The Total Economic Impact™ Of ServiceNow IT Business Management

Cost Savings And Business Benefits Enabled By Project And Portfolio Management

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Table Of Contents

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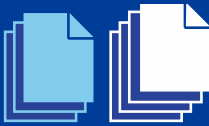
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Benefits And Costs
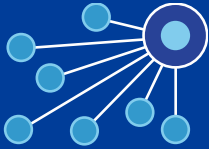
Capital and resource optimization
$3,959,877

Productivity improvements:
$10,781,622

Faster time-to-market
$1,956,873

Executive Summary

ServiceNow IT Business Management (ITBM) provides a project and portfolio management solution that helps its customers improve capital and resource optimization while accelerating project time-to-value. ServiceNow commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying ServiceNow ITBM. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of the Project and Portfolio Management (PPM) and other product features of ITBM on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed two customers and surveyed 30 more, all with multiple years of experience using ServiceNow ITBM. ServiceNow's PPM solution is part of the IT Business Management solution set, which includes the following modules: Project and Portfolio Management, Resource Management, Demand Management, Agile Development, Test Management, Time Cards/Sheets, and Financial Management. These capabilities work together to help customers strategically align portfolio spend, accelerate project time-to-value, manage resources more efficiently, and improve project performance and visibility for leadership.

Prior to using ITBM, the customers we spoke with and surveyed typically utilized a legacy on-premises PPM solution or spreadsheets driven by manual processes. However, these solutions lacked the ability for project and program managers, portfolio managers, and leaders to gain visibility into both project demand and performance. This led to inefficient resource allocations, delays in projects, and misalignment of capital spend to strategic priorities. One customer said, "Prior to implementing ServiceNow, we had strategic projects being tracked on spreadsheets and all kinds of other places." Another customer added: "Now, all the C-suite executives pull up ServiceNow and share the reports, they can see the 30 projects going live this month. That value has been tremendous." Not only did ServiceNow ITBM solve these issues, but customers found that having a software-as-a-service (SaaS) solution saved them time in deployment and provided synergies with their existing ServiceNow IT Service Management (ITSM) solution.

Key Findings

Quantified benefits. The following risk-adjusted present value (PV) quantified benefits are representative of those experienced by the companies interviewed and surveyed:

CAPITAL AND RESOURCE OPTIMIZATION

> **ServiceNow ITBM enables organizations to do more with their money, increasing capital efficiency by 30%.** Prior to adopting ServiceNow ITBM, customers reported that scope creep and other inefficiencies in project management led to project delays and the inability to complete projects on time, leaving valuable capital allocated dollars on the table every year. The ITBM solution helped them remediate these issues, ensuring they could more efficiently utilize the capital appropriations and increasing the overall annual project returns by $400,000 per year.
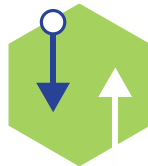
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ROI
397%

Benefits PV
$16.7 million

NPV
$13.3 million

Payback
<6 months

› **Increased resource utilization and the ability to allocate resources effectively to projects accounts for a 12% improvement in project productivity.** One of the most prolific benefits from utilizing the ServiceNow ITBM solution is the ability to track the utilization of resources with key skill sets. Project managers (PMs) can collaborate across multiple projects, ensuring skilled resources align to project needs at the right time. This alignment reduces project delays and results in $1.2 million in savings per year.

PRODUCTIVITY IMPROVEMENTS

› **Having the right resources not only reduces project delays, but it reduces rework, increasing project productivity by 20%.** Interviewed and surveyed customers reported a reduction in project rework of 10%. Furthermore, these companies saw a general productivity improvement across projects of an additional 10%. On average, for the composite organization, this equates to an annual cost savings of $1.9 million.

› **With ITBM, project managers can save 8 hours in administrative and reporting capabilities, while reducing meetings every month.** Increased visibility into project performance through the use of ServiceNow ITBM reporting tools enables project managers to save 8 hours per month per project. With the ability to self-serve performance reports, organizations can reduce and streamline meetings every month, saving approximately 10 hours of employees' time in meetings per project. Overall, this equates to a cost savings of over $1.2 million per year.

› **The Time Card/Sheets module saves project resources 30 minutes per week in time-tracking effort.** As part of the ServiceNow ITBM solution, Time Cards/Sheets enables project resources to track their time more efficiently than with their previous processes. This is an important component in allowing project managers to track resource utilization. Altogether, the Time Cards/Sheets capability saves over $1.1 million a year in resource time.

FASTER TIME-TO-MARKET

› **ServiceNow ITBM accelerates project time-to-market by 23%.** With the ServiceNow ITBM capability set, customers reported the ability to increase speed in screening and approving projects by 11% on average. They were also able to allocate resources to projects much faster, by 12%. Assuming an organization spends $10.5 million per year on project costs and averages a 15% three-year return on investment (ROI) for those projects, this equates to over $786,000 per year in accelerated value.

