7 BUSINESS RELATIONSHIP MANAGEMENT (SS 4.5)

INTRODUCTION AND SCOPE

The long-term success of the IT service provider depends on its relationship with its customers. As in many other aspects of life, an effective long-term relationship requires commitment and effort on both sides in order to develop and maintain the trust and understanding that will underpin the relationship through good times and bad.

In its broadest sense the relationship between customer and IT service provider encompasses the full spectrum of business interactions between them, from operational matters concerned with service delivery and operational performance, through tactical issues, such as developing requirements or perhaps a business case for new or changed services, to the development of longer term strategy. Chapter 13 of this book describes how service level management (SLM) provides a platform for managing the relationship relative to operational and lower level tactical issues. This chapter describes how business relationship management (BRM) is used to align the activities of the service provider with the needs of its customer by developing, strengthening and maintaining the relationship for strategic and higher level tactical issues, and how BRM relates to other ITIL processes.

PURPOSE AND OBJECTIVES

The primary purpose of BRM is to build and maintain an effective, productive relationship between customer and service provider, founded on an understanding of the customer and its business needs. This means more than reacting to new customer requirements. It is more profound than this. It is about understanding the customer, its strategy and business drivers sufficiently to be able to anticipate and influence the customer's requirements as circumstances change. As ITIL puts it †"Business relationship management is the process that enables business relationship managers to provide links between the service provider and customers at the strategic and tactical levels." Customer and provider will have a common interest in ensuring that the customer understands the value of service offerings and has realistic expectations of them. For such a relationship to work there must clearly be commitment, trust, openness and honesty on both sides, and at times this will require the service provider to be open and honest about the customer, for example in relation to obligations the customer has failed to meet.

BRM must achieve a number of objectives if the relationship is to deliver. It must clearly be based on a sufficient understanding of the customer so that the service provider can develop its capabilities and resources in order to respond in an acceptable timeframe to the customer's changing needs and priorities, and, where relevant, to help the customer develop new requirements in response. The service provider will be able to anticipate, to an extent at least, how the customer's needs may change with circumstances, identifying how new or changed services or new technology offerings might help the customer respond effectively to change or improve performance. Close alignment between customer and service provider, and the insight this gives the service provider, will enable the service provider to identify real or potential conflicts between different parts of the customer's own organisation and help resolve or mitigate them. BRM places demands on both the service provider and the customer. BRM must continue to demonstrate the value of the relationship not only through meeting the objectives discussed above, but also by ensuring that the service provider meets its obligations for service performance and quality, achieving high levels of customer satisfaction in the process, among other things by providing an effective response to compliments and complaints.

GENERAL PRINCIPLES

The basis for BRM

The deployment of BRM is predicated on the argument that both service provider and customer will derive benefit from a relationship that seeks to align the activities of the service provider with the customer's developing business needs and improve the customer's understanding of the service provider's offerings and their value to the customer's business. This runs counter to the view that the supplier–customer relationship is fundamentally adversarial in nature. BRM requires commitment, so both sides should assess the value of BRM before deploying resources to it. A key issue for customers will be whether the business relationship is sufficiently important to make it worthwhile. The relationship between the customer and a provider of commodity services in a competitive marketplace will have less call for structured management than where the service is complex and of strategic importance to the customer. Service providers will similarly want to focus on major customers or customers that have strategic importance for them.

Customer satisfaction

Customer satisfaction is a key concern for BRM because it is so for many other SM processes. However, customer satisfaction for BRM is less about delivering services to agreed targets for warranty and utility than about ensuring that the customer receives services that support its business objectives. The focus for BRM will be on the design and provision of services that add real value to the customer at a cost that is reasonable both in relationship to the value the services deliver and the costs of similar services from competitors.

Business relationship management and service level management

The difference in focus between BRM and other processes is illustrated by the differences between BRM and service level management (SLM). Both processes are concerned with long-term relationships with the customer and with ensuring that the customer is happy with what is delivered. The focuses of SLM are

on forging agreements with the customer on levels of service to be delivered for specific services and, by ensuring these service levels are met, on achieving acceptable levels of customer satisfaction. This means making sure that all SM processes, underpinning contracts and operational level agreements support the achievement of SLAs. BRM builds relationships with the customer that focus on strategic and higher level issues, seeking to provide services that are aligned to the business needs of the customer and are within the capability of the service provider to deliver. Customer satisfaction is a primary measure of the success of BRM, but this is customer satisfaction expressed in terms of the value of services to the customer.

The customer portfolio

In order to be effective, BRM must maintain up-to-date information on its customers. It needs to understand who the customer really is, particularly in larger customer organisations where the real customers and decision makers may not be the same as the primary service users. In order to understand the value of services to the customer organisation and the impact of service changes, the service provider needs solid information on service users and on how the customer's business depends on the services that they receive. The provider needs information to assess the value of specific customers to its own business based on past and predicted usage and revenue streams. This will influence BRM decisions on the resources a provider will dedicate to BRM for specific customers. Knowledge of the customer's strategy and business plans enables BRM to position itself, in terms of resources and capabilities, to deal with changing customer demand. BRM should gather and maintain all this information in a customer portfolio, an information base that logically contains sufficient customer information to provide effective BRM.

The customer agreement portfolio

Part of the information required on customers concerns the agreements between the service provider and the customer. This is a key source of information required by BRM and may be regarded logically as a component of the customer portfolio. In practice, however, it is best managed by service level management, which carries responsibility for negotiating and maintaining SLAs to ensure that all customer contracts and other agreements are managed centrally in order to make sure that the service provider does not undertake commitments it cannot meet. For internal service providers the agreements will be non-contractual, whereas for external service providers the agreements will be contractual. Depending on the nature and scale of the service provider, agreements may be standard agreements that are applied to all customers or agreements negotiated separately with each customer.

