

# **The ROI of Benchmarking**

## ***The Business Case for Benchmarking IT Service and Support***

By Jeff Rumburg



Return on Investment (ROI) is one of the most common and important measures of financial performance in the business world. It is the ultimate measure of success for any business. Most companies, business units, and departments track ROI on an ongoing basis, and use this metric not only to make intelligent business decisions, but to justify their very existence.

Like any good business decision, benchmarking should be undertaken with the expectation that it will produce a positive ROI. Thankfully, it is relatively easy to make the business case for benchmarking, and as a veteran of more than 4,000 IT service and support benchmarks, I have plenty of data to back that claim up.

The ROI of benchmarking includes both hard benefits, such as cost savings and improved user productivity, as well as soft benefits such as improved customer satisfaction.

### **ROI Defined**

Return on investment is a simple financial ratio. It is calculated by dividing the expected return on an investment by the cost of the investment. If I purchase a share of stock for \$100 and the stock is worth \$110 at the end of one year, my one-year ROI is 10%. The return was \$10 and my investment was \$100, so my return on investment is  $\$10 \div \$100 = 10\%$ .

By the same token, let's say that I pay \$25,000 to benchmark my service desk. As a result of the benchmark I then implement a number of recommendations that produce cost savings of \$250,000 per year. The one-year ROI on that benchmark is 1,000%, a 10X return! (Return = \$250,000, Investment = \$25,000, so  $\text{ROI} = \$250,000 \div \$25,000 = 1,000\%$ ). If you think this is an outrageous example, think again. Virtually every benchmark I have conducted in my career has yielded an ROI in excess of 1000%, and in many cases the ROI of benchmarking is much, much higher! Keep in mind that this is the one-year ROI. Generally, the return on a benchmark continues year after year, thereby producing a positive ROI for many years after the benchmark has been completed.

Theoretically, any investment that produces an ROI of greater than 100% is worth undertaking. But given the uncertainty of predicting future results, many organizations will not commence with a business initiative unless it has a projected ROI of 200%, 300%, or even greater. In this regard, there are very few investments in IT that can compete with the demonstrated ROI of benchmarking.

## The Hard and Soft ROI of Benchmarking

The hard ROI of benchmarking is the projected cost savings and user productivity gains that result from benchmarking. Some examples of cost savings include shift left, increasing user self-help, and improved agent/technician productivity. The diagram below helps to illustrate the financial benefits of both shift left and user self-help.

### Cost of IT Support at Various Levels



The data shown represents the average fully loaded cost of resolving a technical support ticket at various levels within an organization. Moreover, the costs are additive. For example, if a ticket starts at the service desk and is reassigned to desktop support where it is resolved, the total cost of the ticket will be  $\$22 + \$69 = \$91$ .

Therefore, a ticket that is resolved at the service desk – rather than desktop support – will save an organization \$69 on average. Likewise, a ticket that is resolved through user self-help will save the organization at least \$22. Multiply these numbers by hundreds, thousands, or even tens of thousands of tickets per month and the cost savings from shift left and user self-help can really add up!

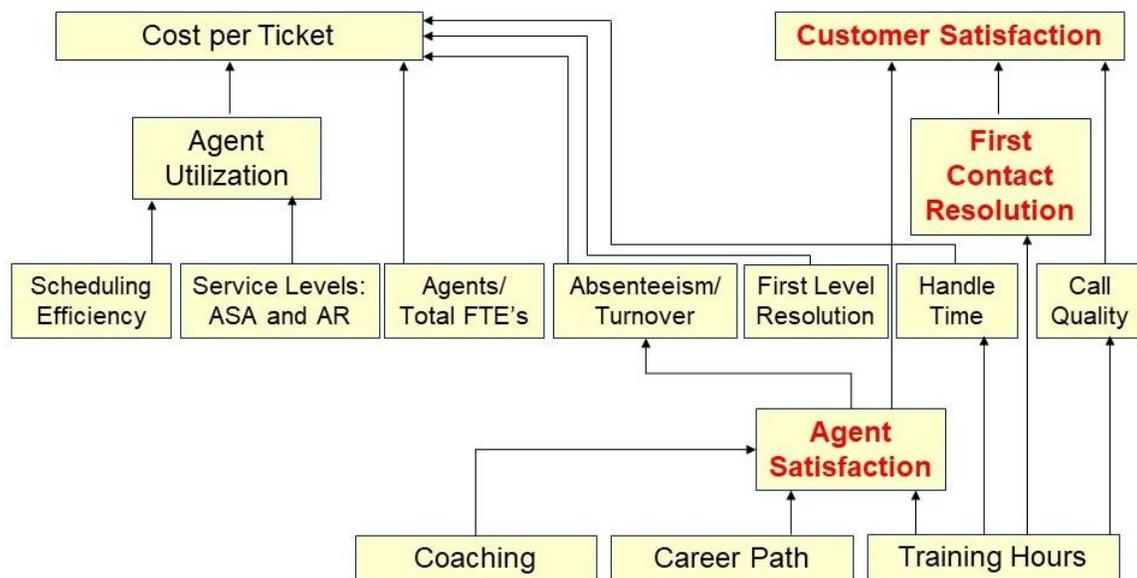
Virtually every IT service and support benchmark will uncover opportunities to shift left and increase user self-help. But these are not the only drivers of hard dollar savings in benchmarking. Anything that reduces the total workload of incidents and service requests will result in hard dollar savings. Effective problem management, for example, can eliminate some incident types through root cause analysis. Likewise, effective