Flexibility benefits. The interviewed and surveyed organizations experienced the following flexibility benefits, which are not quantified for this study:

› **Organizations saw synergies with ServiceNow ITSM after adopting ITBM.** Many of the interviewed and surveyed organizations had already implemented ServiceNow's service management solution. These organizations identified synergies with ITBM once deployed. For example, organizations could utilize service tickets and issues tracking to inform the project demand pipeline and provide an overall feedback loop from customer identification through issue resolution and project completion. This synergy better aligns project capital with customer demand.
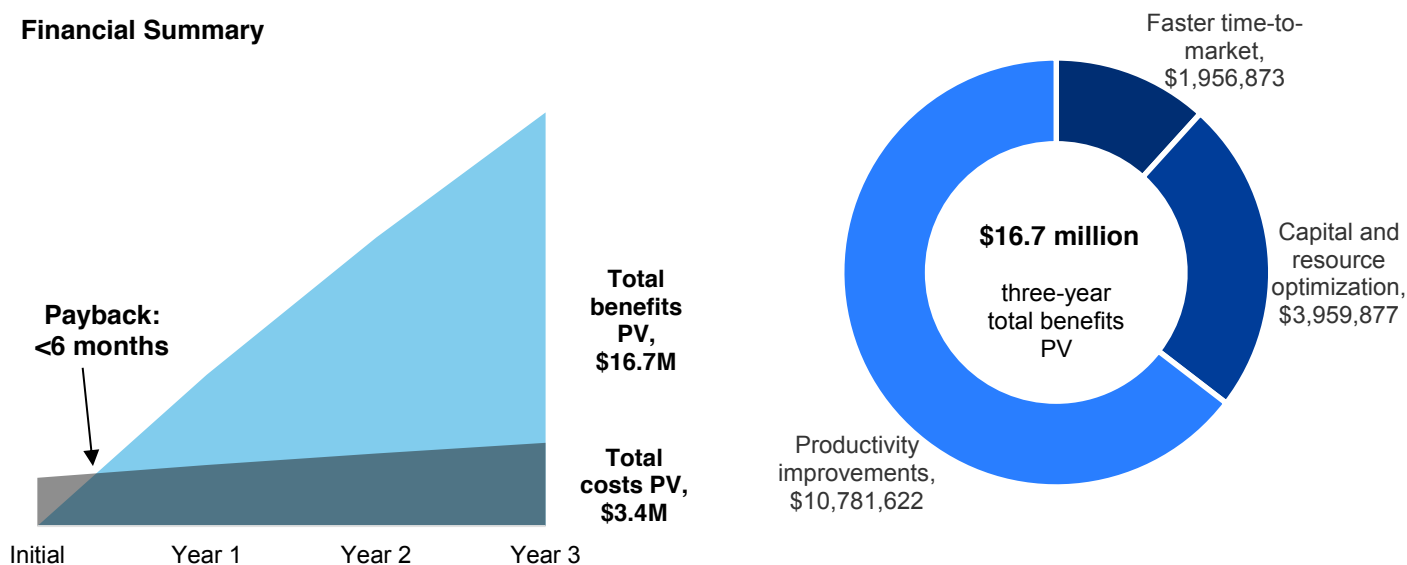
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> › **ServiceNow ITBM supports agile delivery methodology helping delivery teams improve efficiency by 35% to 40%.** While the interviewed customers were still utilizing Agile in proof of concept (POC), initial results were strong. Teams reported the ability to turn out 35% more work per hour. Furthermore, they increased their ability to meet customer expectations from 50% – 60% to 90% - 95%.

Costs. The interviewed and surveyed organizations experienced the following risk-adjusted PV costs, scaled to match this study's composite organization, which is explained in more detail in the Customer Journey section of this study:

> › **The composite organization incurred $3.4 million in implementation and ongoing subscription cost for ServiceNow ITBM.** For a composite organization, the total implementation costs are $2.6 million with typical deployment time of three to five months and a 1:1 ratio of annual license to service fees. This includes Project and Portfolio Management, Resource Management, Demand Management, and Time Cards/Sheets.

Forrester's interviews with two existing customers, survey results, and subsequent financial analysis found that an organization based on these interviewed and surveyed organizations experienced benefits of $16.7M over three years versus costs of $3.4M, adding up to a net present value (NPV) of $13.3M and an ROI of 397%.

Financial Summary

Payback: <6 months

Total benefits PV, $16.7M

Total costs PV, $3.4M

Initial   Year 1   Year 2   Year 3

$16.7 million

three-year total benefits PV

Faster time-to-market, $1,956,873

Capital and resource optimization, $3,959,877

Productivity improvements, $10,781,622

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TEI Framework And Methodology

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

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 ServiceNow ITBM can have on an organization:

DUE DILIGENCE
Interviewed ServiceNow stakeholders and Forrester analysts to gather data relative to ITBM.

CUSTOMER INTERVIEWS AND SURVEY
Interviewed two organizations and surveyed 30 others using ITBM to obtain data with respect to costs, benefits, and risks.

COMPOSITE ORGANIZATION
Designed a composite organization based on characteristics of the interviewed and surveyed organizations.

FINANCIAL MODEL FRAMEWORK
Constructed a financial model representative of the interviews and survey using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewed and surveyed organizations.

CASE STUDY
Employed four fundamental elements of TEI in modeling ServiceNow ITBM'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.