KEY ACTIVITIES

The key activities of BRM are concerned with:

- understanding the customer and its business objectives and how these translate into service requirements;
- helping the customer formulate the requirements for new services and develop the customer's business case for investment in them;

- identifying changes that may affect the customers use of or requirements for services;
- identifying developments in technology and related matters that may provide opportunities for better services or lower costs for the customer;
- ensuring that the delivery and operation of services, including, for example, the transition into full operation, continues to recognise and satisfy the customer's business needs;
- measuring the level of customer satisfaction with the BRM process and the performance of the service provider as a whole;
- dealing with service reports, complaints, comments and other feedback to ensure the effective provision and continual improvement of delivered services.

Other SM processes through the lifecycle

BRM by its very nature depends on and interacts with many of the other SM processes as it performs its various activities throughout the service lifecycle. These dependencies and interrelationships are illustrated in Figure 7.1.

RELATIONSHIPS WITH OTHER SERVICE MANAGEMENT PROCESSES

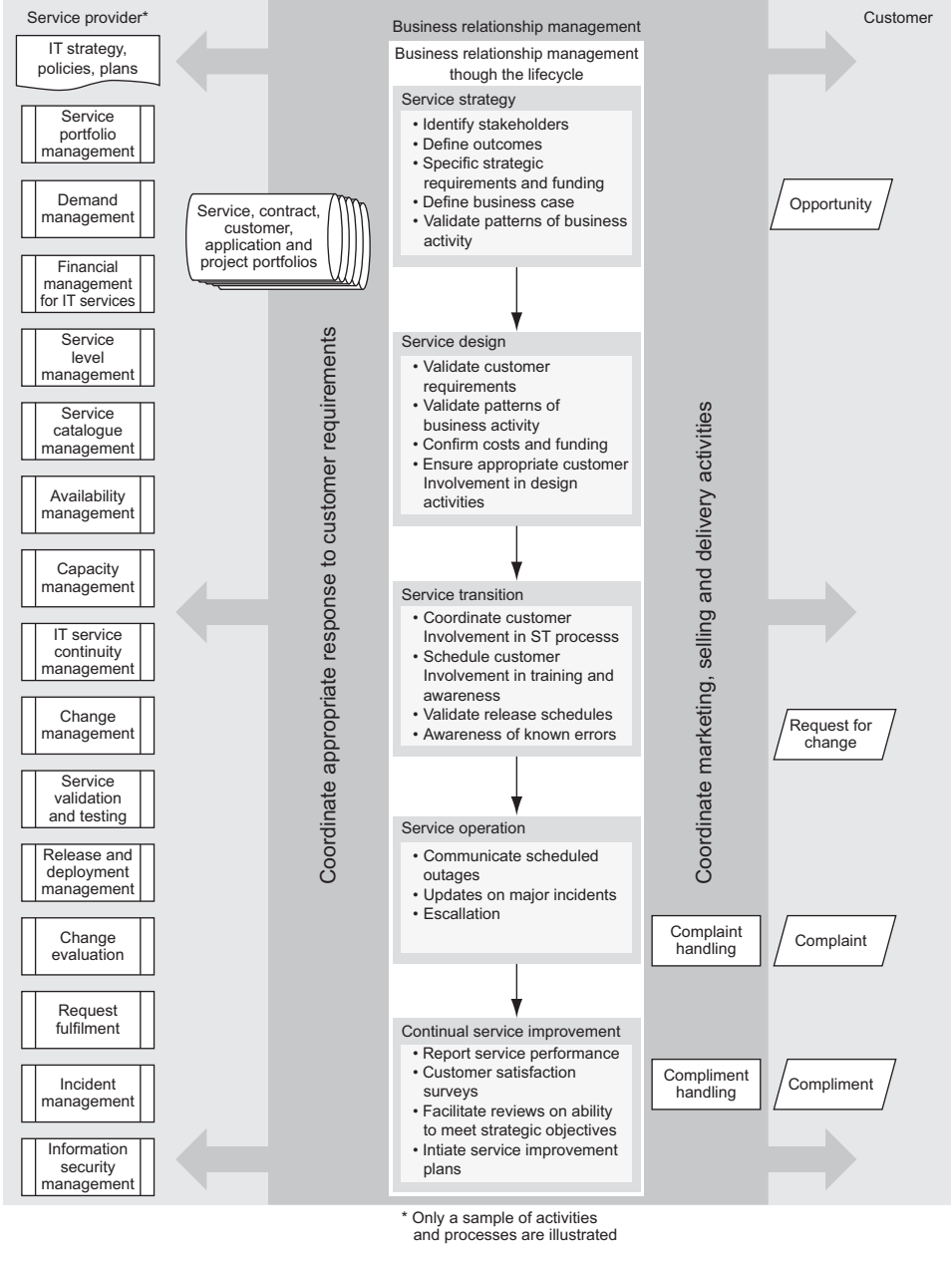
The importance to BRM of the customer portfolio and the customer agreement portfolio were discussed earlier in this chapter. In addition to these, BRM makes use of the following:

- **The IT service portfolio (see Chapter 10):** This is used by BRM to record information on new opportunities for BRM customers, as a source of information to help BRM evaluate new or changed services and to track progress and status of service developments for the customer.
- **The project portfolio:** This provides information in more detail on the status of projects planned or under way in relation to new or changed services for the customer.
- **The application portfolio:** This provides information on existing IT applications, the functionality they provide, the people who developed them and the people who support and manage them.

