



IT 495

Selected Topics in Information Technology-1

IT Service Analysis, Design, and Operation

Part 2: Service Strategy

Haitham S. Hamza, Ph.D.

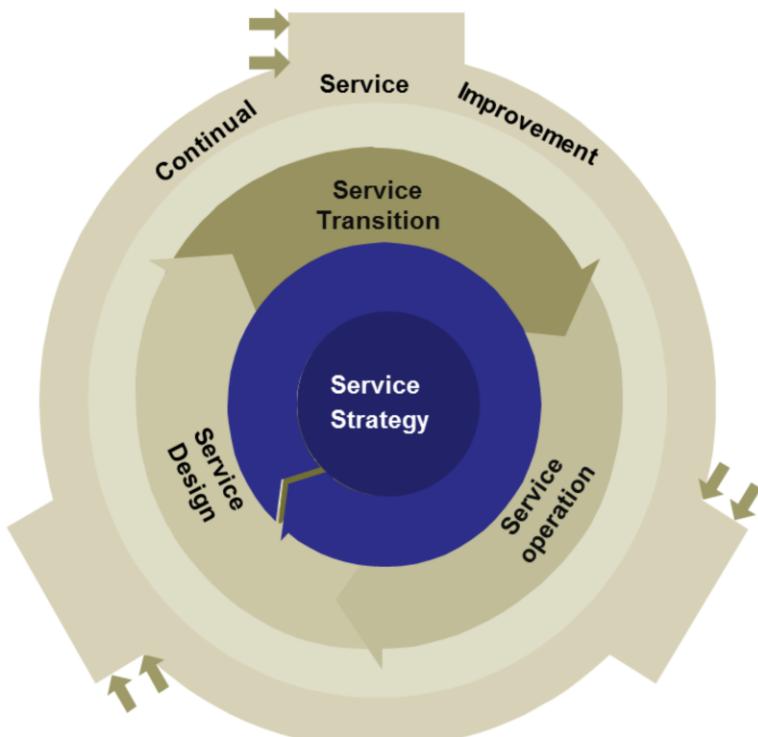
Cairo University

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- I have modified them and added new slides

Service Life-Cycle



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Introduction

Service Strategy – Purpose and Objectives

- **Purpose:** define the perspective, position, plans and patterns that a service provider needs to be able to execute to meet an organization's business outcomes
- **Objectives include providing:**
 - A clear identification of the definition of services and the their customers
 - The ability to define how value is created and delivered
 - A means to identify opportunities to provide services
 - A clear service provision model
 - The means to understand the organizational capability required to deliver the strategy
 - Documentation and coordination of how service assets are used to deliver services,
 - Processes that define the strategy of the organization

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.

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.

Service Strategy – Scope

- **The scope of the ITIL Service Strategy covers two main aspects of strategy:**
 - Defining a strategy whereby a service provider will deliver services to meet a customer's business outcomes
 - Defining a strategy for how to manage those services

ITIL Service Strategy starts by defining and discussing the generic principles and processes of service management, and these generic principles are then applied consistently to the management of IT services.

Two aspects of strategy are covered in *ITIL Service Strategy*:

- Defining a strategy whereby a service provider will deliver services to meet a customer's business outcomes
- Defining a strategy for how to manage those services.

Service Strategy – Value to Business

- Enable the service provider to:
 - Link its activities to outcomes that are critical to customers
 - have a clear understanding of what types and levels of service will make its customers successful
 - organize itself optimally to deliver and support those services in an efficient and effective manner
 - to respond quickly and effectively to changes in the business environment
- Support the creation of a portfolio of quantified services that will enable the business to achieve positive ROI
- Facilitate functional and transparent communication between the customer and the service provider

Selecting and adopting the best practice as recommended in this publication will assist organizations in delivering significant benefits. Adopting and implementing standard and consistent approaches for service strategy will:

- 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, 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
- 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.

Service Strategy – Processes

- Strategy management for IT services
- Service portfolio management
- Financial management for IT services
- Demand management
- Business relationship management

Key Principles, Models, and Concepts

Elements of Service Value

- The value of a service is created by combining two primary elements:
 - **Utility (fitness for purpose):** ‘what the service does’
 - refers to those aspects of a service that contribute to tasks associated with achieving outcomes
 - represents any attribute of a service that removes, or reduces the effect of, constraints on the performance of a task.
 - **Warranty (fitness for use):** ‘how the service is delivered’
 - refers to any means by which utility is made available to the users: the ability of a service to be available when needed, to provide the required capacity, and to provide the required reliability in terms of continuity and security
 - represents any attribute of a service that increases the potential of the business to be able to perform a task.

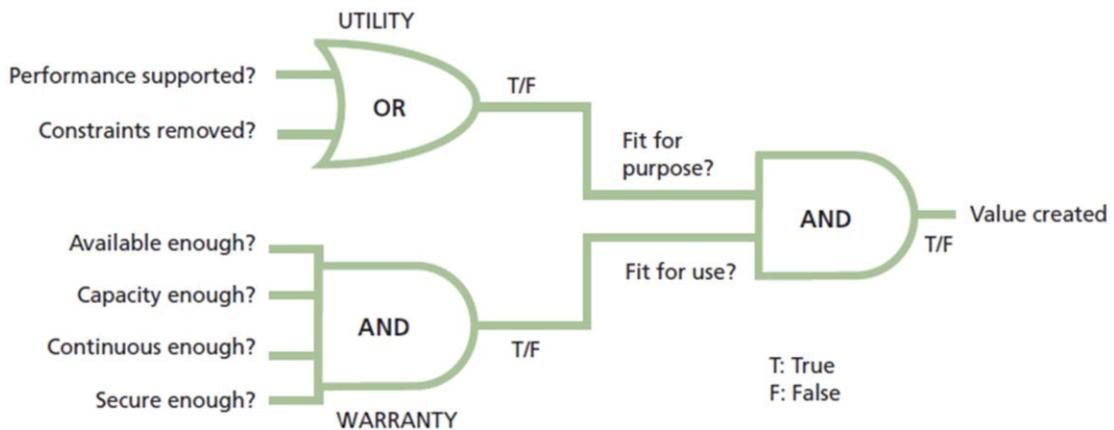
The value of a service comes from what it enables someone to do. Services contribute value to an organization only when their value is perceived to be higher than the cost of obtaining the service.