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

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The ITBM Customer Journey
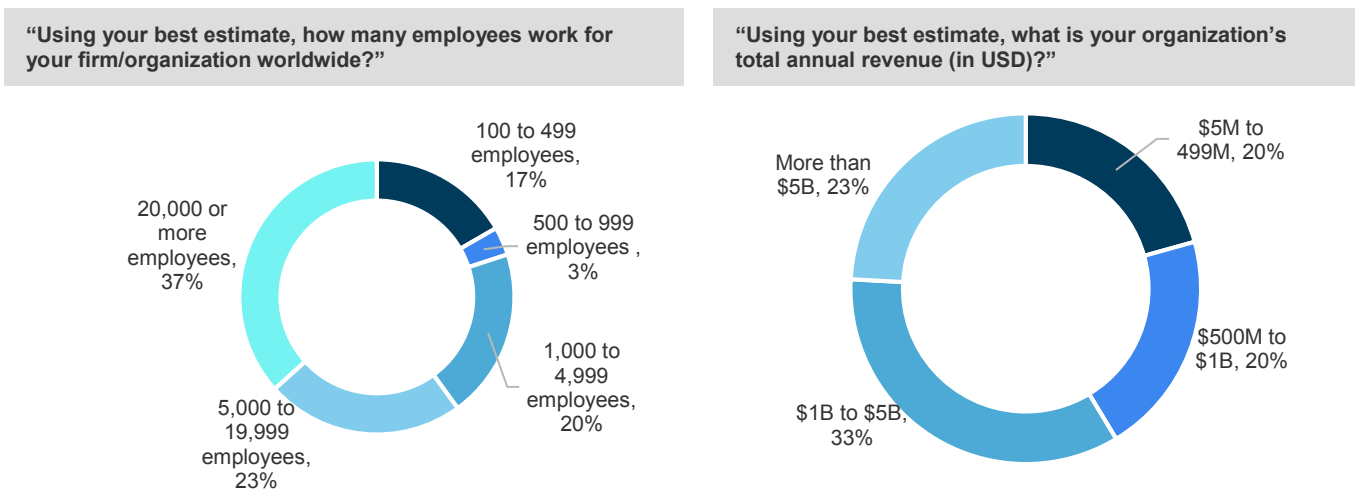
BEFORE AND AFTER THE ITBM INVESTMENT

Interviewed Organizations

For this study, Forrester conducted two interviews and surveyed 30 more ServiceNow ITBM customers. Interviewed customers include the following:

INDUSTRY	REVENUE	EMPLOYEES	ITBM USERS
Healthcare	$1.1 billion	16,000 employees	609 planner licenses
Education	$1.2 billion	7,000 employees	540 planner licenses

Surveyed customers were all US IT decision makers, director level or above, responsible for project and portfolio management. They represented companies across a number of industries, including manufacturing, healthcare, financial services, business and consumer services, entertainment and leisure, insurance, and education. The size of these organizations ranged from small companies to global enterprises as seen in Figure 1.

FIGURE 1: TOTAL EMPLOYEES AND ANNUAL REVENUE OF SURVEYED ORGANIZATIONS

"Using your best estimate, how many employees work for your firm/organization worldwide?"

- 100 to 499 employees, 17%
- 500 to 999 employees, 3%
- 1,000 to 4,999 employees, 20%
- 5,000 to 19,999 employees, 23%
- 20,000 or more employees, 37%

"Using your best estimate, what is your organization's total annual revenue (in USD)?"

- $5M to 499M, 20%
- $500M to $1B, 20%
- $1B to $5B, 33%
- More than $5B, 23%

Base: 30 US IT decision makers responsible for implementation and use of ServiceNow ITBM.
Note: Percentages may not total 100 because of rounding.
Source: A commissioned study conducted by Forrester Consulting on behalf of ServiceNow, August 2018

Key Challenges

Prior to adopting ServiceNow ITBM, the interviewed and surveyed companies utilized legacy on-premises PPM solutions or spreadsheets driven by manual processes. These solutions for project and portfolio management posed many challenges that led organizations to adopt ServiceNow ITBM:

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> › **Improving operational efficiency in managing projects was the No. 1 reason companies adopted a PPM solution.** Clearly, improving operational efficiency in managing projects is the core capability of any PPM solution, but organizations that were utilizing spreadsheets had a much greater need to capture this capability. Historically, companies were challenged with reporting on project performance and collaborating across multiple projects to identify available resources or gain insights into project timelines. Leadership also lacked visibility into projects, preventing them from identifying high-level trends and risks to projects.

> › **The second reason organizations adopted ServiceNow ITBM was to increase demand visibility and improve prioritization.** In fact, 12 of the 30 surveyed organizations and both interviewed organizations identified this as one of the top three reasons for adoption. Prior to investing in the ITBM solution, these companies had poor processes around demand management and were reactionary to the needs of the business. As demands arose throughout the year, existing processes were not set up to accommodate the addition of new projects and shifting of budget or resources. Furthermore, finding resources for ad hoc processes was difficult as no visibility into resource availability existed.

> › **Improving resource management rounded out the top three reasons organizations adopted ServiceNow ITBM.** A big opportunity for companies prior to adopting ITBM was improving resource utilization. Organizations clearly lacked visibility into resource availability from project to project. If one project needed a resource with specific skill sets and that resource was assigned to another project, it would be difficult to know when the resource had excess capacity to shift over. Furthermore, identifying resources to allocate to projects upfront was inefficient since skill sets and availability were unknown.