Service portfolio management

BRM will work closely with service portfolio management, using information held in the service portfolio to identify the best way to exploit existing service offerings or capitalise on developments in the pipeline to meet customer needs. Where the existing service portfolio is unable to meet the needs of the customer, it will be necessary to develop a new service offering. BRM will work with the customer to articulate strategic requirements and desired outcomes, define patterns of business activity, identify stakeholders, develop the business case and ensure that adequate funding is available. It will work with service portfolio management internally to determine whether the service provider has the resources and capabilities to deliver.

Figure 7.1 Business relationship management activities (Source: The Cabinet Office ITIL Service Strategy ISBN 978-0-113313-04-4)



Availability, capacity, service level management and IT service continuity
BRM needs to work closely with service design teams to make sure that designed services continue to provide defined utility and warranty, working in collaboration with project teams to clarify or expand requirements and resolve conflicts. During this stage BRM will work with availability and capacity management to help them understand what the customer requires and why, continuing to work with the customer to develop and refine patterns of business activity and to articulate and agree requirements for disaster recovery/business continuity. Working alongside service level management, BRM will also be instrumental in the development of service level agreements and gaining the commitment of the customer to the SLM process. BRM has an important role to play in ensuring the customer's requirements for business continuity are properly understood and fed into IT Service Continuity Management.

Change management, transition planning and support, knowledge management, and release and deployment management
BRM will ensure that change requests are submitted on behalf of the customer and that the customer's interests are fully represented in the change management process. BRM will also be involved in ensuring the customer is at a sufficient state of readiness to accept the new service, not only in terms of agreeing and validating user acceptance test plans and criteria and providing the resources required to conduct tests, but also in terms of making the necessary changes to processes and procedures through business change management. It will be involved with the customer in developing training and education plans, and including the customer in the development of knowledge management plans. BRM will also work with the customer in relation to release and deployment management to ensure that the customer understands the release and deployment plans, their impact on operations and the associated risks. BRM will need to confirm that there is adequate 'go live' and early life support in place, that training has been sufficient and fit for purpose and that the customer has full information on known errors and understands how these may affect the operation of the new service.

Continual service improvement
Customer satisfaction measurement is a key activity for BRM throughout the lifecycle. Customer satisfaction measurement, service level management and the seven-step improvement process will all identify opportunities for service improvement, as will meetings between the customer and BRM to review service reports. Discussions at a more strategic level will identify areas where services need to be modified, replaced or terminated in response to external change drivers, such as new legislation and regulation, developing competition or varying economic conditions.

Financial management for IT services
BRM helps financial management for IT services to understand how customers assess the value they get from IT services and what they are prepared to pay for them. BRM helps customers understand the IT service provider's financial policies, costs, risks and other issues, and clarifies how service provider costs translate into customer charges. Critically, BRM can help customers understand the financial implications of long-term planning decisions.

METRICS

The performance of BRM is measured in relation to its key activities and the key performance indicators reflect this:

- Documented customer business objectives and desired business outcomes agreed with the customer and suitable for input into the service portfolio.
- Completed and signed-off requirements for new services and the customer's business case for their usage.
- Documented evidence of the identification of changes that may impact on delivered services and the service providers response to them.
- Opportunities to exploit new technology developments and other innovations are identified, assessed in collaboration with the customer, documented and recorded in the services portfolio.
- Documented evidence that delivered services effectively and efficiently meet the needs of the customer.
- Regular assessment of customer satisfaction demonstrating high levels of satisfaction, for example, through repeat business and positive recommendations to other potential customers.
- Documented evidence that continual service improvement is achieved in response to and through analysis of service reports, complaints, comments and other feedback.

ROLES

The key roles in BRM, which may or may not be assigned to a single person, are the business relationship process owner and the business relationship process manager. The first of these is accountable for the proper performance of the BRM process in relation to its aims and the agreed policies and standards for its operation. The second of these two roles is concerned with the operational management of the BRM process. Whether it is appropriate for these two roles to be combined in a single person depends on the scale of the organisation and its structure in relation to other SM processes. Larger service provider organisations may have several business relationship managers, perhaps described as account managers, who will report to the BRM process manager and have responsibility for a single key customer or for a group of customers.

TEST QUESTIONS FOR CHAPTER 7

SL 02
SS 16

8 FINANCIAL MANAGEMENT FOR IT SERVICES (SS 4.3)

INTRODUCTION AND SCOPE

No business can survive for long, let alone flourish, if it fails to manage its money effectively. Like any other business, the IT service provider, whether run as a commercial business or not, needs sound financial management. It must ensure it has the right amount of money available to put its plans into action, to make sure that it understands how its money has been used, to determine if the money has been used effectively or whether a proposed new investment is sound. It needs to understand what individual services cost to deliver and how these costs should be divided among the service users, so that, among other things, it can assess the impact of changes in demand and levy charges for service use if appropriate.

Financial management is about looking after the organisation's financial resources, making sure that they are prudently employed and that their use is properly accounted for. Financial management makes sure the organisation has an understanding of the costs of its operations, the structure of these costs and the things that influence them. It helps the organisation make the best decisions about the services it should provide, the way services should be provisioned, the investments required for their delivery and the effect of changing patterns of demand. It evaluates the value of services to the business and, if relevant, a basis for setting prices for them. Working with service portfolio management, it helps the organisation determine the services it should provide and those it should discontinue or change in some way.

Financial management helps with financial planning, making sure that the organisation's plans align with its ability to support the financial costs and manage the risks. It keeps track of expenditure so that it is clear how the money has been used. By routinely comparing expenditure and income with financial plans and budgets, financial management will identify potential problems and take appropriate action to keep the organisation on track. Where the IT service provider charges for service, financial management will advise on how this should be done and what charges should be levied.