From the customer’s perspective, value consists of achieving business objectives. The value of a service is created by combining two primary elements: **utility** (fitness for purpose) and **warranty** (fitness for use). These two elements work together to achieve the desired outcomes upon which the customer and the business base their perceptions of a service.

Utility is the functionality offered by a product or service to meet a particular need. Utility can be summarized as ‘what the service does’, and can be used to determine whether a service is able to meet its required outcomes, or is ‘fit for purpose’. Utility refers to those aspects of a service that contribute to tasks associated with achieving outcomes. For example, a service that enables a business unit to process orders should allow sales people to access customer details, stock availability, shipping information etc. Any aspect of the service that improves the ability of sales people to improve the performance of the task of processing sales orders would be considered utility. Utility can therefore represent any attribute of a service that removes, or reduces the effect of, constraints on the performance of a task.

Warranty is an assurance that a product or service will meet its agreed requirements. This may be a formal agreement such as a service level agreement or contract, or a marketing message or brand image. Warranty refers to the ability of a service to be available when needed, to provide the required capacity, and to provide the required reliability in terms of continuity and security. Warranty can be summarized as ‘how the service is delivered’, and can be used to determine whether a service is ‘fit for use’. For example, any aspect of the service that increases the availability or speed of the service would be considered warranty. Warranty can therefore represent any attribute of a service that increases the potential of the business to be able to perform a task. Warranty refers to any means by which utility is made available to the users.

Utility and Warranty



- Services are designed, built and delivered with both utility and warranty
- Customers cannot benefit from something that is fit for purpose but not fit for use, and vice versa

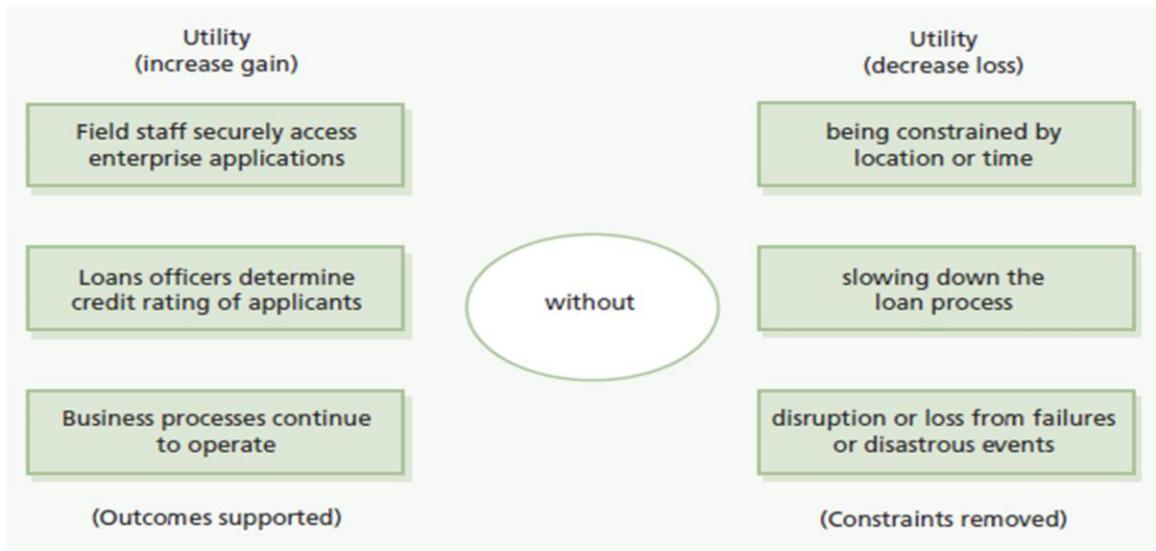
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Customers cannot benefit from something that is fit for purpose but not fit for use, and vice versa. The value of a service is therefore only delivered when both utility and warranty are designed and delivered.

Utility is used to improve the performance of the tasks required to achieve an outcome, or to remove constraints that prevent the task from being performed adequately (or both). Warranty requires the service to be available, continuous and secure and to have sufficient capacity for the service to perform at the required level. If the service is both fit for purpose and fit for use, it will create value.

It should be noted that it is possible to define other components of warranty than those shown in the figure above, such as usability, which refers to how easy it is for the user to access and use the features of the service to achieve the desired outcomes.

Utility Example



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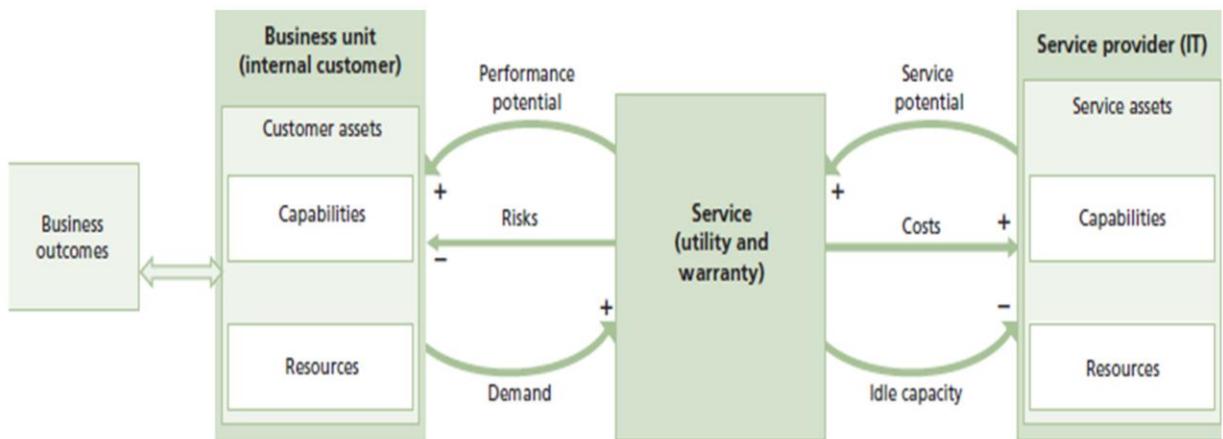
Utility and Warranty Statements Example

