



Service Strategy

Key concepts

- Utility and Warranty
- Value Creation

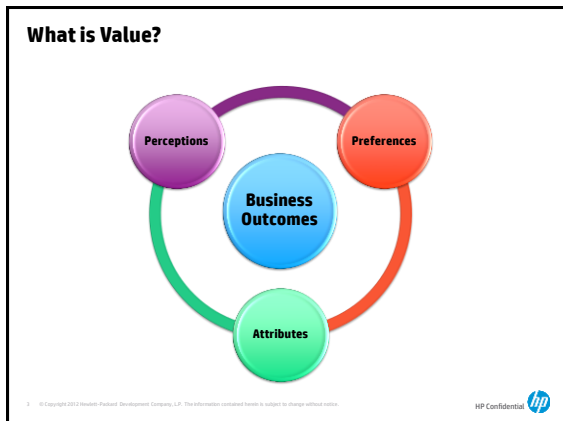
Processes

- Strategy Generation
- Service Portfolio Management
- Demand Management
- Financial Management



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Utility and Warranty

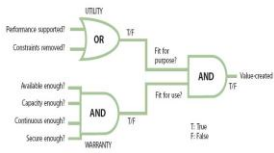
Utility and Warranty define services and work together to create value for the customer

Utility


- What does the service do?
- **Functional requirements**
- Features, inputs, outputs...
- “fit for purpose”

Warranty

- How well does the service do it?
- Non-functional requirements
- **Capacity, performance, availability...**
- “fit for use”



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Capability, Resource, Service Asset

Resource

- Direct inputs for production


Capability

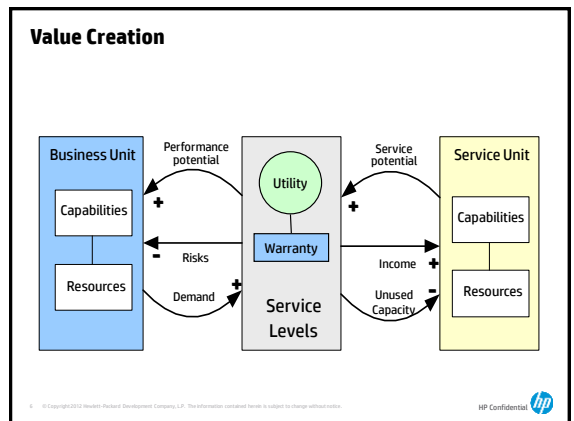
- Represent an organization's ability to coordinate, control, and deploy resources to produce value
- Developed over time.

Service Asset

- Resource + Capability
- Assets used to deliver services

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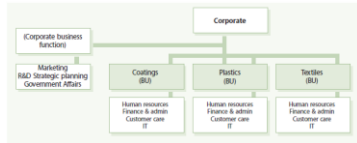


Service Provider

An organization supplying services to one or more internal customers or external customers

Type 1: Internal

- Embedded in the business unit it serves
- Specialize to serve a relatively narrow set of business needs
- operate within internal market spaces



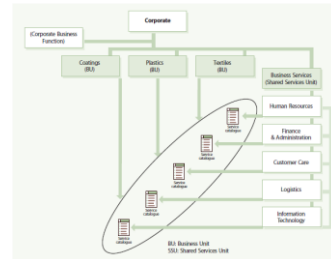
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Service Provider

Type 2: Shared

- Provide services to multiple business units
- subject to comparison with external service providers



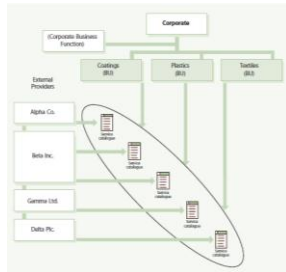
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Service Provider

Type 3: External

- Provide services to many customers
- Can offer competitive prices and drive down unit costs by consolidating demand
- The motivation may be access to knowledge, experience, scale, scope, capabilities, and resources that are either beyond the reach of the organization or outside the scope of a carefully considered investment portfolio.