IT service providers must work in a rapidly changing world. Businesses and the context in which they operate are constantly changing, and the IT service provider must respond rapidly and effectively to these changes. Strong financial management enables the IT service provider to make better decisions and respond more rapidly to change. It enables better control over spending, ensures sound investment decisions and promotes value capture.

PURPOSE AND OBJECTIVES

The aim of financial management for IT services is to ensure that optimal use is made of the organisation's financial resources and that this is achieved in compliance with the regulatory framework within which the IT service provider operates.

The purpose of financial management is to ensure that:

- money is managed and spent wisely;
- the financial resources available align fully with the organisation's plans and requirements for IT service delivery;
- investment decisions are sound and relevant to the organisation's objectives;
- financial risks are identified and managed effectively;
- governance arrangements are in place to ensure the effective stewardship of financial resources and to define clear accountabilities;
- the organisation complies with all relevant financial regulatory obligations and the overall financial policy and strategy of the business.

The key objectives are to ensure that:

- there is an effective system for financial planning and budgeting;
- financial plans and budget allocations are aligned with the service portfolio;
- all proposed investments have a business case that meets the standards of the organisation;
- all significant financial risks are identified and fully managed;
- there is an appropriate governance framework in place with clear accountabilities and all those who need to be are properly trained in relation to it;
- all financial expenditure is properly accounted for and there is an audit process to ensure proper stewardship of financial resources;
- the costs and value of all IT services, processes and activities are monitored, measured and understood and appropriate actions are taken on the basis of their financial performance.

ACTIVITIES AND CONCEPTS

Budgeting

It is important to plan ahead to make sure that business plans match the money available. The product of this planning is a financial plan or budget covering expected expenditure and income for a specified period, usually a (financial) year. Expenditure and income will be divided into categories to facilitate financial planning, management and control.

The budget must reflect the services to be delivered, new projects, investments and other planned changes. It is not an articulation of what the business hopes to do:

it is about what can be realistically achieved. Even so, a budget is a plan and plans do not always work out. Budgets should be the best prediction the organisation can make, but should include some contingency for the unexpected.

Budgets should show how expenditure and income are likely to change during the budget period (e.g. higher labour and transport costs at seasonally busy times).

Sound financial management requires regular monitoring against budgets. It tells the organisation when action is needed to maintain financial control, giving early warning that expenditure is too high or income too low; that planned projects cannot be funded or that others may be brought forward. Financial management may require managers to reduce expenditure or increase income to get back on track. Sometimes, variations in one part of the budget will be offset elsewhere and the budget can be revised accordingly. For example, lower expenditure on in-house employees offset by higher expenditure on contractors.

However, budgets must never be changed simply to bring them into line with the real world. Significant variations are a warning that things are not as expected. Good governance requires managers to take considered action in response.

Accounting
The processes in IT accounting allow the IT service provider to account for expenditure and income, providing a breakdown of how costs and income are divided between customers, services and activities. This analysis helps determine the cost-effectiveness of services to make sound decisions about them. It provides details of how costs can be attributed to customers and customer groups, allowing the organisation to identify key customers and the impact of their service consumption. The information gathered through the accounting process provides budget monitoring with expenditure and income data, which will be used to evaluate the effectiveness of financial controls and to determine if action is required to rectify any significant variations from budget.

Charging
The decision whether to charge is a strategic decision to be taken with due care. Charging not only increases the operating costs of the IT service provider, but also increases accountability, exposure and transparency. Customers can compare what they get from IT with what they have to pay, and they can more easily compare their in-house IT provider with alternatives. Charging provides a means to influence customer behaviour, shaping demand and usage to match capacity, thereby reducing costs and risk. Without charging, many customers and users will see IT services as free and will make demands on these services with little interest in the financial or operational implications. The introduction of charging helps change attitudes.

Business case
All organisations need to invest wisely and a key role of financial management is to evaluate proposals for investment to determine whether they are worthwhile. Sound financial management will require all proposals for investment to include a clear case for making the investment. This case normally takes the form of a business case.

A business case is a decision support and planning tool that projects the likely consequences of a business action. The core of the business case is usually a financial analysis, but the justification of investments frequently depends on more than financial considerations.

EXAMPLE

A local authority wished to establish a service for quickly identifying whether a child had been previously identified as being at risk. If a child appeared at the local hospital accident and emergency department, the duty doctor would be able to check the child's details against the At Risk Register and notify Social Services if there was a positive result. This involved a considerable investment in IT systems and support services but there was no direct financial benefit. Nevertheless, the potential benefits (e.g. in avoiding the unnecessary death or injury of a child at risk) overrode the financial cost.

Financial management, in conjunction with business managers and other key stakeholders, will assess the business case in relation to the scale of the investment and the anticipated return, the impact on the business, the timescale for the realisation of benefits, the risks and contingencies involved, the robustness of the figures and their sensitivity to change. All of these should be covered in a sound business case.

It is essential that the business case makes it clear how the benefits and costs have been assessed, the assumptions on which it relies and the level of confidence in the figures. Business cases sometimes depend on highly optimistic or even dubious views of the future, and it is crucial that this is made clear to the decision-makers. For example, it is common for business cases to predict staff savings based on individuals saving a few minutes of their time each day through a new investment. All these free minutes are aggregated, costed and presented as a benefit, even though there may be no practical way of realising a financial saving. It will also evaluate the resource requirements and take a view on whether the organisation has the resources and capabilities to deliver. An important concept is that of affordability. An investment may offer outstanding prospects, but the organisation should not give approval unless it can afford it.

RELATIONSHIPS WITH OTHER SERVICE MANAGEMENT PROCESSES

Financial management for IT services is central to IT service management, and it has links with many of the other service management disciplines. The key interactions are with service level management, service portfolio management, capacity management and service asset and configuration management.

