Effective and Efficient Service Management
- The '*Pulse*' of IT Delivery

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Agenda

- What is 'Service Management' anyway and why does it need to be effective and efficient?

- The links between Cost Reduction, Service Quality and Risk Management.

- What makes an effective and efficient Service Management capability?

- How Service Management can be used to deliver more cost effective and efficient IT services to your business.
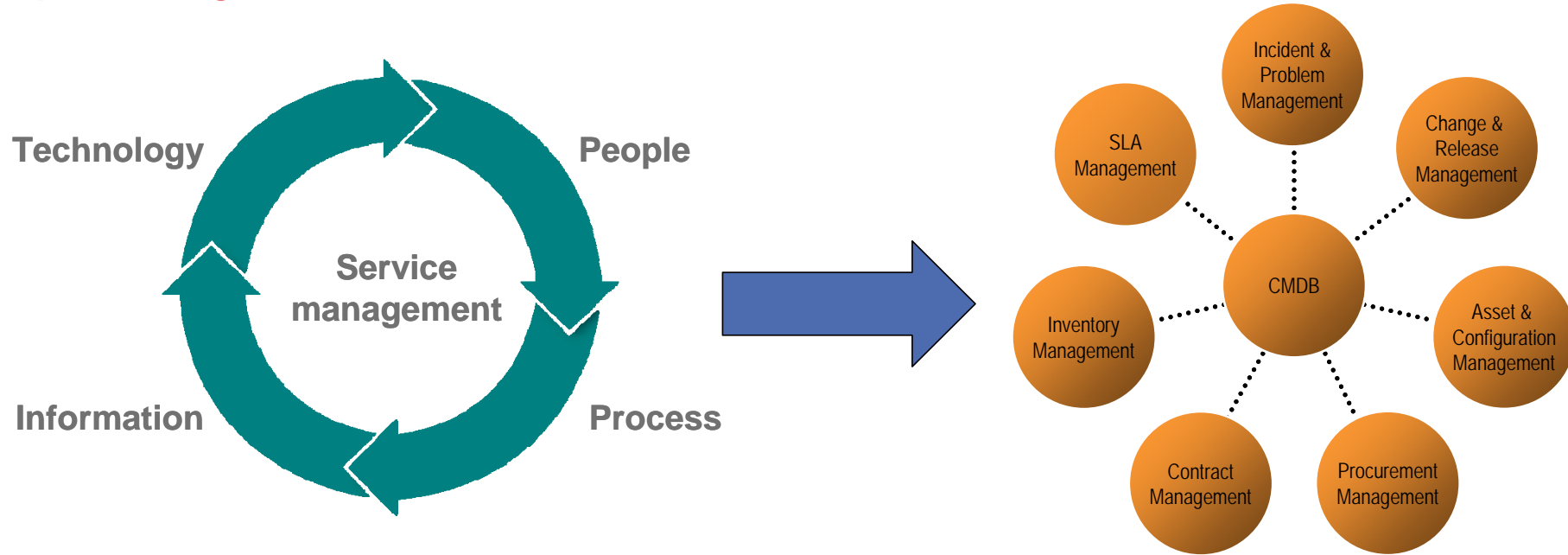
What is 'Service Management' anyway and why does it need to be effective and efficient?

* Service Management is a specialised set of organisational capabilities for providing value to customers in the form of services.

Technology

People

Service management

Information

Process

Incident & Problem Management

SLA Management

Change & Release Management

CMDB

Inventory Management

Asset & Configuration Management

Contract Management

Procurement Management

This is delivered as an integrated set of Service Management disciplines through a combination of 4 key components

* The formal definition, based on ITIL ® v3

Independent research of 55 organisations shows that effective and efficient ITIL based Service Management delivers significant business benefits.

Help Desk calls reduced by 8-14%

Nos of failed changes reduced by 15-27%

IT support costs reduced by 16-32%

Reduce recurring incidents by 7% to 13%

Faster recovery after disaster: 40% to 74%

Improved IM reduced downtime by 10% to 28%

Average PM time reduction of 9.4%

Source: Research study conducted by Glomark-Governan, April 2008

Some specific independent case studies also support this view.

Financial Based Benefits

- Large consumer goods company - Saved $500M over 4 years from adopting consistent processes in a 5000 person IT organisation *

- Major automotive company - Estimated benefits from implementing an IBM Service Management Accelerator solution of up to £6.1m over three years

Service Based Benefits

- Japan Airlines, 2008 - Benefits identified from implementing ITIL®-based Service Management processes
    - 58% reduction in system failures in the first year
    - 39% reduction in service interruptions
    - 80% reduction in downtime

- Global pharmaceutical company - Tripled number of changes made to infrastructure yet reduced number of unsuccessful changes by 50% *

- Large high-tech manufacturer
    - Reduced Level 1 service desk costs by 40% *
    - Increased customer satisfaction rates from 91% to 94% *

