

# **Executive Summary**

## **The Search for the Elusive “ROI”: Tracking Down Value in a Jungle of Enterprise Management Products**

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An ENTERPRISE MANAGEMENT ASSOCIATES® (EMA™) Research Report Summary  
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## Introduction

Return on Investment (ROI) is the Yeti of the Information Technology industry. Everybody talks about it, but efforts to track it down typically end in a snowy whiteout atop a mountain of second-hand stories and unquantifiable opinions.

Nevertheless, this mythical metric is top of mind for many IT executives, particularly those contemplating product purchases in these lean times. This is especially true since research is showing that IT executives are seeking answers to rising costs and shrinking budgets in automation. Forty one percent indicate that enterprise management product investments are one of their key strategies for dealing with economic hard times—in fact, it comes in at #1 on the list.

Although the worldwide economy appears to be on the mend, 2009 budgets are already set in stone and there is still uncertainty around what revenues will look like in 2010. With these realities in mind, Enterprise Management Associates (EMA) set out with this research to answer some key questions about ROI. Is it real? Is it measurable? And, most importantly, which products deliver it?

In an industry where vendors toss around the term “ROI” in almost every pitch, pinning down specifics can be a tricky business. Nearly all IT organizations can cite “soft” ROI as an outcome of a particular product purchase. Soft ROI consists of anecdotal evidence of factors, such as customer satisfaction or business flexibility, which are observed or intuited but not quantified. Soft ROI is tremendously important and can be accurately measured by those companies with an effective ROI methodology and a good grasp of IT costs. Without this rigor however, soft ROI is typically not a powerful enough metric to convince a CFO that the business benefits of a given product outweigh its costs.

Fewer companies can talk about “hard” ROI expressed as measurable, before and after metrics. Hard ROI includes such quantifiable values as reduced hardware and/or licensing costs, reduction in the time required to perform a task, quicker revenue realization, or generation of new revenue. Effectiveness in calculating hard ROI is one measure of organizational maturity, and an outcome of executive effectiveness and accountability.

With the timeliness of this topic in mind, Enterprise Management Associates set out to find out more about the perceptions and realities surrounding ROI. Is it a mythical metric? Can it be measured? And the \$64,000 question: Which products actually deliver it?

This Research Summary is a condensed version of a full-length research paper published in August, 2009 that includes detailed analyses of EMA’s 2009 ROI research, along with four case studies. This paper provides the highlights of the research paper, as well as an in-depth case study on the ROI reported by one company after implementation of the Pervasive solution suite.

## Methodology

To gather information on this topic, EMA pursued a two-pronged approach, consisting of a survey and a set of case studies. The survey dealt with both “real” and “perceived” ROI for products in various application management-related classifications, including Software as a Service (SaaS). For the case studies, EMA conducted interviews with IT specialists in a variety of companies to gather their input. The results confirmed our suspicions. ROI is out there, but companies that can actually measure it seem to be in the minority.

More than thirty vendors with products supporting various aspects of application management were offered an opportunity to provide case study interviews for this research. Participation was free of charge, and offered to EMA subscribers and non-subscribers alike.

Case study participants were not obligated to reveal their names or the names of their companies in print, as legal issues now prohibit employees of many companies from doing so. However, EMA is aware of both the interviewee names and their companies, and all interviews were conducted by EMA analysts. Interviewees were provided with a set of sample questions before the interviews, which took approximately one hour each.

The survey was conducted during June and July 2009. All participants were drawn from the EMA house lists. As a result, there were fewer overall respondents than would have been the case with a full EMA research study, which typically draws names from a variety of internal and external lists. However, it included a good cross-section of IT and Line of Business (LOB) professionals, qualified by answering “yes” to the following question: “Are you involved in or responsible for monitoring and/or managing enterprise IT applications?” Respondents were further qualified by type of application(s), with those supporting only desktop applications excluded from the survey.

