


IT Service Value Management

How to Achieve Business Service Management



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Section 1.

INTRODUCTION

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Brought to You by NABSM.ORG

- **Founded 2007**
 - Collection of ITIL Education Veterans Wanting More Results
- **Industry Consortium**
 - Practitioners
 - Trainers
 - Consultants
 - Vendors

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Purpose of NABSM

- Many practitioners find themselves “stuck”
 - Certified but Unsure What to do Next
 - Uncertain How to “Do” ITIL® or ISO-20000
- How do we...
 - Accelerate the benefits of service management investments?
 - Where do we start? When do we stop?

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IT Service Value Management

- **Best of Best of Breed**
 - Joins key frameworks in simple workable models for fast results
- **Practical, Rational Approach to Aligning Business and IT**
 - Based on the latest industry research, best practices
 - Community feedback
- **Service Strategy**
 - Distinctive IT performance
 - Service Portfolio Management is Business Service Management
 - IT-SVM is the means to achieve SPM

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What IT Wants



Meet the changing demands of the business landscape. Provide tangible evidence of alignment. Move beyond the image of IT as a cost center. Be seen as an innovator and business enabler.



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State of IT 2008

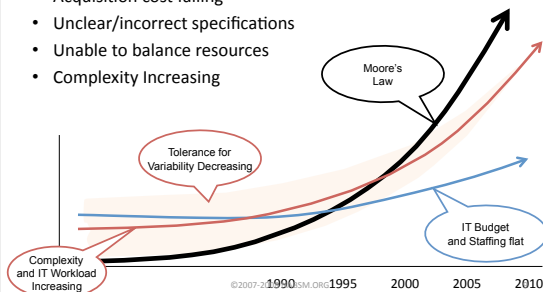
- 60¢ of every 1\$ spent on IT goes toward infrastructure
 - < 20% manage human capital/ measure systems or worker performance
 - Research identifies IT as the most stressful occupation on earth
- 8 out of 10 IT outages are caused by a failed change
 - 70% of support call result from incorrect operating procedures within IT
 - 30% of service calls come from customers using a service “the wrong way”
 - Only about 30% of all IT projects are successful
- 25% of all hardware and software purchases are never installed
 - 67% of IT organizations don’t track software assets
 - 90% of mid-market IT organizations use manual processes
- Mid-market IT organizations average 6 standalone IT software tools
 - Research shows that trying to use these tools together is a primary productivity and quality trap

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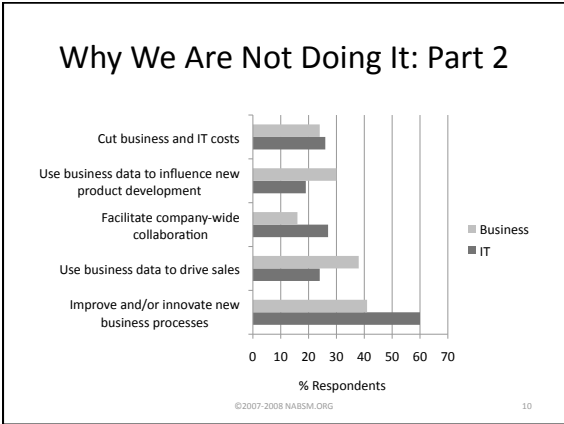
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Why We Are Not Doing It: Part 1

- Acquisition cost falling
- Unclear/incorrect specifications
- Unable to balance resources
- Complexity Increasing



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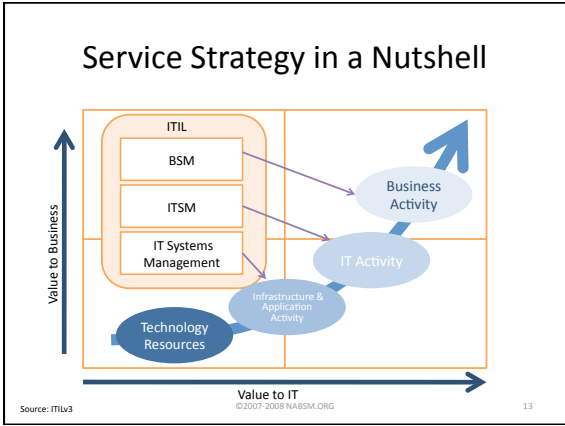


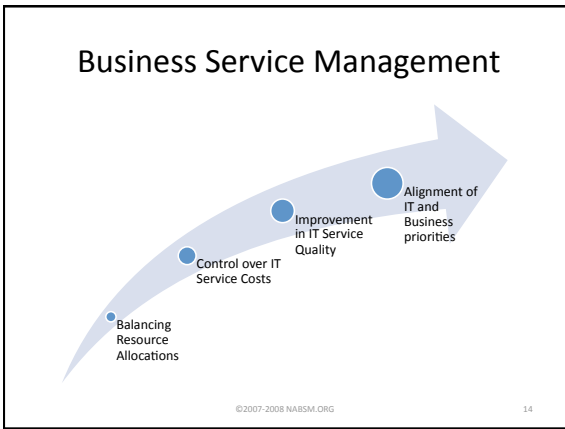
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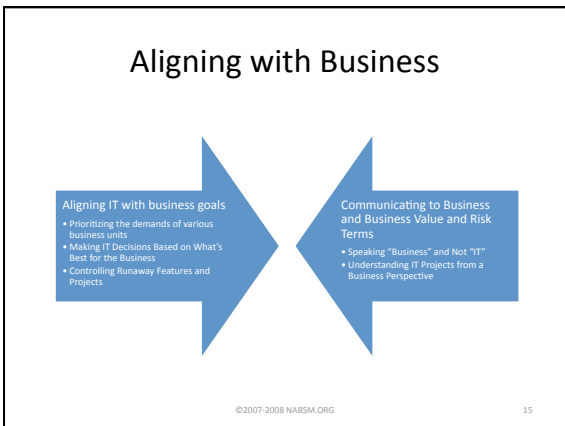
ROLE OF THE BUSINESS IN IT STRATEGY