  Source: AMR Research, September 11, 2003

The links between Cost Reduction, Service Quality and Risk Management

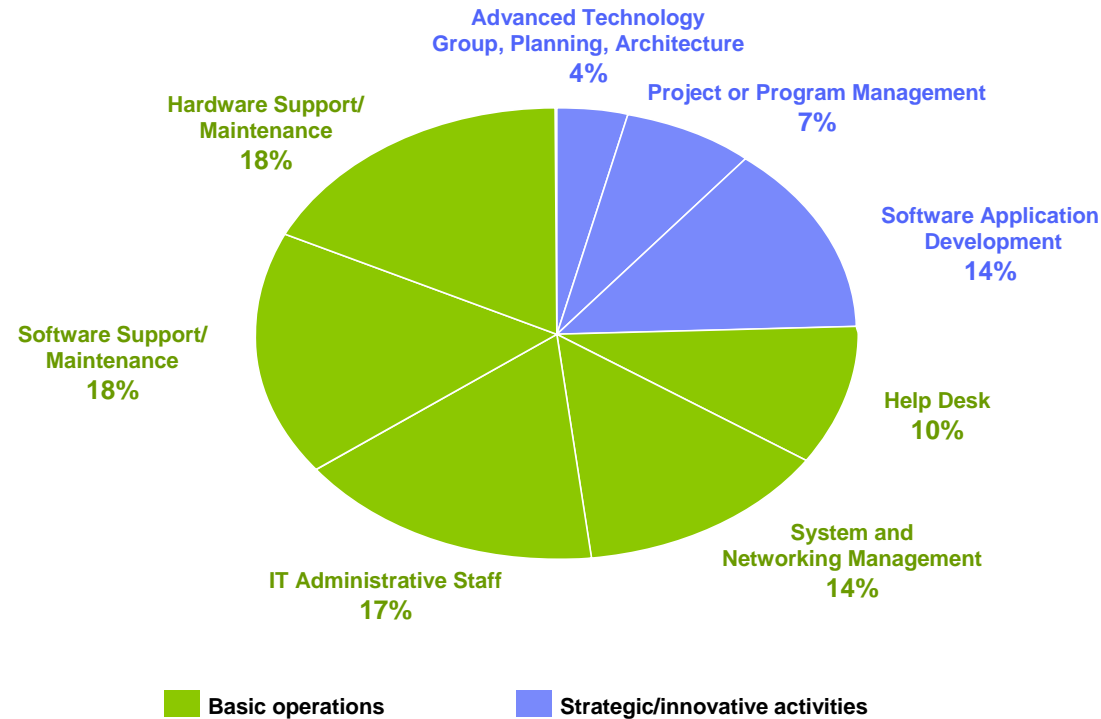In these uncertain economic times many CIOs are looking to rationalise and significantly reduce IT costs.

"*CIOs have faced lean economic times with regularity over the past four decades, and they will inevitably face lean times again - it isn't a question of <u>whether</u> they will happen but <u>when</u>.*"

Forrester advises CIO's to base budget cuts on the impact to the business and to IT productivity, not on some misguided perception of equitable cuts across all areas.
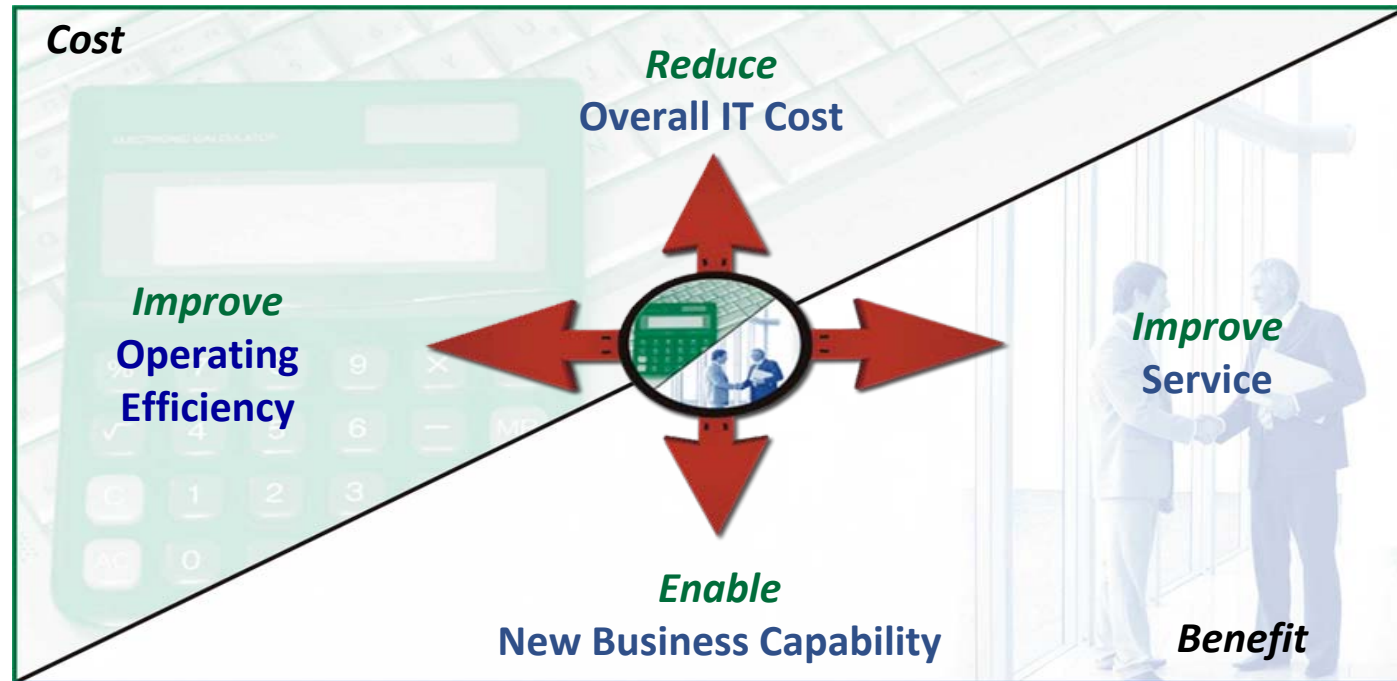
With so much to manage, most IT organisations devote the majority of their budget to basic operational needs