Service level management

Service level management (SLM) needs to work with financial management in relation to the costs of proposed levels of service required to meet the organisation's current and planned business needs. These costs will feed into

the debate about what is affordable and deliverable and, therefore, what can be agreed in service level agreements (SLAs). If charging is in place, financial management will be involved in determining charges, including the use of differential charging as part of demand management. Financial management will assist in costing changes and evaluating new investments required to meet business needs.

Service portfolio management
Financial management is concerned with business case development, assessment of investment opportunities, evaluation of different service options, the evaluation of financial risks and the determination of service value. All these are central to decisions about what should be included in the service portfolio or removed from it. Financial management is able to contribute to decisions on how best to provision a given service, whether this should be through the in-house IT service provider or a third-party provider. Financial management is also responsible for ensuring that funding is available to support the delivery of the service portfolio and for ensuring budget allocations align with it.

Capacity management
Both availability and capacity management are concerned with cost-effective delivery of services, and financial management can assist by providing costing information to enable assessment of the financial impact of desired levels of capacity and availability. Proposals to invest in new capacity or in increased resilience can be assessed by financial management before action is taken to purchase. Where charging is in place, capacity management will be able to provide information on resource usage that will help financial management determine charges.

Service asset and configuration management
Service asset and configuration management manages and maintains the configuration management database (CMDB), which holds financial and other information on assets that are required by financial management for a variety of uses. For example, from the CMDB, it should be possible to identify all the components required to deliver a given service and this information is used by financial management to determine the overall cost of the service. The CMDB also holds information on assets, such as equipment replacement dates and licence termination/renewal dates, which can be used in budget development and longer-term financial planning.

Business relationship management
BRM helps financial management for IT services to understand how customers assess the value they get from IT services and what they are prepared to pay for them. BRM helps customers understand the IT service provider's financial policies, costs, risks and other issues, and clarifies how service provider costs translate into customer charges. Critically, BRM can help customers understand the financial implications of long-term planning decisions.

TEST QUESTIONS FOR CHAPTER 8

SS 05, SS 13, SS 14
A 6

9 DEMAND MANAGEMENT (SS 4.4)

INTRODUCTION AND SCOPE

Effective demand management avoids unnecessary spend on capacity and reductions in service levels caused by fluctuations in workload or demand.

As a service provider, IT is responsible for providing just enough capacity for services to meet their agreed service levels. Too much capacity is a wasted cost and too little puts service levels at risk. This is described in detail in the capacity management process (see Chapter 15).

The process of demand management is necessary for two main reasons:

- The arrival rate of work, such as transactions sent to a server, print jobs sent to a printer or calls to a service desk, is not steady. In other words, there are peaks and troughs over the hour and day, as well as seasonal increases or decreases in demand. There is rarely sufficient flexibility in IT resources to provide just enough capacity to meet the demand at each and every point in time.
- Fluctuations in demand and the challenge of providing just the right amount of capacity are sources of risk that the service provider should minimise. The decision on how much risk is acceptable is taken by the business, which may accept a level of spare capacity (and therefore extra cost) to reduce the risk.

In ITIL terms, 'demand' refers to the source of the work, such as the submission by the business/customers of batch jobs or a web search. It also refers to the activity that is subsequently generated on IT resources, such as network traffic and read/write calls to storage devices.

PURPOSE AND OBJECTIVES

The purpose of demand management is to optimise the use of capacity by moving workload to less utilised times and resources. In so doing, more efficient use is made of the resources because their utilisation can be evened out over time instead of having to cater for peaks or troughs in load.

Demand management therefore requires to understand and influence customer demand for services in order to support the provision and management of minimum capacity to meet these demands.

The objectives include:

- characterising and codifying business activities into specific and recognisable patterns that have a common service consumption profile;
- characterising the usage of services by users into user profiles;
- encouraging the use of services at less busy times, for example by offering discounts at these times.

The first two objectives help to understand and predict the demand for resources better. This makes it easier for the service provider to match the services and resources to the identified needs of each user profile. Ultimately, this leads to improved value for both customers and suppliers by minimising costs and poor performance.

UNDERSTANDING DEMAND FLUCTUATIONS

Since the work that creates the demand comes from the business, ITIL recommends that to understand how demand fluctuates we identify patterns of business activity. There is clearly a relationship between business activities and the consumption of IT resources. Our challenge is to understand that relationship well enough so that when the business shares its plans and forecasts with us, we can predict the impact on our resources. This in turn will tell us which resources need to be replaced or upgraded and when, so that we can cost-effectively plan and budget our IT spend.

ATTEMPTING TO REDUCE PEAK DEMANDS

Provided the business agrees, IT can look to influence demand to reduce peak workloads and protect service levels without spending money on capacity that would otherwise be unused most of the time. Consider Figure 9.1 that shows a workload profile of demand over a twelve-month period.

