSTOMER INTERVIEW & SURVEY

Surveyed 11 organizations and interviewed one using Serviceware Financial to obtain data with respect to costs, benefits, and risks.



FINANCIAL MODEL FRAMEWORK

Constructed a financial model representative of the interview using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewed organization.



CASE STUDY

Employed four fundamental elements of TEI in modeling Serviceware Financial's impact: benefits, costs, flexibility, and risks. Given the increasing sophistication that enterprises have regarding ROI analyses related to IT investments, Forrester's TEI methodology serves to provide a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Serviceware and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the report to determine the appropriateness of an investment in Serviceware Financial.

Serviceware reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

Serviceware provided the customer names for the interviews but did not participate in the interviews.

The ITFM Customer Journey

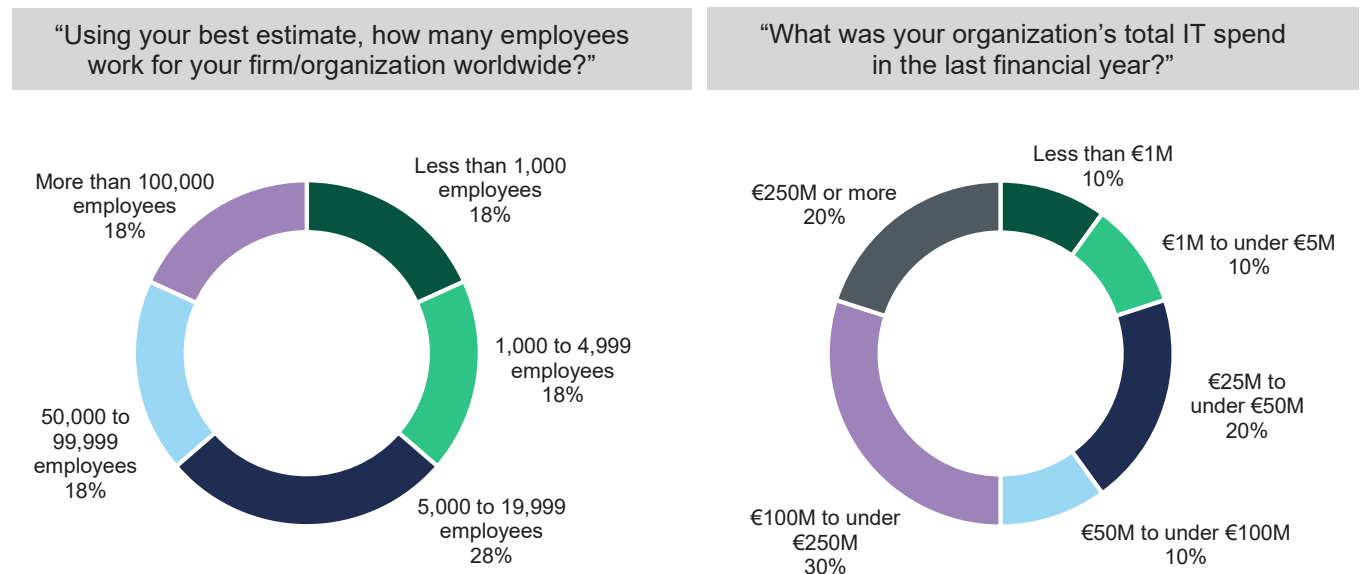
BEFORE AND AFTER THE ITFM INVESTMENT

Organizations Studied

For this study, Forrester conducted a survey of 11 Serviceware customers. These customers represented multinational enterprises across various industries (e.g., retail, healthcare, industrial goods, financial services, etc.). Figure 1 provides a snapshot of their scales of operation in terms of company size and annual IT spend. These survey responses form the basis of the financial analysis.

To supplement the quantitative insights from the survey, one additional interview was conducted with a Serviceware customer. The interviewed customer is a European financial services organization with an annual global IT spending of €250 million, and had been using Serviceware Financial for over two years. This interview provided the qualitative insights and quotes used in this study.

Figure 1: Demographics Of Organizations Surveyed



Key Challenges

Prior to adopting Serviceware Financial, the profiled customers typically used a fixed-allocation pricing model for their IT shared services, and they managed their IT finances using a combination of spreadsheet-based reports and customized enterprise resource planning (ERP) systems. However, this legacy environment presented several challenges (see Figure 2).