Example of a typical IT budget allotment

- Advanced Technology Group, Planning, Architecture **4%**
- Project or Program Management **7%**
- Software Application Development **14%**
- Help Desk **10%**
- System and Networking Management **14%**
- IT Administrative Staff **17%**
- Software Support/ Maintenance **18%**
- Hardware Support/ Maintenance **18%**

Basic operations   **Strategic/innovative activities**

In most cases, the CIO is also trying to juggle apparently conflicting demands.

IT Drivers

Cost

Reduce Overall IT Cost

Improve **Operating Efficiency**

Improve **Service**

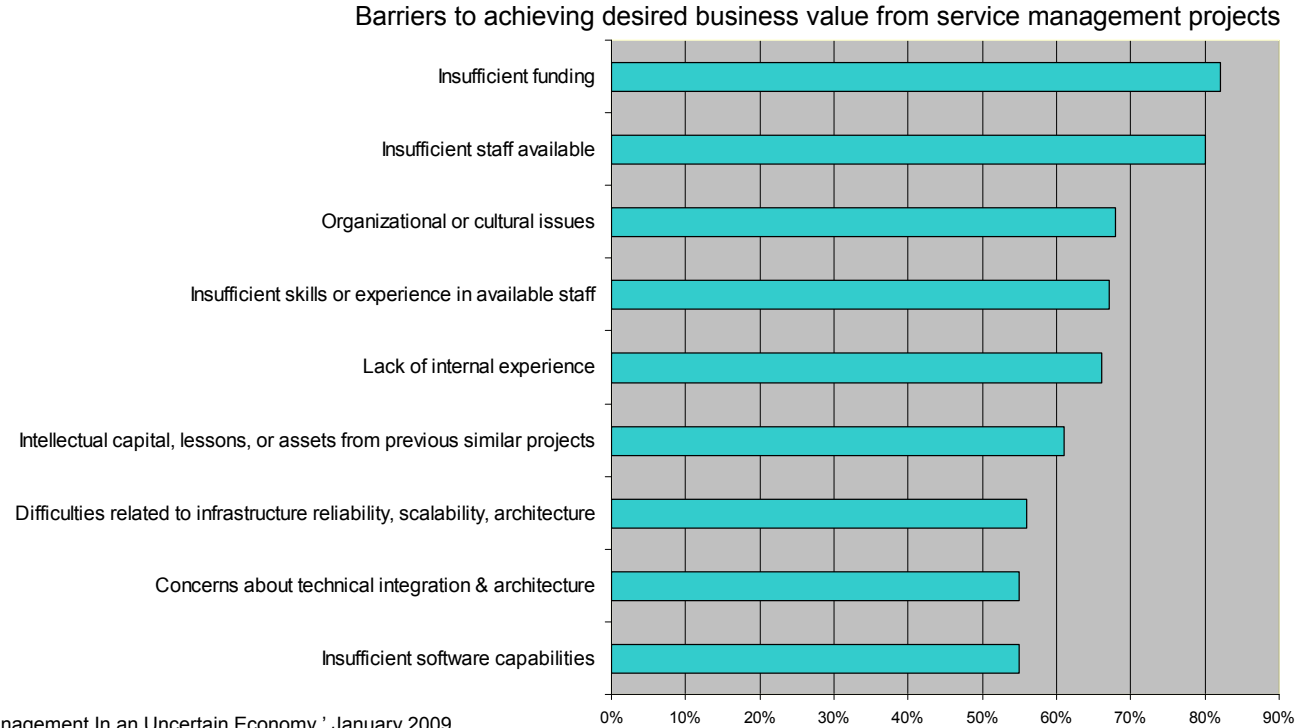*Enable* **New Business Capability**

Benefit

Business Drivers

Service Management will inevitably become vulnerable to the effects of an uncertain economy on IT budgets

Do you expect the following factors to inhibit your ability to achieve the desired business value/ROI for your service management programs/projects?

