

Pink Elephant Guide

Service Management Strategies that Work

Guidance for Executives



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SERVICE MANAGEMENT STRATEGIES THAT WORK: GUIDANCE FOR EXECUTIVES

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Contents

Contents	V
List of Figures and Tables.....	VII
Acknowledgements	IX
About Pink Elephant	X
Foreword.....	XI
Preface.....	XIII
Chapter 1: Introduction: Business Alignment or Business Integration?	1
Chapter 2: IT Governance Unraveled	37
Chapter 3: The External Managed Service Provider	51
Chapter 4: Process Implementation	67
Chapter 5: Defining, Modeling and Costing IT Services	93
Chapter 6: The Federated CMDB.....	109
Chapter 7: Developing A Quality Driven Measurement Framework.....	117
Chapter 8: The Theory of Constraints and Continuous Service Improvement	135
Appendix 1: An example of a Communications Plan Matrix.....	141
Appendix 2: An example of a Process Dashboard Template	143
Appendix 3: Detailed Project Roles.....	145
Appendix 4: Bibliography	151
Appendix 5: Definitions.....	153
Appendix 6: About Pink Elephant.....	155

List of Figures and Tables

Figures

Figure 1.1: Service Dependency Model	8
Figure 1.2: Traditional IT silos	10
Figure 1.3: Business Engagement Model - Application Development ownership of client relationships	11
Figure 1.4: Portfolio Management	12
Figure 1.5: Job Description – types of work	13
Figure 1.6: Matrix IT Organization	14
Figure 1.7: Matrix Roles	15
Figure 1.8: Ownership Model 1 – Placing ownership within existing structures	19
Figure 1.9: Ownership Model 2 – IT Service Delivery function	21
Figure 1.10: SLM as the face of IT to the customer	23
Figure 1.11: Value Service Network	25
Figure 1.12: The evolving IT Service Organization	26
Figure 1.13: An example of end-state Service Delivery organizational design	28
Figure 1.14: Key roles for organizational governance	29
Figure 1.15: Key roles for Process Ownership and Governance	33
Figure 2.1: IT Governance Model	44
Figure 2.2: Typical roles in a large scale implementation	45
Figure 4.1: Process Re-engineering Model	68
Figure 4.2: Integrated Process Implementation Model	69
Figure 4.3: Basic High Level Process Model	74
Figure 4.4: High Level Process Model and Process Integration	74
Figure 4.5: Procedures to work instructions	76
Figure 4.6: RACI Matrix Template	79
Figure 4.7: Training timeline	86
Figure 5.1: Service Level Management	95
Figure 5.2: Business Processes	99
Figure 5.3: Object model and IT services	103
Figure 5.4: IT Costs	105
Figure 5.5: Service-based costing	106
Figure 5.6: Service-based costing – steps	107
Figure 7.1: The Measuring Process	117
Figure 7.2: Business Perspective on IT	120
Figure 7.3: Goals and Objectives	121
Figure 7.4: Links to ITIL	123
Figure 7.5: Measurement Framework	124
Figure 7.6: Implementation Steps	126
Figure 7.7: Productivity Approach	127

Tables

Table 2.1: IT governance – responsibilities and activities	40
Table 2.2: The IT Legislation Minefield	42
Table 4.1: Project Roles	73
Table 5.1: Service/system mappings	100
Table 7.1: A Measurement Grid	125
Table 7.2: Measuring Intangibles to Tangible	127
Table 7.3: Example Metrics – KPIs	128
Table 7.4: Example Dashboard of Key Performance Indicators	133

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About Pink Elephant

Pink Elephant is the world leader in IT management best practices, offering conferences, education, consulting services and ATLAS™ (a secure, web-enabled knowledge management system containing Pink's highly valued intellectual property), to public and private businesses globally. The company specializes in improving the quality of IT services through the application of recognized frameworks, including the IT Infrastructure Library (ITIL®). Pink Elephant has been involved in the 'ITIL project' since its inception in 1987, and was selected as an international expert to contribute to the ITIL V3 project. For more information, please visit www.pinkelephant.com.

