

Business Case Analysis for Zentrales Event-Management IBM Deutschland GmbH/ SWG

By : Alexander Besemer



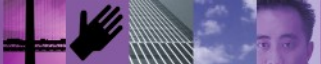
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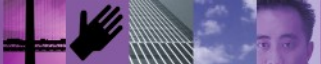
Agenda

- Business Case Analysis Overview
- IBM Solution Overview
- ROI Analysis Methodology
- Analysis Results
- Recommendations and Next Steps



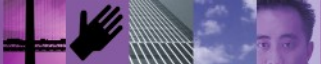
Business Case Overview

- In interviews with the team, it was indicated that IBM Deutschland GmbH/ SWG/ Germany has the following goals to be addressed:
 - Consolidate and Standardize IT Infrastructure
 - Improve Holistic View of Member
 - Improve Operations Savings
 - Improve Working Capital Productivity
- To accomplish these goals, IBM Deutschland GmbH/ SWG/ Germany faces the following challenges:
 - Viele Probleme
- To help IBM Deutschland GmbH/ SWG/ Germany achieve these goals and overcome challenges, the following project(s) were analyzed and proposed in a 3 year plan:
 - Business Value Analyst for Tivoli Automation - Analysis 1 (2008 Q4) - An analysis to compare the benefits of automation solutions from Tivoli.



Project Participants, Roles and Recap

- This business case was developed for IBM Deutschland GmbH/ SWG/ Germany by Alexander Besemer. Participants in the analysis include:
 - Herbert Maier (CIO)
 - Alfred Huber (CEO)
- This business case analysis examined a 3 year planning period, starting in fiscal year 2008 .
- The business case will help the company accomplish the following goals:
 - Consolidate and Standardize IT Infrastructure
 - Improve Holistic View of Member
 - Improve Operations Savings
 - Improve Working Capital Productivity
- IBM Deutschland GmbH/ SWG/ Germany faces the following challenges in meeting these select goals:
 - Viele Probleme



To Perform Analysis: Third Party Validation

- Tool, model and data are all third-party standard information created by leading industry research firms:
 - ▶ IDC – the premier global market intelligence and advisory firm in the information technology and telecommunications industries. Over 700 IDC analysts in 50 countries provide local expertise and insights on technology markets, and our management team is comprised of experienced and respected industry luminaries. Business executives and IT managers have relied for 40 years on our advice to make decisions that contribute to the success of their organizations.
 - ▶ Alinean – the leading developer of ROI and TCO analysis methodologies and tools. Over 10 years of intense experience in developing ROI and TCO models and tools. Largest database of IT spending and TCO benchmarks. Formed by Gartner alumni and original creators of Gartner TCO Manager/Analyst product line.



Current Opportunities and Findings

- Overview of Project Goals and Challenges to Address
- Key opportunities to be addressed – current high costs, high staff, growth, unusual KPIs (high error rates)



Proposed Project(s)

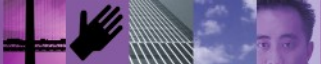
Project	Project Start Date	3-Year Cumulative Benefits	3-Year Cumulative Costs	Risk Adjusted ROI	NPV Savings	IRR	Payback Period (in months)	Project Risk
Selected Projects								
Business Value Analyst for Tivoli Automation - Analysis 1	Q4 2008	904.107€	342.383€	133%	427.409€	97%	13 months	0,0%
Aggregate for Selected Projects (time shifted)		904.107€	342.383€	133%	427.409€	97%	13 months	0,0%



Risk Adjustments

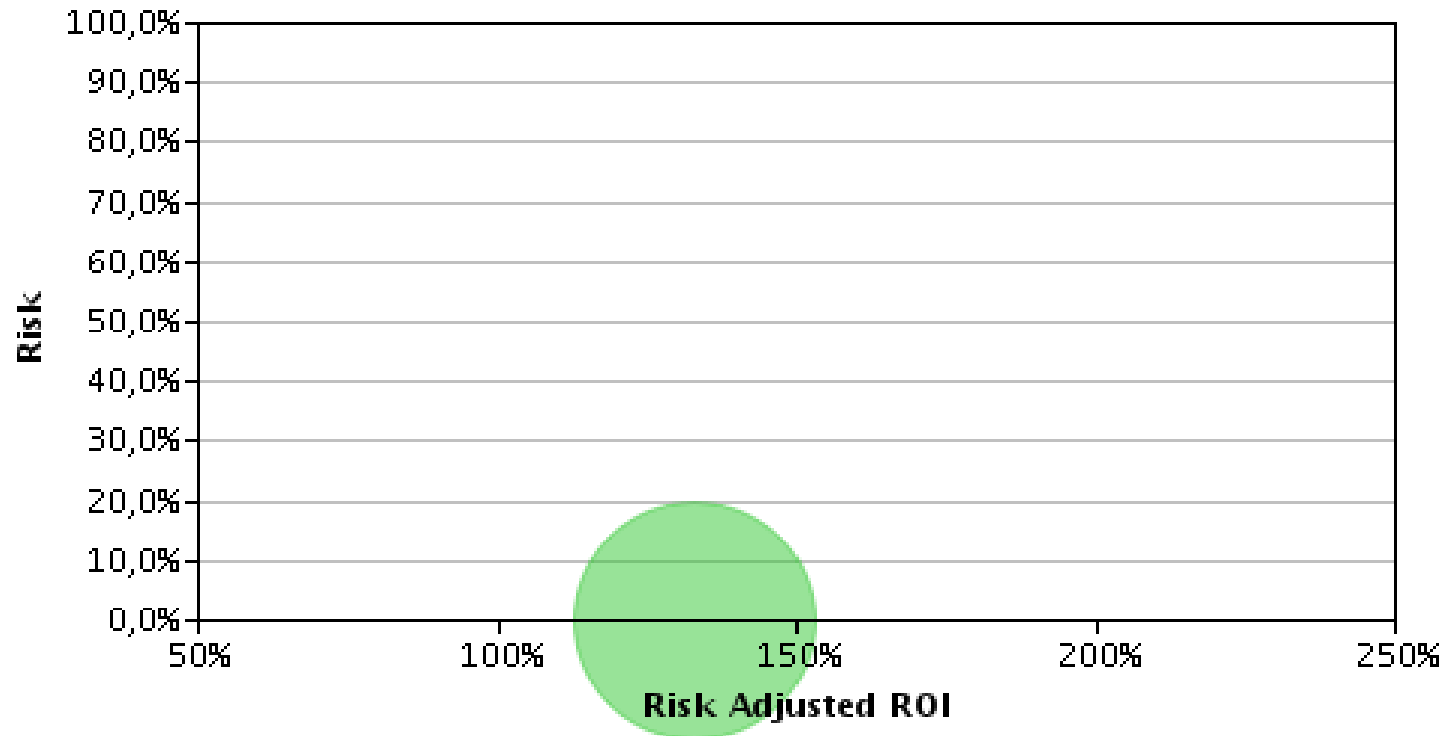
- Explain the use of Risk Adjustments to Create Realistic results and factor in Challenges
 - ▶ Project Schedule
 - ▶ Direct / Indirect Benefits Scalar
 - ▶ Adoption Schedule
 - ▶ Discount Rate
 - ▶ Other