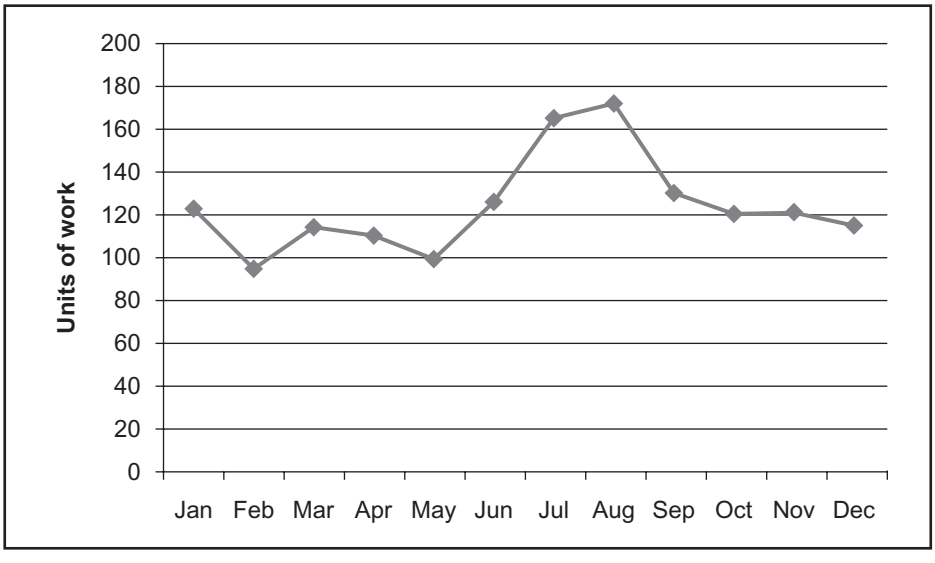
In this scenario, IT has to provide capacity for 165 units of work in July and 172 in August. However, without this two-month peak, a capacity to handle only 130 units of work is necessary. Therefore, if IT can smooth out this peak demand and spread the workload in July and August across other months, it could potentially save the cost of providing capacity for up to 42 extra units of work.

One way of limiting demand is to increase the price for work units at peak times and/or reduce the price at off-peak times. Another way is to restrict the workload, for example in an online application by limiting the number of concurrent users, or in a service desk by reducing the number of lines available to callers.

PATTERNS OF BUSINESS ACTIVITY

Patterns of business activity (PBAs) can often be conveniently associatd with a small number of defined user profiles. In this way we can relate any new individual,

Figure 9.1 Workload profile



team or department to a particular user profile to understand their impact on resources rather than spending the effort to consider them individually.

Table 9.1 shows how PBAs could be codified.

†Table 9.1 Codifying patterns of business activity

PBA No. 45F Activities	Activity levels High 3	2	1	Low	N/A
Interact with customers remotely (frequency)		✗			
Interact with customers on site (frequency)			✗		
Archive or handle customer information		✗			
Process sensitive information (privacy)					✗
Generate confidential information					✗
Provide technical support (frequency)	✗				

(Continued)

Table 9.1 *(Continued)*

PBA No. 45F Activities	Activity levels High	3	2	1	Low	N/A
Seek technical assistance				✗		
Network bandwidth requirements		✗				
Data storage requirements (volume)		✗				
Tolerance for delay in service response			✗			
Seasonal variations in activity				✗		
Print documents and images			✗			
Mailing of documents using third party systems			✗			
Process transactions with wireless mobile device				✗		
Email using wireless device					✗	
Access work systems during domestic travel				✗		
Access work systems during overseas travel					✗	

USER PROFILES

User profiles should be based on the roles and responsibilities in an organisation. In this way, each user profile can be assigned to one or more PBA, as shown in Table 9.2.

You will notice that applications and processes can also be profiled in the same way as users. This approach allows patterns and profiles to be matched in order to understand and manage customer demand more easily and accurately.

THE BENEFITS OF DEMAND MANAGEMENT

Once the demand management process has understood demand fluctuations and applied controls to limit peak demand, capacity management becomes more effective in planning capacity, reducing unnecessary spend and acquiring resources more cost-effectively. As a result, service levels improve and the business gains increased confidence in IT's ability to meet both its present and future requirements.

†Table 9.2 Profile – PBA mapping

User profile	Applicable pattern of business activity (PBA)	PBA code
Senior executive (UP1)	Moderate travel – domestic and overseas; highly sensitive information; zero latency on service requests; high need for technical assistance; need to be highly available to the business	45F 45A 35D
Highly mobile executive (UP2)	Extensive travel – domestic and overseas; sensitive information; low latency on service requests; moderate need for technical assistance; high customer contact; need to be highly available to customers	45A 35D 22A
Office-based staff (UP3)	Office-based administrative staff; low travel – domestic; medium latency on service requests; low need for technical assistance; full-featured desktop needs; moderate customer contact; high volume of paperwork; need to be highly productive during work hours	22A 14B 3A
Payment processing system (UP4)	Business system; high volume; transaction-based; high security needs; low latency on service requests; low seasonal variation; mailing of documents by postal service; automatic customer notification; under regulatory compliance; need for low unit costs; need to be highly secure and transparent (audit control)	12F
Customer assistance process (UP5)	Business process; moderate volume; transaction-based; moderate security needs; very low latency on service requests; medium seasonal variation; mailing of replacement parts by express; automatic customer notification; need to be highly responsive to customers	24G 10G

RELATIONSHIPS WITH OTHER SERVICE MANAGEMENT PROCESSES

Capacity management

Demand management is a key contributor to capacity management because it helps understand the nature of demand on resources and can reduce the capacity requirements by smoothing out peaks in demand.

Service portfolio management, service catalogue management

Codifying patterns of business demand and user profiles can contribute to service portfolio and service catalogue management by helping to align services to particular business needs and requirements.

Financial management

Financial management can contribute to demand management by assisting with financial uplifts and discounts to influence and smooth demand across peaks and troughs.

METRICS

There are no standard metrics associated with this process, but we offer some suggestions below:

- The peak : average load ratio (should reduce over time with effective demand management).
- The percentage of users who have been profiled.
- For a given period (e.g. one year) the amount of spend avoided through demand management.
- The percentage of services in the service catalogue that have been validated against user profiles and PBAs.

ROLES

Only large IT operations are likely to have a demand manager. It is more likely that the demand management activity will be undertaken by the capacity manager.

