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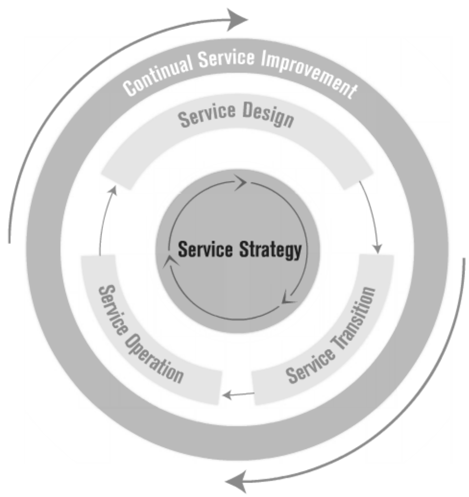
Service Strategy



Service Strategy – Value to the Business (1/2)

- Service Strategy provides the following *Value to the business*
  - Support the ability to link activities performed by the service provider to outcomes that are critical to internal or external customers
  - Enable the service provider to have a clear understanding of what types and levels of service will make its customers successful
  - Enable the service provider to respond quickly and effectively to changes in the business environment, ensuring increased competitive advantage over time

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Service Strategy – Value to the Business (1/2)

Support the ability to link activities performed by the service provider to outcomes that are critical to internal or external customers. As a result, the service provider will be seen to be contributing to the value (and not just the costs) of the organization

Enable the service provider to have a clear understanding of what types and levels of service will make its customers successful and then organize itself optimally to deliver and support those services. The service provider will achieve this through a process of defining strategies and services, ensuring a consistent and repeatable approach to defining how value will be built and delivered that is accessible to all stakeholders

Enable the service provider to respond quickly and effectively to changes in the business environment, ensuring increased competitive advantage over time.

Service Strategy – Value to the Business (2/2)

- Support the creation and maintenance of a portfolio of quantified services that will enable the business to achieve positive return on its investment in services
- Facilitate functional and transparent communication between the customer and the service provider
- Provide the means for the service provider to organize itself so that it can provide services in an efficient and effective manner

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Service Strategy – Value to the Business (2/2)

Support the creation and maintenance of a portfolio of quantified services that will enable the business to achieve positive return on its investment in services.

Facilitate functional and transparent communication between the customer and the service provider, so that both have a consistent understanding of what is required and how it will be delivered.

Provide the means for the service provider to organize itself so that it can provide services in an efficient and effective manner.

Why have a Service Strategy?

Strategies for services vs. services for strategies

- Strategies for Services: Every IT organization needs to develop strategies for the services they deliver, in other words, defining a strategy for how to manage those services. These strategies are crucial to be successful "in the market".
- Services for Strategies: Service providers should provide value to the business, which is part of business/IT alignment. The IT Service Provider needs to define a strategy whereby a it will deliver services to meet or enhance a customer's business outcomes.

Strategy, in the context of Service Management, is used by service providers to:

- Attain market focus: Deciding where and how to compete
- Distinguish capabilities: Develop service assets that the business appreciates

Strategy is about looking at the long-term vision of an organization or of a service.

- What is the purpose of the organization as a whole?
- What service should the IT organization offer and to whom?
- How do we create value for our customers?
- How do we choose between different paths for improving service quality?
- How can success be assured on the long term?

Service Strategy – Main Purpose

The purpose of the service strategy stage of the service lifecycle is to define the perspective, position, plans and patterns that a service provider needs to be able to execute to meet an organization's business outcomes.

In order to implement the best Service Strategy, every IT organization must understand how:

- To provide value to their customers
- To differentiate themselves from others providers

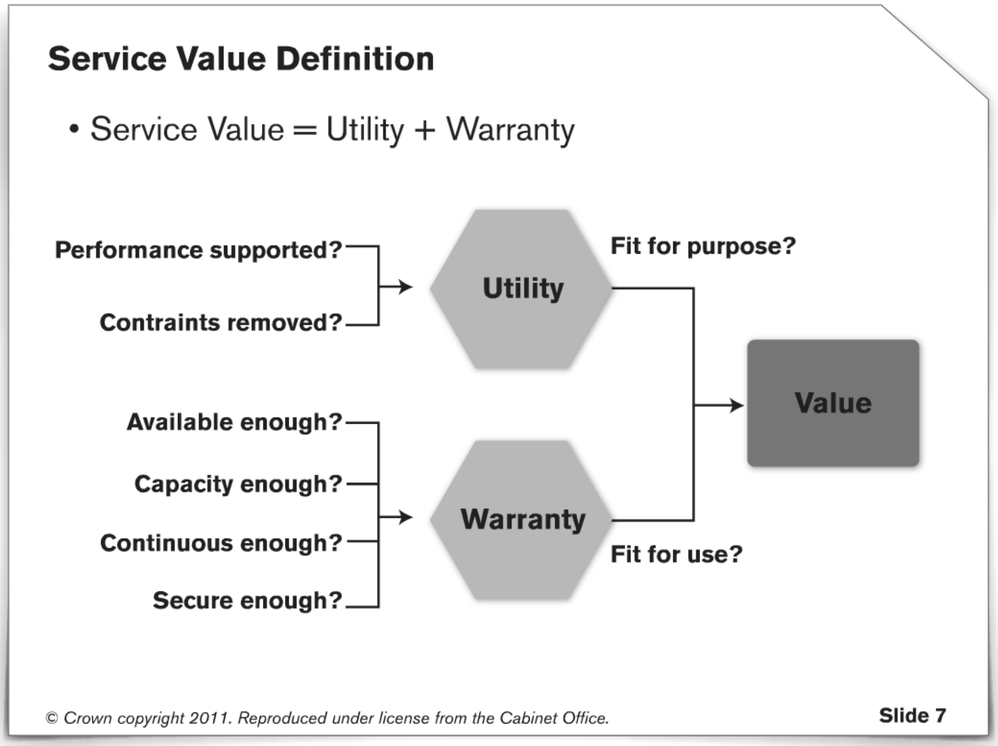
For external providers, this strategy will be obvious; however, it should also be key to internal providers as they are (or will be) benchmarked against the market. Internal providers will need to prove their proficiency.