Note: Highlight by Project for those unique by Project



Cost and Risk vs. Reward

Project Portfolio



● Business Value Analyst for Tivoli Automation - Analysis 1



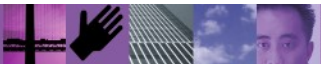
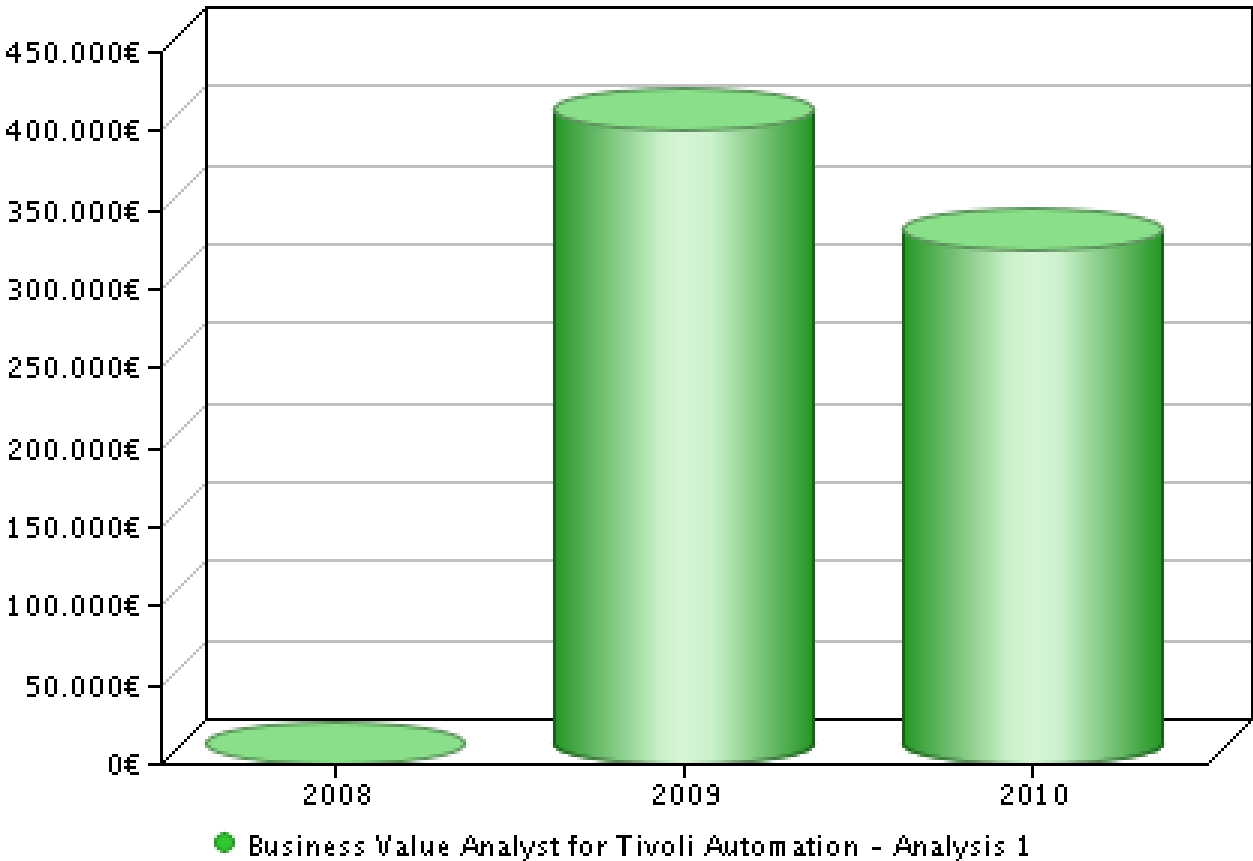
Benefits Summary

Benefits Summary (Pre-tax)	2008	2009	2010	Total
Total Benefits	0€	400.975€	324.971€	725.946€
Cumulative Benefits	0€	400.975€	725.946€	
Total Direct Benefits	0€	313.787€	231.823€	545.610€
Total Indirect Benefits	0€	87.189€	93.148€	180.336€
Total IT Cost Reduction Benefits	0€	313.787€	236.023€	549.810€
Total Business Operating Efficiency Benefits	0€	1.557€	1.604€	3.162€
Total Business Strategic Advantage Benefits	0€	85.631€	87.344€	172.975€
Business Value Analyst for Tivoli Automation - Analysis 1	0€	400.975€	324.971€	725.946€



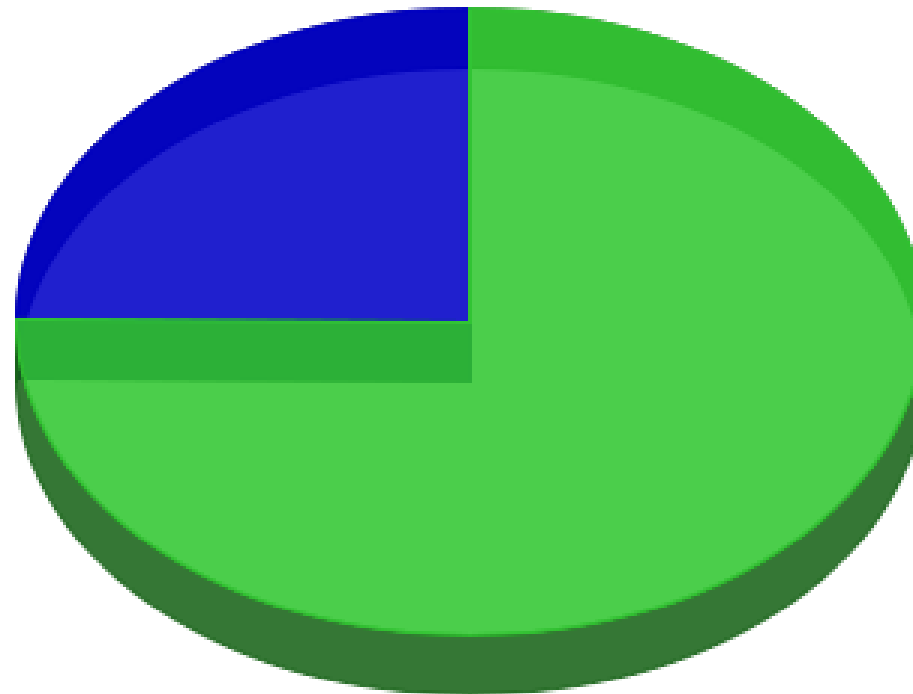
Annual Benefits By Project

Benefits Summary (Pre-tax)