TEST QUESTIONS FOR CHAPTER 9

SL 10
SS 11, SS 12

10 SERVICE PORTFOLIO MANAGEMENT (SS 4.2)

INTRODUCTION AND SCOPE

The service portfolio, which gives a management-level view of all IT services as they move through the service lifecycle, is a critical management system in ITIL. It has three parts:

- The service pipeline that holds information on services that are under development.
- The service catalogue that holds details of all services either already in production or ready to move into production.
- Retired services that have been discontinued from operational use.

The service portfolio therefore provides a complete picture of all services under development for future delivery, services in production and services that have come to the end of their productive life. It is the foundation for managing the full lifecycle for all services in terms of their business requirements, the business case for investment, the financial and other resources required for service development and operation, the risks associated with the development and operation of the service and, where relevant, how the service will be priced.

The IT service provider, in conjunction with the business, will identify a number of opportunities for investment in new or changed IT services. Before any of these opportunities are transformed into a service, important decisions must be made about the value of the new services to the business, the capacity of the IT service provider and the marketplace to deliver the service, and the relative priority of the proposed service in comparison with other potential investments. In other words, the organisation will need answers to questions such as:

- Why should we invest in this service rather than something else?
- What value will it deliver to the business?
- What will it cost to deliver the service solution and can we afford it?
- Do we have the resources and capabilities to deliver it?
- How does this investment fit with our broader strategy?
- What are the dependencies with other investments in progress or under consideration?

- What are the risks?
- Is the return on the investment acceptable in terms of investment cost, risks and timescale?

PURPOSE AND OBJECTIVES

The purpose of service portfolio management (SPM) is to ensure that decisions to invest in IT services are sound and are fully aligned with the needs and priorities of the business. Once a decision is made to invest, the investment must be managed through its lifecycle, and SPM's goal here is to ensure that the investment delivers optimum value to the organisation. As a management support system, the service portfolio enables the organisation to answer strategic questions about its services, customers and pricing, as well as helping it set priorities and plan resource allocation.

An objective of SPM is to ensure there is an effective methodology for the evaluation of potential investments. Once an investment has been agreed, the purpose of SPM is to ensure that the investment is managed effectively throughout its lifecycle. Among other things this is about ensuring proper governance arrangements are in place, that investments and their business case are reassessed against changing conditions both within and outside the organisation and that the realisation of benefits is properly managed.

The objectives of SPM are:

- to develop and maintain a service portfolio that provides a complete picture of all services including their status;
- to establish conditions and requirements for inclusion of new services in the service portfolio;
- to ensure a service catalogue is developed and managed as part of the portfolio, and agree the rules for transferring services to the service catalogue as they move into transition and out of the catalogue and as they move into retirement;
- to ensure the service portfolio meets the functional and performance requirements of its users and that its performance, availability and security meet agreed requirements;
- to ensure that management reports are produced in line with agreed reporting requirements.

SERVICE PORTFOLIO COMPONENTS

The service portfolio contains information about services across the entire lifecycle, providing information on the status of services as they move from concept through requirement specification, approval, design, transition into live operation and eventual retirement. The information held on each service develops and changes as it moves through the lifecycle. In the early part of the lifecycle, there will be little more than a description of the proposed service with details of the

value proposition, business sponsors and other basic details. As we move through the lifecycle, requirements will be specified and either incorporated or cross-referenced. The business case will be included along with funding details, priorities and risks. Offerings and packages, costs and prices will be added once designed and agreed.

By the time the service is ready for operational delivery, the full content of the service portfolio should include:

- service name;
- service description;
- service status;
- service classification and criticality;
- applications used;
- data and/or data schema used;
- business processes supported;
- business owners;
- business users;
- IT owners;
- service warranty level, SLA and SLR references;
- supporting services;
- supporting resources;
- dependent services;
- supporting OLAs, contracts and agreements;
- service costs;
- service charges (if applicable);
- service revenue (if applicable);
- service metrics.

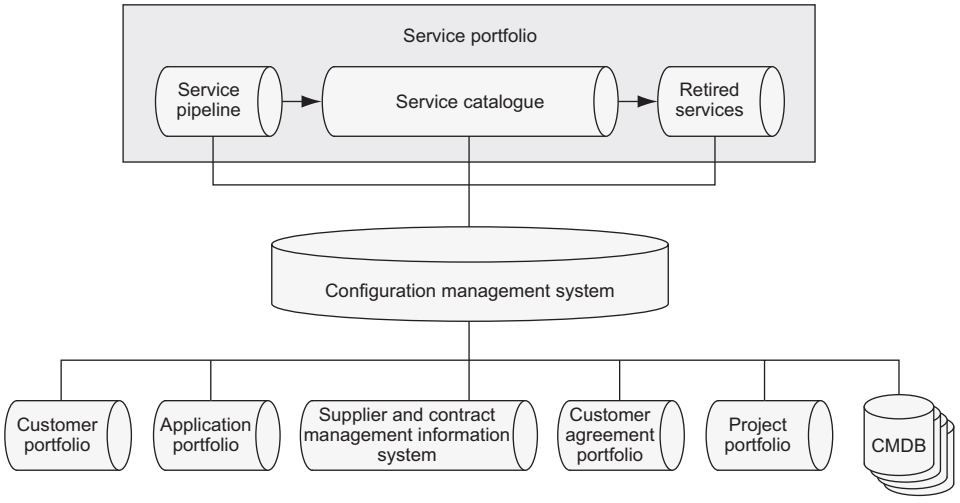
In order to manage and understand the information, the service portfolio is separated conceptually, and often physically, into three separate components:

- The service pipeline, which covers services that have not yet moved into operation.
- Retired services, which includes information on services that have been taken out of operational use and for which it is considered of value to retain the information about them.
- In between these are services that are operational and delivering to the customer. These services are covered by the service catalogue, which is described in more detail in Chapter 12 on service catalogue management.