Utility	<p>Sales people will be able to submit orders for processing during or immediately after a customer meeting, using data-enabled mobile telephones.</p> <p>The customer and sales person will receive a confirmation of the order by email as soon as the order has been accepted.</p> <p>Sales assistants must be able to submit sales orders on behalf of sales people if the sales people are unable to submit them themselves.</p>
Warranty	<p>Each sales person will be provided with a data-enabled wireless mobile telephone, with the MoSOP client installed.</p> <p>The software will operate over 2G, 3G and 4G mobile phone networks.</p> <p>The service will be available from 7.00 a.m. to 7.00 p.m.</p> <p>A sales order will be transmitted within 15 seconds after 'Send' is selected.</p> <p>The sales order will be processed within 2 minutes of receipt.</p> <p>The sales confirmation will be emailed within 30 seconds of sales order processing.</p> <p>The sales order processing system will be able to process up to 1,000 sales orders per hour.</p> <p>If a mobile signal is not available, the sales person will use a landline to contact a sales assistant to process the order. Once the order has been submitted, the processing and emailing of the sales confirmation will take the same amount of time.</p>

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The table above provides examples of how the value of a 'Mobile Sales Order Processing (MoSOP)' service is described in terms of utility and warranty. In this case the value of the service is dependent on sales people achieving the business outcome of processing sales within 5 minutes of the customer agreeing to make the purchase.

Service and Customer Assets

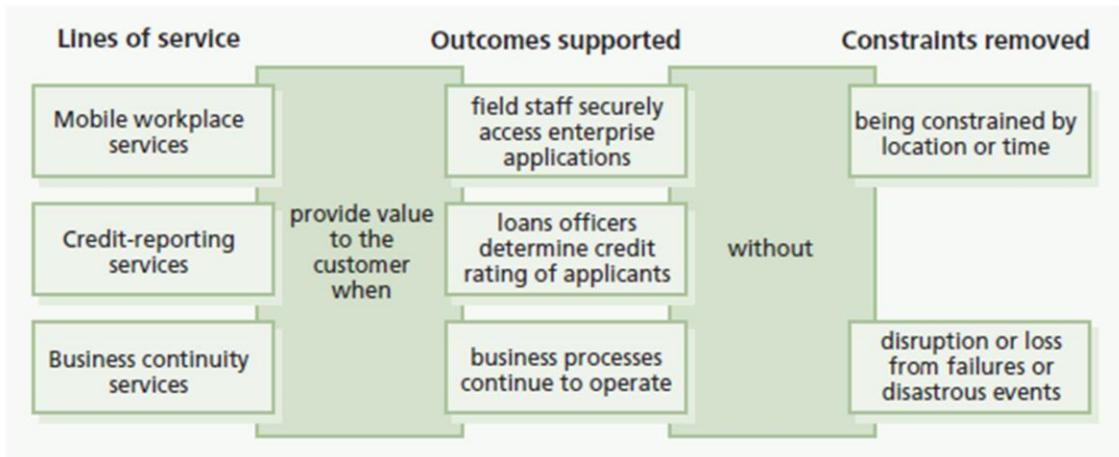


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In the shown figure, an IT service provider delivers services to an internal business unit, which enables it to achieve its desired business outcomes. In this diagram the nature of the business outcomes determines what customer assets the business unit will need. The service provider uses its service assets to deliver a service that meets the needs of the business unit. The dynamics of this service relationship are illustrated in the figure and are as follows (an arrow with a '+' represents a directly proportional relationship; and an arrow with a '-' represents an inversely proportional relationship):

- In order to achieve the outcomes, the business unit needs a minimum level of service. The performance potential of the service indicates what utility and warranty the service will have. This will indicate, in business unit terms, the performance that the service will be capable of. The business unit can then determine whether that will be suitable to enable its customer assets to produce the desired level of outcomes. The more utility and warranty, the higher the performance potential will be.
- The higher the levels of utility and warranty, the lower the **risk** that the service will not meet the customer's requirements; and that the business outcomes will not be met.
- The requirements for utility and warranty are translated back to IT (based on the level of risk acceptable to the business, and the service potential they require). IT uses this information to decide how it will use its service assets to deliver the service. The more capabilities and resources the service provider has (or builds or procures), the higher the level of service it is capable of delivering. This is called the service potential.
- The higher the service potential, and the lower the risk, the higher the cost of the service. This cost must be covered or justified by the outcomes that are achieved.
- The more successfully the service performs, the more it is likely to be used by the business unit, thus increasing demand on the service.
- The higher the demand on the service, the more it will place demands on the service assets, thus reducing the amount of idle capacity.
- If utilization rises too high and exceeds the service potential, the business will need to decide if it is prepared to fund an increase in performance potential, otherwise it will be at increased risk of service failure.

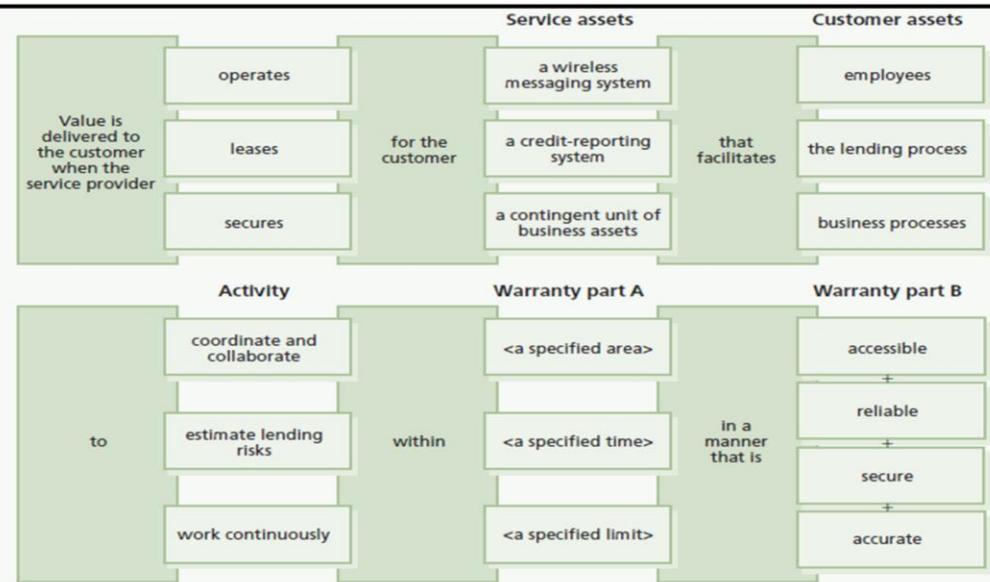
Defining Services with Utility Components



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Example: Mobile workplace services provide value to the customer when business activity is conducted without the constraints of fixed location. Value is created when the provider operates for the customer a wireless messaging system and assures that (the customer's) employees and business systems can exchange voice and data messages in a convenient, reliable and secure manner, within a specified area of coverage.