Service Strategy – Objectives

The objectives of service strategy include providing:

- An understanding of what strategy is
- A clear identification of the definition of services and the customers who use them
- The ability to define how value is created and delivered
- A means to identify opportunities to provide services and how to exploit them
- A clear service provision model, that articulates how services will be delivered and funded, and to whom they will be delivered and for what purpose
- The means to understand the organizational capability required to deliver the strategy
- Documentation and coordination of how service assets are used to deliver services, and how to optimize their performance
- Processes that define the strategy of the organization, which services will achieve the strategy, what level of investment will be required, at what levels of demand, and the means to ensure a working relationship exists between the customer and service provider.

As business constantly evolves, any Service Strategy should be revised regularly (at minimum annually) to check if the strategy is still aligned with the needs and direction of the business.



Service Value Definition

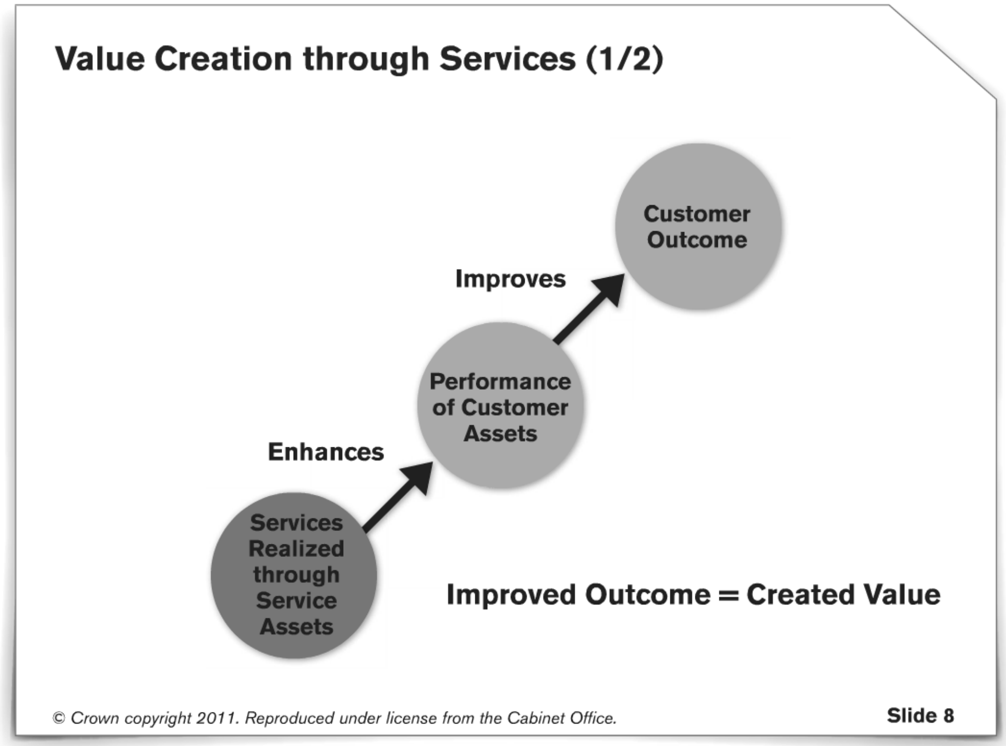
Service Value = Service Utility + Service Warranty

Service Utility defines the functionality of an IT service from the customer's perspective (i.e., what the service does) and in terms of the increase in possible gains from the performance of the customer's assets. Utility, as perceived by the customer, is the service attributes that have a positive effect on the performance of tasks associated with desired business outcomes. This means that the service is **fit for purpose**.

Service Warranty for a service provides the customer with a level of reassurance and guarantee to meet agreed upon requirements. Warranty will minimize possible losses for the customer due to variations in performance (examples of which may include: availability, capacity, continuity, security, etc.). Warranty will have a positive effect when available as needed in sufficient capacity. Being dependable in terms of continuity and security means the service is **fit for use**.

It is normal for customers to be skeptical about a service's potential value when there is uncertainty surrounding the service output. Backing up the **utility** of a service with a **warranty** will insure the customer's confidence.

If there is little or no difference in the market regarding the warranty, then the IT organization should use the utility criteria to differentiate itself. Utility alone is necessary but not sufficient; utility is backed up by warranty so that customers do not worry about possible losses due to poor performance or performance variations.



Value Creation through Services (1/2)

Customers (i.e., the customers of IT) create value for *their own customers* through the services or products they offer. The means to offer these services is provided by their assets (later referred to as ***customer assets***). IT organizations can, therefore, create value for their customers by enhancing the performance of these customer assets (through new or enhanced services).

By improving the outcome of the service's impact on customer assets, the value of a service may then be measured.

As seen previously, the value creation of a service is based upon the combined effect of its *utility* and *warranty* attributes. Value creation can then be increased by one of those two factors. Both are necessary, neither are sufficient alone.

Services can be of different types: they can maintain, increase or restore the performances of customer assets and, therefore, the customer outcomes.

Some examples of outcomes are described below:

- Increase in throughput of business process
- Increase in customer satisfaction
- Decrease in fixed costs of business process

Value Creation through Services (2/2)

- Service Value
  - Calculating the economic value of a service can sometimes be straightforward in financial terms
  - Value does not have to be defined strictly in terms of the customer's business outcomes; it is also highly dependent on customer's perceptions
  - Perceptions of value are influenced by expectations
  - IT organizations must shift their emphasis from efficient utilization of resources to the effective realization of business outcomes

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Value Creation through Services (2/2)

Calculating the economic value of a service can sometimes be straightforward in financial terms. In other instances, however, it is harder to quantify the value although it may still be possible to qualify it. Value is defined not only strictly in terms of the customer's business outcomes: it is also highly dependent on customer's perceptions. Perceptions are influenced by attributes of a service that are indications of value, present or prior experiences with similar attributes, and relative endowment of competitors and other peers. Perceptions are also influenced by the customer's self-image or actual position in the market, such as those of being an innovator, market leader, and risk-taker. The value of a service takes on many forms, and customers have preferences influenced by their perceptions.

Customers are reluctant to buy when there is ambiguity in the cause-and effect relationship between the utilization of a service and the realization of benefits. It is incumbent on providers to demonstrate value, influence perceptions, and respond to preferences. Perceptions of value are influenced by expectations.