Direct vs. Indirect Benefits

Benefit Allocation

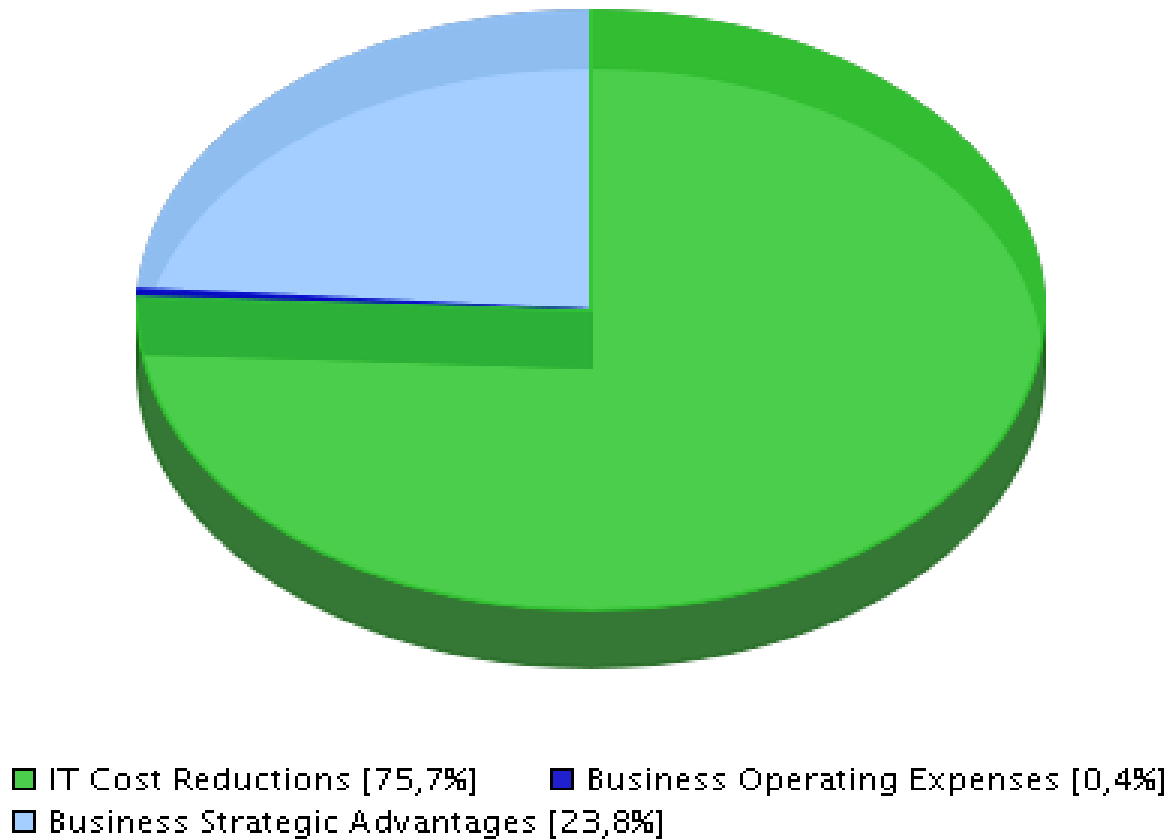


■ Direct Benefits [75,2%] ■ Indirect Benefits [24,8%]