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- ### Role of the Business in IT Strategy
- Manage by Service Value
 - Value is More Than Cost Controls
 - Value is allocating efforts and resources in ways that matter most to the business
 - Differentiating IT Providers From Competitors
 - Using customer proximity to be better than alternatives
 - Value is Only Visible In Enterprise Terms
 - It's more than "utility" and "warranty"
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IT Service Quality Improvements

IT Services Are Fundamental to Business Outcomes

Business Decisions Today Occur in Near Real-Time Many Business Decisions Require Vast Amounts of Information

IT Services Must Be Highly Available, Highly Performing, Secure and Invariant

Improving IT Service Quality Means Reducing Variability

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IT Cost Controls

Control over IT Service Costs Is a Recurring Theme

- IT Budgets Generally Represent a Significant Portion of Operational Expense
- The Majority of IT Budgets Are Typically Spent on IT Operations Versus Quality Improvements

Cost Control Does Not Always Equal Cost Reductions

- Many Studies Show Waste within IT Approaching 70¢ per Dollar
- Similar Studies Show As Little As 30% of IT Projects Actually Successfully Complete

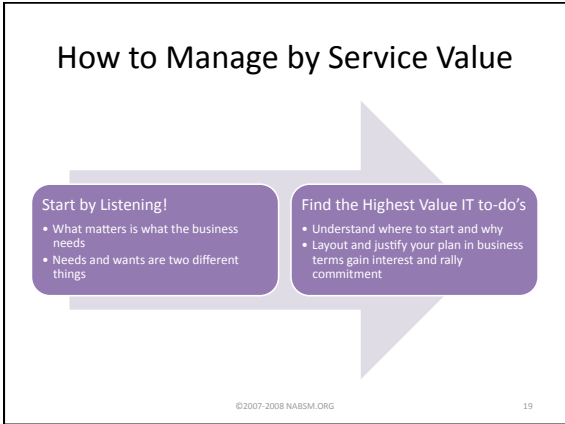
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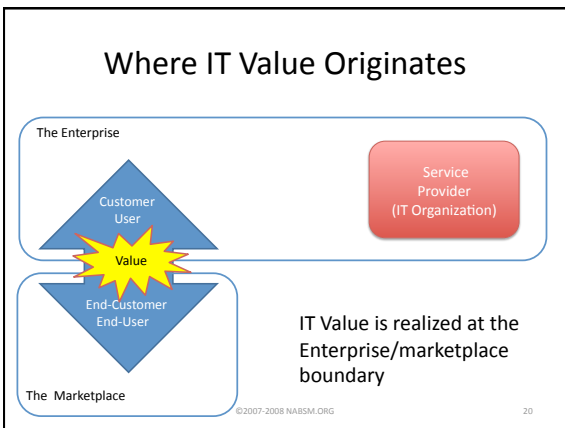
Balancing Resource Allocations

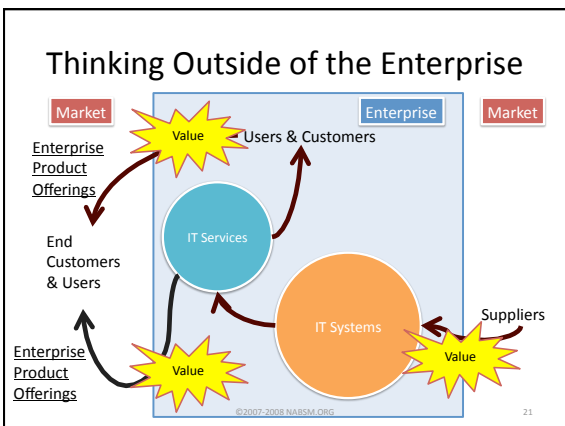
Positioning or Repositioning IT Resources for Maximum Business Benefit

- Assigning People Appropriately
- Canceling Inappropriate Projects
- Organizing Workflow According to Business Risk
- Maintaining Systems Versus Acquiring New Systems Where Appropriate

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Selective Improvement and Differentiated Value

- Organize processes and operational activities
- What do we do 1st, 2nd, 3rd and so on?
 - Which Process? Why?
 - In What Manner? How?
 - In What Order? When?
 - When do We Stop?

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Service Delivery Model

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IT Service Providers

Type 1	Type 2	Type 3
• Supports a Single Business Unit	• Supports All Business Units	• Enterprise Product Is IT Service

Ref: ITILv3 ©2007-2008 NABSM.ORG 24

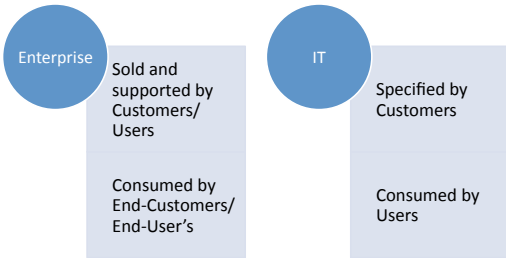
IT Service Consumers

- Customers/Users Are Internal to the Enterprise
- End-Customers/End-Users Are External to the Enterprise

	Internal	External
Acquires/Specifies IT Services	Customer	End-Customer
Uses IT Services	User	End-User

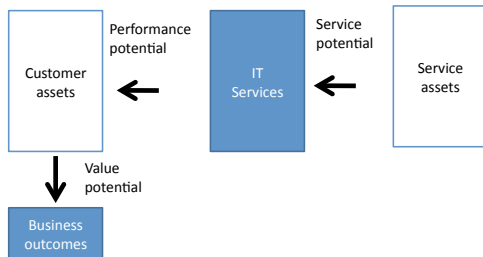
Ref: TMForum eTDM/NGOSS/SID, ITIL ©2007-2008 NABSM.ORG 25

Product Offerings



Ref: TMForum eTDM/NGOSS/SID ©2007-2008 NABSM.ORG 26

How IT Creates Value



Ref: ITIL v3 ©2007-2008 NABSM.ORG 27

Value Is Hard to Grasp

- Value Is Not:
 - Doing what you said or promised to do (warranty)
 - Always being “up” and performing (utility)
- Value Is In The Eye Of The Enterprise
 - IT Customers & Users Exist to Service End-customers & End-users
 - IT Must Enhance End-customers and End-Users Enterprise Experience

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Section 3.