Focus on business outcomes over everything else is a critical advance in outlook for many service providers. It represents a shift of emphasis from efficient utilization of resources to the effective realization of outcomes. Customers do not buy services; they buy the fulfilment of particular needs. This distinction explains the frequent disconnection between IT organizations and the businesses they serve. What the customer values is frequently different from what the IT organization believes it provides.

Core, enabling and enhancing services (1/2)

Core services deliver the basic outcomes desired by one or more customers. They represent the value that the customer wants and for which they are willing to pay. Core services anchor the value proposition for the customer and provide the basis for their continued utilization and satisfaction.

Enabling services are services that are needed in order for a core service to be delivered. Enabling services may or may not be visible to the customer, but the customer does not perceive them as services in their own right. They are 'basic factors' which enable the customer to receive the 'real' (core) service.

Enhancing services are services that are added to a core service to make it more exciting or enticing to the customer. Enhancing services are not essential to the delivery of a core service, and are added to a core service as 'excitement' factors, which will encourage customers to use the core service more (or to choose the core service provided by one company over those of its competitors).

To illustrate this in another context, the core services of a bank could be providing financial capital to small and medium enterprises. Value is created for the bank's customers only when the bank can provide financial capital in a timely manner (after having evaluated all the costs and risk of financing the borrower).

Core, enabling and enhancing services (2/2)

	Core service	Enabling service	Enhancing service
IT services (office automation)	Word processing	Download and installation of updates	Document publication to professional printer for high-quality brochure
IT services (benefits tracking)	Employees of a company can monitor the status of their benefits (such as health insurance and retirement accounts).	A portal that provides a user-friendly front-end access to the benefits tracking service.	Customers can create and manage a fitness or weight-loss programme. Customers who show progress in their programme are awarded a discount on their premiums.

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Core, enabling and enhancing services (2/2)

Enabling services could be:

- Aid offered by loan officers in assessing working capital needs and collateral
- The application-processing service
- Flexible disbursement of loan funds
- A bank account into which the borrower can electronically transfer funds.

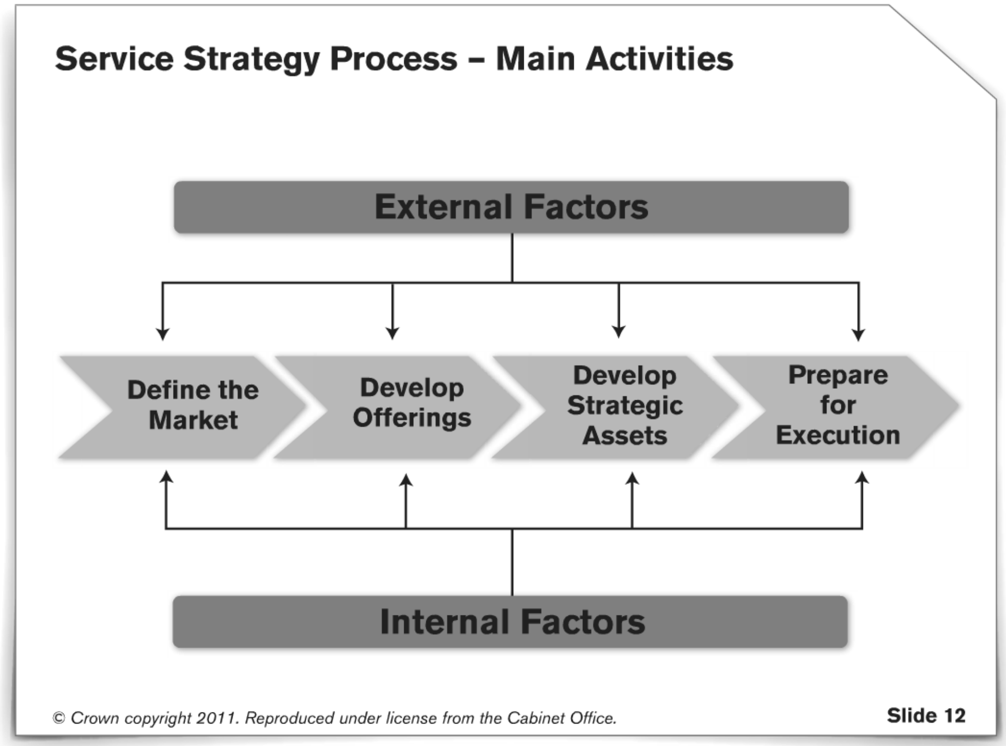
As basic factors, enabling services only give the provider an opportunity to serve the customer. Enabling services are necessary for customers to use the core services satisfactorily. Customers generally take such services for granted, and do not expect to be additionally charged for the value of such services. Examples of commonly offered enabling services are service desks, payment, registration and directory services.

In most markets, enabling services will allow the minimum requirements for operation, although many provide the foundation for differentiation, but it is the enhancing services that will provide the differentiation itself – the 'excitement factor'.

Examples of enhancing services are more difficult to provide, particularly because they tend to drift over time to be subsumed into core or enabling services. In other words, what is exciting to a customer today becomes expected if it is always delivered.

An example is the provision of a broadband internet service in a hotel room. A few years ago the provision of a chargeable broadband service might have been regarded as a differentiator (this hotel offers this service, other comparative hotels do not). As more and more hotels started to offer this service, customers came to regard it as essential – so it became an enabling service. Hotels then started to offer 'free' broadband internet services – so for a time this was an enhancing service, but that is now more common, and is quickly becoming a necessary (and thus enabling) service. For some travellers this service has actually become part of the core, in the same way, say, as an en-suite bathroom.

To illustrate this in another context, the core services of a bank could be providing financial capital to small and medium enterprises. Value is created for the bank's customers only when the bank can provide financial capital in a timely manner (after having evaluated all the costs and risk of financing the borrower).



Service Strategy Process – Main Activities

The four main **activities** of the Service Strategy process are:

Define the market: Understand the customers and the opportunities in terms of services.

Develop offerings: Define which services should be offered by the IT organization.

Develop strategic assets: Offer superior value (through a set of distinctive capabilities) to customers through services.

Prepare for execution: Specify the Service Portfolio (and the Service Catalog) and the requirements needed for the Service Design, Service Transition and Service Operation phases.