Figure 2: Top Challenges As Ranked By Surveyed Customers:

1. "IT costs were increasing, and we wanted transparency into the cost drivers."
2. "We were spending too much time on administrative tasks."
3. "We were lacking visibility into how much IT services were being used."
4. "We encountered too many errors in reporting due to the manual nature of work."

Solution Requirements

As a result, the surveyed organizations were driven to search for a solution that would help them manage their IT shared services more efficiently and effectively. Desired outcomes of an investment in an ITFM solution included:

- › Provision of accurate data on IT costs and volume consumed to drive better decision making in IT investments.
- › Reduction in the lead time and effort for their financial reporting and planning processes.
- › Improvement in their forecasting ability and accuracy.
- › Ease of integration with existing databases and/or ERP systems.

After evaluating multiple vendors, the surveyed organizations chose Serviceware Financial and began deployment.

Key Outcomes

The interview and survey revealed several key outcomes from the Serviceware investment including:

- › **Building a service catalog with up-to-date information on price and service levels.** The catalog, which can be based on, or customized from, a market standard, provided cost transparency and more service alternatives for business managers.
- › **Giving business and IT managers unprecedented visibility into IT cost drivers — both from a volume and a price perspective.** This occurred as organizations moved from a fixed-allocation model to a usage-based one.
- › **Having an automated, centralized system of record that dramatically improved workflows and coordination between departments.** Instead of interacting with multiple application and platforms to manage IT finance (e.g., pricing, contracting, chargeback, reporting, etc.), workflows could now be consolidated into one platform.

The interviewee shared that the implementation led to improvements not only in operational efficiency, but also in the working relationship between the IT organization and business units as well.

“Having this transparency for customers (i.e., business users) generates a lot of trust, which was missing before. It’s much easier to move our discussions beyond “You’re too expensive” and “No we’re not” to more fruitful ones around how we can work together to cut costs.”

Senior project manager, financial services



Composite Organization

Based on the interview and survey, Forrester constructed a TEI framework, a composite company, and an associated ROI analysis that illustrates the areas financially affected. The composite organization is representative of the 11 companies surveyed in this study and is used to present the aggregate financial analysis in the next section.

Description of composite. The composite organization is headquartered in Europe and has an annual IT spend of €150 million. It operates a shared service model for delivery of IT services to its 20,000 employees globally as well as regionally. Like many other organizations, it has embarked on a digital transformation journey, and it has seen IT spending increase steadily over the past few years. The IT organization works with more than 300 line-of-business leaders globally to understand and service its IT needs. As IT spending continues to grow, both IT and business leaders are under pressure to justify increasing costs.



Key assumptions

€150 million annual IT spend
20,000 employees

Analysis Of Benefits

QUANTIFIED BENEFIT DATA

Total Benefits						
REF.	BENEFIT	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Atr	Cost avoidance through minimization of IT services consumed	€740,000	€1,377,350	€1,557,366	€3,674,716	€2,981,105
Btr	Cost reduction through unit cost benchmarking and minimization	€475,200	€892,980	€915,305	€2,283,485	€1,857,682
Ctr	Improved IT financial management operational efficiency	€121,905	€195,048	€195,048	€512,001	€418,562
Dtr	Improved financial audit and compliance efficiencies	€87,660	€87,660	€87,660	€262,980	€217,997
Total benefits (risk-adjusted)		€1,424,765	€2,553,038	€2,755,379	€6,733,182	€5,475,346

The table above shows the total of all benefits across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the interviewed organization expects risk-adjusted total benefits to be a PV of €5.48 million.

Cost Avoidance Through Minimization Of IT Services Consumed

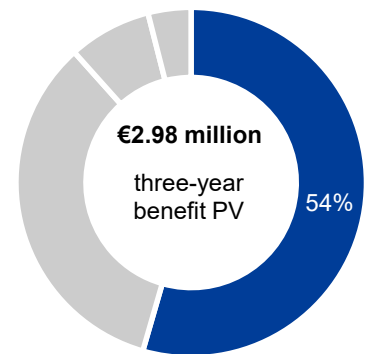
One approach to reducing overall IT spend is to reduce the overall demand/consumption of IT services. By enabling a usage-based cost allocation model, Serviceware Financial allows business managers to track their IT costs based on the exact services and service volume they are using. This encourages more prudent usage as the cost implications are made clear. Considering only the portion of their IT expenses that are variable, survey respondents indicated a service volume reduction of between 1% to 5%. For this model, Forrester uses a conservative estimate of between 1% to 2% in demand reduction.