HOW TO MAKE IT A STRATEGIC ASSET

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How to Make IT a Strategic Asset

- Service Strategy = BITA = BSM
 - Managing IT as a Portfolio Of Investments Purchased To Produce A Business Return
 - Business IT Alignment (BITA) top Goal
 - Leads quality improvement, managing complexity and cost reduction in surveys
 - Service Portfolio Management is BITA:
 - Manage Complexity, Show Value, Control Costs and Balance Resources

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Service Portfolio Management is BITA

“...Service Portfolio, one of the most vital yet often missing constructs for driving service strategies and managing service investments.”

– ITIL v3, Service Strategy, 5.3, Service Portfolio Management

– How to Make Service Strategy Actionable:

- Define services and validate business case (Service Catalog Management)
- Analyze service value and prioritize to balance demand (Financial and Demand Management)
- Measure quality (CSI, Service Level Management, Supplier Management)
- Authorize and allocate resources (Configuration, Change, SLAs, OLAs etc.)

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Service Strategy Components

Service Management	• ITIL, ISO-20000:1
Governance and Risk Management	• COBIT, M_o_R
Quality Management	• CMMI-SVC, SERVQUAL, SIX SIGMA, ISO-20000:2
Project Management	• PMI, Project+, PRINCE2

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Frameworks for ITSM

OGC	• ITIL v2 & v3 • FITS (Framework for ICT Technical Support)
Telemanagement Forum	• eTOM (Enhanced Telecom Operations Map*) • NGOSS/SID
ITU-T	• TMN (Telecommunications Management Network)
ISO	• FCAPS (Fault, Configuration, Accounting, Performance, Security) • ISO-20000:1

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IT Service Management

- ITIL says ITSM Controls Constraints to Deliver Value Customers Want without Costs and Risks

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Governance and Risk Management Frameworks

ISACA	• COBIT® (Control Objectives for IT)
OGC	• M_o_R® (Management of Risk)
Siemens	• CRAMM®

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Governance and Risk Management

- Governance is Ensuring that Policies and Strategy are done correctly
- Risk Management is identifying, assessing and controlling Risks
 - Possible harm or loss
 - Measured by the probability, Vulnerability and Impact

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Quality Frameworks

- CMMI (Capability Maturity Model Integrated)**
 - Capability \leftrightarrow Maturity
 - CMMI-SVC for service providers
 - ISO-20000:2
- SERVQUAL Service Quality Analysis Tool**
 - Includes Gap Analysis Capabilities
 - Measures Service Quality Based on Customer Satisfaction
- SIX SIGMA**
 - To Improve Variability/ Non-conformance

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Quality Management

- **SERVQUAL Says**
 - Service Quality Can Only Be Measured at the Point of Delivery
 - Any Other Measurement Is Simply a Prediction
 - Service Quality Is a Function of Capability
 - Measuring Quality Predicts Capability Gaps

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Project Management Frameworks

- Project Management Institute** • PMP, CAPM
- ISO** • 10006/10007
- CompTIA** • Project+
- OGC** • PRINCE2

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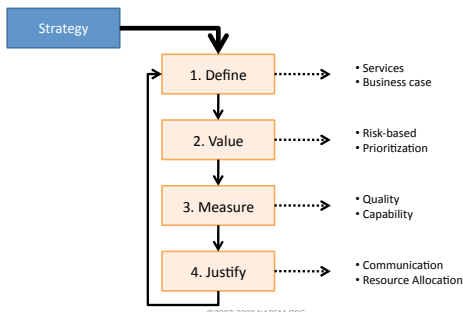
Project Management

- The Application of Controls to Activities
 - Defined Start, Stop and Objectives
- All IT Service Improvements are Projects
 - Should be Treated as Such
 - Missing from Most IT organizations
 - Most IT Projects Fail due to Lack of PM focus

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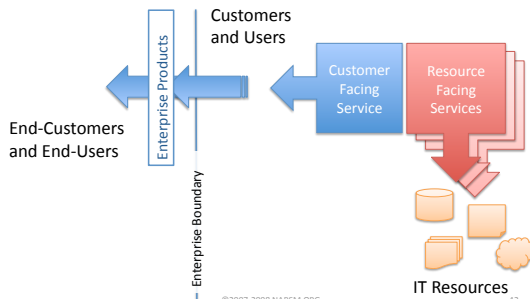
How to Align IT and Business



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Define Services and Validate Business Case



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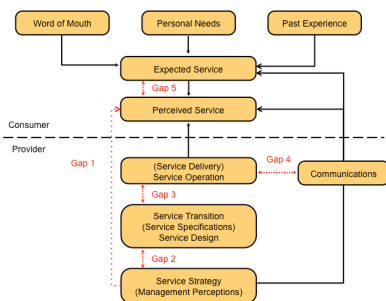
Analyze Service Value And Prioritize To Balance Demand

- Value services based on risk to the business
 - Risk is the most accurate measure of value
 - Something business understands
 - Work with customers to give each service a risk score – its value
- Take into account:
 - Confidentiality
 - Customer Churn x Cost of Customer Acquisition
 - Fees, Fines, Taxes, Human Resources, Liability, Costs
 - Integrity
 - Environmental and Image
 - Competitive and Industry
 - Availability
 - Replacement Costs
 - Outage Costs, Business Impact & Revenue

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Measure Quality

- Quality from the outside
- Capability from the inside
- Developing an action plan



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Selective Improvement = Differentiated Value

- “No one ever bought a ¼” drill because they wanted a drill – they wanted a ¼” hole.”
 - Justify in business terms from service valuation step
- Knowing when to stop is important
 - Beware Scope Creep
- Repeat Until Good Enough
 - “Good Enough is Perfect”

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Section 4.