In the end, of the thirty vendors offered the opportunity to participate in this research, four provided customers to be interviewed for the case studies included in this report. The attached case study is one of those four. Regarding non-participating vendors, most do have case studies posted on their sites, but were apparently unwilling to share client outcomes in a non-sponsored paper.

## Survey Highlights

- *Forty eight percent of respondents reported budget decreases in 2009 over 2008. Only 21% reported increases, and of these, 15% were in the single digits.* Clearly, economics remain a problem in 2009, so there were no surprises here.
- *For 2010, 27% expect budgets to rise, while 33% expect additional budget cuts.* These numbers indicate that, though the economic “meltdown” is slowing, companies are far from certain that it’s over.
- *Forty one percent of companies surveyed use Software as a Service (SaaS) to deliver one or more of their business applications.* This number has risen 11% from 2008. Again, not a big surprise, and EMA expects this number to continue to rise. However, there is no expectation that SaaS will totally replace on-premise delivery in the foreseeable future.
- *Regarding the overall value proposition of SaaS versus on-premise delivered applications:*
  - Sixty nine percent believe SaaS offers the better overall value proposition
  - From a service quality perspective, the two were tied at 50-50
  - From a customer satisfaction perspective, 56% favored on-premise delivery.
- *Regarding the types of products “most beneficial in enabling IT to resolve application-related problems more quickly” (whether or not their companies actually HAD such products in place)*
  - The number one selection was “correlation and analytics tools that consolidate metrics from multiple management products”
  - Numbers two and three were:
    - Network, server, or database management products
    - Application dependency mapping products.

- *Regarding an estimate of how such a product would “decrease the percentage of overall time spent on application support and related activities”*
  - Twenty three percent stated such a product would decrease time requirements by 10% or less
  - Thirty one percent expected a decrease of 11-20%
  - Thirty one percent expected a decrease of 21-30%.
- *Regarding the estimated amount of time required to recoup an investment in such a product*
  - Fifteen percent indicated 6 – 9 months
  - Twenty eight percent indicated 10-12 months
  - Eighteen percent indicated 13-18 months.

## Case Studies and the Value of ROI Measurements

Although few case study interviewees today are permitted to reveal their company names publicly, due to company policy, it is impossible to understand the true implications of ROI expressed as a dollar value without an understanding of the nature of the company. A smaller company with lower revenues would almost certainly see a smaller ROI, dollar-wise, from a given product than a larger company might.

There are multiple factors that impact the “real” value of a product, many of which are company-specific. Examples include:

- The characteristics and functions of the product (cost, single purpose or integrated suite, ease of deployment and administration, etc.)
- Characteristics of the company (besides size), such as industry vertical
- The type of applications being supported
- The position and responsibilities of the interviewee, which reflect his or her knowledge about applications in place and their business value
- The company’s reliance on IT, particularly as it relates to cost containment and/or revenue generation
- Operational maturity

The operational maturity of an IT organization includes things like executive leadership and vision, across-the-board accountability, process-driven IT Service Management (ITSM), automation of routine support processes, and use of industry best practices. Less mature companies typically have more difficulty quantifying ROI. More mature companies have better processes in place to estimate ROI before a product is purchased and to measure ROI once the product is deployed. Operational maturity is a key factor in developing rigor in terms of ROI measurement processes.

The IT organization providing the case study for this report is among the industry leaders on the maturity scale as this company is able to quantify the overall benefits realized from product deployment. In telling their story, they hopefully act as a model for other companies seeking to improve their own ROI measurements, and in doing so improve their own operational maturity.

## Case Study: OPNET

### Interviewee Information

- Director, Global Communications and Infrastructure Services
- Worldwide IT staff of 80, (not including Development), providing infrastructure deployment, management, and support plus Help Desk.

### Company Information

- Privately owned
- Personal care products
- Revenues \$4 billion per year
- Global company with 50-60 locations/offices worldwide

This company runs multiple enterprise applications, including SAP as their Enterprise Resource Planning (ERP) platform, industry-specific applications, and some custom applications as well. This executive's team is accountable to application owners who come to them with application-related problems. Prior to OPNET deployment, application problems were addressed by an Analysis team tasked with performing in-depth analyses to determine the source.