Barriers to achieving desired business value from service management projects

Barrier	
Insufficient funding	
Insufficient staff available	
Organizational or cultural issues	
Insufficient skills or experience in available staff	
Lack of internal experience	
Intellectual capital, lessons, or assets from previous similar projects	
Difficulties related to infrastructure reliability, scalability, architecture	
Concerns about technical integration & architecture	
Insufficient software capabilities	

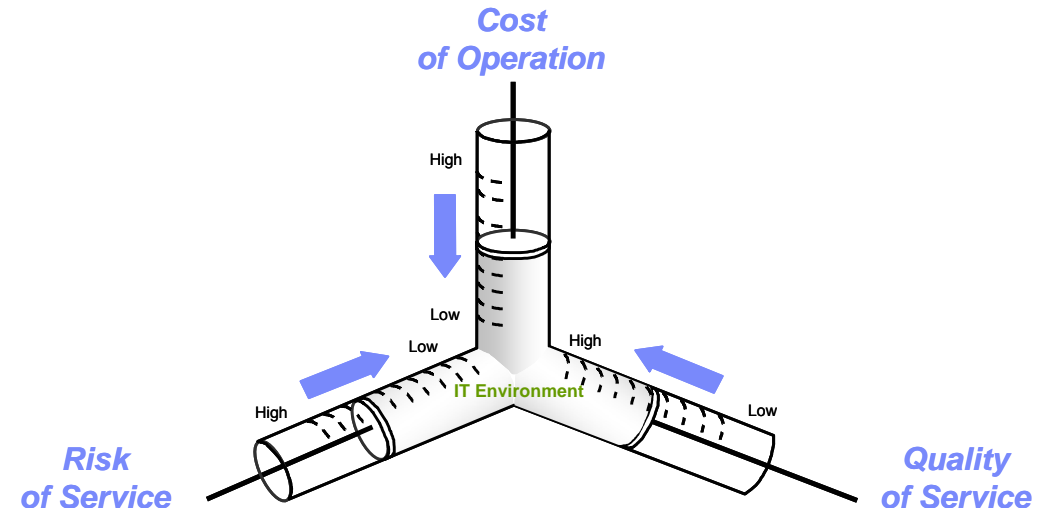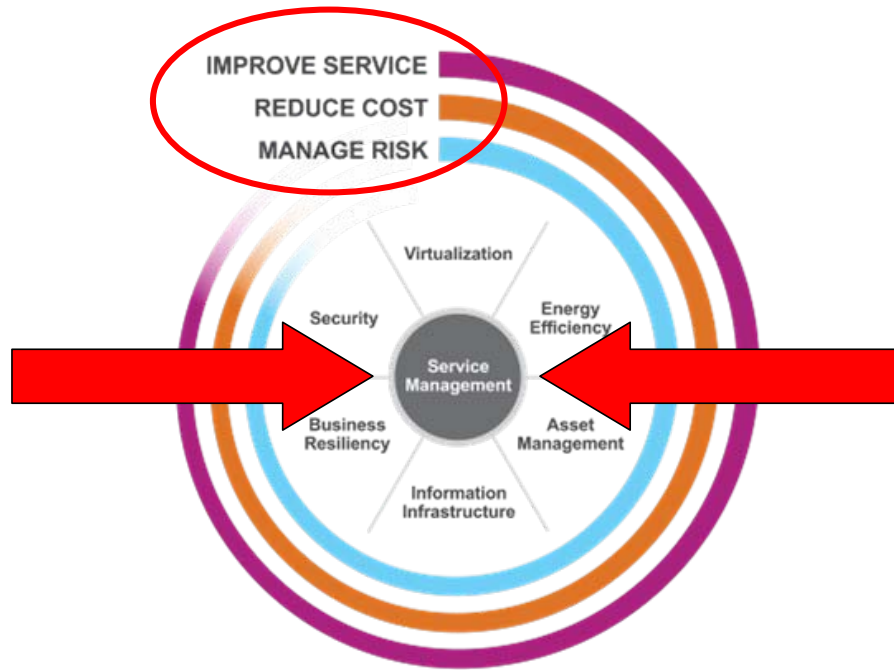0%   10%   20%   30%   40%   50%   60%   70%   80%   90%

It may be tempting to simply cut the budget in all areas of IT equally but the prudent CIO will look for potential options and understand their impact.

- Cutting operating expense

- Postponing long-term projects in favour of near-term Payback

- Deferring or reducing capital expenditures

- Revisiting existing service contracts

- Seeking productivity increases in their existing infrastructure

- Postponing hiring of additional IT staff

- Postponing the launch of new initiatives

The Service Management capability must become more efficient and effective as it comes under pressure from numerous sources.

IMPROVE SERVICE
REDUCE COST
MANAGE RISK

Virtualization

Security

Energy
Efficiency

Service
Management

Business
Resiliency

Asset
Management

Information
Infrastructure

Cost
of Operation

High

Low

Low

Low

High

High

IT Environment

High

Low

Risk
of Service

Quality
of Service

What makes an effective and efficient Service Management capability?

A mature Service Management capability portrays a number of different characteristics.