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How to choose a vendor type?

- Does the activity require assets that are highly specialized? Will those assets be idle or obsolete if that activity is no longer performed? (If yes, then disaggregate.)
- How frequently is the activity performed within a period or business cycle? Is it infrequent or sporadic? (If yes then disaggregate.)
- How complex is the activity? Is it simple and routine? Is it stable over time with few changes? (If yes, then disaggregate.)
- Is it hard to define good performance? (If yes, then aggregate.)
- Is it hard to measure good performance? (If yes, then aggregate.)
- Is it tightly coupled with other activities or assets in the business? Would separating it increase complexity and cause problems of coordination? (If yes, then aggregate.)

From/To	Type I	Type II	Type III
Type I	Functional reorganization	Disaggregation	Outsourcing
Type II	Aggregation	Corporate reorganization	Outsourcing
Type III	Inourcing	Inourcing	Value net reconfiguration

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Strategy Generation - Activities

- Define the Market
- Develop the Offerings
- Develop Strategic Assets
- Prepare for Execution

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Strategy Generation – Define the Market

- Define Services & Strategy**
 - "strategies for services" & "services for strategies"
- Understand the Customer**
 - achieve business objectives using whatever assets they have at hand, subject to various constraints
 - Services → able/enhance the performance of business assets → Better Outcomes
- Understand the Opportunities**
 - Gaining insight into the customer's business and having good knowledge of customer outcomes is essential to developing a strong business relationship with customers
- Classify & Visualize**
 - dissect business outcomes that customers want services to support
 - reveal not only challenges associated with a particular customer or business environment but also the opportunities.

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Strategy Generation – Develop the Offerings

- **Market Space**
 - defined by a set of business outcomes, which can be facilitated by a service
 - represents a set of opportunities for service providers to deliver value to a customer's business through one or more services
 - Where to play, how to play

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Strategy Generation – Develop Strategic Assets

- **dynamic in nature**
- Expected to continue to perform well under changing business conditions and objectives of their organization
- requires strategic assets to have learning capabilities

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Strategy Generation – Prepare for Execution

- **Strategic Assessment**
 - Which of our services or service varieties are the most distinctive?
 - Which of our services or service varieties are the most profitable?
 - Which of our customers and stakeholders are the most satisfied?
 - Which customers, channels or purchase occasions are the most profitable?
 - Which of our activities in our value chain or value network are the most different and effective?
- **Setting Objectives**
- **Aligning Service Assets with Customer Outcomes**

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Strategy Generation – Prepare for Execution

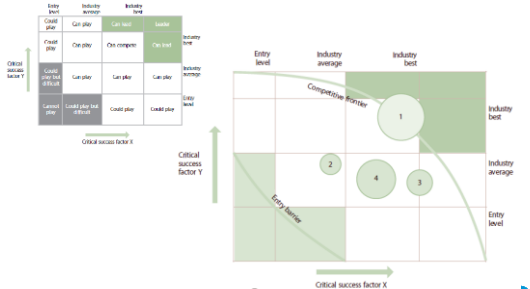
- **Defining Critical Success Factors**
 - They are defined in terms of capabilities and resources
 - They are proven to be key determinants of success by industry leaders
 - They are defined by market space levels, not peculiar to any one firm
 - They are the basis for competition among rivals
 - They change over time, so they are dynamic not static
 - They usually require significant investments and time to develop
 - Their value is extracted by combination with other factors.

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Strategy Generation – Prepare for Execution

• Critical Success Factors & Competitive Analysis



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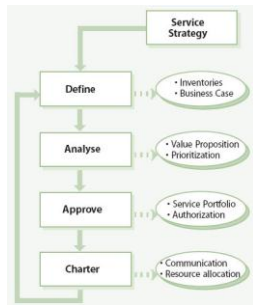
Strategy Generation – Prepare for Execution

- **Prioritizing investment**
 - At any one time, the business needs of customers are fulfilled to varying levels of satisfaction.
- **Exploring Business Potential**
- **Differentiation in Market Spaces**

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Service Portfolio Management - Activities



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Service Portfolio Management Objectives

• Decide what services to offer

• Understand

- Why should a customer buy these services?
- Why should they buy these services from us?