The structure of the service portfolio and its relationship with systems and areas are illustrated in Figure 10.1.

From a broader perspective, the service portfolio is best included as a part of the IT service provider's service knowledge management system.

Figure 10.1 The service portfolio (Source: The Cabinet Office ITIL Service Strategy ISBN 978-0-113313-04-4)



The service pipeline
The service pipeline holds details of all services that are not yet ready for transition into production. It gives IT service provider management a complete view of their plans for new and changing services, and it is a measure of the IT provider's vision for, and confidence in, the future. It reflects the IT provider's service strategy.

The service catalogue
The service catalogue contains information about IT services that are currently in production or are about to go through service transition into production. It is therefore a measure of the IT service provider's current capacity, capability and confidence to deliver. The service catalogue is the part of the service portfolio that is available to customers and is written in language suitable for this purpose.

Retired services
Services eventually come to the end of their useful life, perhaps because they are no longer relevant to the customer's needs or because they are no longer cost-effective. There is no point continuing with a service that is not wanted or is uneconomical to run, unless there is an alternative justification for its retention.

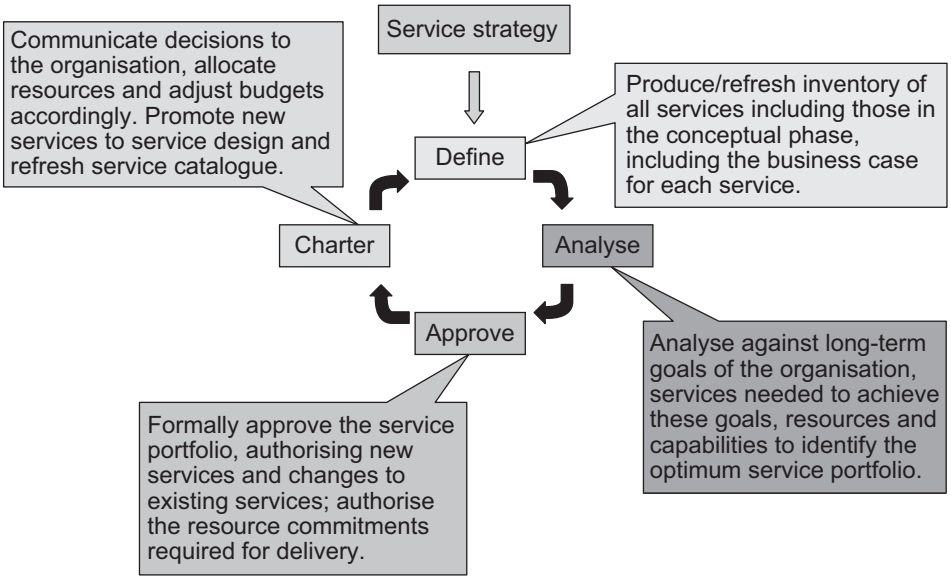
Information about retired services should be retained as part of the IT service provider's service knowledge management system for as long as such information is

likely to be useful. In some circumstances, a retired service may become operationally viable and be taken out of retirement.

KEY ACTIVITIES

Service portfolio management is about how decisions are made to include new services and the continual review of existing services in the service portfolio. This is best described as a cyclic process that moves around the Define–Analyse–Approve–Charter loop illustrated in Figure 10.2.

Figure 10.2 The service portfolio management cycle (Source: The Cabinet Office ITIL Service Strategy ISBN 978-0-113313-04-4)



RENEWING THE PORTFOLIO

As circumstances change (e.g. changes in the economic outlook, changes in raw material prices or labour costs, marketplace changes etc.) decisions made on the content of the service portfolio will need to be reassessed. Part of service portfolio management must therefore involve monitoring the commercial, social, economic and political environment to identify events that should trigger a reassessment of the service portfolio.

RELATIONSHIPS WITH OTHER SERVICE MANAGEMENT PROCESSES

Its importance throughout the lifecycle, and its value to all other processes and functions, means that the service portfolio is described as the 'spine' that links the different lifecycle stages together.

Business relationship management
Service portfolio management is a critical management system supporting the way the IT service provider works in conjunction with the business to ensure that IT adds optimum value. Managing the service portfolio requires full collaboration with the business and this means involvement from business relationship management.

Financial management
One of the key relationships for service portfolio management is with financial management. The contribution from financial management is concerned with business case development, assessment of investment opportunities, comparative evaluation of different service options, the evaluation of financial risks and the determination of service value. All these are central to decisions about what should be included in the service portfolio or removed from it.

Financial management is also responsible for ensuring that funding is available to support the delivery of the service portfolio and for ensuring budget allocations align with it.

Service catalogue management
Since the service portfolio includes the service catalogue there needs to be a close relationship between service portfolio management and service catalogue management. The information in both elements of the service portfolio must be consistent.

Supplier management
Supplier management ensures that all supporting services and their details and relationships are accurately reflected within the service portfolio and that the service portfolio is consistent with the supplier and contract management information system. Supplier management will draw on information in the service portfolio as a basis for negotiating underpinning contracts.

Other processes
The service level management process depends heavily on the content and quality of the service portfolio, especially the service catalogue.

Capacity management has an input into the service portfolio to ensure that new technologies are given due consideration in service planning. The service portfolio is a key input to capacity management.

The construction and maintenance of the service portfolio requires input from IT operations management and technical and applications management to ensure the service portfolio is accurate and achievable.

TEST QUESTIONS FOR CHAPTER 10

SS 02, SS 03