For many organizations, the deployment of an ITFM solution also presents an opportunity to review and retire unnecessary applications and projects. Often, these are legacy projects that business managers may not even be aware of. Surveyed organizations estimated that a review exercise like this can bring about cost avoidance of approximately €100,000 per year.

Based on results of the interview and survey, Forrester estimates that organizations with operations similar in scale to the composite organization would be able to save €2.98 million over three years.

Risk adjustments. A downward risk adjustment of 20% is also made to account for the following risks:

- › Investigative and analytical abilities of individual IT and business managers in the organization to identify potential cost savings
- › Legacy projects that may be hard to avoid completely



Cost avoidance through minimization of IT services consumed: 54% of total benefits

Impact risk is the risk that the business or technology needs of the organization may not be met by the investment, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for benefit estimates.

Cost Avoidance Through Minimization Of IT Services Consumed: Calculation Table

REF.	METRIC	CALCULATION	YEAR 1	YEAR 2	YEAR 3
A1	Annual IT spend reflecting 2.5% increase p.a.	Composite	€150,000,000	€153,750,000	€157,593,750
A2	Annual IT spend — variable spend	Forrester Technographics	55%	55%	55%
A3	Percent of variable IT spending avoided due to more attentive monitoring on service consumption	Composite	1.0%	1.9%	2.1%
A4	Cost savings due to application and project retirements	Composite	€100,000	€115,000	€126,500
At	Cost avoidance through minimization of IT services consumed	$(A1 \cdot A2 \cdot A3) + A4$	€925,000	€1,721,688	€1,946,708
	Risk adjustment	↓20%			
Atr	Cost avoidance through minimization of IT services consumed (risk-adjusted)		€740,000	€1,377,350	€1,557,366

Cost Reduction Through Unit Cost Benchmarking And Minimization

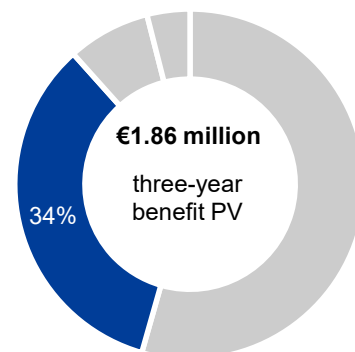
A second approach for organizations trying to reduce overall IT spend is to lower unit costs. With Serviceware Financial, both business and IT managers are given greater visibility into the unit costs they pay (to the IT shared service provider and to an external vendor, respectively). From the perspective of the line-of-business, a service catalog detailing unit costs and performance implications of different service levels offers business managers more options to choose from. For instance, given the options and cost implications, a business manager may now decide to switch to a lower service level. Similarly, the IT organization can also use unit cost information to benchmark current vendors against potential ones, facilitating cost comparison.

The surveyed customers estimate that, in a year, they might find unit cost savings potential in about 15% to 20% of their contracts. Given the long-term nature of IT service contracts, it is assumed that only 33% of them are renewable in a given year. For a composite organization with an annual IT spending of €150 million, this translates to €6 million to €8 million worth of contracts with unit cost savings potential.

From this pool of contracts, surveyed organizations were able to cut unit costs by approximately 10% across the board, translating into three-year risk-adjusted savings PV of €1.86 million.

Risk adjustments. A downward risk adjustment of 20% is also made to account for the following risks:

- › Investigative and analytical abilities of individual IT and business managers in the organization to identify potential cost savings.
- › Varying negotiating power of the organization according to size of business with supplier, business requirements, etc.



