How to justify Capacity Management

Hard Savings
Downtime costs the business money – lost sales to a business if their web site selling direct to the public is down. Most financial businesses put a huge value against lost business due to downtime, hence the drive over the years to 99.999 or ‘five nines’ availability.

Not buying hardware until later saves real money from your hardware budget. It has a monetary value, it has an ‘opportunity cost’ value as well – that money can be used to create value elsewhere. However you view it, it has a value for the business.

There is further hidden value as well. Due to effects such as Moore’s law, which states that the price performance of computing power doubles every eighteen months, every $1 not spent now will either buy more power or the same power for less than $1 in the future. The longer the delayed spending, the greater the saving becomes. Ask any accountant – the value of money can be significant, even in these times of very low interest rates.

Consolidating CM software products is a clear hard saving. If you can consolidate several CM tools and replace them with one tool, Athene, the maintenance costs of those products are a direct saving. Over time such savings can be very large.

Soft Savings
Sometimes people talk about areas of saving as if they were actual cash savings, but in fact they aren’t. Examples are ‘more productive CM staff’ and ‘fewer performance and capacity crises needing fixing’.

One can often make a case that introducing a product like Metron’s Athene means one person can do twice as much work and we notionally put a saving against Athene of one person’s salary. Unless that person is let go, which never happens, then that saving is not going to happen in cash terms.

What is true however is that the person ‘saved’ by the product is freed to do other work. Assuming that whatever else they do adds value to the business, this is a genuine benefit to your organization. Expressing their salary as a cost saving, even though that salary continues to be paid, is usually the best way of expressing this benefit financially. The same holds true of time saved for non-CM team members who benefit from better capacity management, e.g. sys admins who spend less time fire fighting problems.
Poor Service Levels

Less times when service levels are poor is a harder nut to crack. It should be a hard saving like downtime. Unfortunately it’s harder to get the business to put a value on times when service levels are poor, as distinct from when they are non-existent. If the system is running slowly, business could be lost. Imagine a web site that responds slowly when someone goes on to inquire, even though it is up and running. Your visitor may get frustrated and type in the URL of a competitor. It’s impossible to gauge if they would have bought had they stayed, and how much they would have spent. Thus slowtime tends to need the business to estimate its value. This is often most readily done by valuing it as a percentage of downtime. For example, making an assessment that for every $1 of downtime we are likely to experience 10 cents are lost due to slowtime.

So far we’ve considered areas where a new CM product or better CM services can save you money, building the benefit side of a return on investment (ROI) calculation. It costs you money to make a change however so let’s take a look at the cost side of the equation:

- Costs of CM software, including on-going maintenance
- CM team resources needed to use that software
- Initial training for the new software
- Implementation and on-going services required
- Other personnel resources that are needed to help with the implementation and in-going usage of the software

If you’re looking to buy a software product to improve your CM, there will be software costs and on-going maintenance. If you’re doing an ROI over several years, remember to factor in increases in annual maintenance costs over time and any further purchases you might need to make.

It’s also worth bearing in mind that your ROI will look more realistic to the CIO if you remember that although software costs are incurred on day one, the benefits and savings identified in the previous three blogs take time before they are enjoyed. Offset the savings to allow time for implementation, training and usage of the new software and processes before the benefits begin to pay dividends. Likewise be realistic about factoring in when training and implementation services will take place. Unless you are paying for everything up front, there could be costs that can be deferred.

Resources from other teams that are necessary to implement new CM software or processes should not be forgotten. In my early days, the Capacity Manager would install Athene himself. Nowadays, and for very good reason, we need the support of sys admins, the security team, the network team and more before a capacity management software solution can be put in place. These initial costs need to be included. Likewise there will be on-going cost for support from these other teams. As we had ‘soft savings’ these are ‘soft costs.’ The business is paying these peoples’ wages already but if they weren’t supporting the CM team, they could potentially be adding value to the business in other ways. Typically this is usually a minor element of overall costs.

Factor in hardware resources to support the CM team, again remember the cost of upgrades, additional hardware and price increases over time.

You must also allow for staff costs and any physical resources such as servers and databases to support your CM software. If you have a CM team of four before and after purchase, you could consider staff costs to remain the same but remember the ‘soft savings’ on staff. Those same four people will be able to do a lot more thanks to the new software and/or processes. A value could and should be put against this increased efficiency.