Service Management as a Strategic Asset

- Strategic assets
  - A set of distinct capabilities that provide superior value to customers through services
  - Distinctive performance, core competences and durable advantage of an IT organization
- The service provider depends on its strategic assets to succeed

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Service Management as a Strategic Asset

Strategic assets are a set of distinct capabilities in offering superior value to customers through services and provide the basis for:

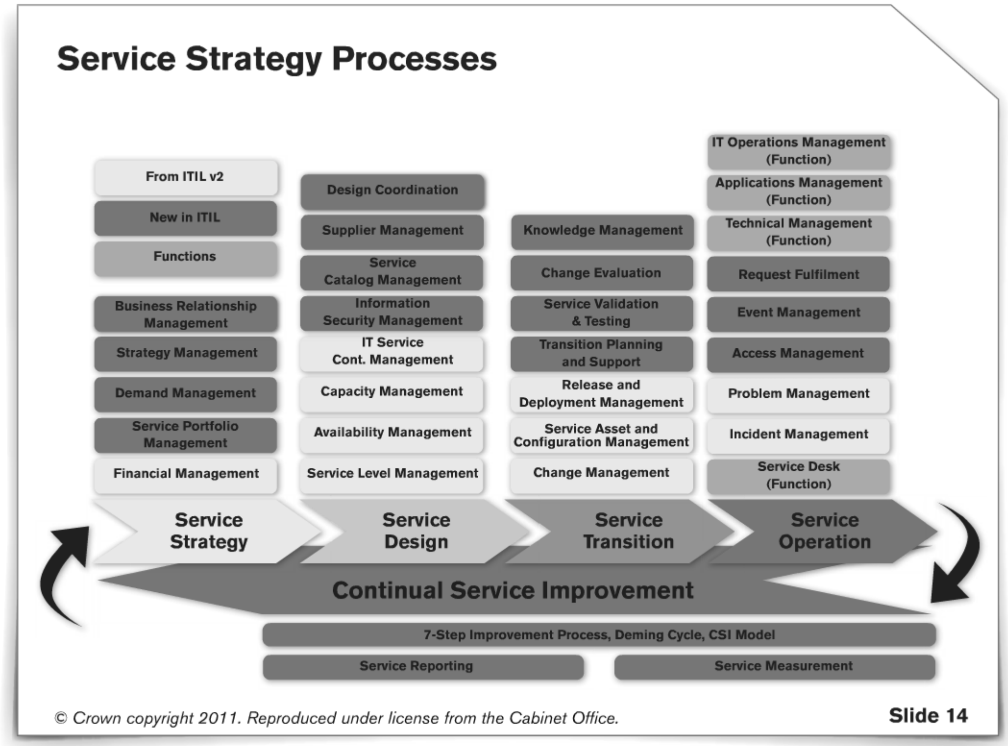
- Distinctive performance
- Core competence
- Qualifications to participate in business opportunities

Service Strategy is about defining how to provide distinctive value in each market space. In each market space there are Critical Success Factors (CSFs) that determine whether a Service Provider is competitive in offering its services.

Service Management is a strategic asset because it constitutes the core capabilities for Service Providers. For instance, Service Management can be seen as the operating system for effectively deploying service assets to provide services.

The aim of the strategy module is to design, develop and implement Service Management, not only as an organizational capability, but also as a strategic asset.

The idea of *strategic assets* is important in the context of good practices in Service Management. It encourages IT organizations to think of investments in Service Management in the same way businesses think of investing in production systems, distribution networks, R&D laboratories, and various forms of intellectual property such as brands and patents. Assets such as people, processes, knowledge and infrastructure are by themselves valuable for the benefits they generate for their owners. *Strategic assets* are those that provide the basis for core competence, distinctive performance, durable advantage, and qualifications to participate in business opportunities. IT organizations can use the guidance provided by ITIL to transform their Service Management capabilities into strategic assets." – Service Strategy, The Office of Government Commerce (OGC)



Service Strategy Processes

The processes included in the Service Strategy Lifecycle phase are:

- Strategy Management for IT Services
- Financial Management for IT services
- Service Portfolio Management
- Demand Management
- Business Relationship Management

These five processes work together to enable an IT organization to maximize the value of services being provided to customers and to provide the quality information required to make investment decisions regarding IT.

Service Portfolio Management – Purpose

- Service Portfolio Management Purpose
  - To ensure that the service provider has the right mix of services to balance the investment in IT with the ability to meet business outcomes
- The Service Portfolio represents the commitments and investments made by a service provider across all customers and marketplaces

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Service Portfolio Management – Purpose

PURPOSE: To ensure that the service provider has the right mix of services to balance the investment in IT with the ability to meet business outcomes.

The **Service Portfolio** represents the commitments and investments made by a service provider across all customers and marketplaces, including present contractual commitments, new service development and ongoing Service Improvement Programs. The Service Portfolio aims to answer the following questions:

- Why should a customer buy these services?
- Why should they buy these services from our IT organization?
- What is the pricing and chargeback model?
- How should the IT organization's resources and capabilities be allocated?

Service Portfolio Management – Objectives (1/2)

- To investigate and decide on which services to provide, based on an analysis of the potential return and acceptable level of risk
- To Maintain the definitive portfolio of services provided
- To evaluate how services achieve their strategy, and to respond to changes
- To Control which services are offered, under what conditions and at what level of investment

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Service Portfolio Management – Objectives (1/2)

Objectives :

- Provide a process and mechanisms to enable an organization to investigate and decide on which services to provide, based on an analysis of the potential return and acceptable level of risk
- Maintain the definitive portfolio of services provided, articulating the business needs each service meets and the business outcomes it supports
- Provide a mechanism for the organization to evaluate how services enable them to achieve their strategy, and to respond to changes in their internal or external environments
- Control which services are offered, under what conditions and at what level of investment

Service Portfolio Management – Objectives (2/2)

- To track the investment in services throughout their lifecycle
- To Analyse which services are no longer viable and when they should be retired

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Service Portfolio Management – Objectives (2/2)

Track the investment in services throughout their lifecycle, thus enabling the organization to evaluate its strategy, as well as its ability to execute against that strategy

Analyse which services are no longer viable and when they should be retired.