COMPETITIVE ADVANTAGE FROM IT

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Don't Start with Process

- Start with Analysis:
 1. Define Services; Reference: SID
 2. Value Services; Reference: CRAMM Phase 1
 3. Measure Services
 1. Reference: SERVQUAL (external)
 2. Reference: CMMI-SVC (internal)
 4. Choose Projects; Reference: PMI
 1. Benchmark for ITSM; Reference: ISO-20000

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IT-Service Value Management

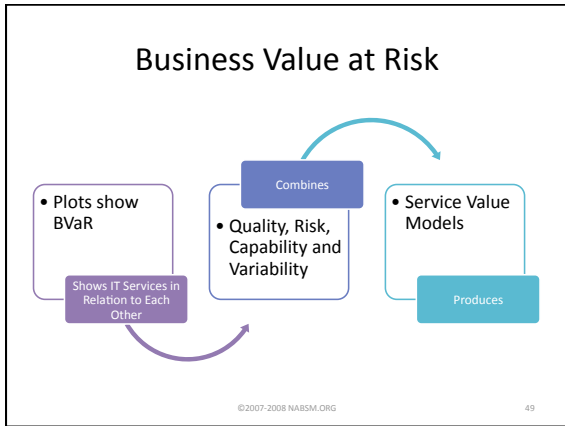
Solve the IT Service Definition Problem

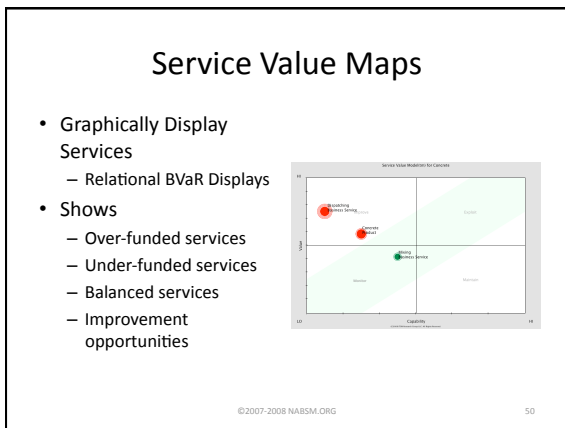
Get to the Bottom of IT Service Performance Measurement

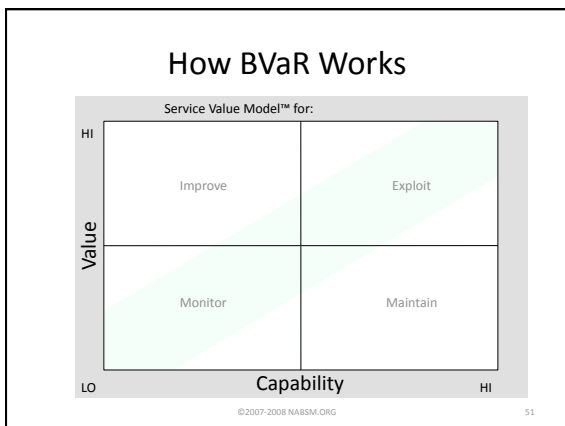
Rationalize IT Service Valuations

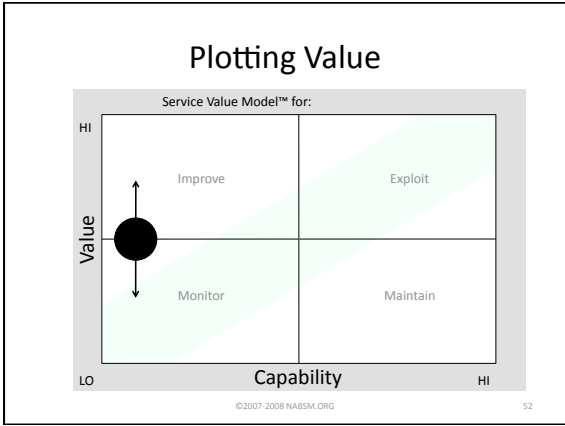
Workout how to Choose and Justify IT Service Improvement Projects

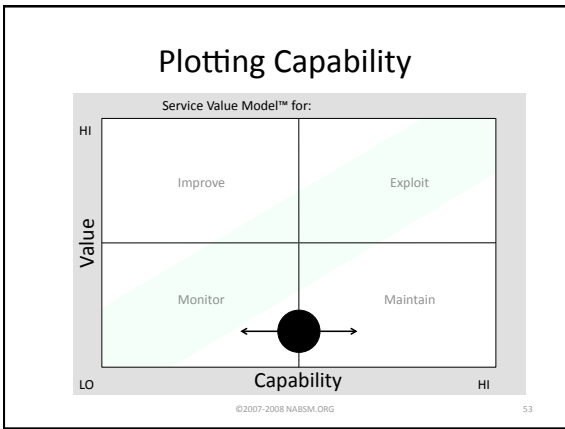
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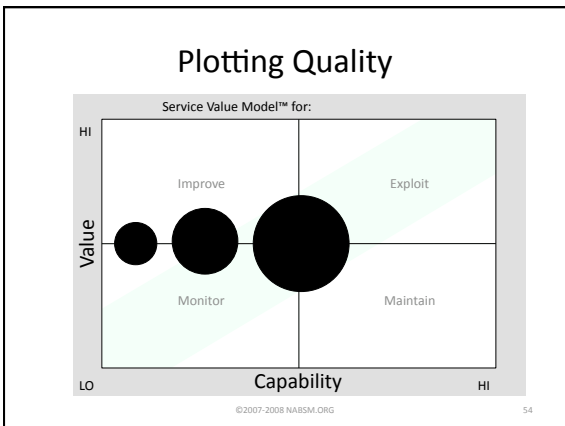