Cost reduction through unit cost benchmarking and minimization: 34% of total benefits

Cost Reduction Through Unit Cost Benchmarking And Minimization: Calculation Table

REF.	METRIC	CALCULATION	YEAR 1	YEAR 2	YEAR 3
B1	Annual IT spend reflecting 2.5% increase p.a.	Composite	€150,000,000	€153,750,000	€157,593,750
B2	Percent of contracts with unit cost savings potential	Composite	12%	22%	22%
B3	Percent of contracts renewable in a year	Assumption	33%	33%	33%
B4	Value of renewable contracts with unit cost savings potential	$B1*B2*B3$	€5,940,000	€11,162,250	€11,441,306
B5	Percent reduction in IT spending after unit cost benchmarking	Composite	10%	10%	10%
Bt	Cost reduction through unit cost benchmarking and minimization	$B4*B5$	€594,000	€1,116,225	€1,144,131
	Risk adjustment	↓20%			
Btr	Cost reduction through unit cost benchmarking and minimization (risk-adjusted)		€475,200	€892,980	€915,305

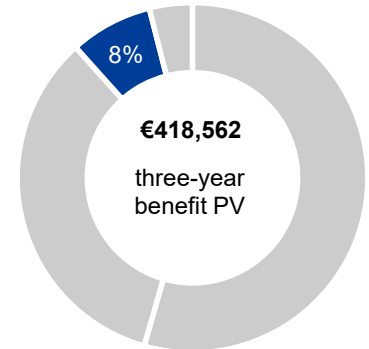
Improved IT Financial Management Operational Efficiency

Replacing manual-based processes centered around disparate spreadsheets and programs, Serviceware Financial also acts as a centralized system of record for all IT-related transactions. The automation of tasks and workflows for approving transactions helps employees save administrative time and effort, and its automatic dashboard reporting and ability to build custom reports improve the finance department's efficiency in generating reports and financial statements.

With the Serviceware Financial platform, surveyed organizations estimated that they were able to reduce the amount of time spent on IT finance reporting and planning by 7,200 hours per year.

Assuming that 70% of productivity is captured from this time saving, this translates into a three-year risk-adjusted savings PV of close to €418,562.

Risk adjustments. A downward risk adjustment of 10% is also made to account for different complexities in the IT and/or finance operations of each organization.



Improved IT financial management operational efficiency: 8% of total benefits

Improved IT Financial Management Operational Efficiency: Calculation Table

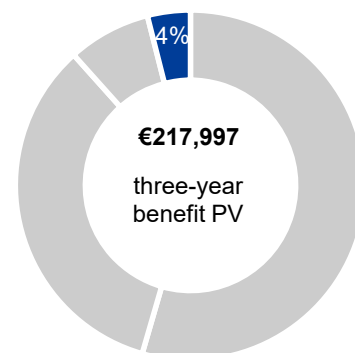
REF.	METRIC	CALCULATION	YEAR 1	YEAR 2	YEAR 3
C1	Frequency of financial closing and reporting cycles in a year	Composite	10	16	16
C2	Number of employees involved in IT financial closing and reporting (before)	Composite	25	25	25
C3	Number of hours spent (per employee) on each closing and reporting cycle (before)	Composite	30	30	30
C4	Number of employees involved in IT financial closing and reporting (with Serviceware)	Composite	25	25	25
C5	Number of hours spent (per employee) on each closing and reporting cycle (with Serviceware)	Composite	12	12	12
C6	Total time savings on financial closing and reporting (per year)	$(C1 \cdot C2 \cdot C3) - (C1 \cdot C4 \cdot C5)$	4,500	7,200	7,200
C7	Average loaded hourly wage of general finance staff	Assumption	€43	€43	€43
C8	IT financial management operational savings	$C6 \cdot C7$	€193,500	€309,600	€309,600
C9	Productivity captured		70%	70%	70%
Ct	Improved IT financial management operational efficiency	$C8 \cdot C9$	€135,450	€216,720	€216,720
	Risk adjustment	↓10%			
Ctr	Improved IT financial management operational efficiency (risk-adjusted)		€121,905	€195,048	€195,048

Improved Financial Audit And Compliance Efficiencies

Another benefit of having a centralized system of record for all IT financial and operational data is that chargebacks, showbacks, and transfer pricing are all managed and traced on the platform, thereby replacing manual documentation. Surveyed organizations estimate that with the Serviceware Financial platform, they save 400 hours a year on audit preparation. Assuming 70% of productivity is captured from this time saving, this is a net audit efficiency savings of €22,400 per year. Another key benefit customers reported was that Serviceware Financial helped to minimize human error and effort when preparing for financial audits. By keeping accurate financial records, it lowers the potential of penalties incurred due to noncompliance with tax authorities. Applying a probability ratio of 20% to the average penalty amount of €375,000, it is estimated that the potential penalty avoidance is €75,000 a year.

Based on results of the interview and survey, Forrester estimates that through improved financial audit and compliance efficiencies, organizations would be able to save close to €217,997 over three years.