Benefits by Type

Benefits by Type



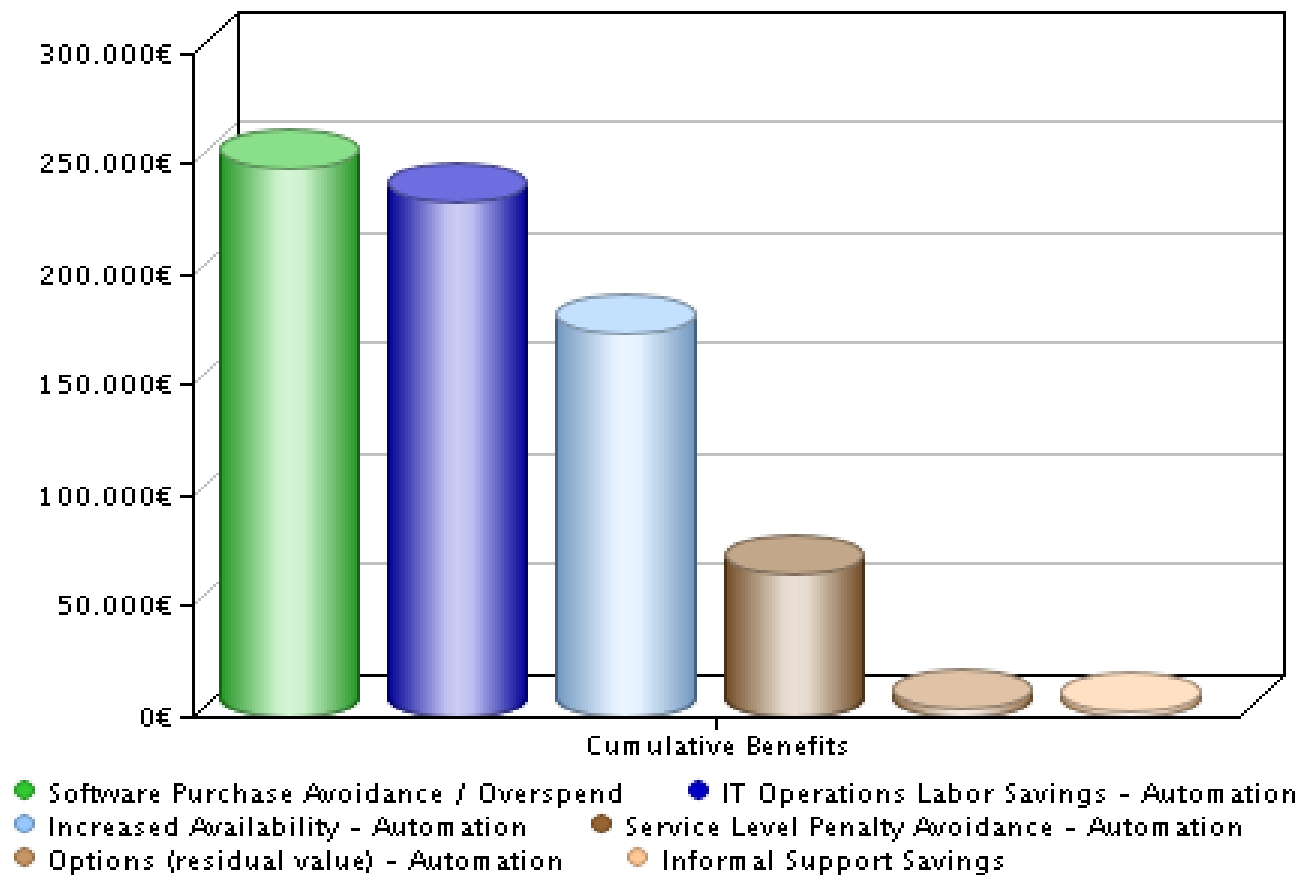
Top Benefits Summary

Top Benefits	Cumulative Benefits 2008 - 2010	Benefit Type	Benefit Class	Project Name	Contribution to Top Benefits
Software Purchase Avoidance / Overspend	247.726€	Net Fixed Assets (Cumulative)	Direct Benefit	Business Value Analyst for Tivoli Automation - Analysis 1	34,1%
IT Operations Labor Savings - Automation	233.544€	Operating Expense (Allocated)	Direct Benefit	Business Value Analyst for Tivoli Automation - Analysis 1	32,2%
Increased Availability - Automation	172.975€	Revenue or Equivalent	Indirect Benefit	Business Value Analyst for Tivoli Automation - Analysis 1	23,8%
Service Level Penalty Avoidance - Automation	64.340€	Operating Expense (Annualized)	Direct Benefit	Business Value Analyst for Tivoli Automation - Analysis 1	8,9%
Options (residual value) - Automation	4.200€	Operating Expense (Annualized)	Indirect Benefit	Business Value Analyst for Tivoli Automation -	0,6%