Defining Services with Warranty Components



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Services - Value Characteristics

- **Value is defined by customers:** the ultimate decision about whether that service is valuable or not rests with the customer
- **Affordable mix of features :** customers select the service or product that represents the best mix of features at the price they are willing to pay
- **Achievement of objectives:** customers do not always measure value in financial terms, even though they may indicate how much they are prepared to pay for a service that helps them to realize the desired outcome
- **Value changes over time and circumstance:** as customers change to meet the challenges of their environment, so too do their service needs and values

Unlike products, services do not have much intrinsic value. The value of a service comes from what it enables someone to do. The value of a service is not determined by the provider, but by the person who receives it – because they decide what they will do with the service, and what type of return they will achieve by using the service. Following this reasoning, the characteristics of value are:

• **Value is defined by customers** No matter how much the service provider advertises the worth of their services, the ultimate decision about whether that service is valuable or not rests with the customer.

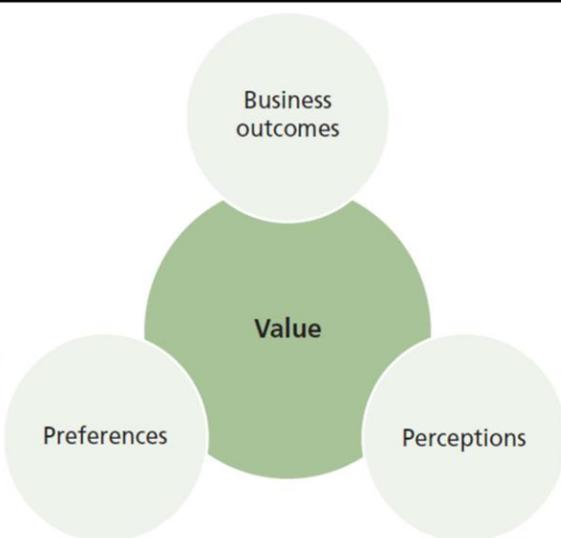
• **Affordable mix of features** It is possible to influence the customer's perception of value through communication and negotiation, but that still does not change the fact that the customer will still make the final choice about what is valuable to them. A good sales person can convince a customer to change the priorities influencing their purchase, but the customers will select the service or product that represents the best mix of features at the price they are willing to pay.

• **Achievement of objectives** Customers do not always measure value in financial terms, even though they may indicate how much they are prepared to pay for a service that helps them to realize the desired outcome. Many services are not designed to produce revenue, but to meet some other organizational objective, such as social responsibility programmes, or human resource management. While commercial organizations tend to measure most services by financial returns, government organizations tend to focus on other objectives. For example, police might focus on reduction in crime or apprehension of criminals; social welfare departments might focus on the amount of funding disbursed to needy families; a mountain rescue organization might focus on the number of people warned about, or rescued from, avalanches.

• **Value changes over time and circumstance** What is valuable to a customer today might not be valuable in two years. As each customer changes to meet the challenges of their environment, so too do their service needs and values. For example, retail outlets might focus on selling a higher percentage of luxury goods when the economy is good, but during a recession they shift the focus to budget product lines and fewer luxury goods.

Services - Value Creation

- Perceptions are influenced by:
 - attributes of a service
 - present or prior experiences with similar attributes
 - relative capability of competitors and other peers
 - customer's self-image or actual position in the market
- Customers have preferences influenced by their perceptions
- The preferences and perceptions of customers will affect how they differentiate the value of one offering or service provider over another



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Calculating the value of a service can sometimes be straightforward in financial terms. For example, a customer needs a service to support the selling of a new line of products. If the service does what is required, and its cost does not negatively impact the profitability of the product line, and the price remains competitive, the customer will most likely perceive it to be valuable.

In instances where the outcomes are not financial it is harder to quantify the value although it may still be possible to qualify it. For example, a city management department needs a service to enable them to track traffic in a city centre so that they can adjust traffic signals to improve the flow of traffic. If the service enables them to do this, and it fits within the city's budget, it will most likely be perceived to be valuable.

However, there is more to value than just the function of the service and its cost. Value needs to be defined in terms of three areas: the **business outcomes** achieved, the **customer's preferences** and the **customer's perception** of what was delivered.

Value is defined not only strictly in terms of the customer's business outcomes; it is also highly dependent on customer's perceptions and preferences. Perceptions are influenced by attributes of a service, present or prior experiences with similar attributes and relative capability 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. The preferences and perceptions of customers will affect how they differentiate the value of one offering or service provider over another.

The more intangible the value, the more important the definitions and differentiation of value become. 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. The service providers need to provide customers with information to influence their perception of value, by influencing perceptions, and responding to preferences.

Understanding the Value of IT

Understanding the value of IT requires three pieces of information:

- **What service(s) did IT provide?** To communicate its value, an IT organization must be able to identify what the customer actually perceives, and then link their activities to that service
- **What did the service(s) achieve?** The customer will identify what they were able to do with the service, and just how important that was to them and their organization.
- **How much did the service(s) cost – or what is the price of the service(s)?** When a customer compares the cost or price of a service with what the service enabled them to achieve, they will be able to judge how valuable the service actually was.

Services contribute value to an organization only when their value is perceived to be higher than the cost of obtaining the service. Therefore, understanding the value of IT requires three pieces of information:

What service(s) did IT provide? If IT is only perceived as managing a set of servers, networks and PCs it will be very difficult for the customer to understand how these contributed to value. In order for a customer to calculate the value of a service, they must be able to discern a specific, discrete service and link it directly to specific business activities and outcomes. For example, an IT organization claims that application hosting delivers value to the business. The business, however, does not know what application hosting is, or what applications are hosted. If the IT organization wants to communicate its value, it must be able to identify what the customer actually perceives, and then link their activities to that service. The service portfolio, and the service catalogue in particular, will help IT to quantify this.