Foreword

The Service Organization

It is the nature of ideas, processes, structures and functions to mature and change over time as the needs placed upon those concepts evolve. This is equally true of IT governance and the corresponding design of organizational structures and roles. The technology industry as a whole is undergoing a transformation, from one largely shaped by the leadership and personalities of individuals, to one that is becoming more defined, homogeneous and regulated. In parallel to this we see an evolution of IT management focus, moving away from a pure technology view to one focused on the needs and requirements of business partnership and integration.

To make the leap from technology management to business partnership, a cultural shift is required on the part of both the management staff of the IT organization, as well as the business customer they serve, to the effect that IT is recognized as an inherent and integral part of the business organization, as opposed to a unique and separate function.

It is precisely due to this understanding of interdependency that IT governance and legislation have established public reporting and audit requirements on IT processes and controls. The result of this awareness translates into the following statements:

- The financial results of a company are a direct result of its business processes.
- Business processes are dependent on, and automated by, IT services and systems.
- IT Services are directly impacted by the maturity and controls of IT processes.
- IT professionals have a direct impact on the consistency of IT processes.

From this perspective, the following are true:

- There is no separation between the business process and its underlying technology.
- IT organizations have to understand what services they provide, and implement the enterprise processes that deliver and support them.
- IT organizations have a business and legal requirement to understand and manage how IT services are built by technology components.
- IT governance and management structures have to be in place to manage both services and processes that span existing technology management silos.

This book represents a collection of advanced papers on various subjects related to the changing role of IT within a business focused service value network. Each paper was originally written as a discrete document and can stand alone on its content. The goal of this book is to assist organizations with understanding the impact of Service Management on various elements relating to IT Governance and to provide guidance on how to best apply a recommended approach.

Preface

IT Governance: A Compass without a Map?

Does your IT Governance output provide you with a detailed strategic blueprint and plan for business value generation, or is it a compass without a map?

Perhaps many of the IT management challenges that we face today are a reflection on the state of maturity of IT Governance structures and roles. This is due, in part, to the fact that many people disagree on the definition and role of IT Governance.

IT Governance is responsible for (defining, establishing and measuring) the enterprise IT (vision, strategy, policies, structures and capabilities) required to support business value generation and corporate governance requirements.

To use a building analogy, IT Governance is responsible for understanding business requirements, legislative constraints and technology opportunities. It then takes this knowledge and drafts the master blueprint and architecture for how to build, run and improve the IT organization.

In this blueprint key design decisions are documented:

- IT Accountability and decision-making framework
- Enterprise IT Policy
- The IT Service Portfolio and Architecture
- Organizational Structure and Supplier Model
- Operating Model, IT Capabilities/Processes
- Technology and IT Tool Standards
- IT Investment and Funding Models
- Performance Dashboard Characteristics

Based on this blueprint, it is the responsibility of IT Management (the skilled tradesmen who build based on the blueprint) to adopt, implement and comply with the established vision and strategies; however, it remains the responsibility of IT Governance to ensure that management does in fact implement and remains in compliance with the established blueprint. Without these elements clearly documented and communicated, IT management and project investment decisions are made blindly in isolation without consideration of, or in alignment with, an enterprise IT strategy.

The key words from this summary are **define**, **establish** and **measure**. The responsibility of IT Governance includes, but extends beyond, setting high level principles, policy and decision-making models (the compass). Unless IT Governance defines the details around its operating model (the map), the vision and strategy is limited and without context or direction.

The central problem is that many organizations view the role of IT Governance as too heavenly minded to be much earthly good. Their approach goes as far as developing a high level vision and strategy, but falls short of defining enough detail to support the creation of the IT organization they envision. Or, at the very least, what is defined at an executive level is not effectively communicated down to an operational level.