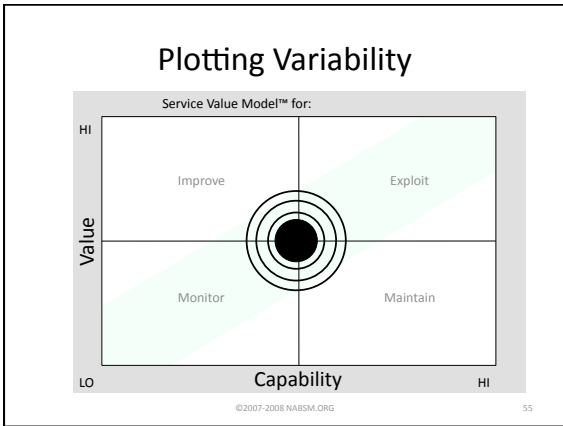


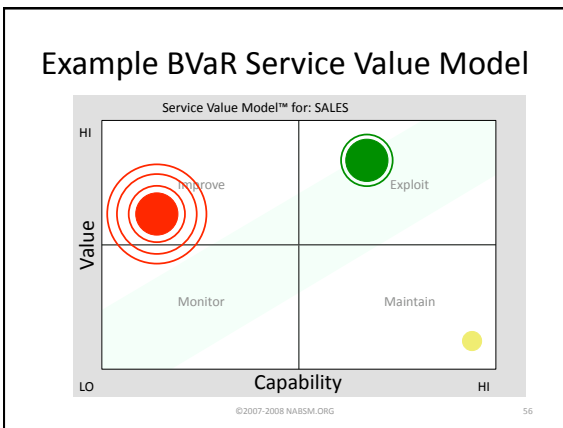


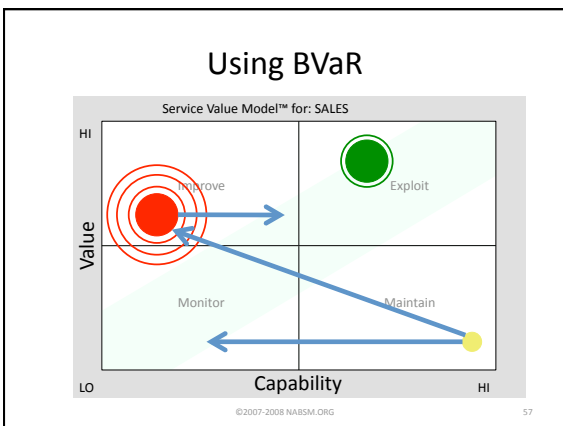












Section 5.

DEFINING IT SERVICES IN BUSINESS TERMS

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Defining IT Services in Business Terms

Requires Business Involvement

Requires a Model Taking into Account the Marketplace

TMForum SID

- Includes Important Marketplace Concepts
- Expands upon the ITIL Definitions

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ITIL and IT Services

Includes some important elements

- Utility and warranty
- Service Strategy/SPM
- Business Outcome Focus
- Importance of Marketplace
- Business, Technical/Infrastructure, and Core and Supporting services

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TMForum

ITIL Complimentary Guidance

www.tmforum.org
Telephone, Cable, Carrier of Record
"Think Tank"

eTOM/NGOSS/SID

Shared Information and Data Model (SID)
End-Customers and End-Users
Products, Products offerings
Customer Facing Services
Resource Facing Services
Resources

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Product Offerings

Abstraction of What is Marketed and Sold

Enterprise Offerings

- What the Enterprise Offers to its Marketplace
- Durable Goods, Services

IT Offerings

- What an IT Service Provider Offers to its Consumers
- Services

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Enterprise Offerings Define IT Offerings

- Users sell and Service End-Customers
 - Sales, Marketing, Shipping, Manufacturing, etc.
- IT Services Support User Activities
 - Selling, Marketing, Shipping, Manufacturing, etc.

- Enterprise Product
 - Trash Removal
- IT Products
 - Dispatching
 - Route planning
 - Telephone
 - Fleet Logistics
 - Etc.

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IT Product Offerings

The "box" the "IT product" comes in

Name	Definition	Services
<ul style="list-style-type: none">The What the user consumes and the customer acquires	<ul style="list-style-type: none">How service is acquired and supported	<ul style="list-style-type: none">IT functionality

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Important Roles in IT Service Definition

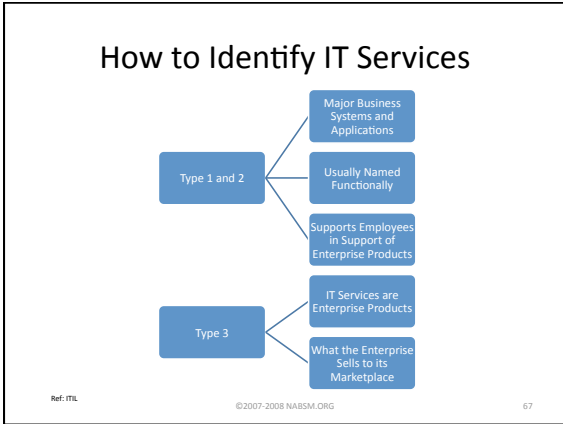
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graph TD; EC[End-Customers] --- EC1[Specify or Acquire Enterprise Products]; EC --- EC2[Typically Make Decision Based on Offerings]; EU[End-Users] --- EU1[Consume or Use Enterprise Products]; EU --- EU2[In Many Cases End-Users Work for End-Customers]; EU --- EU3[Typically Interacts with the Enterprise More Than the End-Customer];
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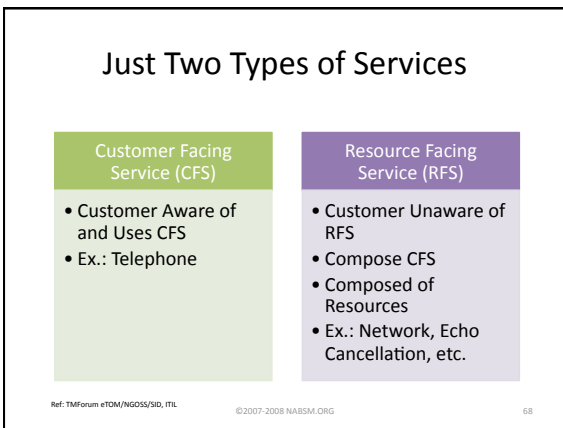
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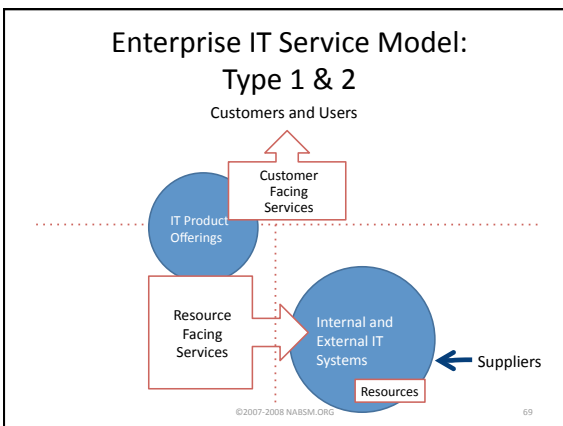
Customers and Users

```
graph TD; C[Customers] --- C1[Specify or Acquire IT Products]; C --- C2[Typically Make Decision Based on IT Offerings]; U[Users] --- U1[Consume or Use Enterprise Products]; U --- U2[In Many Cases Users Work for Customers]; U --- U3[Typically Interacts with the Marketplace More Than Does the Customer];
```