Technology that:
- Provides a common data repository
- Is integrated and secure
- Delivers in-depth asset knowledge
- Offers an accurate portfolio of services
- Is accessible to all
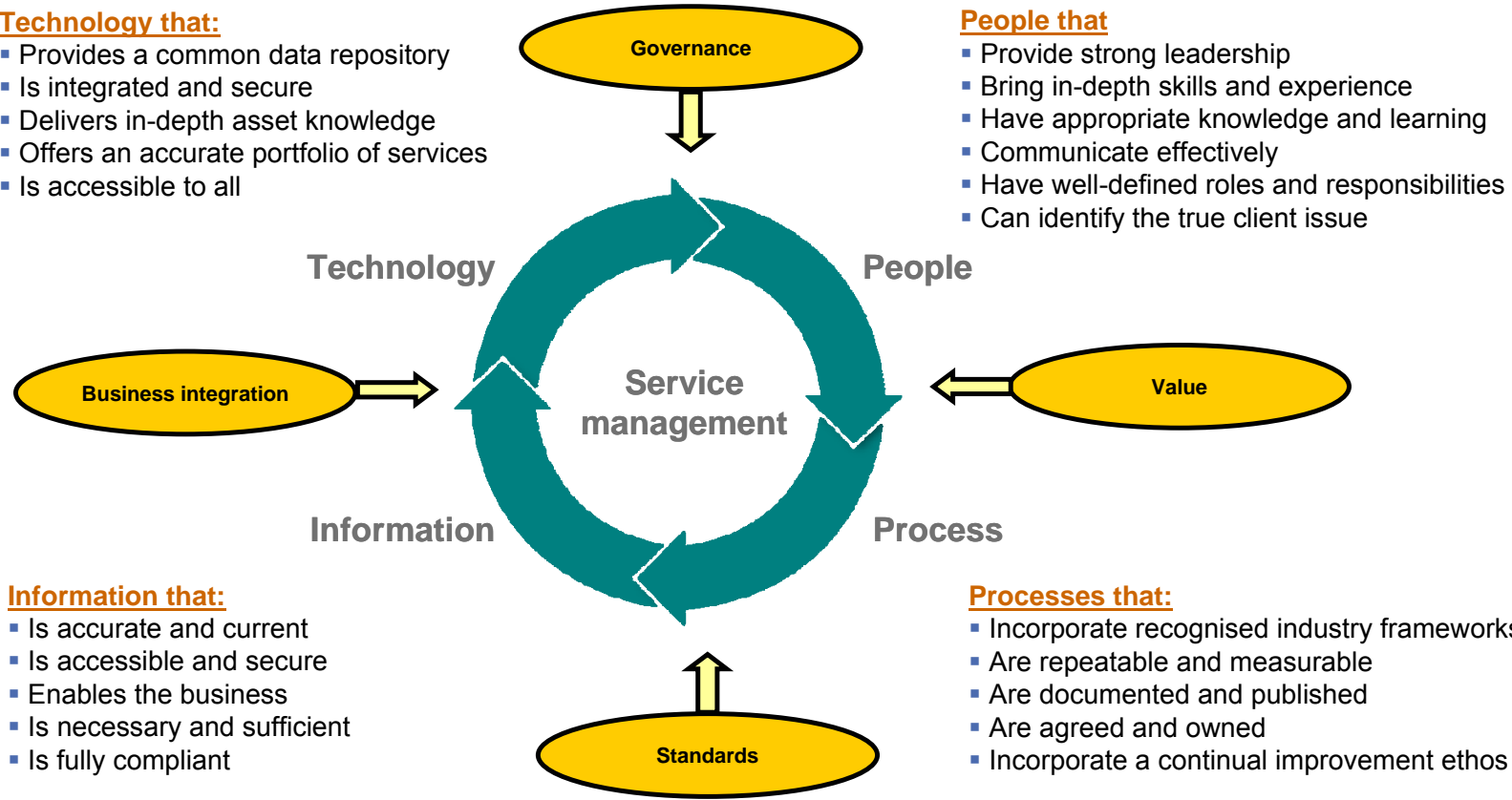
People that
- Provide strong leadership
- Bring in-depth skills and experience
- Have appropriate knowledge and learning
- Communicate effectively
- Have well-defined roles and responsibilities
- Can identify the true client issue

Governance

Technology

People

Business integration

Service management

Value

Information

Process

Standards

Information that:
- Is accurate and current
- Is accessible and secure
- Enables the business
- Is necessary and sufficient
- Is fully compliant

Processes that:
- Incorporate recognised industry frameworks and methods
- Are repeatable and measurable
- Are documented and published
- Are agreed and owned
- Incorporate a continual improvement ethos

How Service Management can be used to deliver more cost effective and efficient IT services to your business

Service Management improvements can seem like an overwhelming undertaking - where do you begin?