However, defining vision/strategy and establishing a blueprint is still only two out of the three key activities. To be ultimately successful, an executive-level measurement model or dashboard needs to be established for all aspects of the blueprint. The purpose of this dashboard is to initially create a baseline in order to identify gaps and priorities, and then to support continual improvement and ensure organizational compliance – what is not measured is not done!

This book will provide insight and strategies that work and are intended to support the creation of this blueprint.



1

Introduction

Business Alignment or Business Integration?

Many books and papers have been written on the subject of IT and business alignment. While not to downplay this important topic, one needs to ask why we are having this conversation. You don't see the equivalent concerns about HR and business alignment, Finance and business alignment or Engineering and business alignment. The very fact that these are relevant topics today tells us something about the current level of maturity of our industry.

Most IT organizations around the world are at the very early stages of a technology to service evolution. The challenge before us is to convince both the IT 'Techie' and the business customer that IT does not simply manage hardware and software.

As IT organizations evolve into a Service Delivery model, it is important to understand where the industry has come from and how Technology Management differs in focus from Service Management. Over the last 20 years IT planning, strategy, recruitment, skills training and incentive programs have focused on developing centers of technology excellence. We have hired and trained individuals to hone their technology skills in order to optimize and reduce cost around the use of new technology innovations. However, for the most part, education around a business perspective has largely been ignored. Nowhere is this clearer than the fact that, until very recently, most computer science degrees have been purely technology-focused and have little or no focus on teaching general business acumen.

There is a growing awareness that there is no real separation between the business process and the technology that underpins it. How do you separate Accounts Payable from SAP? Or, from a different perspective, why is the engineering group that builds an oil platform and the IT department that works along side them, to hook it up to the information network, seen as having a different position in the business organization. One group is considered as a business unit and the other as something unique and separate. The answer, of course, has to be that they are both enabling business functions and are not really different at all.

Perhaps the only real difference is a matter of time and the awareness of dependency and complete integration.

■ 1.1 Organizing IT – The Traditional Manufacturing Model

Since the early industrial revolution and the advent of modern manufacturing processes, pioneered by men such as Henry Ford for his famous Model T automobile, organizational design has focused on breaking apart complex processes into the smallest individual tasks.

The primary reasons for this decision were that, at the turn of the last century, the general workforce lacked highly skilled resources, since the majority of employees had recently moved from a rural cottage industry to an urban industrial model. In addition to the skills shortage, early industry was faced with severe challenges regarding general communication and collaboration tools. This created a need to simplify each person's task down to a set of focused and repeated activities.

However, as the organization still required the ability to maintain a fuller picture of the entire process, it created a foreman or manager position, to oversee a small set of related tasks performed by individuals, and then a middle manager to supervise that foreman and his related peers. Following on from this model, a senior manager was needed to oversee a set of middle managers who, in turn, managed similar teams. The resulting organization was comprised of large vertically oriented management pyramids or silos, focused on groups of like activities, where communication was relatively efficient vertically through the pyramid, but was extremely challenged when collaboration was required between silos. This management structure of task segmentation, coupled with the need to create layers of management roles to hold the bigger picture together, was the only practical way to accomplish large and complex objectives within the limitations facing the early industrial age. Thus was born our modern day organizational design.

To summarize: The only way for large groups of individuals to collaborate in complex processes, such as building a car, was to give each of them only one thing to do, and let them focus on doing that one thing to the mental exclusion of everything else.

For example, your job is to put brake pedals on the cars as they move past; you will do this as efficiently and as quickly as possible; this is what you are paid to do, nothing else; anything you do outside this task is someone else's job. These management structures are still used today, even though many of the reasons for their creation no longer apply.

In an IT context, this translates into management silos that are created around like technology domains or platforms, such as servers, databases or applications. Today in IT, you can see the culture of task segmentation clearly when the individuals in these entrenched silos, such as network administrators or application developers, believe fervently that they are doing the Service Desk a favor if they fix something. In their minds, responding to incidents

is someone else's job. The inherent problem with task segmentation is that, by the very act of breaking down the complex processes into individual tasks or activities, those who perform the individual tasks do not always understand the overall picture. For example, an IT service such as e-mail is never found within a single technology domain but is comprised of applications, servers, databases, etc. When we fail to understand clearly how an IT service is built, we lose critical management information.