Service Portfolio Management – Scope (1/2)

- The scope of service portfolio management is all services a service provider plans to deliver, those currently delivered and those that have been withdrawn from service
- The primary concern of service portfolio management is whether the service provider is able to generate value from the services
- Internal service providers will need to work with the business units in the organization to link each service to the business outcomes before they can compare investment with returns

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Service Portfolio Management – Scope (2/2)

- External service providers tend to evaluate value more directly, as each service needs to be able to generate revenue directly, or support revenue-generating services
- Service portfolio management evaluates the value of services throughout their lifecycles, and must be able to compare what newer services have offered over the retired services they have replaced

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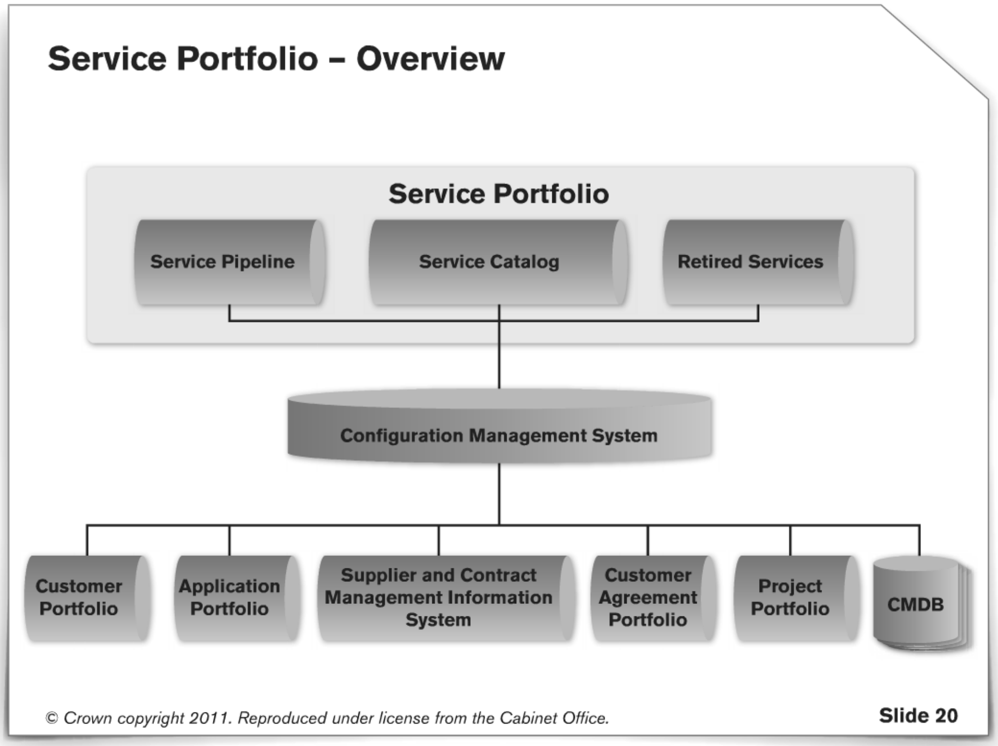


Service Portfolio – Overview

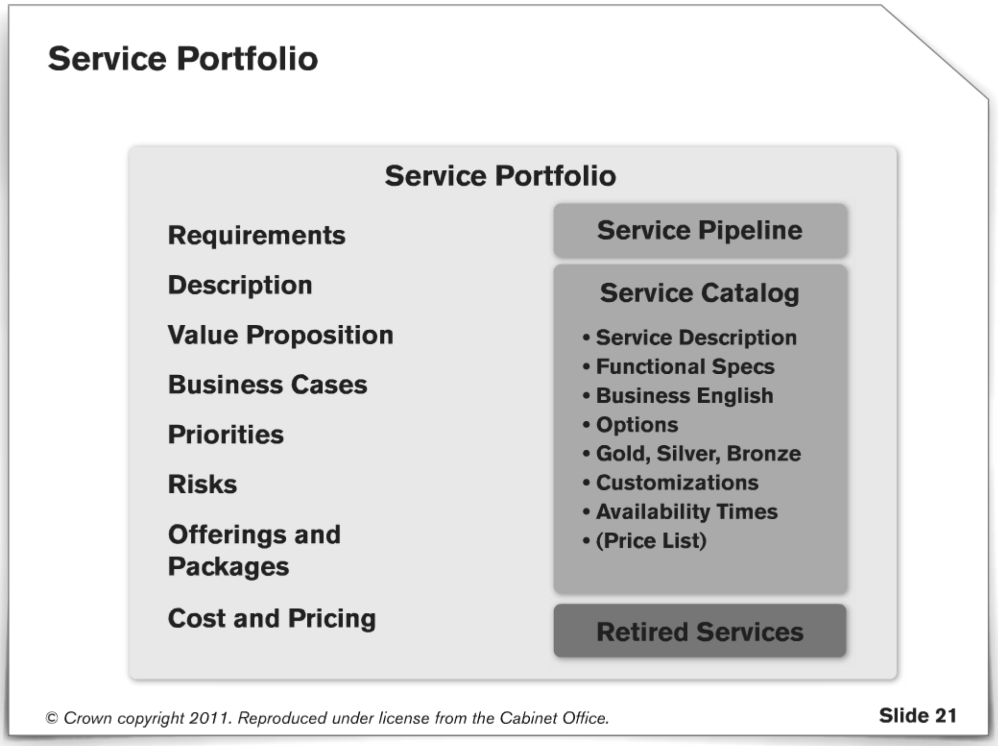
The service portfolio represents the commitments and investments made by a service provider across all customers and market spaces. It represents present contractual commitments, new service development and ongoing service improvement plans initiated by CSI. The portfolio also includes third-party services, which are an integral part of service offerings to customers.

Some third-party services are visible to the customers (e.g. desktop repairs) while others are not (e.g. wide area networking services).

In other words, the service portfolio is the complete set of services that is managed by a service provider. The service portfolio also identifies those services in a conceptual stage, namely all services the organization would provide if it had unlimited resources, capabilities and funding. This documentation exercise facilitates understanding of the opportunity costs of the existing portfolio and better fiscal discipline. If a service provider understands what it cannot do, then it is better able to assess if it should keep doing what it is doing or re-allocate its resources and capabilities.