> "ServiceNow ITBM has enabled us to be able to look at demands from different ways; it has empowered and facilitated the business to make decision. IS isn't deciding what we're working on; the business is. They're able to see projects broken down by ROI with questions that are strategic to our values here at the organization."
>
> *Director of strategic program, healthcare*

FIGURE 2: THE TOP THREE PRIORITIES/BUSINESS OBJECTIVES IN INTRODUCING A PPM SOLUTION

"What were your company's top three priorities/business objectives for introducing a PPM solution?"

Improve operational efficiency in managing projects	47%
Increase project demand visibility and improve prioritization	40%
Improve resource management and utilization	40%
Gain visibility to project performance	37%

Base: 30 US IT decision makers responsible for implementation and use of ServiceNow ITBM
Source: A commissioned study conducted by Forrester Consulting on behalf of ServiceNow, August 2018

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Solution Requirements

The surveyed and interviewed organizations searched for a solution that could:

› Increase alignment between IT and the business.

› Easily scale and grow with the business.

› Improve resource management capabilities.

The surveyed and interviewed organizations chose ServiceNow ITBM and began deployment:

› Initial planning and configuration of reports took roughly three to four months.

› The interviewed companies put in place a proof of concept prior to rolling out into full production.

› The interviewed companies provided training for PPM users and Time Card/Sheet submitters.

Key Results

The interviews and survey revealed that key results from the ITBM investment include:

› **Faster time-to-market.** ServiceNow ITBM gave leadership insights into the demand pipeline, allowing them to better align to business needs. Prior to adopting ServiceNow ITBM, one customer recounted the demand intake and governance process, stating, "We had no reporting, no dashboards, no metrics, and zero visibility." Essentially, as project demand was added to the list, this customer would just approve all projects but would be unable to deliver due to resource constraints. Additionally, the increased visibility and new engagement with the business allowed this customer to align project approvals to strategic priorities for the organization. Historically, this customer had a laminated template and would sit in a room, without the business, and just put project sticky notes on the template: That was the demand planning meeting. Now, the business logs into ServiceNow ITBM and evaluates and filters out projects throughout the planning process. Furthermore, with ServiceNow ITBM synchronized to the organization's service management tool, it could more appropriately funnel work and requests into the project demand space. Ultimately, the interviewed organization streamlined its project planning process and increased the number of projects delivered each year by 30%.

Surveyed customers reported time savings in the demand planning process, stating that on average ServiceNow ITBM allowed them to reduce the time in screening and approving projects by 10.9% and increase the speed at which resources were allocated to projects by 11.8%. The demand planning efficiencies, along with other time savings throughout the project, led to the delivery of 15.2% more projects annually and an average revenue increase from faster time-to-market of 8.7%.

"Now, we have the business actually involved in our process. They log in as a licensed user inside of ServiceNow, and they participate on the front end and help us evaluate and filter throughout the demand process."

Director of strategic program, healthcare

"In the first year of using ServiceNow ITBM, we saw a 66% reduction in the amount of projects that entered our demand pipeline as the business now vetted and filtered them out."

Chief information services architect, healthcare

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› **Better resource utilization.** Based on the surveyed responses, the No. 1 benefit of implementing ServiceNow ITBM with the Resource Management module was the ability to better utilize resources. Not only does ServiceNow make it easier upfront to allocate resources to a project, but it makes it easier to reallocate resources across projects when skill-set needs arise and resources have open capacity. One interviewed customer said, "ServiceNow gives us the data to see where the resources are allocated and where they might be reallocated to based on strategic importance and open capacity." With the improved visibility into resource capacity and demand, survey respondents reported on average a 12.6% increase in resource utilization. Furthermore, it was estimated that organizations were now saving roughly 17.5 hours of delays due to resource constraints per project after adopting ServiceNow Resource Management.

Interviewed customers told Forrester that improving visibility into resource capacity and utilization helped them reduce project overtime as well as the excess demand burden on resources. This saved an average of 11.1% of labor cost savings per project while improving employee satisfaction and morale. This was a critical component to ensuring the success of projects and continued creation of customer value.

› **Better planning and project efficiency.** Outside of overtime savings and increased ability to allocate resources to projects, project managers gained the ability to manage projects more effectively. The surveyed respondents reported a 14.8% average reduction in the number of projects that went over budget and/or timeline. This was due to a combination of improved project productivity through better collaboration as well as a decrease in the amount of rework required on projects. Organizations reported that they experienced a 12.5% improvement in project productivity after adopting ServiceNow ITBM. One respondent said that now that the company has accurate status reporting and project dashboards, it can get a better estimate of the workload each activity requires and appropriately plan out resource needs across multiple projects. Another respondent said the company could reduce the number of test scripts that required rework, ultimately saving nearly two weeks of work for 25 FTEs. The survey concluded that organizations were saving an average of 16.6 hours per project by reducing rework.

› **Administrative and reporting efficiencies.** Project managers also experienced a large time savings in adopting ServiceNow ITBM. Managing resources across projects and sharing information with other project managers became exponentially easier. Monthly reporting and sharing of project status reports became essentially automated. The director of services and project management at an education organization said, "It used to take our PMs 8 hours a month to pull the project report together and get the presentation ready to share with business partners, but with ServiceNow, it only takes 15 minutes."