What did the service(s) achieve? The customer will identify what they were able to do with the service, and just how important that was to them and their organization.

How much did the service(s) cost – or what is the price of the service(s)? When a customer compares the cost or price of a service with what the service enabled them to achieve, they will be able to judge how valuable the service actually was. If IT is unable to determine the cost of the service, it will be very difficult for them to claim that they delivered value, and very difficult for the customer to perceive IT as ‘valuable’.

Business Case

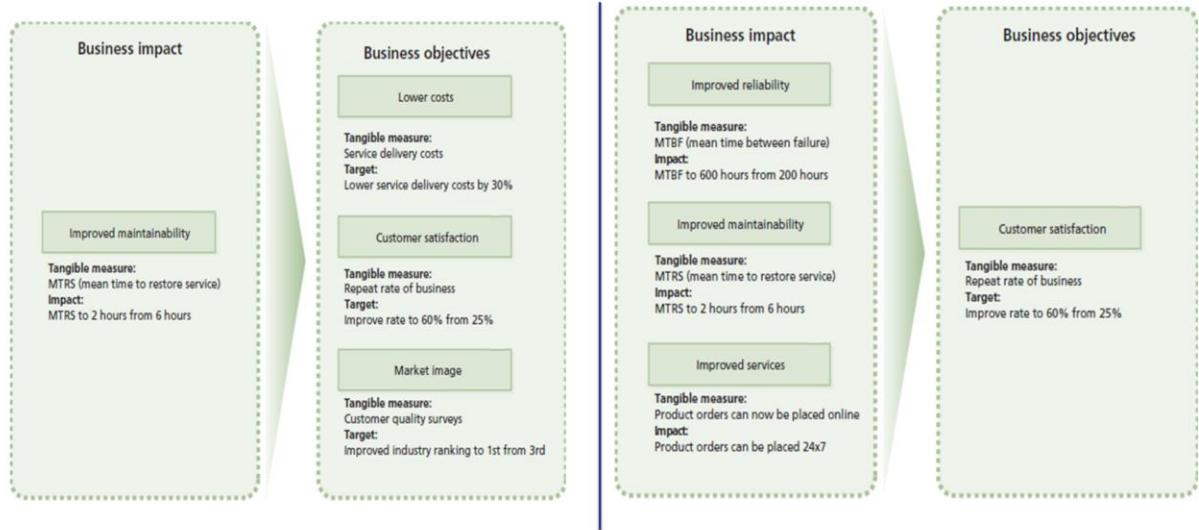
- A business case is a decision support and planning tool that projects the likely consequences of a business action. The consequences can take on qualitative and quantitative dimensions. A financial analysis, for example, is frequently central to a good business case.

Business Case Structure

- A. **Introduction:** Presents the business objectives addressed by the service.
- B. **Methods and assumptions:** Defines the boundaries of the business case, such as time period, and which organizational context is being used to define costs and benefits.
- C. **Business impacts:** The financial and non-financial results anticipated for the service or service management initiative. Please bear in mind that many non-financial results can also be expressed in financial terms. For example, an increase in staff morale can result in lower staff turnover, and therefore less expenditure on hiring and training.
- D. **Risks and contingencies:** The probability that alternative results will emerge.
- E. **Recommendations:** Specific actions recommended.

When the term ‘business case’ is used, it often creates the impression that it is appropriate only to include financial aspects of the service or project. This is not true. Successful businesses understand that their customers are not only interested in paying money; they need to be comfortable with the supplier and their ability to deliver what they have promised. This means that every business should focus on both the financial and non-financial impacts of the proposed project or service.

Business Objective and Impact



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Business Objectives

The structure of a business case varies from organization to organization. What they all have in common is a detailed analysis of business impact or benefits. Business impact is in turn linked to business objectives. A business objective is the reason for considering a service management initiative in the first place. Objectives should start broadly. For example:

- The business objectives for commercial provider organizations are usually the objectives of the business itself, including financial and organizational performance.
- The business objectives of an internal service provider should be linked to the business objectives of the business unit to which the service is being provided, and the overall corporate objectives.
- The business objectives for not-for-profit organizations are usually the objectives for the constituents, population or membership served as well as financial and organizational performance.

Business impact

While most of a business case argument relies on cost analysis, there is much more to a service management initiative than financials. A non-financial business impact can be identified by how the achievement of one or more business objectives is affected. For example, an organization changes its sales order service to track individual customer transactions, and report on purchasing trends for each customer. The financial impact for the business is not immediately obvious, but becomes clearer once the non-financial impacts are defined. These include the ability to engage in targeted (and more effective) marketing, better anticipation of stock levels (resulting in lower cost of procurement and storage) and higher customer loyalty.

Risk Management

- Identifying the risks: includes naming the risk and documenting it along with its potential consequences
- Analysing the risks: involves quantifying the impact and probability of the risk
 - The impact is the effect on a strategy or project (and its customers) if the risk should become reality, and the consequences are experienced
- Once the risks have been assessed and documented, together with their action plans, the risk management plan must be reviewed regularly to ensure that appropriate actions have been taken and are working as expected.
- Risk management is a repetitive activity and it is likely that the entire process will be completed several times
 - risks may change status throughout the project
 - changes must be monitored and built into the normal project control mechanisms

Some projects will assign an individual to monitor and manage the risks associated with the project. In general, though, it is the project manager's responsibility to ensure that risks are identified and that measures are put in place to mitigate them. Usually the project team will jointly identify and document the risks, including the potential impacts and – if known – the probability of the risk occurring. A risk with a probability of 100% is not a risk; it is a certainty and therefore an issue. These risks should be taken off the risk plan and dealt with as issues. Likewise a risk with a probability of 0 should be removed from the plan.

Identifying the risks

This part of risk management involves naming the risk. When first identifying the risk it is not necessary to try to explain or quantify the risk, but just to get as many ideas as possible about what might threaten the success of a project or strategy. Brainstorming is probably the best way of doing this, since ideas that are raised tend to uncover risks that were not obvious at first. Each identified or suspected risk should be documented together with its potential consequences – e.g. if the network team is not able to upgrade the network by 13 January, then we will have to delay the pilot implementation by two weeks.

Analysing the risks

Once the team has identified the risks, they can start quantifying the impact and probability of the risk.

The impact is the effect on a strategy or project (and its customers) if the risk should become reality, and the consequences are experienced.