We have lost sight of the forest by focusing on the trees.

Or perhaps an even more accurate statement is that we don't have a forest or trees problem, we have a bark problem – we are far too close to the technology issues to even envision that we have a problem.

To extend the car analogy just a bit further, compare the current management of IT based on technology silos to a *hypothetical* automobile repair shop that hires and focuses primarily on highly specialized mechanics, as opposed to also recruiting and training general practitioners. In this scenario they have recruited and hired the best wheel mechanics in the market. No one can remove tires faster or more efficiently than their technicians. They have developed entire certification models and career paths focused on this one activity. They base their performance evaluations entirely on how well they perform this specific activity and they get what they measure. However, these same star individuals would think nothing of whipping the tire off the car when it's moving down the highway rather than waiting until it is parked safely in the driveway (this may sound unlikely, but is exactly what happens when IT makes a change without consideration of the greater business impact). From their perspective, if they see any indication that the tire needs replacing, they do it immediately and efficiently without consideration that the car is an integrated solution. This is in effect how we manage and operate IT in a technology-focused IT organization which is not focused on, or aware of the business processes they support.

In this model the specialists know that there is a car, but it is the conceptual element that they do not comprehend. They certainly do not understand the full implication of the wheel (server, switch, application) to the car. They are probably aware of the axle, but little else. It would not occur to them to ask the driver whether now was a good time to change the tire, since they have never met him. In short, in this analogy the repair shop (IT) has specialized by task segmentation to the point where the staff have lost sight of the purpose of the task.

Similar to the automobile repair shop analogy, IT needs general mechanics as well as specialists that understand the entire workings and relationship of the major systems to support the service, in this example called *driver transportation*. IT performance measures currently focus on domain and technology management. Organizations that define horizontal IT services will also require performance measures related to the governance of services and processes.

The concept of general practitioner and specialist can also be observed in the medical profession, where there are general practitioners who understand the needs of holistic patient care as well as specialists who have expert knowledge in specific areas. However, historically and due to the incentive programs we have deployed, IT has a disproportionate number of highly specialized technicians in relation to general mechanics.

“Effective managers have long known that you manage by processes ... what’s new is the enabling technology ... the less developed information systems that supported command-and-control structures couldn’t do that. In fact, those structures – which can probably be traced back to the church and to the military as far back as Caesar – persisted precisely because for many years they were the only way to manage large complex organizations.”

Source: P. Allaire Chairman and Chief Executive Officer, Director of Xerox

■ 1.2 Technology vs Service Management

The evolution of a Service Management perspective begins with an awareness that a rudimentary responsibility of IT is to understand what services it provides. Following this, the second question then becomes: *How does any given IT component support an IT service which enables key business processes?* Until these two questions are understood, it is difficult to claim that IT is aligned with business goals. How do you claim to be aligned or integrated with the business if you don’t understand what IT services are, how they are built and how they are consumed by a business customer to produce products or generate revenue?

Have you ever stopped to consider that ITIL® is a Service Management Framework?

It sounds pretty basic and you may be wondering what is meant by this obvious statement. Consider that if ITIL is a Service Management framework this means that all of the processes have only one goal: To plan for, deliver and support IT services.

■ 1.3 Linear Service Catalogs vs. Dynamic Service Portfolios

While ITIL has always been referred to as an IT Service Management Framework, the primary focus up until now has been on the 10 Service Support and Delivery processes. In previous versions of ITIL, the concept of a ‘service’ has almost been an afterthought, or at least something you would get to later. Consider that in ITIL v2 the process of Service Level Management has, as one of its many deliverables, a Service Catalog, which can be summarized from the theory as a brochure of IT Services where IT publishes the services it provides with their default characteristics and attributes or Linear Service Catalog.