Risk adjustments. A downward risk adjustment of 10% is also made to account for different regulatory environment and complexities in the IT and/or finance operations of each organization.



Improved financial audit and compliance efficiencies: 4% of total benefits

Improved Financial Audit And Compliance Efficiencies: Calculation Table

REF.	METRIC	CALCULATION	YEAR 1	YEAR 2	YEAR 3
D1	Frequency of audits in a year	Composite	2	2	2
D2	Number of employees involved in preparing for audit (before)	Composite	5	5	5
D3	Number of hours spent (per employee) preparing for audit (before)	Composite	55	55	55
D4	Number of employees involved in preparing for audit (with Serviceware)	Composite	3	3	3
D5	Number of hours spent (per employee) preparing for audit (with Serviceware)	Composite	25	25	25
D6	Total time savings on audit preparation (per year)	$(D1 \times D2 \times D3) - (D1 \times D4 \times D5)$	400	400	400
D7	Average loaded hourly wage of financial manager	Assumption	€80	€80	€80
D8	Audit efficiency savings	$D6 \times D7$	€32,000	€32,000	€32,000
D9	Productivity captured	Assumption	70%	70%	70%
D10	Net audit efficiency savings	$D8 \times D9$	€22,400	€22,400	€22,400
D11	Penalties incurred due to non-compliance (before)	Composite	€375,000	€375,000	€375,000
D12	Probability of incurring penalties due to non-compliance	Composite	20%	20%	20%
D13	Potential non-compliance penalties avoided (with Serviceware)	$D11 \times D12$	€75,000	€75,000	€75,000
Dt	Improved financial audit and compliance efficiencies	$D10 + D13$	€97,400	€97,400	€97,400
	Risk adjustment	↓10%			
Dtr	Improved financial audit and compliance efficiencies (risk-adjusted)		€87,660	€87,660	€87,660

Unquantified Benefits

In conducting the financial analysis on the Serviceware Financial solution, Forrester focused on a few core quantifiable benefits. The interview and surveys also revealed several other benefits that have not been quantified for this study:

Improved project portfolio management: In addition to managing operating expenses, Serviceware Financial can also be used to manage expenses on a project basis. The ability to keep track of the Total Cost of Ownership (TCO) of the project, track deviations, and simulate the project impact of service costs has enabled IT and business to better prioritize project requests and monitor returns.

Better data quality to support more effective planning and controlling: Higher quality and availability of data led to better forecasting of demand. This, in turn, increased the quality of budgets and reduced the risk of budget overruns for line-of-business managers. Furthermore, the ability to simulate different scenarios (e.g., best case vs worst case, etc.) has improved planning and controlling processes and outcomes.

Better opex/capex management: The different forecasting and simulation capabilities of Serviceware Financial helped organizations to prioritize resources and investments for a more favorable opex/capex composition.

Improved self-service: According to the interviewee: “Before this, we did not have any regular reporting. It would take one IT manager days to create a report if someone requested it. Now, reports are available one click away. There is higher attention and interest in these data points now that the report functions are so accessible for everyone.” The interviewee also reported that due to this self-service portal, line-of-business managers can now generate reports and specific data points themselves, reducing clarification requests and escalations to finance or IT.

Improved collaboration and trust: Overall, the partnership between the IT organization and business units has improved and has moved from a transactional relationship to a more collaborative one.

Flexibility – Future Value

The value of flexibility is clearly unique to each customer, and the measure of its value varies between organizations. There are multiple scenarios in which a customer might choose to implement Serviceware Financial and later realize additional uses and business opportunities. These may include:

- › **Extending deployment to other shared services.** While the most common use case of Serviceware Financial is the holistic management of IT services, the platform and principles — as well as benefits — also apply to the delivery of other shared services like human resources management, corporate services, etc.
- › **Shifting toward a data-driven organization.** The interviewed Serviceware customer said that data quality and availability issues have come to the forefront with the implementation. Managers have seen the benefit of making data-backed decisions and, for the first time, they are interested in this.



Overall, the partnership between the IT organization and business units has improved.

“In the past, we would spend hours discussing whether IT was too expensive. Now we are having discussions about specific measures to drive down costs. We still spend time on these meetings, but it’s time well spent.”