There were multiple issues with this approach. For each problem, two or three IT specialists convened in a “war room” for 1 to 1 ½ weeks. This process, which often required the use of a network sniffer, was too time-consuming and personnel-intensive to be sustainable long-term. Also, since most application problems were in the past, it was often the case that they could not duplicate them and ended up with a “best guess” answer.

Another problem was that their ability to report on service quality and availability was limited, and the reporting in place was geared towards technical personnel. There was no easy way to share it with Line of Business (LOB) owners. “After the analysis was done, we had to give it to our management, who were naturally interested in application-related problems and their sources. We had reports, but couldn't give them the bottom line.”

### Acquisition Story

In acquiring a solution, this company was concerned with improving service quality rather than achieving specific ROI. They were also looking to make the overall diagnostic process easier.

After evaluating a variety of products, they decided on OPNET ACE Analyst, an analysis solution that automates the process of doing transaction-level troubleshooting of application performance. ACE Analyst gathers details about an application's behavior and interactions with the underlying infrastructure, as seen from a network perspective. It then leverages built-in knowledge and analytics to report its findings.

Regarding the other solutions evaluated, this Director states, “The complexity of many of the solutions we evaluated and the fact that they require full-time management were disadvantages. These are good companies and excellent products, but there doesn't appear to be a way to make the solutions easy to deploy, use, and maintain. They get lost in trying to make it all integrate and work together.”

Based on their satisfaction with ACE Analyst, they then purchased ACE Live. This product is an appliance-based solution that monitors, measures, and detects application performance violations. It provides in-depth visibility to transactions and users across the enterprise, including detailed real-time and historical information about end-user response times, utilization, route quality, Internet Service Provider (ISP) performance, and traffic patterns.

They found they could use the two integrated solutions for both network and application performance management. Together, they provide insight into where a problem lies, and to the hardware or software infrastructure that is causing it.

## **Hard ROI (per year): \$200,000-\$250,000**

Details in Table 1

### **Summary:**

#### **Hard ROI:**

Although the products were purchased with application performance and availability improvements in mind, the ROI has been significant as well and is summarized in Table 1.

- *Licensing, facilities, support, and headcount efficiencies:* Savings of between \$200,000 and \$250,000 annually, primarily related to centralized versus distributed monitoring. With the OPNET solutions, there was no need to install a separate monitoring device or deploy skilled staff at each worldwide location.

#### **Areas of Soft ROI:**

- Decreased time/personnel required for troubleshooting/root cause analysis on a single incident: From 1 to 1 ½ weeks and 2-3 people to 2-3 days and 1 to 1 ½ people
- Service Improvements: Faster problem resolution restores dependable service faster
- Improved alignment between IT and Line of Business: OPNET provides reports on service quality and availability in forms tailored for both technical and LOB managers

#### **Lessons Learned and Overall Value Proposition**

- *Point in Time transaction tracing:* Integration capabilities—and the “marriage” between ACE Live and ACE Analyst-- provide one of the biggest sources of value. With “point in time” visibility and reporting, they can “turn back time” to see what was happening at the time of the problem with ACE Live. Importing it into Analyst gives them visibility to approximately “80% of what was happening at that point in time.”
- *Integration with third party products:* The integration of the NetFlow information from Riverbed Steelhead (application delivery) platforms with ACE has enabled them to “feed” the Steelhead reporting information into ACE Live. This provides integrated reporting and network insight from every location worldwide. This level of visibility “has saved my team multiple times,” this director stated.

#### **Quotes**

- “I’m very, very impressed. ACE Live provides detailed information that is relevant to maintaining availability and performance of our SAP deployment, and ACE Analyst proves where the problem is. When an application owner comes to us, something is really wrong. ACE helps us quickly figure out where the problem lies and what is causing it.”