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How to Spot CFS

Common Applications and Systems

Users Carry out Business of the Enterprise with CFS

Two rules:

- Perception while Using the Service
- Ability to Acquire the Service

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Perception of the Service

- Rule #1
 - Does the User Know They are Using the Service?
 - ✓ Then it's Probably a CFS

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Ability to Acquire the Service

- Rule #2
 - Can it be Specified by Customer/End-Customer?
 - Can it be Acquired by Itself?
 - ✓ Then it's probably a CFS

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How to Spot RFS

Those Systems that are NOT CFS!

- Compose CSF
- Can't be used directly
- Can't be acquired by itself
- Composed of discrete Resources, not Services

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Resources

Discrete devices,
software, etc.

Hardware

Software

Network

People

Data

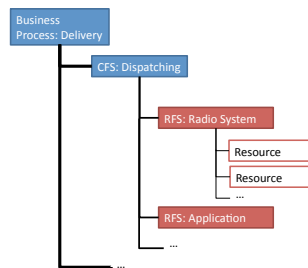
BUT NOT SERVICES!

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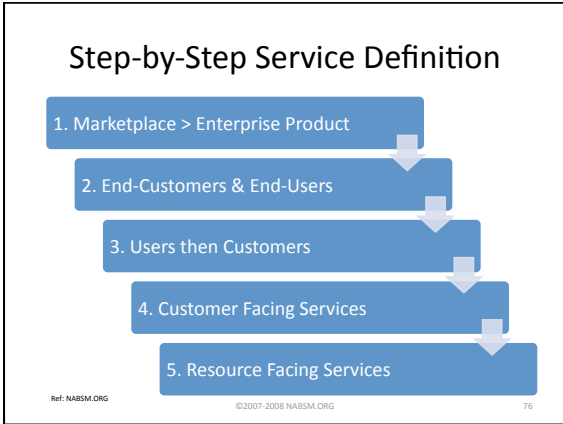
Completed IT Service Definitions

- Complete a Service Definition for Each Customer Facing Service



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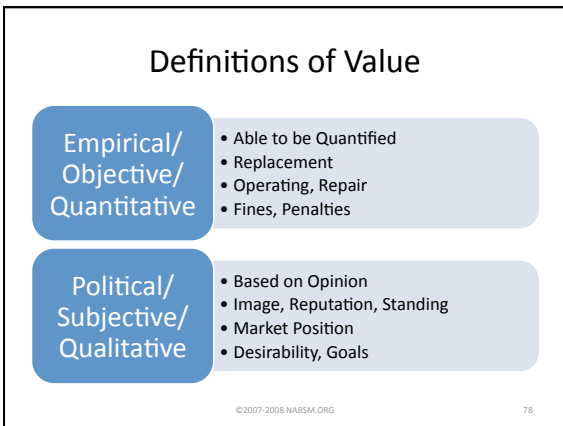
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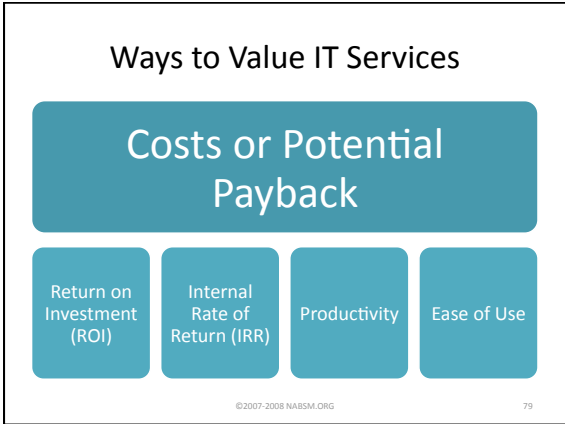


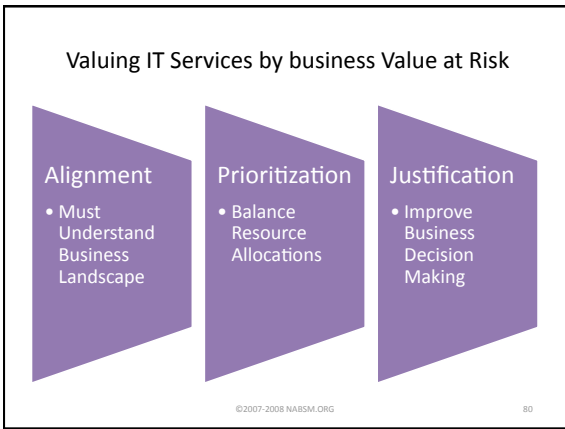
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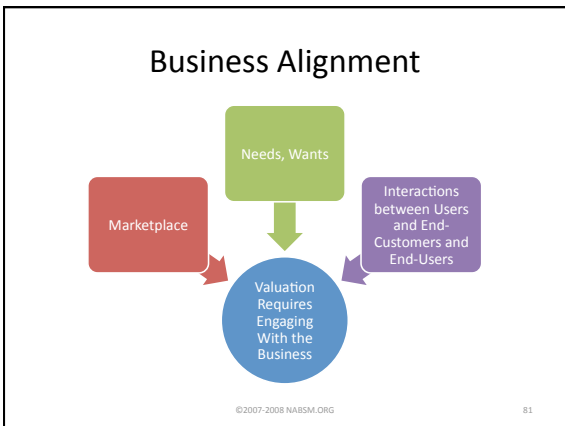
VALUING IT SERVICES BY BUSINESS VALUE AT RISK

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- ### Risk-based Value
- Work with Service Owners and Customers
 - Identify Threats
 - Confidentiality, Integrity, Availability
 - Understand Impact
 - Cost Should Threat Materialize
 - Calculate Value
 - Impact x Cost
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Example Service Valuation