The service portfolio represents all the resources presently engaged or being released in various stages of the service lifecycle. Each stage requires resources for completion of projects, initiatives and contracts. This is a very important governance aspect of service portfolio management (SPM). Entry, progress and exit are approved only with approved funding and a financial plan for recovering costs or showing profit as necessary.

The service portfolio should have the right mix of services in the pipeline and catalogue to secure the financial viability of the service provider, since the service catalogue is the only part of the portfolio that lists services that recover costs or earn profits.



Service Portfolio

The Service Portfolio Management approach helps prioritize investments and improve the allocation of resources. The Service Portfolio represents all the resources presently engaged or being released in various phases of the Service Lifecycle. The Service Portfolio is divided into three sections: the **Service Catalog**, the **Service Pipeline** and the **Retired Services**.

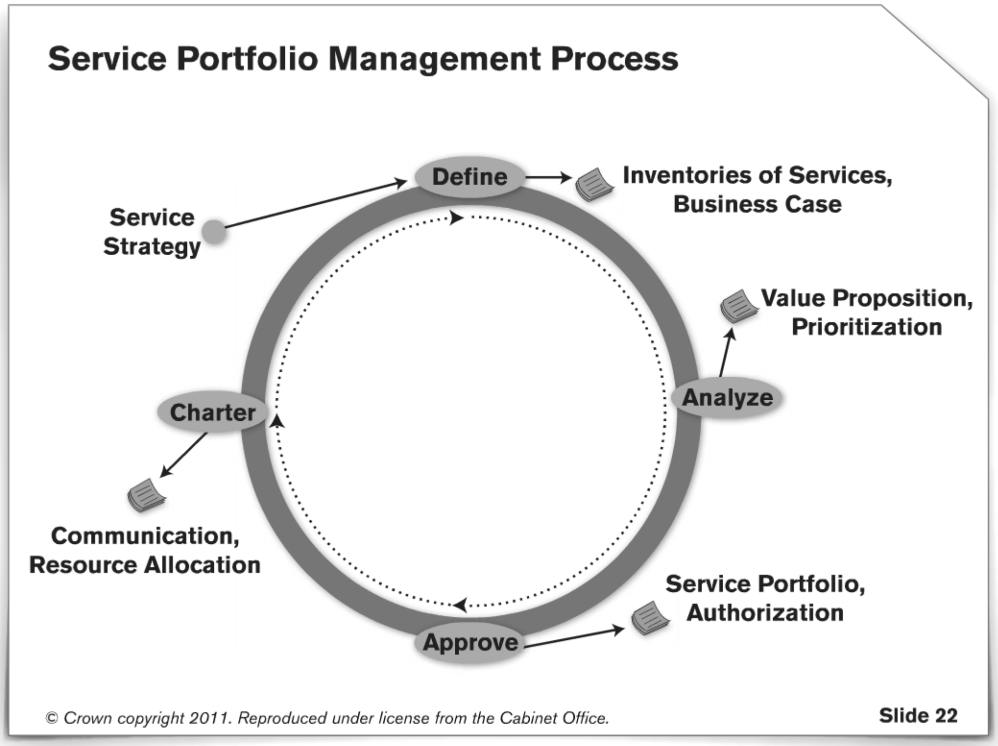
Service Portfolio: A Service Portfolio is the expression of an IT organization's Service Strategy. It represents all the resources presently engaged or being released in the various phases of the Service Lifecycle. The Service Portfolio includes the Service Catalog and the Service Pipeline. The Service Portfolio also contains the Business Cases on which we elaborate later in this chapter

Service Catalog: A subset of the Service Portfolio. The Service Catalog consists of services active in the Service Operation phase and are visible to the customers. Resources are engaged to fully support these activities. The Service Catalog is important for strategy because it represents the present capabilities of the IT organization.

Service Pipeline: Also a subset of the Service Portfolio, the Service Pipeline consists of the services under development for a given market space or for a particular customer.

Note:

- The portfolio should have a proper mix of services in the pipeline and catalog to secure (and maximize) the financial viability of the service provider.
- Outcomes in the present can be supported by services in the Service Catalog or may be supported by services in the Service Pipeline in the future.



Service Portfolio Management Process

The input of the Service Portfolio is the Service Strategy. The **Service Portfolio Management** consists of the following four **activities**:

Define

The "Define" phase involves collecting information from all existing services as well as every proposed service. Every existing (or future) service in the portfolio should include a Business Case. A Business Case is a model of what a service is expected to achieve. It is the justification for pursuing a course of action to meet stated organizational goals.

Analyze

The information gathered during the "Define" process step (such as information from the current Service Portfolio) is revised to maximize the portfolio value, to align and prioritize and to balance supply and demand. This new Service Portfolio will typically be assessed against the following service investments, typically split among three categories:

- Run the Business: Investments are centered on maintaining service operations
- Grow the Business: Investments are intended to grow the organization's scope of services
- Transform the Business: Investments are moved into new market spaces

Approve

The previous phases have led to a well-understood future state. In the "Approve" phase, proposals/plans of this future state/development path for each service are authorized or rejected. The proposed portfolio is finalized and authorizations are given for services and resources.

Charter

Start with a list of decisions and actions items. After communicating them clearly to the organization, these are then correlated to budgetary decisions and financial plans. The expected value for each service should be built into financial forecasts and resource plans.

The future Service Portfolio will include:

- Newly chartered services that are promoted to Service Design
- Existing services that are refreshed in the Service Catalog
- Retired services that begin their descent to Service Transition

Demand Management – Purpose and Objectives

- Demand Management Purpose
  - Assist the IT service provider in understanding and influencing customer demand for services, and the provision of capacity to meet these demands
- Demand Management Objectives
  - Minimize uncertainty in demand
  - Provide reliable planning data for Capacity Management
  - Avoid unused excess capacity and insufficient capacity

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Demand Management – Purpose and Objectives

PURPOSE: Assist the IT service provider in understanding and influencing customer demand for services, and the provision of capacity to meet these demands.

Demand Management is a critical aspect of Service Management. Poorly managed demand is a source of risk for service providers because of uncertainty in demand. Excess capacity generates cost without creating value that provides a basis for cost-recovery. Customers are reluctant to pay for idle capacity unless it has value for them. Insufficient capacity has impact on the quality of services delivered and the limits the growth of the service. Service Level Agreements, forecasting, planning, and tight coordination with the customer can reduce the uncertainty in demand but cannot entirely eliminate it.