knowledge management and remote-control tools can reduce handle times, shift tickets to the left, and reduce total workload, thereby producing hard dollar savings.

What about the soft ROI of benchmarking? There's no denying that as a service and support professional you would rather get high scores from your customers than low scores. Running a service desk or desktop support group with a 95% customer satisfaction score results in accolades, positive recognition, and frankly career opportunities that you would never have with a customer satisfaction score of 70% or 75%. As an IT professional, your work life is a lot more fulfilling when you have high customer satisfaction scores. But how does benchmarking improve customer satisfaction?

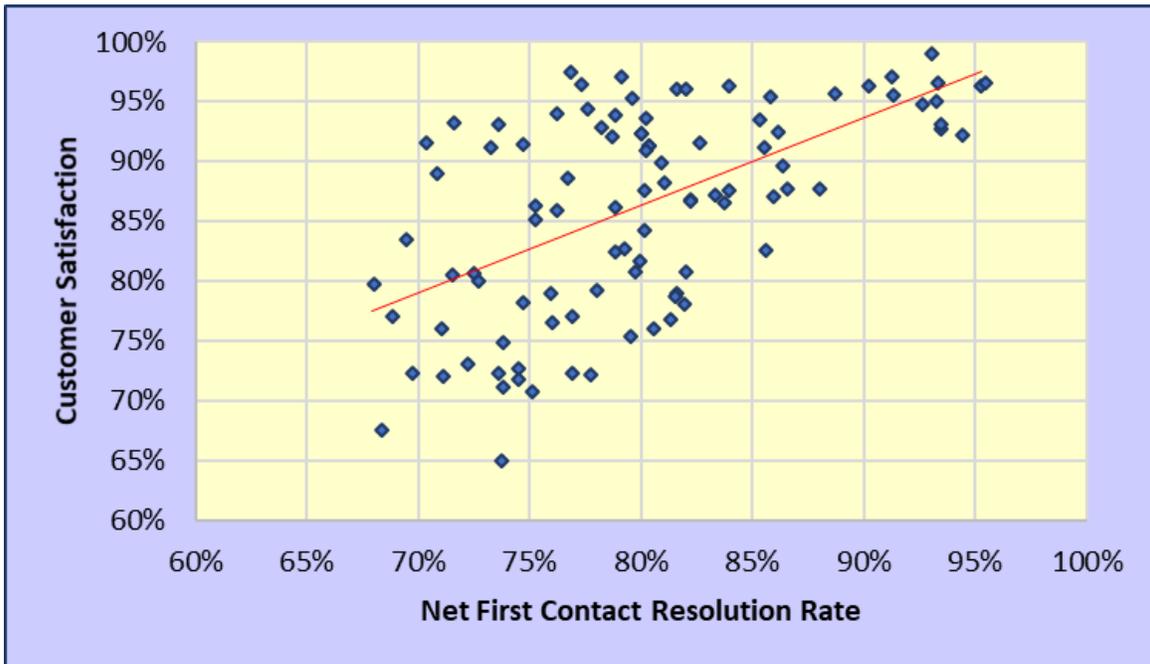
The KPI cause-and-effect diagram below shows how customer satisfaction is interconnected with and impacted by other KPIs. As you can see, two of the most important drivers of customer satisfaction are first contact resolution rate and agent job satisfaction.

### KPI Cause-and-Effect Diagram



A good benchmark will include all of the KPIs shown above, and will specifically include a comparison of your customer satisfaction to that of an external peer group. When customer satisfaction is low, inevitably first contact resolution rate and/or agent job satisfaction are also low. The regression charts below show how FCR and agent job satisfaction drive customer satisfaction. These are not mere correlations – they are cause-and-effect relationships!