In contrast to this, a Dynamic Service Portfolio can be interpreted as the product of a strategic process where service strategy and design conceive of and create services that are built and transitioned into the production environment based on business value. From this point, an actionable service catalog represents the published services, and is the starting point or basis for service operations and ongoing business engagement. The services documented in this catalog are bundled together into ‘fit-for-purpose’ offerings which are then subscribed to as a collection and consumed by business units.

But what happens if an IT organization does not have services defined? Well then perhaps ITIL in its full application has limited value at this point in an organization’s maturity.

This is one of the primary reasons it continues to be a challenge to sell the benefits of IT Service Management to some companies. If the IT executive understands its total job to be the management and optimization of technology domains, and has little or no understanding or concern for what IT Services are, then the ITIL processes have limited value.

However, if it is understood that no technology component exists simply for its own right and that the individual components from various domains actually work together in connected cross platform systems that support IT services, then there is a significant need for enterprise IT processes that ensure a consistent delivery and support of those services.

In order to further understand the design of an IT organization that is based on services, it is important to define an IT service.

1.3.1 IT Service:

One or more technical or professional IT capabilities which enable a business process. Or from an ITIL version 3 perspective: ‘A service is a means of delivering value to customers by facilitating outcomes customers want to achieve without the ownership of specific costs and risks.’

An IT service exhibits the following characteristics:

- fulfills one or more needs of the customer
- supports the customer’s business objectives
- is perceived by the customer as a coherent whole or consumable product

Note: By this definition a service is a capability, not a technology solution or vertical domain such as a server environment or a business application.

Perhaps the easiest way to understand what a service is, is to consider the Application Service Provider (ASP model). In this model a business unit contracts for the capability of Client Relationship Management (CRM). The ASP manages all of the technical aspects of delivering

this application service with the business customer only caring about the outcome of being able to enable and automate their CRM processes.

1.3.2 IT System:

An integrated composite that consists of one or more of the processes, hardware, software, facilities and people, that provides a capability to satisfy a stated need or objective.

An IT system:

- is a collection of resources and configuration items or assets that are necessary to deliver an IT Service
- is sometimes referred to as a Technology Solution

Note: The technology system is the complete composite of IT components from various domains which, when brought together in a relationship, represent a value-added technology solution: for example, a Local Area Network or an application system such as an Enterprise Resource Planning solution. A system is not referring to the application as a stand-alone element, but to all of the components which build the complete solution (application, databases, servers and middleware, etc.).

1.3.3 Configuration Item (CI):

- CIs are a component of an IT infrastructure that is part of an IT system.
- CIs may vary widely in complexity size and type – from a document or policy to an entire system or a single module or a minor hardware component.

■ 1.4 Technical and Professional Services:

When defining IT Services it is necessary to understand that there are two basic types of services that IT provide. These two types can be loosely classified as either ‘Technical’ or ‘Professional’ services.

A ‘Technical Service’ is defined as a technology-based capability that the customer consumes or uses in order to facilitate a business process or function. Or a component service which supports another IT Service which is customer facing. Technical services can be further understood as either application services or infrastructure services.

1.4.1 Examples of Technical Services

General infrastructure services such as:

- messaging/email
- file/print
- network or internet access
- office or desktop productivity
- voice communications
- application hosting
- storage management

Application-based services such as:

- financial management systems
- HR support
- power generation applications
- refining and control systems

Note: It is best practice to name the application-based service as closely as possible to the name of the business process it supports. This will be a critical step in understanding the business impact of IT service or component failure.

When the IT service names are aligned with business processes, both the business customer and IT staff have a clearer understanding of how technology is aligned to meet business objectives.

A ‘Professional Service’ is defined as the value-added activities that IT staff provide in order to support, maintain, monitor or ensure the consistent and reliable delivery of the technical services.