- Planning and strategy are critical

    – Ensures an agreed-to and justified approach aligned with business objectives

    – Helps reduce the cost and potential disruption in design and implementation services

    – Helps clients with their budget and integrated IT planning processes

There are a number of approaches that can be adopted when implementing Service Management improvements.
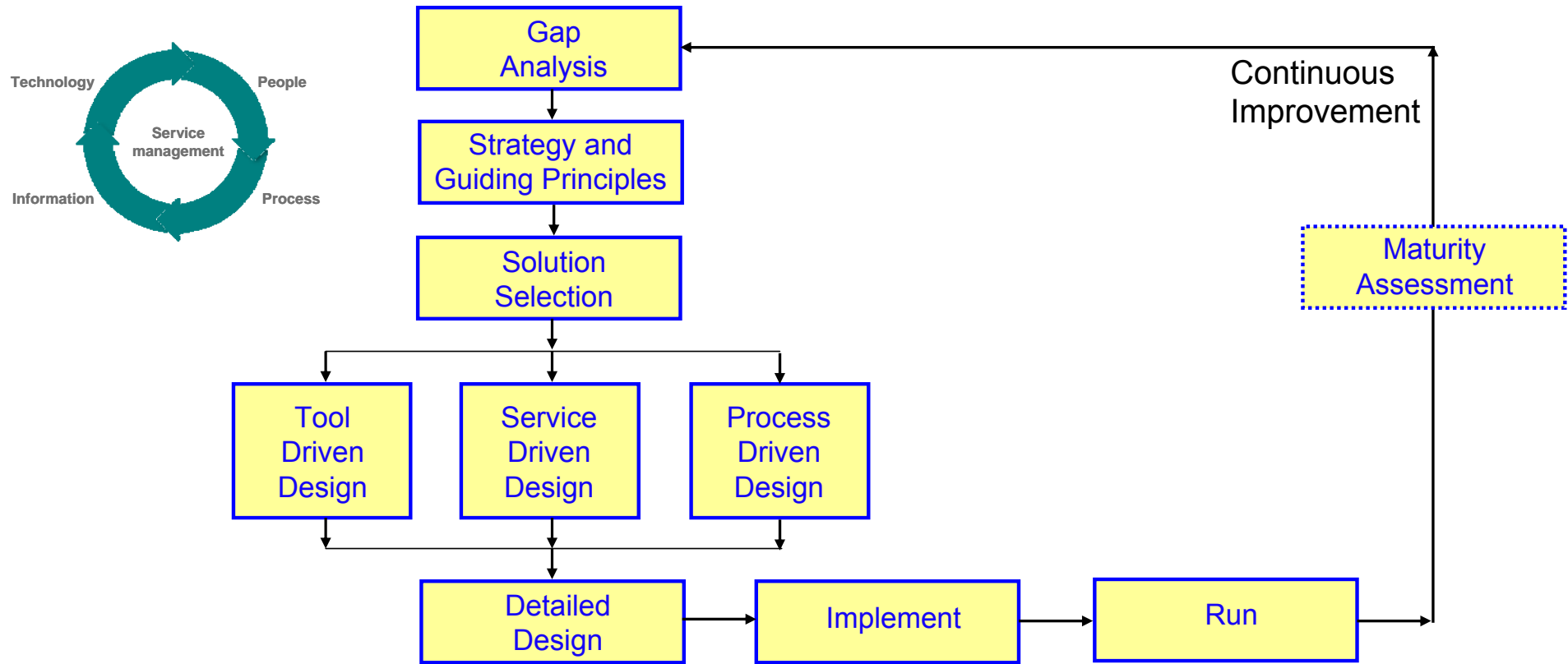
Tool driven design effectively adopts in-built processes, roles and workflows from the selected tool-set(s).

Advantages

•Faster implementation
•Less tool development and maintenance
•Less process definition required
•Often provides easier tool integration
•Highly visible to the Service Management community

Disadvantages

•Can be very prescriptive
•Harder to align to business needs
•May not address the root cause of previous Service Management issues – just a tool change!
•Future processes and capabilities are governed by the S/W vendor's strategy
•Can be costly to re-engineer later in deployment if changes are required

BDNA

newScale®
The Service Catalog Leader

Aperture®

bmcsoftware
ACTIVATE BUSINESS WITH THE POWER OF I.T.
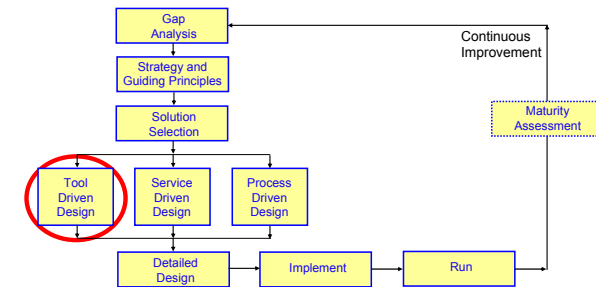
IBM Information Management Lotus Rational Tivoli WebSphere