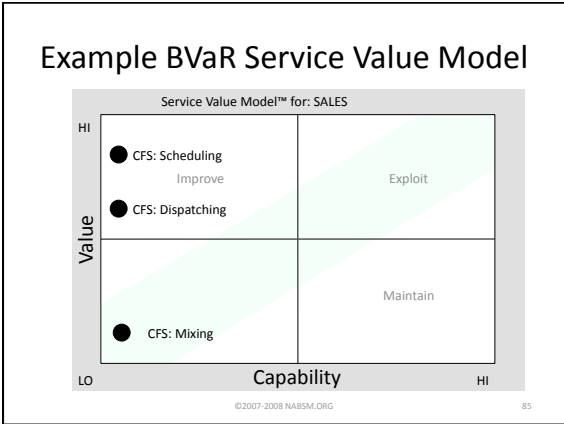
- Determine Value of CIA (Impact X Cost)
- Offset for BVaR Service Value Model
 - $1 + ((39 \times 6) / 100) = 3.34$

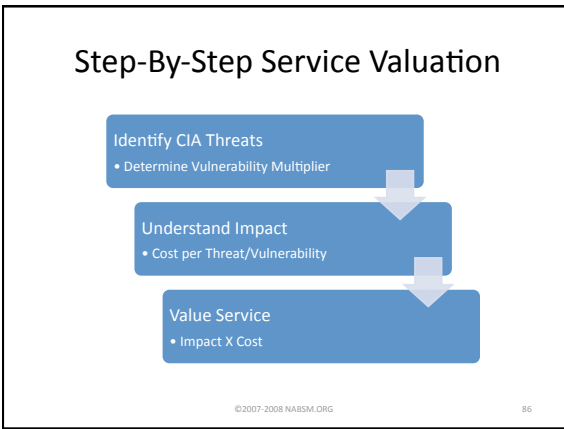
Service: Email
Owner: H. Martin

	Confidentiality	Integrity	Availability
Impact	4	10	3
x Cost	5	8	6
	20	80	18
Score			39

Value: 3.34 of 6

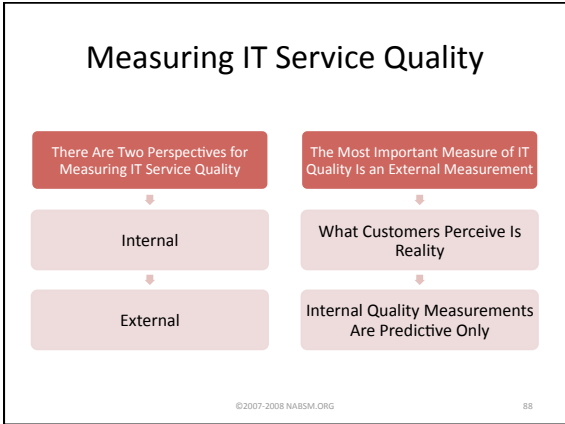
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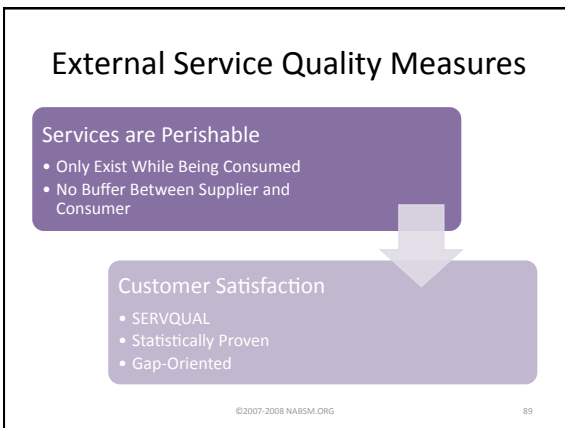


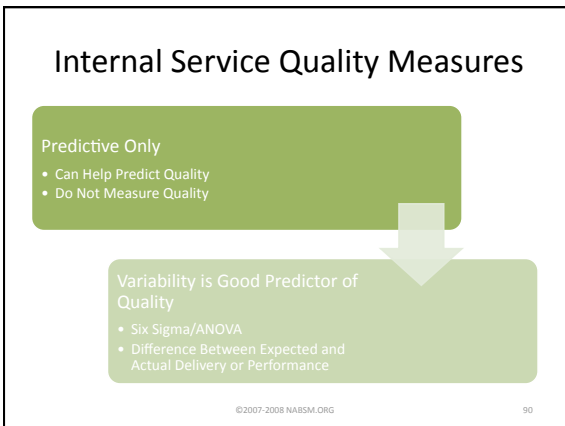


Section 7.
MEASURING IT SERVICE QUALITY

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Internal Organizational Quality

Capability = Organizational Quality

- CMMI-SVC
- ISO/IEC-20000





How the Organization Works Has the Direct Impact on:

- Internal Service Quality
- External Service Quality

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Quality Measured by Gap Analysis





The Difference between What Is Desired or Expected and What Is Measured

- Valid Means to Measure Internal and External Quality

Applies Equally to

- Six Sigma (Variability)
- CMMI-SVC/ISO-20000 (Organizational Quality)
- SERVQUAL (IT Service Quality)

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Gaps Model Example

- A SERVQUAL Survey Showed Each Dimension As Follows:

Dimension	Perception	Expectation
Tangibles	5.4	2.4
Reliability	5.6	4.6
Responsiveness	3.2	3.5
Assurance	6.2	3.4
Empathy	2.8	4.2

- What dimension should be emphasized?