1.4.2 Examples of Professional Services

- IT architecture and engineering
- IT security
- IT support
- project management services
- IT consulting
- application development and enhancement services

Note: It is very important that the IT organization takes the time to define professional services, since in most organizations over 60% of the annual IT budget is spent on these activities. If these services are not defined, all of this cost is reported as a non-value-added overhead. In summary, the organization that does not define as many valued-added professional services as possible looks very ‘fat’ when IT management is considering outsourcing.

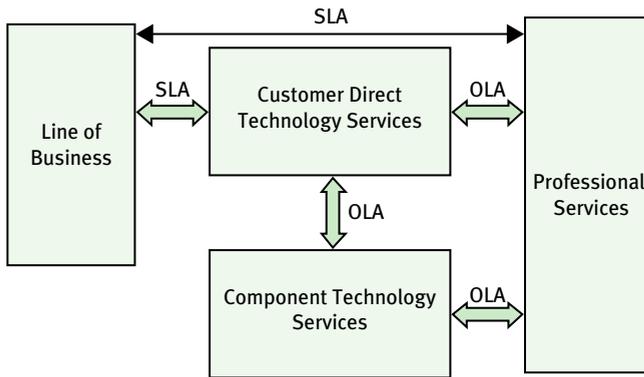


Figure 1.1: Service Dependency Model

In alignment with ITIL best practices, Service Level Agreements (SLAs) are developed between the business customer and IT, for those services which are customer facing. Internal Operational Level Agreements (OLAs) are developed for those services which support the delivery of customer direct services.

For example:

There is a customer facing SLA for the application service called Investment Banking, and it is supported by the following OLAs from component and professional services:

- application hosting
- storage
- data / LAN
- security management
- IT service continuity

There is a customer facing SLA for the infrastructure service called Desktop Automation which is supported by the following OLAs from supporting component and professional services:

- file / print
- incident management
- backup and recovery
- image management

To summarize, when a technology-focused IT organization does not understand IT services, it is challenging to create a strong enough business case for deploying ITIL processes and best practices. It is likely they will see some value in the support processes such as Incident, Problem and Change Management. However, it is likely that they will go no further until the

concept of an IT service is understood and appreciated. Why would a company ever do true Configuration Management, full Release Management or Service Level Management unless it needed to know how the technology comes together to deliver end-to-end services modeled in the CMDB?

An organization's readiness to address full Service Management and the resulting need to address the IT organizational structures related to it can be tracked through an observable cultural maturity model.

1.4.3 Level 1 – IT is project and portfolio focused but operationally challenged

Good processes and controls exist to evaluate, control and execute projects in order to ensure on time, on scope and on budget delivery of initiatives. However, once those projects arrive in production, the controls evaporate. In this model, little to no concern is given to the processes which need to receive and support the project deliverables once they are live. For this organization, Service Management disciplines makes sense while the project is being developed, but are not a concern once the project is closed, since the attention of management is now focused on the next big initiative. Alternatively to the controls and processes evaporating, it is also possible to see each project defining and deploying its own support processes for each major project. This results in many redundant and unconnected processes and tools since they are project specific.

1.4.4 Level 2 – IT realizes that availability and reliability of technology is tied to business success

At this point IT governance focus is shared between project execution and the management and optimization of an IT technology environment. Domain or IT platform owners are established, and multiple business cases are developed and approved to purchase domain focused monitoring tools. Each domain acquires its own technology to monitor its own assets from a variety of different vendors. If configuration information is managed regarding the technology components, it is typically represented by inventory lists maintained by each functional group to the level of integrity required by that group. At this point of maturity, the organization has begun to implement basic support functions such as Service Desk and Change Management but is struggling with compliance.

1.4.5 Level 3 – IT acknowledges that technology components do not live in mythical isolation

When an IT organization realizes that availability and reliability have to be looked at from an end-to-end solution or, in ITIL words, a service view, the need for a service orientation and for the CMDB become an issue. It is also at this point that the organization is ready to support the development and implementation of the processes that are required to keep a central source of data up-to-date.