Gap Analysis

Continuous Improvement

Strategy and Guiding Principles

Solution Selection

Maturity Assessment

Tool Driven Design

Service Driven Design

Process Driven Design

Detailed Design

Implement

Run

Service driven design bases its capabilities around a pre-defined Service Catalogue which describes the services that IT provides.
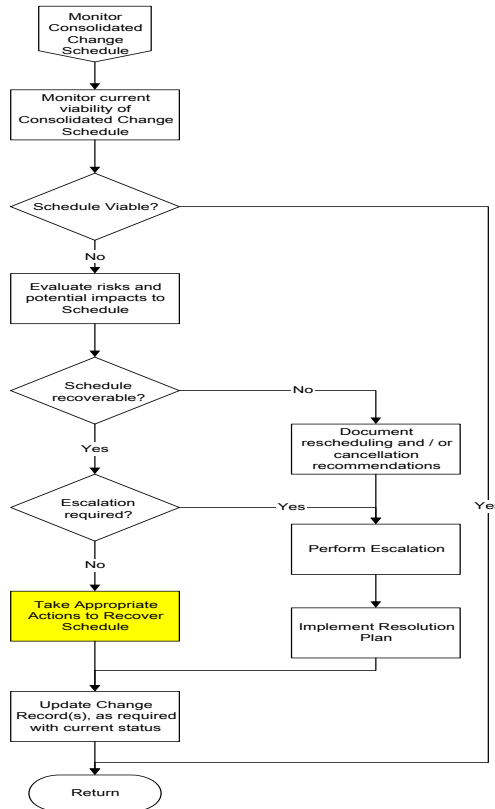
Advantages

- Services need to be defined very early in the design
- Recognised by the users as it links the user experience to the IT provision
- From the user perspective, the service is abstracted from the underlying process, tools and technology
- Very structured and logical approach
- Scalable, flexible and repeatable (pre-defined templates are available)

Disadvantages

- Existing backend tools and processes may need to be realigned
- Can be time consuming to deploy
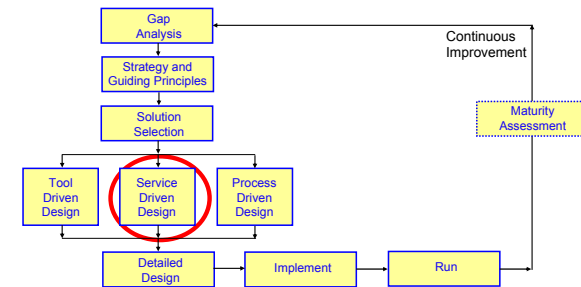
Process driven design starts with the definition of the process flows and builds the procedures, policies and tool selection from there.
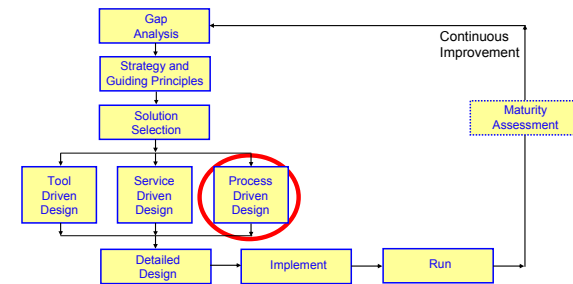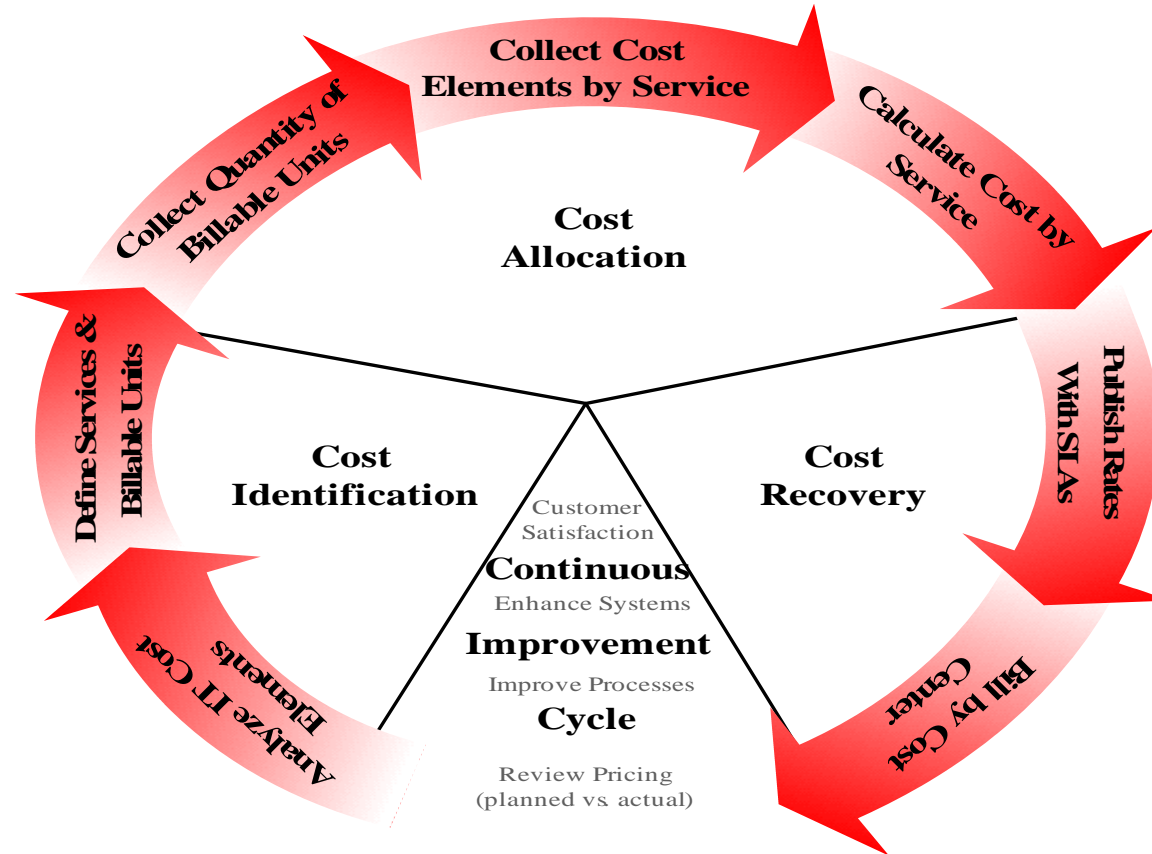
Advantages