Additionally, with Time Cards/Sheets, workers would be able to log and track their time across multiple projects, giving PMs insights into where they were spending their time. We asked respondents to estimate the number of hours saved by reducing the amount of administrative or management time spent on project reporting and other administrative activities; the responses ranged from 6 to 10 hours per project up to 80 hours per project depending on the length of time and size of the project.

"It brings transparency to the process, and it sounds kind of like cliché, but it brings trust as a result."

Director of services and project management, education

"It used to take our PMs 8 hours a month to pull the project report together and get the presentation ready to share with business partners, but with ServiceNow, it only takes 15 minutes."

Director of services and project management, education

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Composite Organization

Based on the interviews 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 two companies that Forrester interviewed and the 30 companies it surveyed and is used to present the aggregate financial analysis in the next section. The composite organization that Forrester synthesized from the customer interviews has the following characteristics:

Description of composite. The composite organization is a US-based company with $10 billion in annual revenue and 17,000 employees. It is growing rapidly and constantly needs to improve its people, processes, and technology to meet their customers' ever-changing needs. The company has a strong brand and a large customer base. It spends approximately $10.5 million annually on technology projects that are managed with ServiceNow ITBM.

Deployment characteristics. The composite organization adopted ServiceNow ITBM two years ago. This came after its deployment of ServiceNow ITSM. The composite organization currently has 175 project managers and 875 licensed workers tracking time and utilizing ServiceNow ITBM. It recently started a POC with ServiceNow's Agile Development offering.

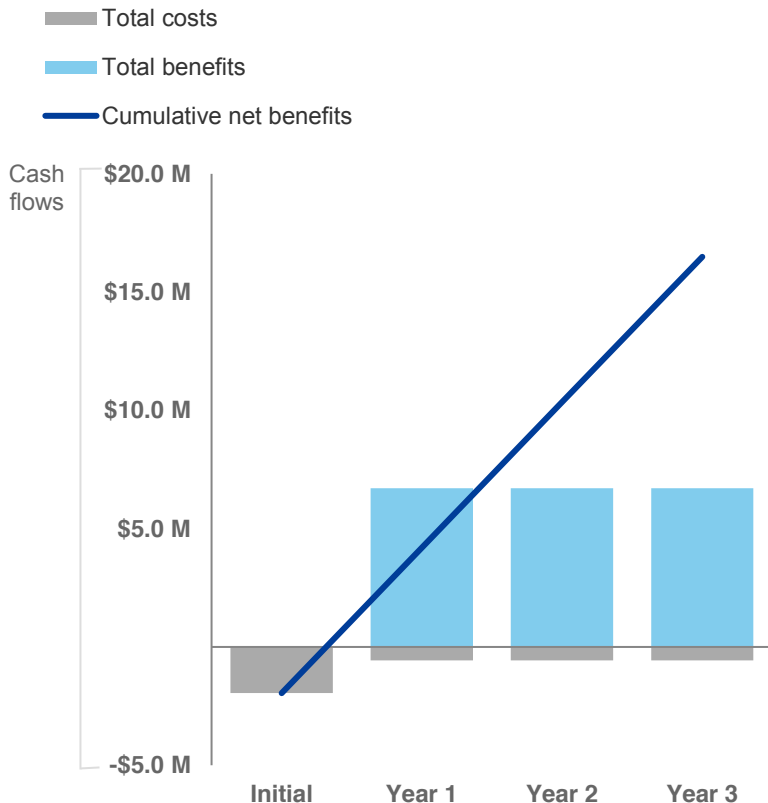**Key assumptions**
17,000 employees

$10 billion revenue

$10.5 million annual project spend

875 workers, 175 project manager ServiceNow ITBM licenses

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Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)

Total costs
Total benefits
Cumulative net benefits

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

Cash flows

	$20.0 M
	$15.0 M
	$10.0 M
	$5.0 M
	-$5.0 M

Initial   Year 1   Year 2   Year 3

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 Table (Risk-Adjusted)

	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Total costs	($1,951,694)	($567,000)	($567,000)	($567,000)	($3,652,694)	($3,361,739)
Total benefits	$0	$6,714,663	$6,714,663	$6,714,663	$20,143,988	$16,698,372
Net benefits	($1,951,694)	$6,147,663	$6,147,663	$6,147,663	$16,491,294	$13,336,633
ROI						397%
Payback period						<6 Months

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Analysis Of Benefits

QUANTIFIED BENEFIT DATA AS APPLIED TO THE COMPOSITE

Total Benefits

REF.	BENEFIT	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Atr	Faster time-to-market	$786,888	$786,888	$786,888	$2,360,663	$1,956,873
Btr	Admin, Reporting, and Meeting Efficiencies	$1,285,200	$1,285,200	$1,285,200	$3,855,600	$3,196,102
Ctr	Resource utilization	$1,190,700	$1,190,700	$1,190,700	$3,572,100	$2,961,095
Dtr	Project productivity	$1,890,000	$1,890,000	$1,890,000	$5,670,000	$4,700,150
Etr	Time card savings for users	$1,160,250	$1,160,250	$1,160,250	$3,480,750	$2,885,370
Ftr	Capital Efficiency	$401,625	$401,625	$401,625	$1,204,875	$998,782
	Total benefits (risk-adjusted)	$6,714,663	$6,714,663	$6,714,663	$20,143,988	$16,698,372

Benefit 1: Faster Time-To-Market

ServiceNow ITBM provides a platform that connects leaders and the business to inform the strategic planning process. Through a series of interviews and a survey, Forrester learned that companies that adopted ServiceNow ITBM were able to:

› Improve the strategic alignment of projects by having greater visibility into the business and customer demands as well as a better understanding of in-flight projects.