Most risk management approaches use both qualitative and quantitative descriptions of these areas. This means that the consequences and impacts are defined in words, and then a numeric value is associated with them. The numbers are used to calculate the ranking of the risk, while the description is used to define how to deal with the risk.

Once the risks have been assessed and documented, together with their action plans, the risk management plan must be reviewed regularly to ensure that appropriate actions have been taken and are working as expected.

It is important to note that any of the risks may change status throughout the project. For example, we may have totally avoided a risk, or a mitigation action is so successful that the risk is downgraded or even retired. On the other hand, a situation may arise which causes some risks to become more probable, thus increasing their ranking.

These changes must be monitored and built into the normal project control mechanisms – e.g. every project meeting should include a review of the risk management plan and the assessment of any new risks.

Risk management is a repetitive activity and it is likely that the entire process will be completed several times.

Patterns of Business Activities

- Patterns of business activity (PBA) represent the dynamics of the business and include interactions with customers, suppliers, partners and other stakeholders
- PBA should be defined, documented, understood and aligned to services
- Once a PBA has been identified, a PBA profile should be drawn up to document its details:
 - **Classification:** to indicate the type of PBA
 - **Attributes:** to indicate frequency, volume, location and duration
 - **Requirements :** to explain performance, security, availability, privacy, latency or tolerance for delays
 - **Service asset requirements:** to indicate utilization profile for each PBA in terms of what resources it uses, when and how much of each resource

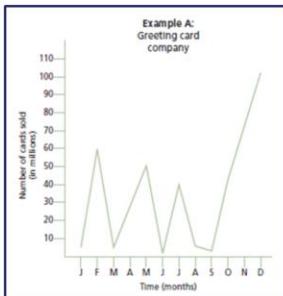
Services are designed to enable business activities, which in turn achieve business outcomes. Thus every time a business activity is performed, it generates demand for services. Customer assets such as people, processes and applications all perform business activities, and because of the way these assets 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.

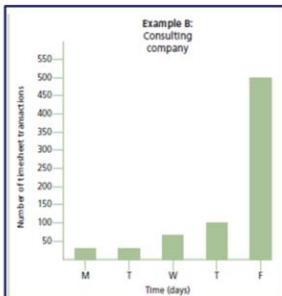
Once a PBA has been identified, a PBA profile should be drawn up and details about the PBA documented. The following items need to be documented:

- **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, 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.

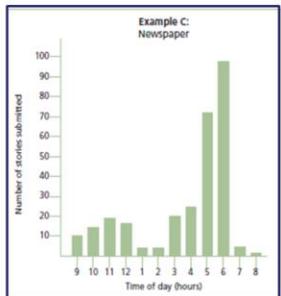
Patterns of Business Activities – Examples



Example A – annual PBA: Greeting cards need to be designed, manufactured and distributed for each major holiday. The fluctuation in sales will result in a fluctuation in demand for IT services.



Example B – weekly PBA: Consultants need access to a timesheet system to track their activities so that customers can be billed. Most consultants wait until the end of the week to complete their timesheets. Some consultants record their activities daily.



Example C – daily PBA: Journalists have to meet the deadline of 6pm to submit their stories for publication. After the deadline, only high-impact corrections are made. The later in the day, the more critical the IT services become, and also the more utilized. Most journalists use the lunch hour to interview people for stories.

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Example A shows the pattern of sales for a greeting card company in the USA. Customers buy greeting cards for major holidays or events. The different volumes of sales require different levels of IT service utilization. The IT service provider has to be able to anticipate the business activity before each major holiday so the company can be sure to prepare and ship the greeting cards in time. In addition, the online ordering systems will be in high demand in the two weeks prior to the holiday. This will require the service provider either to invest in spare capacity which will be idle at other times of the year, or they will need to be able to balance the workload across multiple resources. In this way, processing lower priority services will make way for the volumes of the higher priority seasonal activity.

In example B a consulting company relies on a timesheet service to bill consultants' time. Since most consultants complete their timesheets for the entire week at the end of the week, the later it is in the week the more critical the service, and the more it is utilized. Consultants may need to be encouraged to log their time at the end of each day, or the beginning of the next day.

Example C shows how journalists use a word-processing and editorial service. Workloads tend to be light early in the day, but the closer to the deadline they move, the more the service is utilized. It is unlikely that the behaviour of the journalists will be changed, since the PBA reflect established working practices. In these cases, measures will have to be taken to ensure that resources are available to match the PBA.

Service Strategy Processes

Service Portfolio Management (SPM)

SPM– Purpose and Objectives

- Purpose: is 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 by:
 - tracking the investment in services throughout their lifecycle
 - ensuring that services are clearly defined and linked to the achievement of business outcomes
- Objectives:
 - Provide a process and mechanisms to enable an organization to
 - investigate and decide on which services to provide and which services are no longer viable
 - evaluate how services enable them to achieve their strategy
 - Maintain the definitive portfolio of services provided
 - Track the investment in services throughout their lifecycle

The purpose of service portfolio management is 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. It tracks the investment in services throughout their lifecycle and works with other service management processes to ensure that the appropriate returns are being achieved. In addition, it ensures that services are clearly defined and linked to the achievement of business outcomes, thus ensuring that all design, transition and operation activities are aligned to the value of the services.

The objectives of service portfolio management are to:

- 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
- 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.