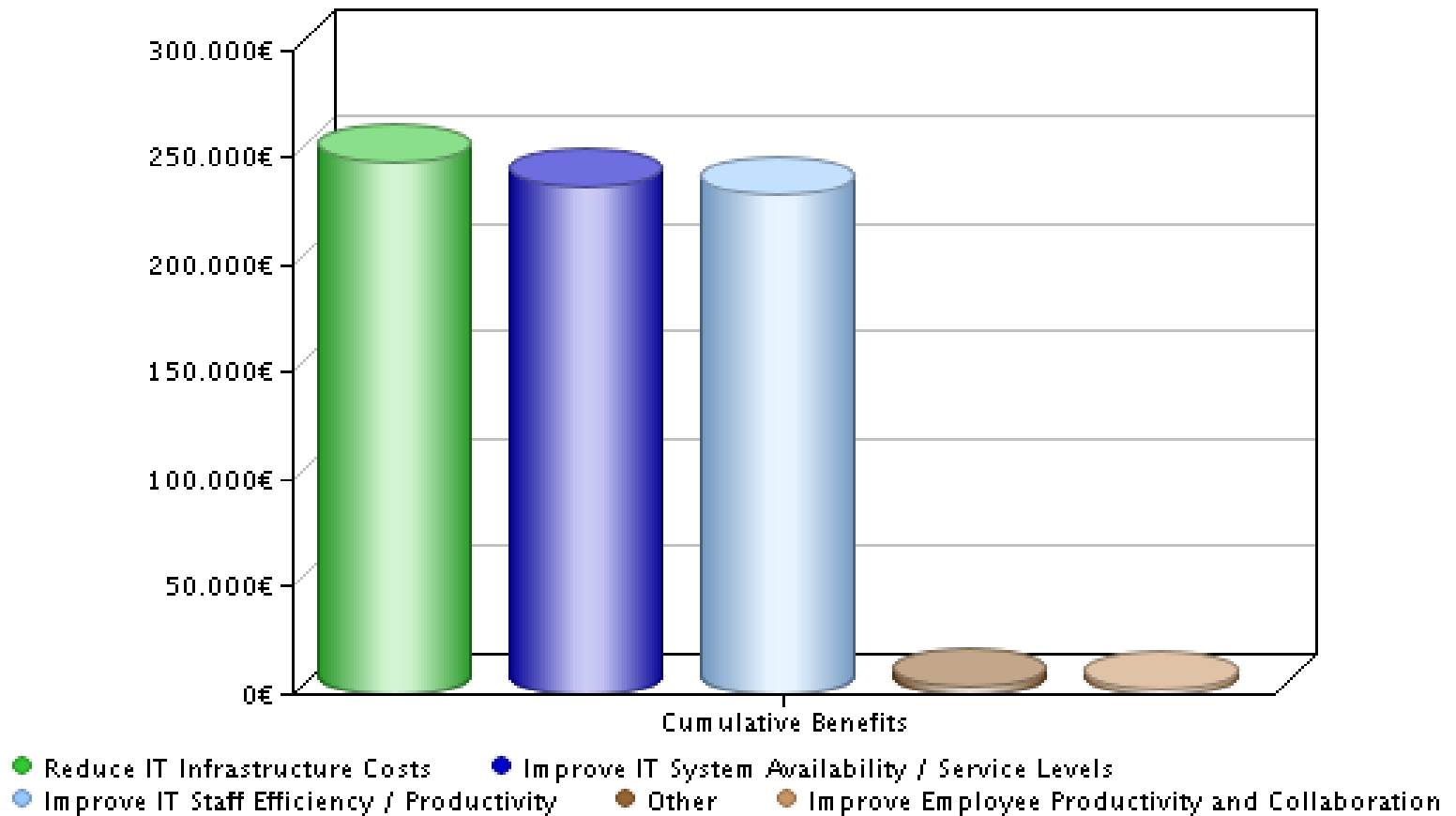
Top Benefits Overview

Top Benefits



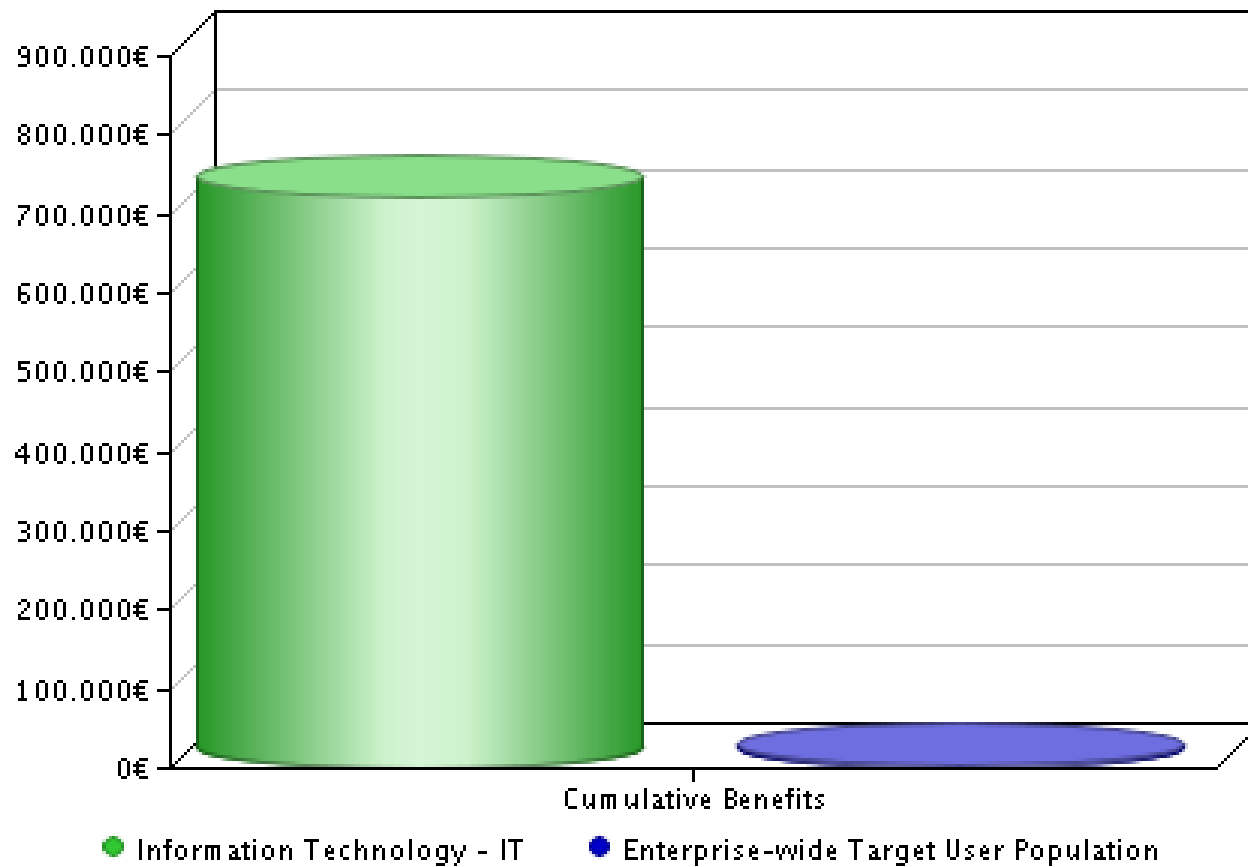
Benefits By Goal

Benefits By Goal



Benefits By Stakeholder

Benefits By Stakeholders



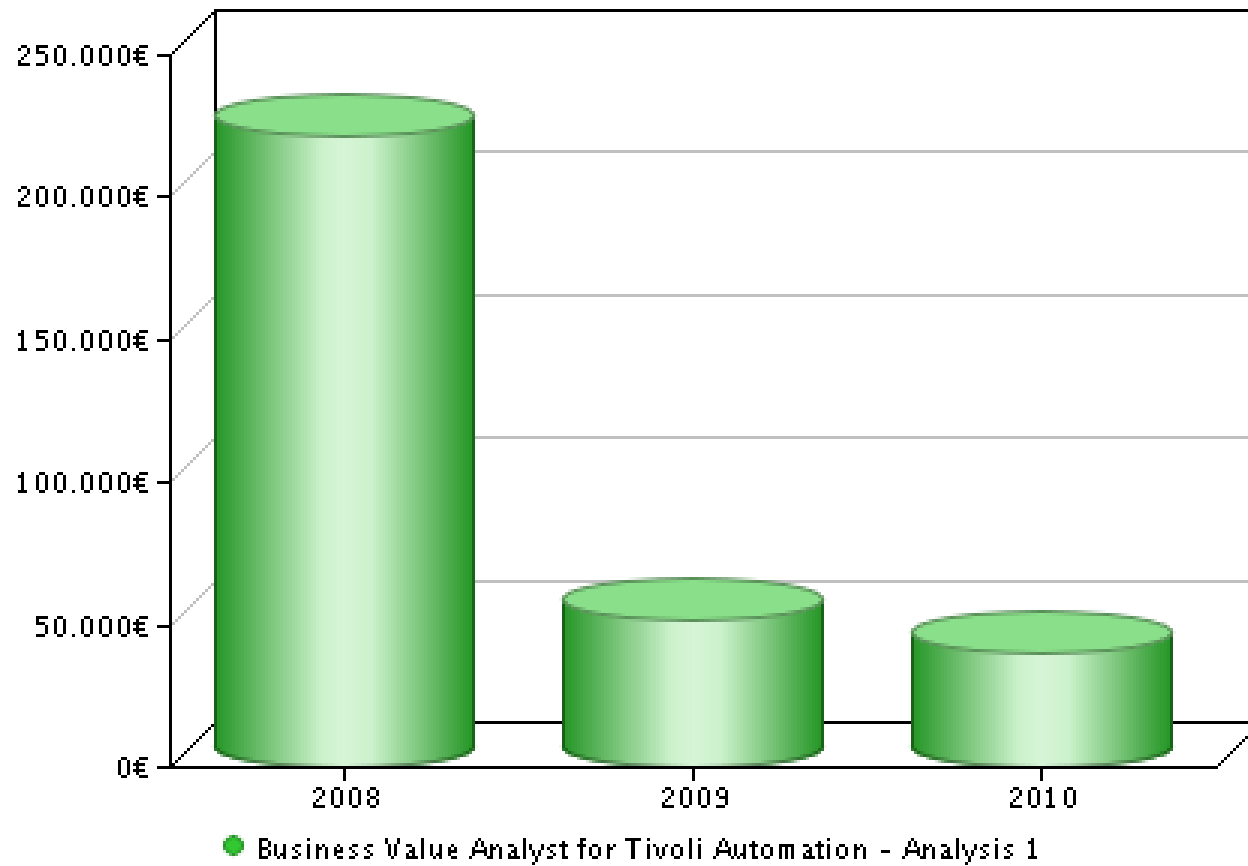
Costs Summary

Investment Summary	2008	2009	2010	Total
Total Investment	221.707€	51.185€	39.580€	312.473€
Cumulative Investment	221.707€	272.893€	312.473€	
Total Capital Expenditures	190.625€	10.812€	35.812€	237.249€
Total Operating Expenditures	31.082€	40.373€	3.768€	75.223€
Total IT Costs	221.707€	51.185€	39.580€	312.473€
Business Value Analyst for Tivoli Automation - Analysis 1	221.707€	51.185€	39.580€	312.473€