Senior project manager, financial services



Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for a future additional investment. This provides an organization with the “right” or the ability to engage in future initiatives but not the obligation to do so.

Analysis Of Costs

QUANTIFIED COST DATA

Total Costs

REF.	COST	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Etr	Total license and implementation support fees	€189,000	€414,750	€414,750	€414,750	€1,433,250	€1,220,422
Ftr	Planning, implementation and ongoing management costs	€65,016	€50,568	€93,912	€93,912	€303,408	€259,158
	Total costs (risk-adjusted)	€254,016	€465,318	€508,662	€508,662	€1,736,658	€1,479,580

The table above shows the total of all costs across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the interviewed organization expects risk-adjusted total costs to be a PV of €1.48 million.

Total License And Implementation Support Fees

Serviceware Financial can be deployed either in the cloud and on-premise, depending on the organization's IT strategy and security requirements. This study assumes the composite organization utilizes a cloud deployment, which incurs the following costs:

- › **Serviceware license fees.** For a global organization servicing 20,000 employees, license fees are estimated to be approximately €375,000. A portion of this is maintenance fees that go toward the continual development of new features and functions for the Serviceware Financial platform.
- › **Implementation and ongoing support costs.** This refers to the services that Serviceware's team or an external partner's consulting team provide around creating an ITFM strategy and an implementation plan. For subsequent years, support costs include consultation and advisory on how to further optimize IT spending based on the data presented on the platform, as well as any further customization requirements. These professional services are optional, but commonly engaged by current customers.

Forrester applied a 5% upward risk adjustment to account for variances in deployment (e.g. an on-premises deployment), customization requirements, and different levels of implementation support required by different organizations. In all, the total service fees are estimated to be a PV of €1.22 million.



Serviceware Financial can be deployed either in the cloud and on-premise, depending on the organization's IT strategy and security requirements.

Implementation risk is the risk that a proposed investment may deviate from the original or expected requirements, resulting in higher costs than anticipated. The greater the uncertainty, the wider the potential range of outcomes for cost estimates.

Total License And Implementation Support Fees: Calculation Table

REF.	METRIC	CALCULATION	INITIAL	YEAR 1	YEAR 2	YEAR 3
E1	License fees	Composite		€375,000	€375,000	€375,000
E2	Implementation support	Composite	€180,000	€20,000	€20,000	€20,000
Et	Total license and implementation support fees	E1+E2	€180,000	€395,000	€395,000	€395,000
	Risk adjustment	↑5%				
Etr	Total license and implementation support fees (risk-adjusted)		€189,000	€414,750	€414,750	€414,750

Planning, Implementation, And Ongoing Management Costs

A second cost component to consider is the resources and man-hours put into the overall implementation and management of the ITFM solution.

Through the survey responses, it is estimated that the overall implementation for the composite organization will take two quarterly financial cycles (i.e., six months).

During this phase, four employees are involved, and they each spend approximately 15 hours a week on the project. This phase typically involves IT, finance, and business managers working together to determine a plan to migrate to the new platform.

Post-implementation, the platform requires little maintenance. However, to get the most benefits out of the investment, organizations will need to continually monitor and analyze KPIs and follow up with different stakeholders to implement changes. It is estimated that at least one full-time employee will be needed for this.

Actual planning, implementation, and ongoing management costs that organizations incur will depend on the size and complexity of their IT organizations. An upward adjustment of 5% is made to account for such variances, yielding a three-year, risk-adjusted total PV of €259,158 for this cost category.

"The tool implementation itself is very straightforward. The more challenging part is transforming our cost allocation model."

Senior project manager, financial services



"The Serviceware investment was a good decision. The analysis of costs is well done, and so is the support from helpline – you always get good solutions"