### FCR vs. Customer Satisfaction



### Agent Job Satisfaction vs. Customer Satisfaction



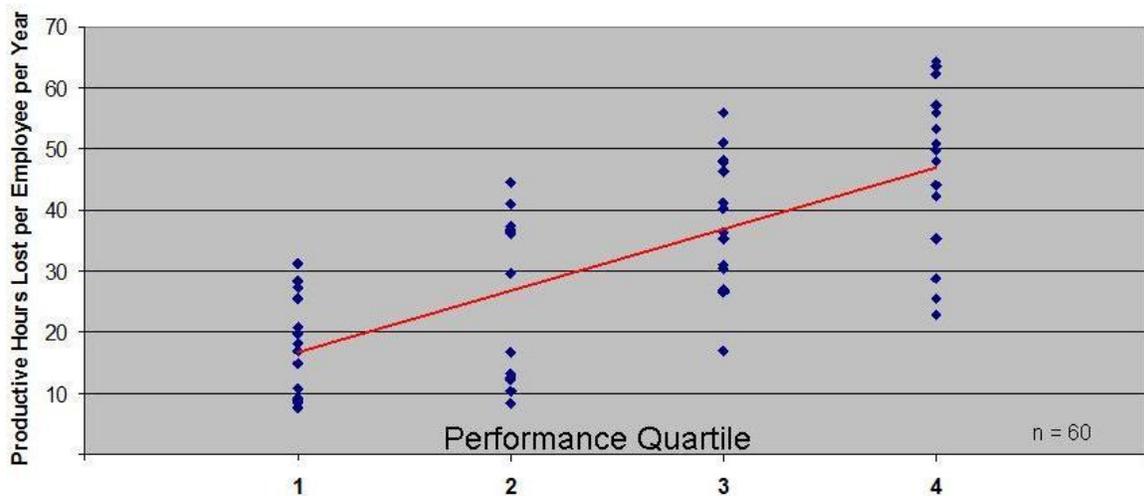
## The Hard ROI of User Productivity Gains

Now let's take a look now at how service and support can make end-users more productive. The majority of today's workforce is comprised of knowledge workers, all of whom rely upon one or more computing devices to do their jobs. When these devices break down or do not function properly, employee productivity suffers. By preventing these incidents from occurring, and by quickly resolving issues when they do occur, a support organization can return productive hours to the workforce.

A study conducted by MetricNet and summarized in the figure below concluded that knowledge workers lose an average of 33 hours of productive time per year due to various IT outages, breakdowns, service requests, and hardware and software failures. For support groups performing in the top quartile of the industry, the lost productivity per worker is just 17 hours per year; about half the industry average. By contrast, employees who receive support from bottom quartile support groups lose an average of 47 productive hours per year.

The difference between the top and bottom quartile performers is a staggering 30 hours per employee per year! Put another way, support organizations in the top quartile are able to return nearly four extra days of productivity annually for every knowledge worker in the enterprise. This productivity savings can be monetized, and when multiplied by thousands or even tens of thousands of employees in an enterprise, the productivity gains and resulting ROI delivered by a top performing support organization can be enormous!

## The ROI of Improved User Productivity



Support Function	Key Performance Indicator	Performance Quartile			
		1 (top)	2	3	4 (bottom)
Service Desk	Customer Satisfaction	93.5%	84.5%	76.1%	69.3%
	First Contact Resolution Rate	90.1%	83.0%	72.7%	66.4%
	Mean Time to Resolve (hours)	0.8	1.2	3.6	5.0
Desktop Support	Customer Satisfaction	94.4%	89.2%	79.0%	71.7%
	First Contact Resolution Rate	89.3%	85.6%	80.9%	74.5%
	Mean Time to Resolve (hours)	2.9	4.8	9.4	12.3
Average Productive Hours Lost per Employee per Year		17.1	25.9	37.4	46.9

## Conclusions

Empirical data demonstrates that benchmarking is by far the most effective tool for delivering continuous improvement in IT service and support. In fact, industry data shows that there is a virtual 1:1 correspondence between support groups that conduct annual benchmarks, and those that achieve world-class performance. Moreover, the economic benefits of benchmarking far outweigh the costs. These benefits are most often the result of shift left, reduced handle times, incident reduction through root-cause-analysis, increased user self-help, and improved agent and user productivity.

Post benchmarking analyses of organizations that have undertaken benchmarking show that virtually all benchmarks produce an ROI of greater than 1,000%. This is a 10X return, making benchmarking one of the most attractive investments an IT support organization can make.

## About the Author

Jeff Rumburg is the Managing Partner and co-founder of MetricNet, LLC. MetricNet is the leading source of benchmarks and metrics for IT service and support professionals worldwide. For more information, please go to [www.metricnet.com](http://www.metricnet.com).