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Gaps Model Analysis

- Perception – Expectation = Difference
 - Tangibles: $5.4 - 2.4 = 3.0$
 - Reliability: $5.6 - 4.6 = 1.0$
 - Responsiveness: $3.2 - 3.5 = -0.3$
 - Assurance: $6.2 - 3.4 = 2.8$
 - Empathy: $2.8 - 4.2 = -1.4$

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Example BVaR Service Value Model: Including Quality Gap

Service Value Model™ for: SALES

<p style="font-size: x-small;">HI</p> <p style="font-size: x-small;">● CFS: Scheduling Improve</p> <p style="font-size: x-small;">● CFS: Dispatching</p> <p style="font-size: x-small;">● CFS: Mixing</p> <p style="font-size: x-small;">LO</p>	<p style="text-align: center; font-size: x-small;">Exploit</p> <p style="text-align: center; font-size: x-small;">Maintain</p> <p style="text-align: center; font-size: x-small;">HI</p>
Value	Capability

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Example BVaR Service Value Model: Including Variability Gap

Service Value Model™ for: SALES

<p style="font-size: x-small;">HI</p> <p style="font-size: x-small;">● CFS: Scheduling Improve</p> <p style="font-size: x-small;">● CFS: Dispatching</p> <p style="font-size: x-small;">● CFS: Mixing</p> <p style="font-size: x-small;">LO</p>	<p style="text-align: center; font-size: x-small;">Exploit</p> <p style="text-align: center; font-size: x-small;">Maintain</p> <p style="text-align: center; font-size: x-small;">HI</p>
Value	Capability

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Measuring Capability

Examine for Presence or Absence of Process

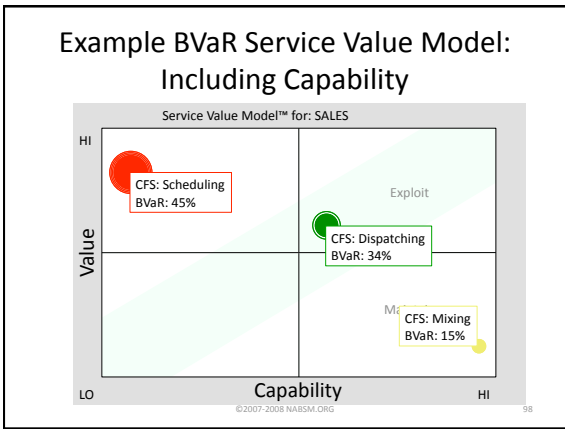
- CMMI-SVC
- ISO/IEC:20000

↓

Lower Score Predicts Lower Quality

- Unable to Predict Precisely Where

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Using Gap Analysis

BVaR Encapsulates Quality, Risk and Value

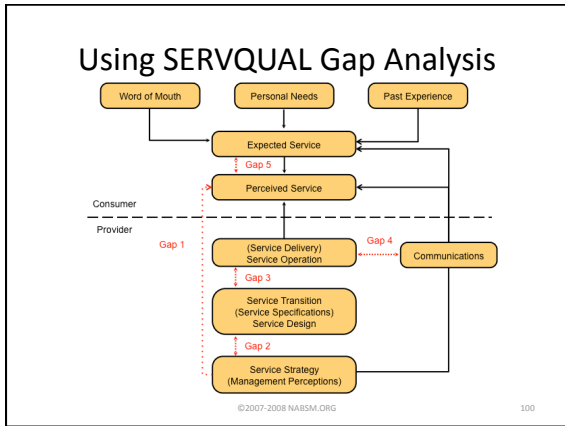
- Base IT Resource Allocation Decisions on BVaR
- Justify IT Projects Based on BVaR

↓

Filling the Gaps

- Gaps Represent IT Service Improvement Opportunities

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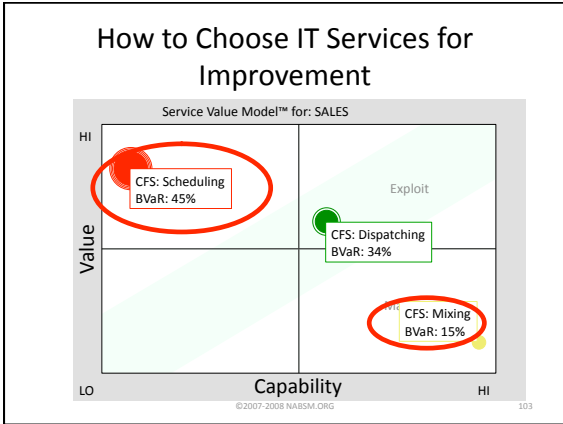


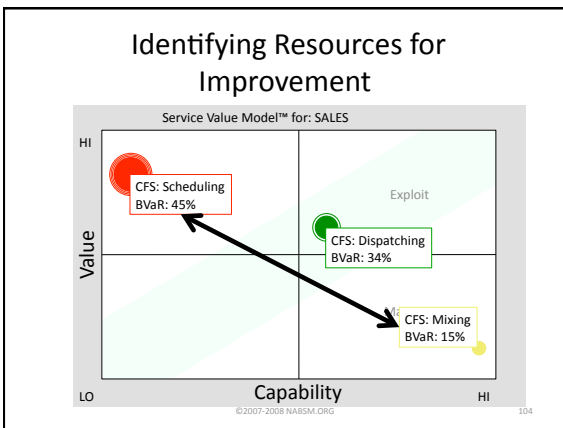
Section 8.

CHOOSING IT SERVICES FOR IMPROVEMENT

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- ### Choosing IT Services for Improvement
- IT-SVM Service Value Models and BVar
 - Most Important Service
 - Service Most Needing Improvement
 - Most over Supported Service
 - Use Information Gathered during Valuation Interviews with Customers
 - Forge Relationships with Customers and Service Owners
 - Use Their Own Words and Turn Them into Advocates
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- ### Business Justification
- Base the IT Service Improvement Project on Business Outcomes
 - Reduced Impact and/or Benefit from the Impact of Confidentiality, Integrity, and Availability Risks
 - Avoid “Soft” Benefits
 - Productivity Improvements
 - Cost Reductions Not Justified or Defined and Quantifiable Business Marketplace Terms
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Use Proven Project Management Techniques

- Reviewing Corporate and IT Strategy
 - Identify Business Drivers (BVar)
 - Identify a business Champion & sponsor
 - Identify Customers and Critical To Quality needs
 - Confirm with stakeholders
- Analyze current performance (SERVQUAL, CMMI)
 - Review with stakeholders
 - Develop Initial Program Requirements
- Assemble the team
 - Develop team charter
 - Form and train team
 - Produce high-level process maps


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Summary

IT-SVM and Service Portfolio Management is how to:



Meet the changing demands of the business landscape. Provide tangible evidence of alignment. Move beyond the image of IT as a cost center. Be seen as an innovator and business enabler.



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The End

Thanks!

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