IT controller, monetary authority



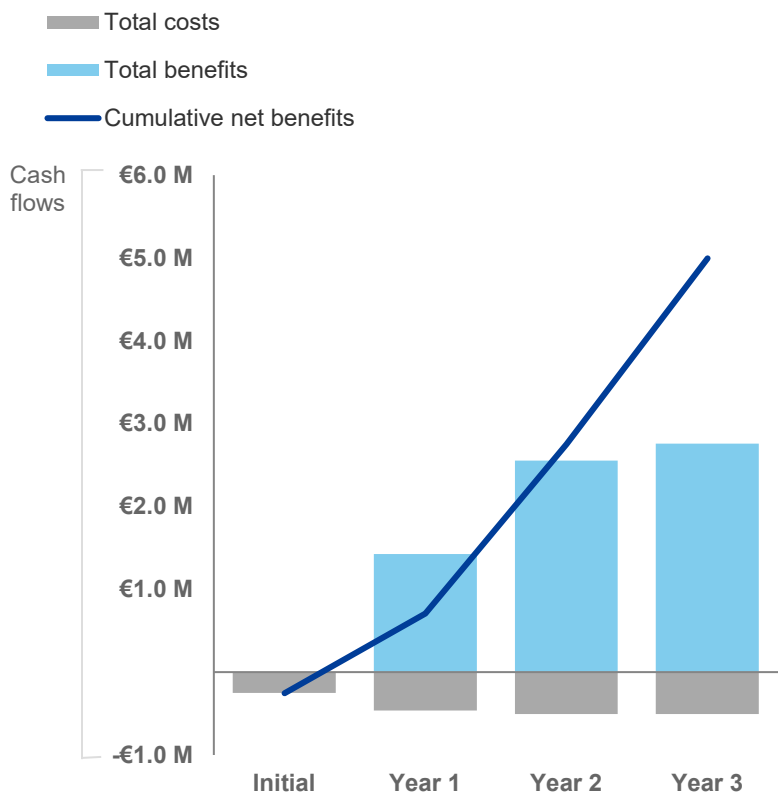
Planning, Implementation And Ongoing Management Costs: Calculation Table

REF.	METRIC	CALCULATION	INITIAL	YEAR 1	YEAR 2	YEAR 3
F1	Number of employees involved in planning and implementation	Composite	4			
F2	Number of hours spent per employee per week on implementation	Composite	15			
F3	Length of implementation (number of weeks)	Composite	24			
F4	Total manhours spent on planning and implementation	$F1 \times F2 \times F3$	1,440			
F5	Number of employees involved in ongoing solution management	Composite		1	1	1
F6	Number of hours spent per employee per week on ongoing management	Composite		40	40	40
F7	Number of weeks in a year	Year 1: excludes weeks spent on implementation		28	52	52
F8	Total manhours spent on managing ITFM solution (in a year)	$F5 \times F6 \times F7$		1,120	2,080	2,080
F9	Average loaded hourly wage of general staff involved in project	Assumption	€43	€43	€43	€43
Ft	Planning, implementation and ongoing management costs	$(F4 + F8) \times F9$	€61,920	€48,160	€89,440	€89,440
	Risk adjustment	↑5%				
Ftr	Planning, implementation and ongoing management costs (risk-adjusted)		€65,016	€50,568	€93,912	€93,912

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)



The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the interviewed organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.



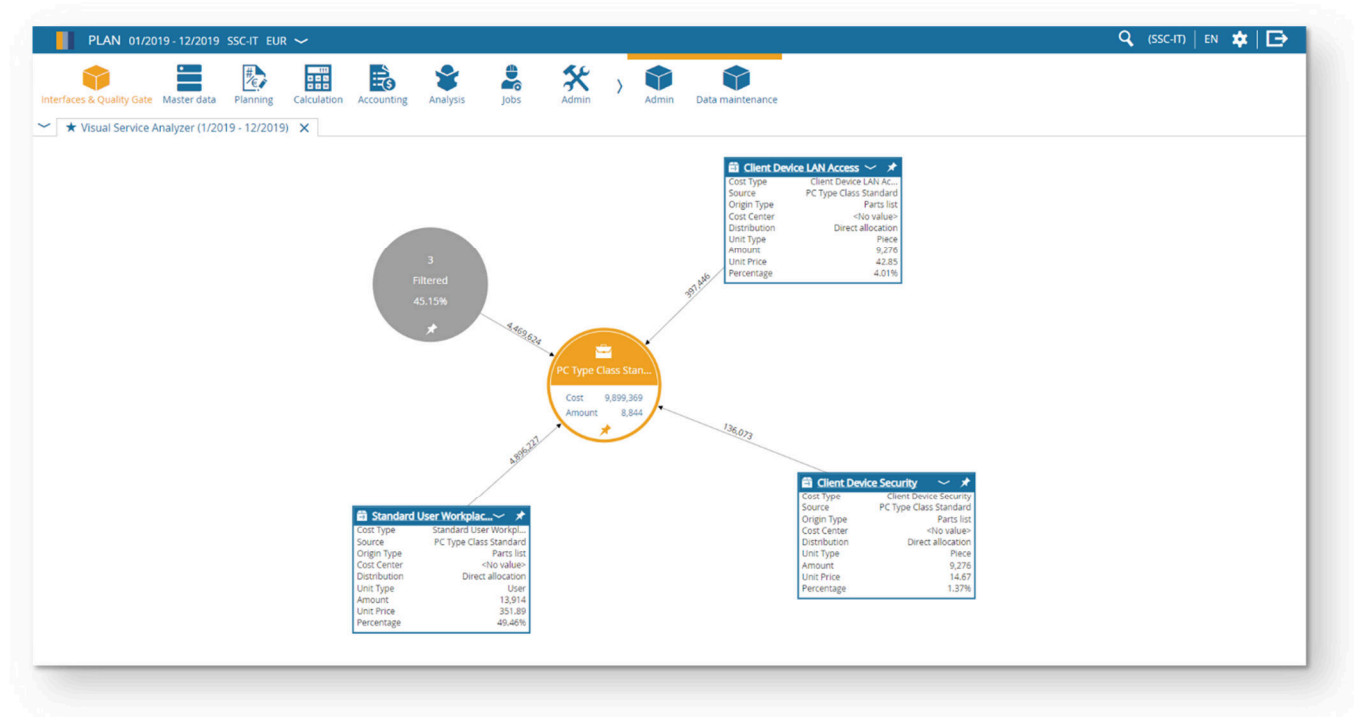
These risk-adjusted ROI, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost section.