SPM– Scope

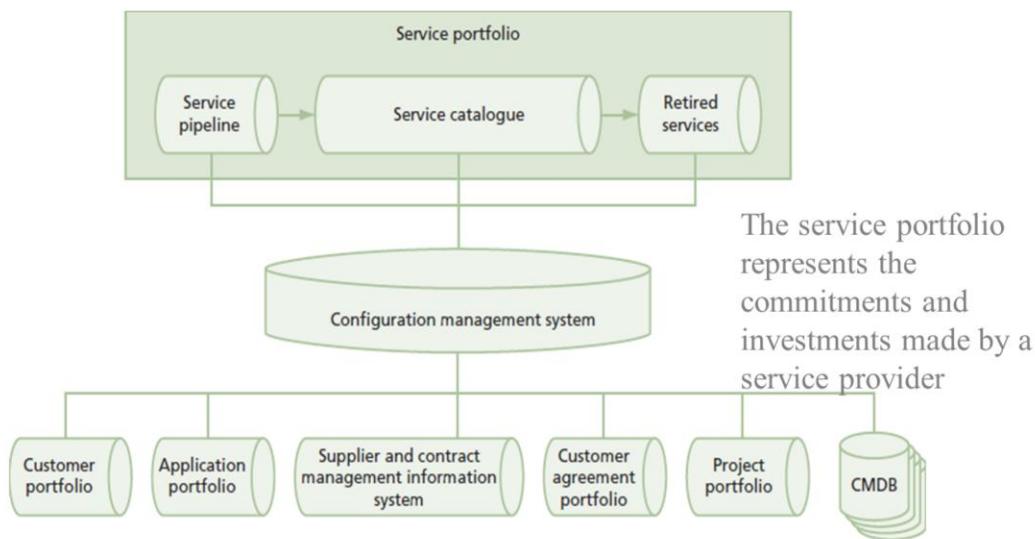
- The scope of service portfolio management is all services a service provider plans to deliver, those currently delivered and those that have been withdrawn from service
- The primary concern of service portfolio management is whether the service provider is able to generate value from the services
 - Service portfolio management tracks investments in services and compare them to the desired business outcomes
- Service portfolio management evaluates the value of services throughout their lifecycles

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. Service portfolio management will therefore track investments in services and compare them to the desired business outcomes.

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. 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. The generation of revenue in an efficient manner will, in turn, facilitate profitability.

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.

Service Portfolio



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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 Pipeline

- A database or structured document listing all services that are **under consideration or development**, but are not yet available to customers
- The service pipeline provides a business view of possible future services and is part of the service portfolio that is not normally published to customers

The service pipeline is a database or structured document listing all services that are under consideration or development, but are not yet available to customers. It also includes any major investment opportunities, such as a data centre relocation or virtualization project. This is because these investments have to be traced to the delivery of services and the value that is realized. The service pipeline provides a business view of possible future services and is part of the service portfolio that is not normally published to customers.

The service pipeline represents the service provider's growth and strategic outlook for the future and reflects the general health of the provider. It also reflects the extent to which new service concepts and ideas for improvement are being fed by service strategy, service design and continual improvement.

When the service is moved from development and becomes operational it is moved from the service pipeline into the service catalogue.

Retired Services

Some services in the service portfolio are phased out or retired. There is a decision to be made by each organization, following a service review, on when to move a service from catalogue to retired. Some organizations will do this when the service is no longer available to new customers, even though the service is still being delivered to existing customers. Other organizations will only move the service out of the catalogue when it is no longer delivered to any customers.

Retiring services is managed through service transition. This is to ensure that all commitments made to customers are duly fulfilled and service assets are released from contracts. When services are retired the related knowledge and information is stored in a knowledge base for future use.

Service Catalogue

- A database or structured document with information about all operational (active) IT services, including those available for deployment
 - used to support the sale and delivery of IT services
 - includes information about deliverables, prices, contact points, ordering and request processes.
- The service catalogue is the only part of the service portfolio published to customers
- There may be multiple service catalogues projected from the service portfolio to serve various customers and businesses
- The structure and presentation of the service catalogue should support its uses

Items can enter the service catalogue only after due diligence has been performed on related costs and risks. Only operational services can be found in the service catalogue and resources are engaged to fully support active services. The catalogue is useful in developing solutions for customers from one or more services. Items in the catalogue can be configured and suitably priced to fulfil a particular need. The service catalogue is an important tool for service strategy because it represents the service provider's actual and present capabilities. Many customers are only interested in what the provider can commit now, rather than in future.

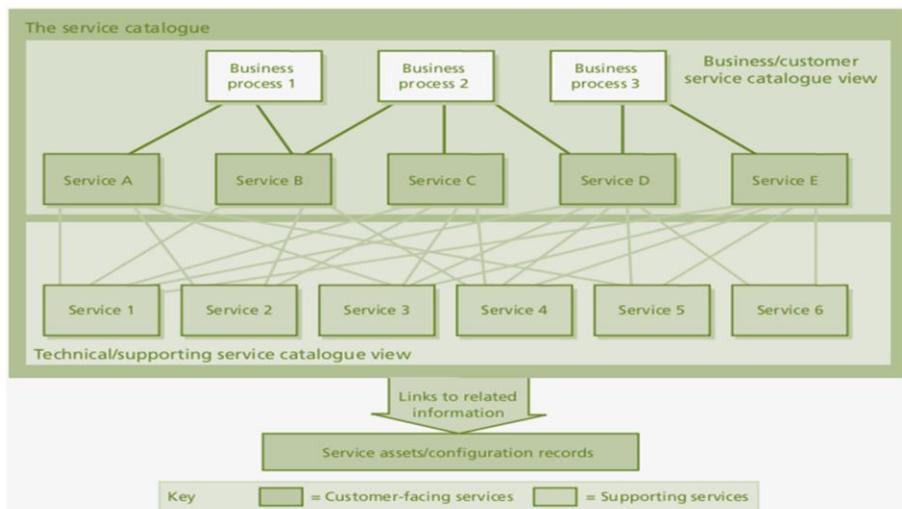
The service catalogue details each service and shows the service components that make up each one. It also provides an overview of the assets, processes and systems involved in each service. It acts as the acquisition portal for customers, including pricing and service-level commitments, and the terms and conditions for service provision. Also the service catalogue contains details about standard service requests, enabling users to request those services using the appropriate channels. In automated service catalogues these requests can be initiated in the tool, and then routed to the appropriate request fulfilment procedure.

The service catalogue is also a tool for service portfolio management decisions. At one level it identifies the linkage between service assets, services and business outcomes. This information is used to identify where existing services are used to meet current business outcomes, and to identify potential gaps in the service portfolio.

The structure and presentation of the service catalogue should support the uses to which it will be put, taking into consideration the different, sometimes conflicting needs of different audiences. Not every service is of interest to every person or group. Not every piece of information about a service is of interest to every person or group. When service providers have many customers or serve many businesses, there may be *multiple service catalogue* views projected from the service portfolio.

When initially completed, the service catalogue may consist of a matrix, table or spreadsheet. Many organizations integrate and maintain their service portfolio and service catalogue as part of their CMS. By defining each service as a CI and, where appropriate, relating these to form a service hierarchy, the organization is able to relate such things as incidents and requests for change to the services affected, thus providing the basis for service monitoring and reporting using an integrated tool (e.g. ‘list or give the number of incidents affecting this particular service’). It is therefore essential that changes within the service portfolio and its constituent service catalogue are subject to the change management process.