- “ACE Live can summarize all the data we receive from other hardware around the network. We can see it all under one reporting tool instead of trying to manually make sense of spreadsheets and other applications.”
- “ACE Analyst brings credibility back to my infrastructure team. It helps us articulate to customer business units where the problem is—and is not. This credibility comes, in part, from being able to show customers the problem isn’t in the network, where everybody assumes it is. For us, this is one of the biggest benefits of the ACE deployment.”

Hard ROI	Before	After	Annualized savings
Multiple efficiencies including licensing, facilities, support, headcount	Application troubleshooting was a manual process supported by point products and traditional “war room” approach	Application troubleshooting automated, centralized	\$200,000-\$250,000 savings annually
<b>Total Hard ROI</b>			<b>\$200,000- \$250,000</b>
Soft ROI			
Decrease in time and personnel required for troubleshooting/root cause analysis of a single incident	Process took a week to a week and a half, two to three IT specialists	Same activity requires one to one and one half people and is completed in two to three days	Efficient use of time and personnel
Service improvements	Long “war room” sessions, guesswork regarding the problem source	More efficient problem solving decreases the amount of time between problem detection and problem resolution	Faster service restoration
Supports both IT and Line of Business reporting	Reports geared towards technical specialists, not LOB managers	OPNET provides reports on service quality and availability, in forms useful to both technical and LOB managers	Improved alignment between IT and Line of Business

Table 1: ROI

## Summary and Conclusions

In the enterprise management space, ROI research provides a glimpse into “real world” IT and the experiences of a variety of companies. Every IT organization is on a quest to deliver high value to the business in the most cost effective way possible. While ROI is important in all areas of the business, skillful product selections within IT can yield particularly high levels of quantifiable value.

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The cost of delivering IT services is high and rising, and one of the few ways to make a real dent in costs is with automation. The costs of power, personnel, real estate, and equipment aren't going down. One cost that is not fixed is the cost of support, and automation of the administration and management of IT services can have a tremendous impact in this area. The magnitude of this impact will likely grow over time, as IT ecosystems become increasingly integrated and complex, and as management solutions become increasingly sophisticated.

Vendors and IT organizations alike are realizing this, and this is a time of tremendous innovation in management toolsets. Traditional Independent Software Vendors (ISVs) are modernizing and integrating solution sets, partnering, and acquiring. Startups and newer vendors are offering enterprise management solutions as services and developing extremely innovative products that build a promising foundation for the future of application delivery and support.

The clear takeaway message of this paper is that there is ROI to be had. However the survey reveals that the experiences of two different companies deploying the same product can vary considerably. A product that yields high value for one company can yield less than satisfactory results for another.

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The bottom line is that realizing the full potential, including ROI, from a given product is a combination of two factors. One, of course, is that the product itself must be a strong contender. The other is that the IT organization deploying the product must be capable of taking advantage of its strengths. Quality products combine robust functionality, reasonable cost, and minimal administrative overhead. However, less mature companies—those that lack clearly defined lines of communication between IT and the business, executive leadership, established processes, cross-functional collaboration, and/or supporting automation-- likely will not be able to derive full value from even the best products.

The consulting and IT organizations profiled in this case study meet these criteria. In doing so, they have been able to deliver high value to the business from product investments. For this reason, a final key takeaway is the “how”—how these companies went about the overall process of selecting, deploying, and supporting the products. The case study is designed to answer these questions, and in doing so will hopefully be of value to other companies seeking to achieve the same outstanding results.

## About Enterprise Management Associates, Inc.

Founded in 1996, Enterprise Management Associates (EMA) is a leading industry analyst firm that specializes in going “beyond the surface” to provide deep insight across the full spectrum of IT management technologies. EMA analysts leverage a unique combination of practical experience, insight into industry best practices, and in-depth knowledge of current and planned vendor solutions to help its clients achieve their goals. Learn more about EMA research, analysis, and consulting services for enterprise IT professionals and IT vendors at [www.enterprisemanagement.com](http://www.enterprisemanagement.com) or follow [EMA on Twitter](#).

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