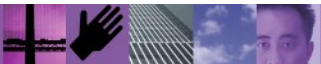
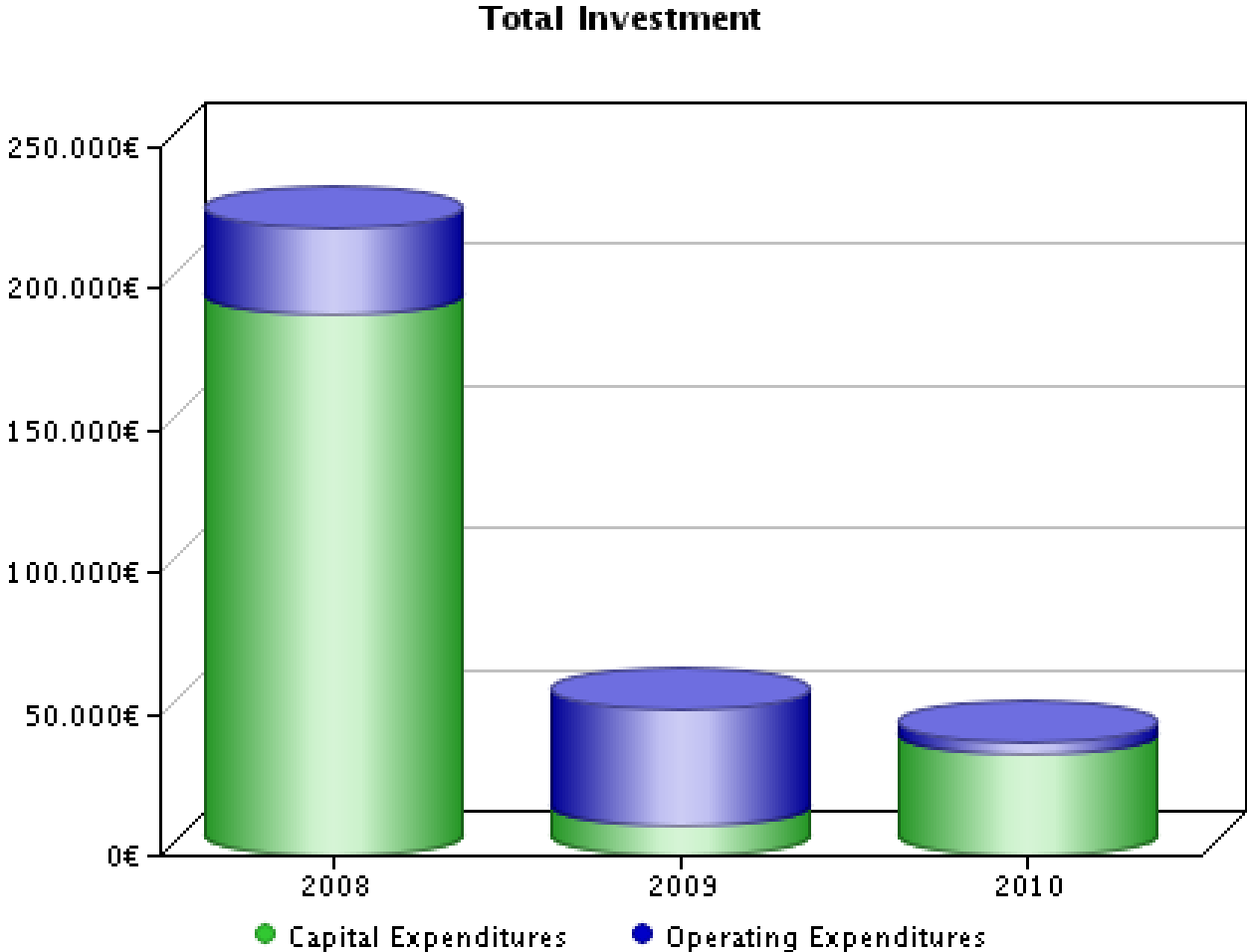


Per Project Costs

Per Project Investment

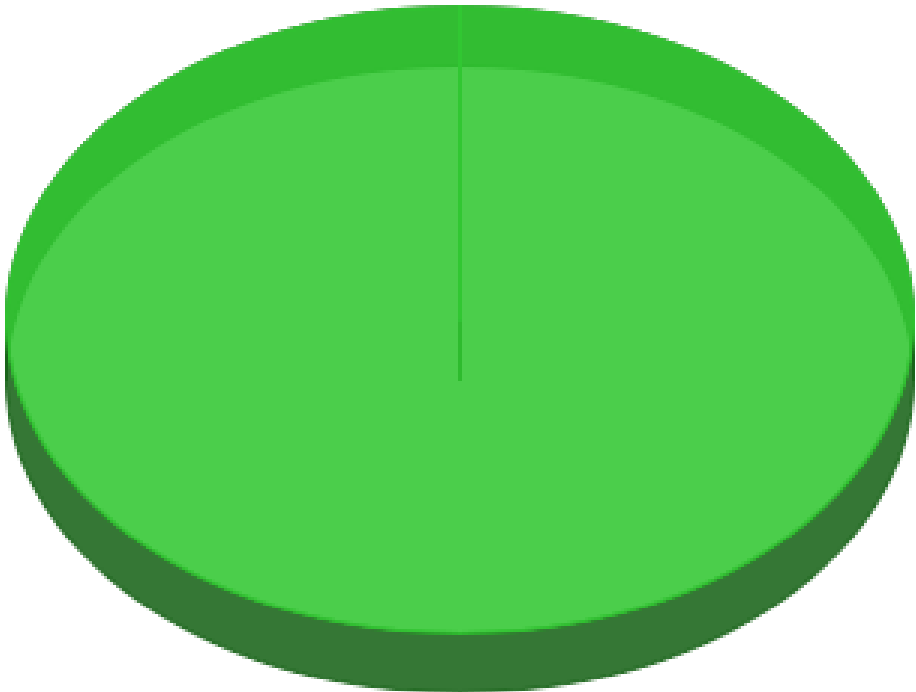


Annual Capital vs. Operating Expenditures



Costs by Type

Costs By Type



■ IT Costs [100,0%] ■ Business Units Costs [0,0%]