Service Management faces the additional problem of synchronous production and consumption. Service production cannot occur without the concurrent presence of demand that consumes the output. It is a pull-system in which consumption cycles stimulate production cycles. Demand Management techniques such as off-peak pricing, volume discounts and differentiated service levels can influence the arrival of demand in specific patterns. However, demand still pulls capacity. Demand cannot exist simply because capacity exists. Unlike goods, services cannot be manufactured in advance and stocked in a finished goods inventory in anticipation of demand. However, it is not possible to produce and stock service output before demand actually materializes.

Demand Management was previously an activity found within Capacity Management, and now within ITIL 2011 Edition it has been made a separate process found within the Service Strategy phase. Before we decide how to design for capacity we need to understand why the business needs this capacity and if the benefits of providing the required capacity outweighs the costs?

Demand Management – Key Concepts (1/2)

- Patterns of business activity
- Customer assets such as people, processes and applications all perform business activities, and because of the way these assets are organized or because of the tasks they are completing, this activity will tend to be performed in patterns

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Demand Management – Key Concepts (1/2)

Services are designed to enable business activities, which in turn achieve business outcomes. Thus every time a business activity is performed, it generates demand for services. Customer assets such as people, processes and applications all perform business activities, and because of the way these assets are organized or because of the tasks they are completing, this activity will tend to be performed in patterns. These patterns of business activity (PBA) represent the dynamics of the business and include interactions with customers, suppliers, partners and other stakeholders.

Since PBA operate in a dynamic environment, they are often dynamic themselves. However, since services often directly support one or more PBA, and since PBA achieve business outcomes it is important that they are properly understood and aligned to services. This requires that they have to be properly defined and documented and changes properly controlled.

Demand Management – Key Concepts (2/2)

- Once a PBA has been identified, a PBA profile should be drawn up and details about the PBA documented. The following items need to be documented:
  - **Classification** This indicates the type of PBA, and could refer to where it originates (user or automated), the type and impact of outcomes supported, and the type of workload supported
  - **Attributes** Such as frequency, volume, location and duration
  - **Requirements** Such as performance, security, availability, privacy, latency or tolerance for delays
  - **Service asset requirements** Design teams will draft a utilization profile for each PBA in terms of what resources it uses, as well as when and how much of each resource

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Demand Management – Key Concepts (2/2)

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Requirements Such as performance, security, availability, privacy, latency or tolerance for delays.

Service asset requirements Design teams will draft a utilization profile for each PBA in terms of what resources it uses, as well as when and how much of each resource. If the quantity of resources is known, and the pattern of utilization is known, the capacity management process will be able to ensure that resources are available to meet the demand – provided it stays within the forecast range.

User Profiles (UP): User profiles are based on roles and responsibilities within organizations for people, functions, processes and applications. Each UP can be associated with one or more PBA. This ensures a systematic approach to understanding and managing demand from customers. They also require customers to better understand their own business activities and view them as consumers of services and producers of demand. When they are used to communicate demand, service providers have the information necessary to sort and serve the demand with appropriately matched services, service levels, and service assets. This leads to improved value for both customers and service providers by eliminating waste and poor performance.

Financial Management – Purpose

- Financial Management Purpose:
  - Secure the appropriate level of funding to design, develop and deliver services that meet the strategy of the organization
  - Act as a gatekeeper that ensures that the service provider does not commit to services that they are not able to provide
  - Identifying the balance between the cost and quality of service and maintains the balance of supply and demand between the service provider and their customers
- Financial Management Scope:
- Budgeting
- Accounting
- Charging

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Financial Management – Purpose

The purpose of financial management for IT services is to secure the appropriate level of funding to design, develop and deliver services that meet the strategy of the organization. At the same time financial management for IT services is a gatekeeper that ensures that the service provider does not commit to services that they are not able to provide. Financial management for IT services identifies the balance between the cost and quality of service and maintains the balance of supply and demand between the service provider and their customers.

IT organizations are finding they are quite similar to market-facing companies. They share the need to analyze, package, market and deliver services just as any other business would. They also share a common and increasing need to understand and control factors of supply and demand, and to provision services as cost-effectively as possible while maximizing visibility into related cost structures. This commonality is of great value to the business as IT seeks to drive down cost while improving its service offerings.

Financial management consists of three main processes:

- **Budgeting**: This is the process of predicting and controlling the income and expenditure of money within the organization. Budgeting consists of a periodic negotiation cycle to set budgets (usually annual) and the monthly monitoring of the current budgets.

- **Accounting**: This is the process that enables the IT organization to account fully for the way its money is spent (particularly the ability to identify costs by customer, by service and by activity). It usually involves accounting systems, including ledgers, charts of accounts, journals etc. and should be overseen by someone trained in accountancy.
- **Charging**: This is the process required to bill customers for the services supplied to them. This requires sound IT accounting practices and systems.

Financial Management – Objectives

- Financial Management Objectives
  - Define & maintain a cost framework
  - Evaluate financial impact
  - Secure funding
  - Facilitate good stewardship
  - Understand relationship between expenses and income
  - Managing expenditure
  - Executing financial policies
  - Accounting
  - Forecasting
  - Recovering costs

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Financial Management – Objectives

Rigorously applied, Financial Management generates meaningful critical performance data used to answer important questions for an organization:

- Is our differentiation strategy resulting in higher profits or revenues, lower costs, or greater service adoption?
- Which services cost us the most, and why?
- What are our volumes and types of consumed services, and what is the correlating budget requirement?
- How efficient are our service provisioning models relative to alternatives?
- Does our strategic approach to Service Design result in services that may be offered at a competitive "market price," substantially reduce risk or offer superior value?
- Where are our greatest service inefficiencies?
- Which functional areas represent the highest priority opportunities on which to focus as we generate a Continual Service Improvement strategy?

Without meaningful operational financial information, it is not possible to answer these questions correctly. Strategic decisions become little more than instinctive responses to flawed or limited observations and information, often from a single organizational unit. Such methods can often incorrectly steer strategy, Service Design and tactical operational decisions. A powerful benefit will be the use of Financial Management to provide services with cost transparency (such as via a Service Catalog) that can then be clearly understood by the business and rolled into planning processes for demand modeling and funding. Such maturity in an IT operation can generate enormous cost savings and Demand Management capabilities.

