

# ESTIMATING THE COST OF INCIDENTS

## HOW IT WORKS

- There are two cost streams mainly
  - Cost to the business because of the incident
  - Cost of providing services to resolve the incident

## COST TO THE BUSINESS

- Majority of the company only calculate cost to the business in the case of financial loss incidents.
- Mainly because, Such incidents
  - Happen infrequently
  - Have significant business impact
  - Affect groups of users we can more easily identify

## COST TO THE BUSINESS

- It can be easily done by
  - Assessing lost production hours
  - Assessing loss of profitability
  - Assessing damage to reputation

## COST TO THE BUSINESS

- It can only work for handful of Major incidents.
- Many routine incidents are much harder to assess
  - Some incidents have no cost
  - Some will have a cost that is quite difficult to calculate because it is connected with intangibles such as lost business opportunity.
  - Aside from going through each incident individually, it is impossible to calculate the cost

## COST TO THE BUSINESS

- Many organization uses cost brackets to identify an incident's cost.They are known as “cost code”
- Cost code is a way of approximating the actual cost of an incident.
- A person from incident response team or team leader can assign a cost code to each incident
- At the end of each financial year, Finance team can use cost code to get an aggregated value report for all the incidents the organization has faced.

## COST TO THE BUSINESS

- An example of Cost code can be
  - 0 – No Cost
  - 1 – 0 to 10,000
  - 2 – 10,000 to 20,000
  - 3 – 20,000 to 30,000
  - 4 – 30,000 to 40,000
  - 5 – 40,000 to 50,000

## COST OF INCIDENT MANAGEMENT

- There are certain factors that play a huge role in estimating the cost of incident management. Such as,
  - Throughput - The number of incidents logged or resolved in a month
  - Team Composition - Amount of people involved in incident management
  - Time Spent Estimate - Amount of time each member of the team spent behind incident management
  - Capital Expenditure - Purchase and maintenance cost of the equipment used by IRM team
  - Salary of the IRM team members
  - Overhead expenses for accommodation and training , etc for IRM team



## COST OF INCIDENT MANAGEMENT

Throughput	T
Time Spent Estimate	P
Capital Expenditure	C
Salary of employee	Y
Overheads Cost	H
Sum of all staff's cost	S

## COST OF INCIDENT MANAGEMENT

- Part I – Staff Cost Calculation
- Here, We will calculate the staff cost for an incident
- Formula –  $B = (Y/100) * P$
- You will get the output for one employee, We will need that figure for all employees involved in incident management.
- At the end the Staff cost  $S = B1 + B2 + B3 + \dots + Bn$

## COST OF INCIDENT MANAGEMENT

- Part 2 – Cost per incident
- Finally, Once we have staff cost with us. We can calculate cost per incident.
- Formula –  $CPI = (S + (S * H / 100) + C) / (T)$

## REFERENCE

- <https://www.seriosoft.com/blog/estimating-cost-incidents>
- <https://www.seriosoft.com/blog/estimating-cost-incidents-incident-management-process>