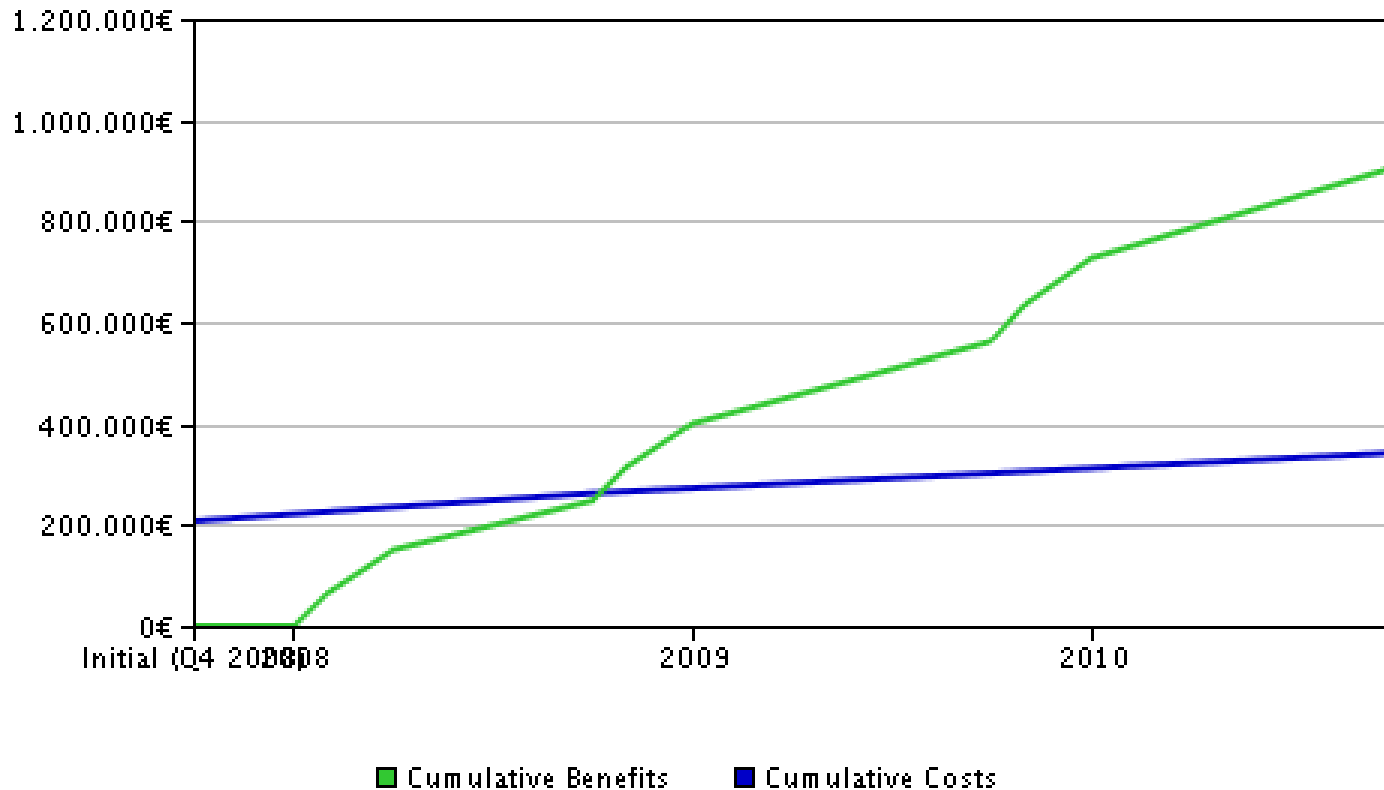
ROI Analysis

ROI Analysis	Initial (Q4 2008)	Year 1 (Q4 2008 - Q3 2009)	Year 2 (Q4 2009 - Q3 2010)	Year 3 (Q4 2010 - Q3 2011)
Benefits (Pre-tax)	0€	248.243€	313.824€	342.040€
Cumulative Benefits		248.243€	562.067€	904.107€
Investment	207.936€	55.087€	39.480€	39.880€
Cumulative Investment	207.936€	263.023€	302.503€	342.383€
Cash Flow	(207.936€)	193.155€	274.344€	302.160€
Cumulative Cash Flow	(207.936€)	(14.780€)	259.564€	561.724€
ROI	164%			
Risk-Adjusted ROI	133%			
NPV Savings	427.409€			
IRR	97%			
Payback Period	13 month(s)			
Risk Adjusted Discount Rate	9,5%			