Cash Flow Analysis (risk-adjusted estimates)

	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Total costs	(€254,016)	(€465,318)	(€508,662)	(€508,662)	(€1,736,658)	(€1,479,580)
Total benefits	€0	€1,424,765	€2,553,038	€2,755,379	€6,733,182	€5,475,346
Net benefits	(€254,016)	€959,447	€2,044,376	€2,246,717	€4,996,524	€3,995,766
ROI						270%
Payback period (months)						<6

Serviceware Financial: Overview

The following information is provided by Serviceware. Forrester has not validated any claims and does not endorse Serviceware or its offerings.



Serviceware Financial is a leading software tool for the financial management of your IT and shared services. With a structured service catalog, a detailed cost-to-service-flow, and the capabilities to create virtually infinite budgeting scenarios, you can create as much cost transparency as you need.

The importance of cost transparency in the digital economy

If you want your business to succeed in the digital age, you need to simplify the way to manage increasingly more complex cost structures. Serviceware Financial allows you to bid farewell to Excel sheets and to create a clear service offering for your business with the level of transparency that is perfect for you. You will know where and how business costs are created and how you can make better investment decisions in the future.

Make your IT and shared services more cost-efficient

While your business is growing further and further, you want to optimize the usage of your IT and shared services. Serviceware Financial gives you the ability to analyze cost drivers in detail down to their smallest service components. That way, you can lower costs in the short and the long run and find ways to use your service to their fullest potential. Furthermore, the software allows for detailed scenario analyses to improve your future make-or-buy decisions.

Turn the pain of budgeting and planning into a simple exercise

Budgeting of IT and shared services is a painful but sadly unavoidable necessity. The powerful features of Serviceware Financial allow you to take care of this in a simplified and automated manner. Reliable, standardized data prevent mistakes in the budget planning process, and you will be able to deliver comprehensive data to all stakeholders. You can further increase efficiency by offering one centralized platform that enables all cost center owners to manager their demands, order service, and grant authorizations.

How do you optimally manage your company's service finances?

Serviceware. That's how.

Appendix A: Total Economic Impact

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

Total Economic Impact Approach



Benefits represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.



Costs consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.



Flexibility represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.



Risks measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.



Present value (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.



Net present value (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made, unless other projects have higher NPVs.



Return on investment (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.



Discount rate

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.



Payback period

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

Appendix B: Supplemental Material

Related Forrester Research

"The IT Financial Management — AKA TBM — Technology Solution Ecosystem," Forrester Research, Inc., January 9, 2020

"IT Financial Management — AKA TBM — Will Drive IT To Focus On Business Outcomes," Forrester Research, Inc., October 15, 2019

Online Resources

More information about Serveware Financial is available at www.serveware-se.com.