• Provide direction to Service Design

- So they can manage and fully exploit the services into the future

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Service Portfolio Management Basic Concepts

• Business Service

- A service that directly supports a business process

• IT Service

- A service that the business does not think of in business context or semantics

• Business Service Management

- Considering service management in terms of business processes and business value

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Demand Management - Basic Concepts

Core Service

- An IT Service that delivers outcomes desired by one or more customers

Supporting Service

- A service that enables or enhances a core service. For example
- A directory service or a backup service

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Demand Management - Basic Concepts

Pattern of Business Activity (PBA)

- Workload profile of one or more business activities
- Varies over time
- Represents changing business demands

User Profile

- Pattern of user demand for IT Services
- Each user profile includes one or more PBAs

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Demand Management - Basic Concepts

Service Package

- Detailed description of a service
- Includes a service level package and one or more core services and supporting services

Service Level Package

- Defined level of utility and warranty for a particular service package
- Designed to meet the needs of a PBA. For example
- Gold, Silver or Bronze service

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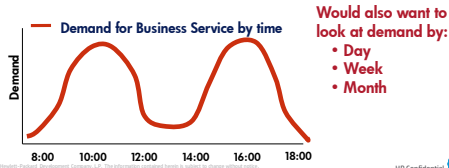
Demand Management Objectives and Business Value

Understand customer requirements for services and how these vary over the business cycle

Ensure the provision of appropriate levels of service

- By varying provision or influencing customer demand

Ensure that the Warranty and Utility we offer matches the customer needs

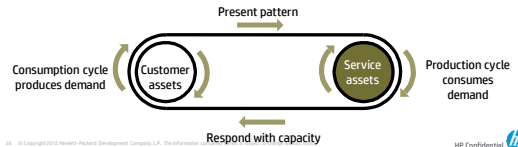


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Demand Management

Links to other Service Lifecycle phases/concepts:

- Service Design – optimising design for demand patterns
- Service Catalogue – mapping demand to services
- Service Portfolio – approving additional capacity, new services or changes to existing services based on demand patterns
- Service Operation – adjusting allocation of resources and scheduling
- Financial Mgt – using incentives to influence demand



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Demand Management Roles

Business Relationship Manager

Document PBAs and user profiles

Identify correct service level packages for their customers

Identify unmet customer need

Negotiate with Product Manager for creation of new services

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Financial Management Objectives

Financial visibility and accountability

Financial compliance and control

Understand cost of providing services

Understand value customers get from using services

Enhanced decision making across the complete service lifecycle

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Financial Management Accounting Units

Service-oriented accounting leads to a better understanding of service provisioning and consumption

Accounting characteristics:

- Service recording
- Cost types
- Cost classifications
 - Capital/operational
 - Direct/indirect
 - Fixed/variable
 - Cost units

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Financial Management Roles

- All managers have some financial responsibility

- Senior IT Management own budgets and are ultimately responsible for decisions

- Many organizations appoint a financial controller to oversee day-to-day finances

- Accounting department provides governance framework and support

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Warranty

What does “warranty of a service” mean?

- a. The service is fit for purpose
- b. There will be no failures in applications and infrastructure associated with the service
- c. All service-related problems are fixed free of charge for a certain period of time
- d. Customers are assured of certain levels of availability, capacity, continuity and security

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Service Portfolio

What are the three elements of a service portfolio?

- a. Service portfolio, business service catalog, technical service catalog
- b. Service Knowledge Management System, service portfolio, service lifecycle
- c. Service pipeline, service catalog, retired services
- d. Chartered, operational, retired

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