- Aligned directly with business needs
- Highly customised and specific
- Easier to base on a framework such as ITIL
- Brings together stakeholders early on in the design activity

Disadvantages

- Can be expensive
- Can be time consuming to deploy
- May be difficult to adapt tools to support the pure process view

Finally, there's the costing/chargeback aspects of the services model. Early adoption provides visibility of the IT costing and billing process

Collect Cost Elements by Service

Collect Quantity of Billable Units

Calculate Cost by Service

Cost Allocation

Define Services & Billable Units

Publish Rates With SLAs

Cost Identification

Cost Recovery

Customer Satisfaction

Continuous

Enhance Systems

Improvement

Improve Processes

Cycle

Review Pricing (planned vs actual)

Analyze IT Cost Elements

Bill by Cost Center

In summary, a mature Service Management capability can drive a number of significant benefits into an organisation.

✓**Increased ROI and better decision-making by aligning IT projects and capabilities with business objectives**

✓**Increased speed of services delivered**

✓**Lower costs of compliance through automation**

✓**Meet or exceed SLA commitments by reducing the time to resolve service quality, performance, and availability issues**

✓**Minimise risk and gain better insight into the health of deployed services and service development projects**

✓**Resolve "at-risk" services before impact to business**

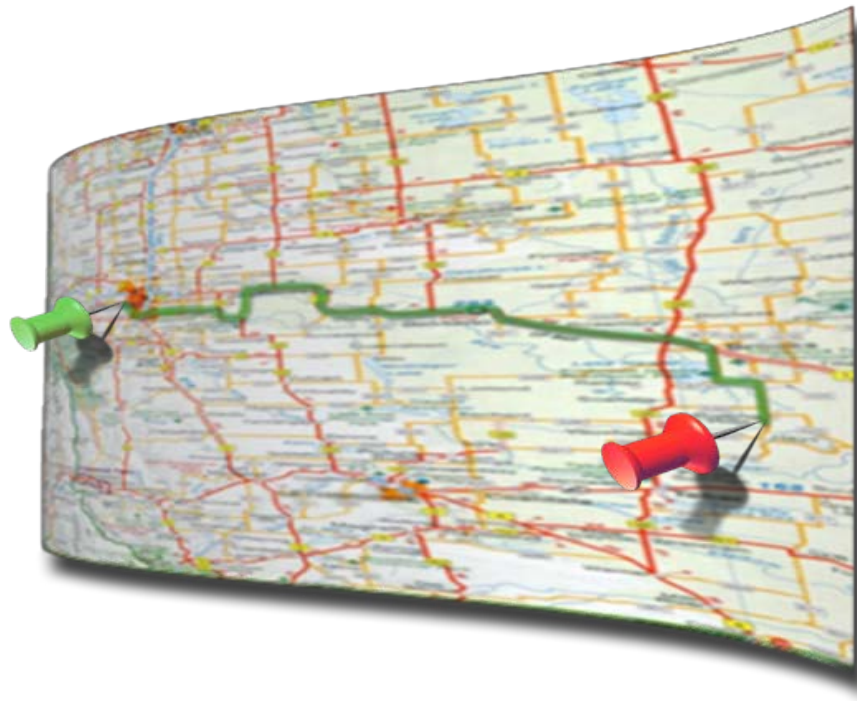✓**Effective management of new generation architecture**

Any finally, an interesting observation from Gartner.

- By documenting its portfolio of value-based, business-oriented IT services at different price points, the IT organization can present a well-defined IT service offering to its business unit customers, which raises its credibility with the business and helps establish a foundation for service quality and IT investment negotiations that are based on business value and results.

- Through standardization, along with better understanding of customer requirements and delivery costs (such as capital and labour requirements), the IT organization is in a position to conduct an accurate cost/profit analysis for its service portfolio and continually seek methods to reduce delivery costs while meeting customer service and quality requirements.

- Steer away from tool selection first, consider the processes, the users and the information flow.

Gartner Publication Date: 8 January 2009 ID Number: G00163200

It's time to build your Service Management improvement roadmap.

Any questions?