  For one interviewed company, this meant not just completing projects on time and on budget, but delivering business outcomes aligned with the customers' needs. "One of the biggest benefits of ServiceNow PPM is to be able to look at demands from different ways, so they can empower the business to make decision ultimately providing your customers more value."

› Allocate resources faster to projects and prioritize projects more effectively based on expected resource availability.

› Reduce the number of projects being requested by business partners and enable them to filter projects out of the pipeline much earlier in the planning process.

With ServiceNow ITBM, the composite organization experiences a reduction in the amount of time screening and approving projects. Forrester assumes that:

› On average, the time to intake, prioritize, and approve projects through the composite's governance process decreases by 11%.

› The composite also experiences a 12% decrease in the time to allocate resources to projects after they were approved.

› The composite organization achieves an average 15% return on its project investments. With $10.5 million invested every year, the 23% improvement in speed of project completion drives an incremental added value of $925,750.

> 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 composite organization expects risk-adjusted total benefits to be a PV of nearly $16.7 million.

Organizations experienced a 23% increase in faster time-to-market.

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The faster time-to-market may vary because:

› Variability in existing governance processes prior to adopting ServiceNow may yield higher or lower improvements in time-to-value.

› The average annual spend on project cost may vary from year to year depending on demand.

› The average project ROI can vary from year to year and project to project depending on the investment opportunities being undertaken.

To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year risk-adjusted total PV of $1,956,873.

> 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.

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
Benefit 1: Faster Time-To-Market: Calculation Table					
A1	Increased speed in screening and approving projects	Input	11%	11%	11%
A2	Reduced time to allocate resources to projects	Input	12%	12%	12%
A3	Percent of time removed in project planning process	A1+A2	23%	23%	23%
A4	Total project spend per year	Assumption	10,500,000	10,500,000	10,500,000
A5	Average three-year project ROI	Assumption	15%	15%	15%
A6	Annual average project return	A4*(1+A5)/3	4,025,000	4,025,000	4,025,000
At	Faster time-to-market	A3*A6	$925,750	$925,750	$925,750
	Risk adjustment	↓15%			
Atr	Faster time-to-market (risk-adjusted)		$786,888	$786,888	$786,888

Benefit 2: Admin, Reporting, And Meeting Efficiencies

A primary need for all the interviewed and surveyed organizations was to implement a PPM solution that provided greater visibility into the performance of projects. ServiceNow ITBM equipped project managers with reporting and time-tracking capabilities that not only gave them the visibility to project performance they needed but saved them hours of time managing projects, performing day-to-day admin activities, and creating monthly reports and reporting roll-ups for leadership. Furthermore, the solution enabled them to reduce the number of recurring monthly meetings by enabling the business and IT leaders to self-serve reports on demand.

Forrester assumes that the composite organization:

› Saves 8 hours per month per project by PMs in creating reporting and other admin activities.

› Saves 10 hours per month per project by PMs and meeting attendees in not having to prepare or join recurring monthly meetings.

› Undertakes 20 projects per year on average supported by ServiceNow ITBM.

› Has an average resource cost of $50 per hour ($100,000 per year), fully burdened.

$3.2 million

three-year benefit PV

19%
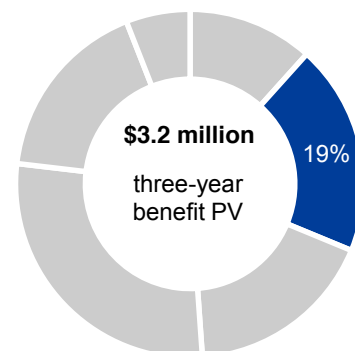
Admin, reporting, and meeting efficiencies: **19%** of total benefits

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The reduction in admin, reporting, and meeting time will vary with:

› The number of pre-existing meetings prior to adopting ServiceNow ITBM.

› The average annual or hourly resource rate.

› The number of projects undertaken each year, as this can vary from year to year based on business needs.

To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year risk-adjusted total PV of $3,196,102.

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
**Benefit 2: Admin, Reporting, And Meeting Efficiencies: Calculation Table**
B1	Administrative and reporting efficiencies per project	8 hours*12 months	96	96	96
B2	Meetings hours saved per project	10 hours*12 months	120	120	120
B3	Number of projects per year	Input	140	140	140
B4	Average hourly rate, fully loaded	$100,000/2,000 hrs	$50.00	$50.00	$50.00
Bt	Admin, reporting, and meeting efficiencies	(B1+B2)*B3*B4	$1,512,000	$1,512,000	$1,512,000
	Risk adjustment	↓15%			
Btr	Admin, reporting, and meeting efficiencies (risk-adjusted)		$1,285,200	$1,285,200	$1,285,200

Benefit 3: Resource Utilization

Resource management is a critical part of a PM's and resource manager's role and is critical to keeping projects on task, on time, and under budget. Both interviewed organizations and many of the surveyed companies reported that ServiceNow ITBM enabled them to improve visibility into resource activities, resource capacity, and resource availability. Furthermore, having the ability to look at resource capacity across multiple projects enabled PMs to plan their project demands accordingly and shift resources from project to project based on availability. This was a key benefit for companies adopting ServiceNow ITBM.