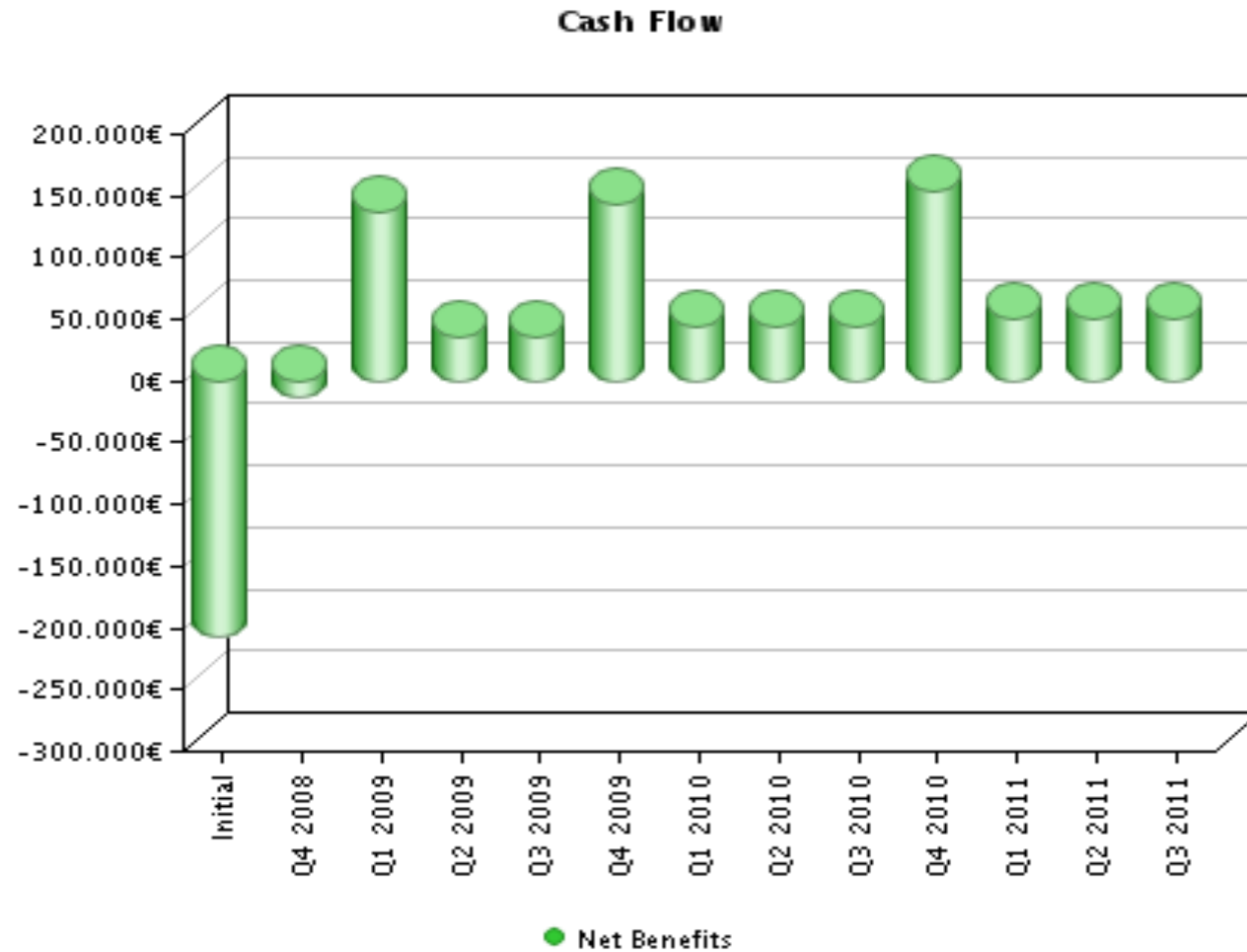


Cumulative Costs vs. Cumulative Benefits

Breakeven



Quarterly Cash Flow



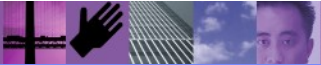
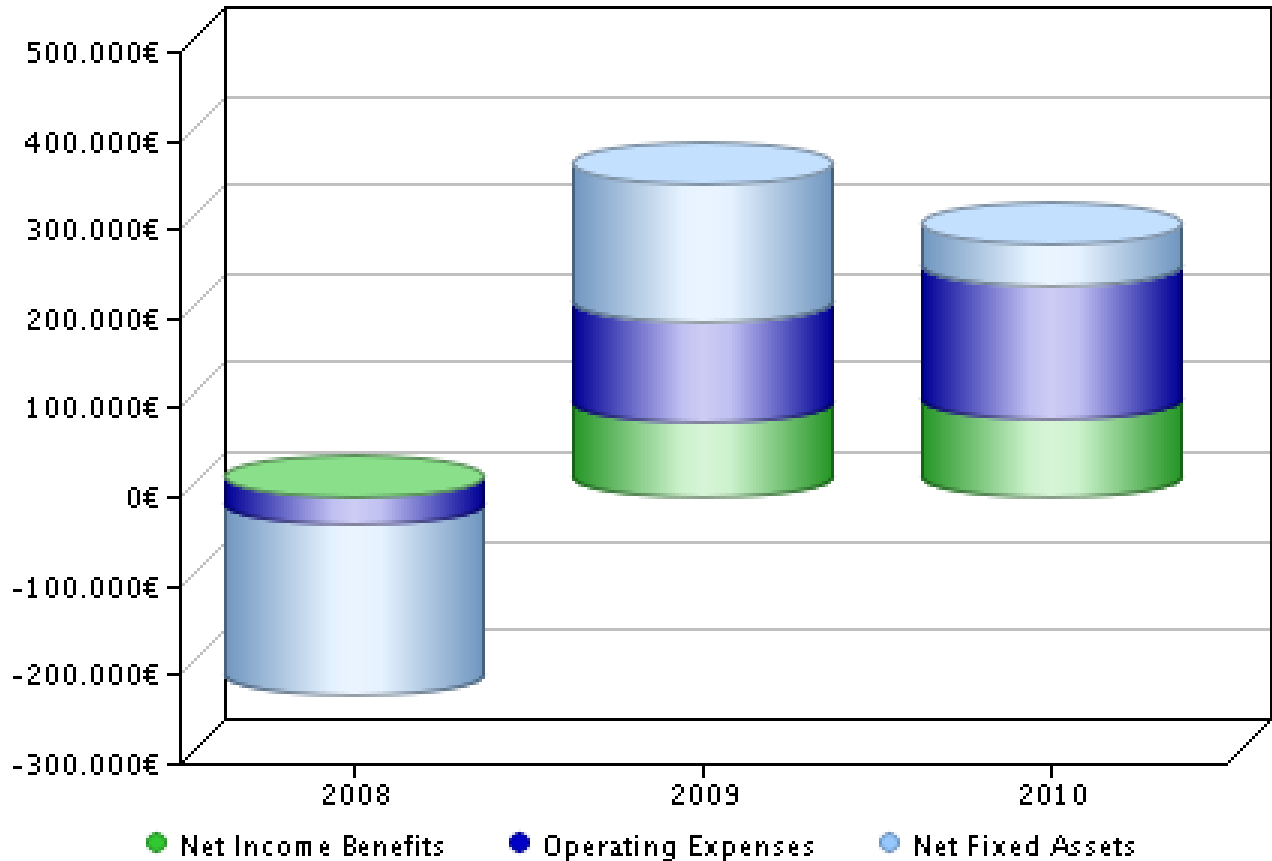
Corporate Financial Impact

Organization Financial Impact (Pre-tax)	2008	2009	2010	Totals
Total Cash Flow	(221.707€)	349.790€	285.391€	413.474€
Net Contribution: Incremental Revenue or Equivalent	0€	85.631€	87.344€	172.975€
Operating Expenses Reduction	(31.082€)	111.461€	149.644€	230.022€
Net Fixed Assets (NFA) Avoidance (Addition)	(190.625€)	152.698€	48.404€	10.477€



Annual Organizational Financial Impact

Organization Financial Impact (Pre-Tax)



Next Steps Proposed

- Compelling Economic Advantages Proposed
- Should be a Priority Project
- Pilot Program?
- Contract?
- Deployment?