The objectives of financial management for IT services include:

- Defining and maintaining a framework to identify, manage and communicate the cost of providing services.
- Evaluating the financial impact of new or changed strategies on the service provider.
- Securing funding to manage the provision of services.
- Facilitating good stewardship of service and customer assets to ensure the organization meets its objectives. This should be done together with service asset and configuration management and knowledge management.
- Understanding the relationship between expenses and income and ensuring that the two are balanced according to the organization's financial policies.
- Managing and reporting expenditure on service provision on behalf of the organization's stakeholders.
- Executing the financial policies and practices in the provision of services.
- Accounting for money spent on the creation, delivery and support of services.
- Forecasting the financial requirements for the organization to be able to meet its service commitments to its customers, and compliance with regulatory and legislative requirements.
- Where appropriate, defining a framework to recover the costs of service provision from the customer.

Financial Management – Business Case

- A Business Case is a decision support and planning tool and model that projects the likely consequences of a business action
- Consequences/benefits can take on qualitative and quantitative dimensions
- A financial analysis, for example, is frequently central to a sound Business Case

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Financial Management – Business Case

A Business Case should articulate the reason for undertaking a service or a process improvement initiative. A Business Case is a model of what a service is expected to achieve. It is the justification for pursuing a course of action to meet stated organizational goals. As such, it acts as the link back to Service Strategy and funding. It is the assessment of a service investment in terms of potential benefits and the resources and capabilities required to provision and maintain it.

A Business Case typically has the following structure:

Introduction

Presents the business objectives addressed by the Service Management initiative

Methods and Assumptions

Defines the boundaries of the Business Case such as the time period, the costs and the benefits

Business impacts

The financial and non-financial Business Case results, such as faster time to market, better customer retention or bigger market share

Risks and Contingency

The probability that the alternative results will emerge

Recommendations

Specific actions recommended

Business Relationship Management – Purpose

- The purpose of the business relationship management process is two-fold:
  - To establish and maintain a business relationship between the service provider and the customer based on understanding the customer and its business needs
  - To identify customer needs and ensure that the service provider is able to meet those needs as business needs change over time and between circumstances
- Business relationship management ensures that the service provider understands these changing needs. Business relationship management also assists the business in articulating the value of a service

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Business Relationship Management – Purpose

The purpose of the business relationship management process is two-fold:

To establish and maintain a business relationship between the service provider and the customer based on understanding the customer and its business needs.

To identify customer needs and ensure that the service provider is able to meet those needs as business needs change over time and between circumstances. Business relationship management ensures that the service provider understands the changing needs.

Business relationship management also assists the business in articulating the value of a service. Put another way, business relationship management ensures that customer expectations do not exceed what they are willing to pay for, and that the service provider is able to meet the customer's expectations before agreeing to deliver the service.

Business Relationship Management – Objectives (1/2)

Ensure that the service provider understands the customer's perspective of service, and is therefore able to prioritize its services and service assets appropriately

Ensure high levels of customer satisfaction, indicating that the service provider is meeting the customer's requirements

Establish and maintain a constructive relationship between the service provider and the customer based on understanding the customer and their business drivers

Identify changes to the customer environment that could potentially impact the type, level or utilization of services provided

Identify technology trends that could potentially impact the type, level or utilization of services provided

Business Relationship Management – Objectives (2/2)

- Establish and articulate business requirements for new services or changes to existing services
- Work with customers to ensure that services and service levels are able to deliver value
- Mediate in cases where there are conflicting requirements for services from different business units
- Establish formal complaints and escalation processes for the customer

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Business Relationship Management – Objectives (2/2)

Establish and articulate business requirements for new services or changes to existing services

Ensure that the service provider is meeting the business needs of the customer

Work with customers to ensure that services and service levels are able to deliver value

Mediate in cases where there are conflicting requirements for services from different business units

Establish formal complaints and escalation processes for the customer.

Business relationship management – Scope (1/2)

- Business outcomes that the customer wants to achieve
- Services that are currently offered to the customer, and the way in which they are used by the customer
- Technology trends that could impact current services and the customer, and the nature of the potential impact
- Levels of customer satisfaction, and what action plans have been put in place to deal with the causes of dissatisfaction

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Business relationship management – Scope (2/2)

- How to optimize services for the future
- How the service provider is represented to the customer. This at times means raising concerns around commitments that the business made to IT but is not meeting

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Difference between BRM and SLM

	Business relationship management	Service level management
Purpose	To establish and maintain a business relationship between the service provider and the customer based on understanding the customer and its business needs. To identify customer needs (utility and warranty) and ensure that the service provider is able to meet these needs.	To negotiate service level agreements (warranty terms) with customers and ensure that all service management processes, operational level agreements and underpinning contracts are appropriate for the agreed service level targets.
Focus	Strategic and tactical – the focus is on the overall relationship between the service provider and their customer, and which services the service provider will deliver to meet customer needs.	Tactical and operational – the focus is on reaching agreement on the level of service that will be delivered for new and existing services, and whether the service provider was able to meet those agreements.
Primary measure	Customer Satisfaction, also an improvement in the customer's intention to better use and pay for the service. Another metric is whether customers are willing to recommend the service to other (potential) customers.	Achieving agreed levels of service (which leads to customer satisfaction).

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Business relationship management and service level management

While the SLM process exists to ensure that agreed achievable levels of service are provided to the customer and users, the business relationship management process is focused on a more strategic perspective. Business relationship management takes as its mission the identification of customer needs and ensuring that the service provider is able to meet the customers' needs. This process focuses on the overall relationship between the service provider and their customer, working to determine which services the service provider will deliver.

Service Strategy – Summary (1/2)

- Processes
  - Strategy Management for IT Services
  - Service Portfolio Management
  - Demand Management
  - Business Relationship Management
  - Financial Management

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Service Strategy – Summary (2/2)

- Terminology
  - Utility and Warranty
  - Business Case
  - Capabilities and Resources
  - Customer and Service Assets
  - Service Portfolio
    - Service Catalog

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