Forrester assumes that the composite organization:

› Experiences a 12.6% improvement in resource utilization, enabling it to complete projects more cost-effectively.

› Undertakes 140 projects per year on average supported by ServiceNow ITBM.

› Experiences an average cost or investment in each project of $75,000.

The increase in resource utilization will vary with:

› The existing inefficiencies in resource management.

› The number of projects undertaken each year, as this can vary from year to year based on business needs.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of $2,961,095.

$3.0 million

three-year benefit PV

18%
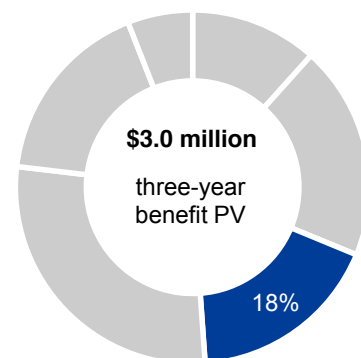
Resource utilization: **18%** of total benefits

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Benefit 3: Resource Utilization: Calculation Table					
REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
C1	Average number of projects per year		140	140	140
C2	Average cost per project		$75,000	$75,000	$75,000
C3	Annual reduction in project cost due to improved resource utilization		12.6%	12.6%	12.6%
Ct	Resource utilization	C1*C2*C3	$1,323,000	$1,323,000	$1,323,000
	Risk adjustment	↓10%			
Ctr	Resource utilization (risk-adjusted)		$1,190,700	$1,190,700	$1,190,700

Benefit 4: Project Productivity

Having the right resources on a project at the right time can improve the overall productivity of a project and ensure it delivers the desired outcome. It can also reduce the amount of rework required for projects. One customer discussed the savings the organization experienced in the testing process, where ServiceNow ITBM enabled the company to reduce the amount of rework typically experienced with these projects by two weeks for 25 FTEs.

Forrester assumes that the composite organization:

› Experiences a 10% reduction in the average amount of rework required for each project.

› Experiences an additional 10% productivity improvement across projects by having the right skill sets on the project at the right time, reducing delays and project downtime.

The improvement in project productivity will vary with:

› The average amount of project rework and resource inefficiency prior to adopting ServiceNow ITBM.

› The number of projects undertaken each year, as this can vary from year to year based on business needs.

› The average cost per project, as this can vary based on the size and scale of projects.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of $4,700,150.

$4.7 million

three-year benefit PV

28%
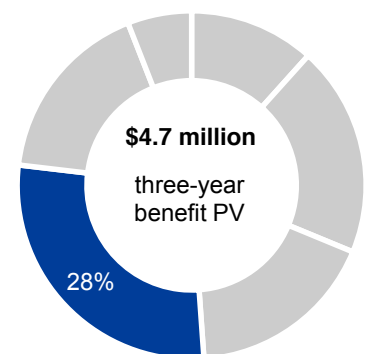
Project productivity: **28%** of total benefits

Benefit 4: Project Productivity: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
D1	Improved productivity on projects		10%	10%	10%
D2	Reduced rework on projects		10%	10%	10%
D3	Average number of projects per year		140	140	140
D4	Average cost per project		$75,000	$75,000	$75,000
Dt	Project productivity	(D1+D2)*D3*D4	$2,100,000	$2,100,000	$2,100,000
	Risk adjustment	↓10%			
Dtr	Project productivity (risk-adjusted)		$1,890,000	$1,890,000	$1,890,000

Benefit 5: Time Card Savings For Users

One of the modules included in ServiceNow's ITBM offering is the Time Card/Sheet capability. This is an important capability for PMs to understand which resources are working on which activities, and to ensure they are tracking against their allocated time and budget. Prior to adopting ServiceNow ITBM, users typically did this time tracking in spreadsheets on a weekly basis and sent them to PMs who had to consolidate the hours into their reporting. This process was inefficient for both PMs and project team members. With ServiceNow, users were able to save on average 30 minutes per week in time-tracking activities.

For the composite organization, Forrester assumes that:

› In total, 1,050 ServiceNow users track their time, including PMs.

› Users save 30 minutes per week in time tracking activities.

› The average resource cost is $50 per hour ($100,000 per year), fully burdened.

The reduction in time-tracking effort will vary with:

› The previously existing solution utilized for time tracking as compared to ServiceNow ITBM.

› The average annual or hourly resource rate.

To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year risk-adjusted total PV of $2,885,370.