A Two-View Service Catalogue



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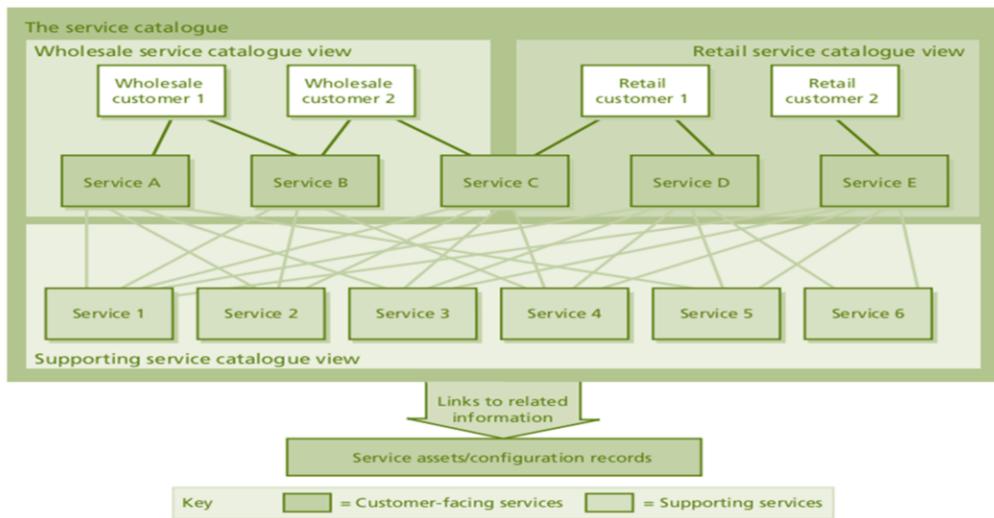
It is advisable to present more than one view of the information in the service catalogue to accommodate the different needs of those who will use it. In order to ensure that both the customer and IT have a clear understanding of the relationship between the outcome-based, customer-facing services and the business processes they support, it is recommended that a service provider, at the minimum, defines two different views, each one focusing on one type of service: a view for customers that shows the customer-facing services, and a second view for the IT service provider showing all the supporting services. The data stored in the service catalogue regarding relationships and dependencies between items would allow information in one view to be accessed from another, when deemed appropriate.

A service catalogue may have the following two views:

- **The business/customer service catalogue view** This contains details of all the IT services delivered to the customers (customer-facing services), together with relationships to the business units and the business processes that rely on the IT services. This is the customer view of the service catalogue. In other words, this is the service catalogue for the business to see and use.
- **The technical/supporting service catalogue view** This contains details of all the supporting IT services, together with relationships to the customer-facing services they underpin and the components, CIs and other supporting services necessary to support the provision of the service to the customers.

Some organizations maintain a service catalogue that includes only the customer-facing services, while others maintain information only on the supporting services. The preferred situation adopted by the more mature organizations maintains both types of service within a single service catalogue, which is in turn part of a totally integrated service portfolio.

A Three-View Service Catalogue



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Some organizations project more than two views. The number of views projected will depend upon the audiences to be addressed and the uses to which the catalogue will be put.

A service catalogue may have the following three views:

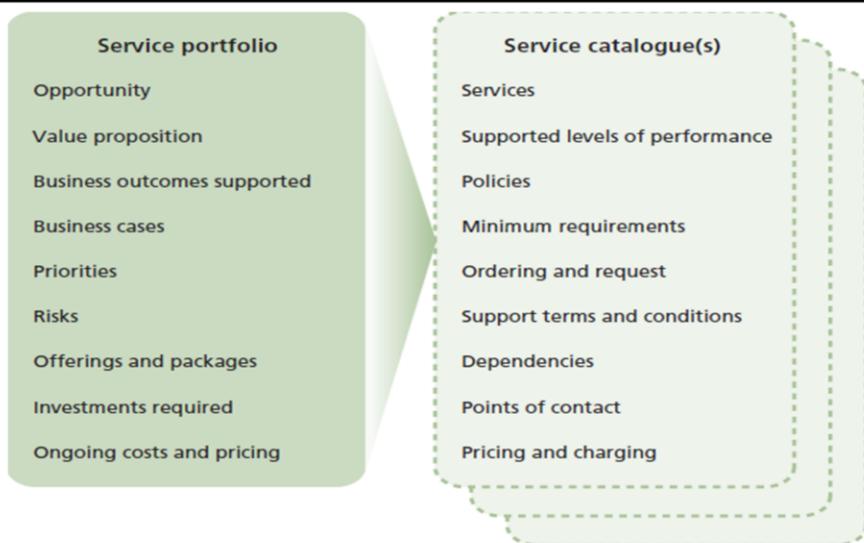
- **Wholesale customer view** This contains details of all the IT services delivered to wholesale customers (customer-facing services), together with relationships to the customers they support.
- **Retail customer view** This contains details of all the IT services delivered to retail customers (customer-facing services), together with relationships to the customers they support.
- **Supporting services view** This contains details of all the supporting IT services, together with relationships to the customer-facing services they underpin and the components, CIs and other supporting services necessary to support the provision of the service to the customers.

Note in this example how customer-facing service C appears in both the wholesale view and the retail view. It is also possible that the different views might reflect hierarchical relationships beyond one level of customer and one level of supporting service. Services are also likely to be packaged and then service packages will be shown in the appropriate service catalogue view(s).

The customer-facing service catalogue view facilitates the development of a much more proactive or even pre-emptive service level management (SLM) process and supports close business alignment with clearly defined relationships between services and SLAs. The supporting service catalogue view is extremely beneficial when constructing the relationship between services, SLAs, operational level agreements (OLAs) and other underpinning agreements and components, as it will identify the technology required to support a service and the support group(s) that support the components. The combination of all views is invaluable for quickly assessing the impact of incidents and changes on the business.

There is no single correct way to structure and deploy a service catalogue. Each service provider organization will consider its goals, objectives and uses for the service catalogue and create a structure that will meet its current and evolving needs appropriately.

Elements of Service Portfolio and Service Catalogue



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