17%

$2.9 million

three-year benefit PV
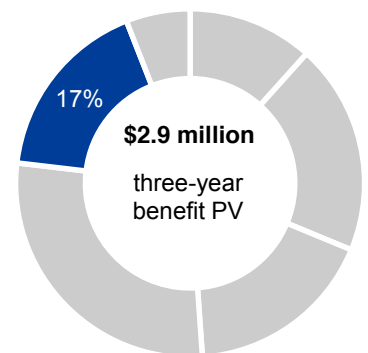
Time card savings for user: **17%** of total benefits

Benefit 5: Time Card Savings For Users: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
E1	Number of ServiceNow PPM Users	Assumption	1,050	1,050	1,050
E2	Hours saved per week with ServiceNow Timecards	30 minutes*52 weeks/60 minutes	26	26	26
E3	Average hourly rate, fully loaded	$100,000/2,000 hrs	$50.00	$50.00	$50.00
Et	Time card savings for users	E1*E2*E3	$1,365,000	$1,365,000	$1,365,000
	Risk adjustment	↓15%			
Etr	Time card savings for users (risk-adjusted)		$1,160,250	$1,160,250	$1,160,250

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Benefit 6: Capital Efficiency

The overall benefits of ServiceNow ITBM speed up the time to deliver projects and enable organizations to deliver more business-aligned output for the same amount of capital investment. This is called increased capital efficiency. Interviewed customers stated that prior to adopting ServiceNow ITBM, they had so many inefficiencies in their demand planning, project management, and delivery processes that projects were constantly delayed and required more budget to fully deliver. Furthermore, some projects were not even reaching completion, and by the end of the fiscal year, capital investment dollars had been left on the table or went unused. However, with ServiceNow ITBM, organizations were able to speed up their delivery processes, completing more projects on time and under budget. This meant they could fully execute on the capital appropriations for projects at the beginning of the fiscal year and capture the return on those investments.

Forrester assumes that the composite organization:

› Increases its capital efficiency by 30% per year.

› Achieves an average 15% return on its project investments, with $10.5 million being invested every year.

The increase in capital efficiency will vary with:

› The amount of money being left on the table prior to adopting ServiceNow ITBM.

› The average annual spend on project cost, as this can vary from year to year based on business needs.

› The average project ROI, as this can vary from year to year and project to project depending on the investment opportunities being undertaken.

To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year risk-adjusted total PV of $998,782.

$998,782

three-year benefit PV
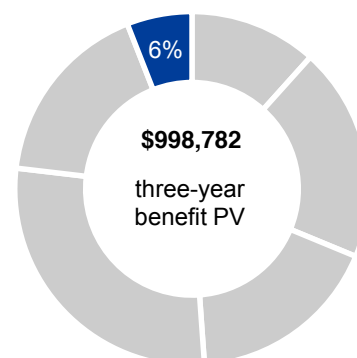
Capital efficiency: **6%** of total benefits

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
Benefit 6: Capital Efficiency: Calculation Table					
F1	Total project spend per year		$10,500,000	$10,500,000	$10,500,000
F2	Average three-year project ROI		15%	15%	15%
F3	Increased capital usage		30%	30%	30%
Ft	Capital efficiency	F1*F2*F3	$472,500	$472,500	$472,500
	Risk adjustment	↓15%			
Ftr	Capital efficiency (risk-adjusted)		$401,625	$401,625	$401,625

Flexibility

The value of flexibility is clearly unique to each customer, and the measure of its value varies from organization to organization. There are multiple scenarios in which a customer might choose to implement ITBM and later realize additional uses and business opportunities, including:

> 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.

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› **Synergies with ServiceNow ITSM experienced after adopting ITBM.** Many of the interviewed and surveyed organizations had already implemented ServiceNow's service management solution. These organizations identified synergies with ITBM once deployed. For example, organizations could utilize service tickets and issues tracking to inform the project demand pipeline and provide an overall feedback loop from customer identification through issue resolution and project completion. One customer stated, "The benefits we have experienced with adopting the Service Catalog came from helping us funnel work and really get the appropriate request into the project space." The customer went on to say that in the first year, the organization saw a reduction of 66% in projects coming through as they were vetted out before getting to information services (IS). Overall, this synergy better aligns project capital with customer demand.

› **ServiceNow ITBM Agile Development supports agile delivery methodology, helping delivery teams improve efficiency by 35% to 40%.** While the interviewed customers were still utilizing Agile in a proof of concept, initial results were strong. Teams reported the ability to turn out more work per hour by over 35%. Furthermore, they increased their ability to meet customer expectations from 50% – 60% to 90% - 95%. The director of strategic program at a healthcare organization said, "Collectively, the five resources are turning out 35% to 40% more development work just because we're utilizing the process, we're utilizing the tools, and applications out of the box."

Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in Appendix A).

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Analysis Of Costs

QUANTIFIED COST DATA AS APPLIED TO THE COMPOSITE

						PRESENT	

Total Costs

REF.	COST	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
	Implementation and subscription costs (risk-adjusted)	$1,951,694	$567,000	$567,000	$567,000	$3,652,694	$3,361,739

Implementation And Subscription Costs

Implementation for the composite organization took approximately five months. More time went into the initial planning, POC, and configuration of the ServiceNow ITBM solution than the actual deployment itself. Overall, there were three types of costs incurred in the deployment: professional services, internal labor, and training.

The ServiceNow ITBM subscription fee is fairly straightforward. The composite organization incurred a three-year total PV of $1,410,045.

These implementation and subscription costs can vary based on:

› The number of users the solution is being deployed to.

› The amount of time spent planning and configuring the ServiceNow ITBM solution, based on the size of the deployment and number of groups it's rolled out to.

To account for these risks, Forrester adjusted this cost upward by 15%, yielding a three-year risk-adjusted total PV of $3,361,739.

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 composite organization expects risk-adjusted total costs to be a PV of $3,361,739.

Five months
Total implementation and deployment time

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.

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ServiceNow ITBM: Overview

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

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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.

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