L17 -Functions & Processes in Service Strategy

```
┌──────────────────┐
│ Service Strategy │ ◁──
└──────────────────┘
        ⇩
┌──────────────────┐
│  Service Design  │
└──────────────────┘
        ⇩
┌──────────────────┐
│ Service Transition│
└──────────────────┘
        ⇩
┌──────────────────┐
│ Service Operation│
└──────────────────┘
        ⇩
┌──────────────────┐
│ Continual Service│
│   Improvement    │
└──────────────────┘
```

- Financial Management
  - Purpose
  - Service valuation
  - Business Impact Analysis
- Service Portfolio Management
  - Purpose
  - Steps involved
- Demand Management
  - Objectives
  - Service level package
  - Core service package
  - Line of service

Learning outcome:
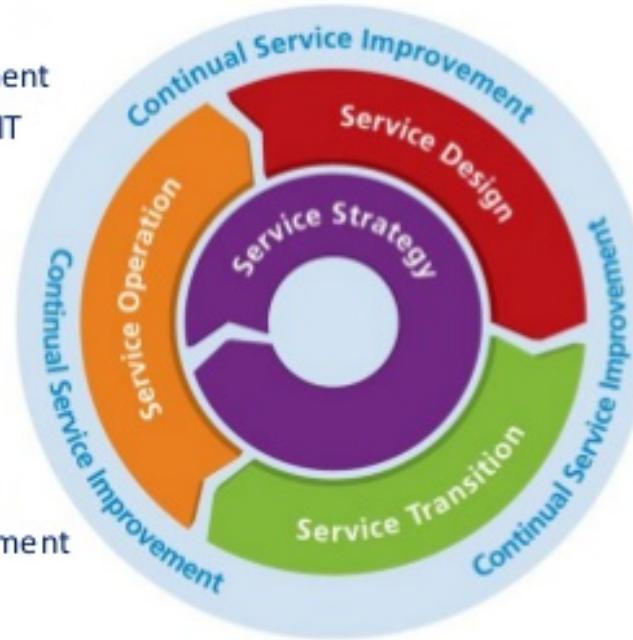
Student will be able to:

➢Describe the activities within service strategy
- Financial management
- Demand management
- Service portfolio management

➢ Techniques used in service strategy

Service Lifecycle

Service Strategy (SS)
- Demand Management
- Service Portfolio Management
- Financial Management for IT Services
- Business Relationship Management

Service Design (SD)
- Design Coordination
- Service Level Management
- Service Catalogue Management
- Availability Management
- Capacity Management
- Information Security Management
- Supplier Management
- IT Service Continuity Management

Service Transition (ST)
- Change Management
- Service Asset and Configuration Management
- Release and Deployment Management
- Transition Planning and Support
- Knowledge Management

Service Operation (SO)
- Event Management
- Incident Management
- Request Fulfillment
- Problem Management
- Access Management

Continual Service Improvement (CSI)
- Seven-Step Improvement Process

*Processes at strategic level:

Service Portfolio Management

Demand Management

Financial Management

*Financial Management

- The objective of the Financial Management is to ensure that the right financing is obtained for the delivery and purchase of services

- Financial Management includes three basic activities:
  - **Accounting** - tracking how money is actually spent by a Service Provider
  - **Budgeting** – planning how money will be spent by a Service Provider
  - **Charging** – securing payment from customers for services provided

*Service Portfolio Management

- The Service Portfolio Management (SPM) is the monitoring and control of service portfolio that describe the offered services of a provider.

- The objective of SPM is to achieve maximum value creation while at same time managing the risks and costs

*Demand Management

- The goal of demand management is to predict or regulate service demand to match service supply as close as possible
- Need to identify & analyze the Pattern of Business Activities.
- Identify : Core & supporting services
- Develop a differential offering via packaging of core & supporting services to meet market strategy.

*Financial management

- Financial management ensures that the costs of IT services are clear (e.g. via the service catalogue) .

- Benefits include:
  - Improved decision-making
  - Speed of change
  - Service portfolio management
  - Financial compliance and control
  - Operational control
  - Value capture and creation

*Service Valuation

- ITIL defines two vital value concepts for service valuation:
  - **Provisioning value** – The actual underlying costs to provide a service including all fulfillment elements, both tangible and intangible.
  - Example :
    - Hardware and software license costs.
    - Annual maintenance costs for hardware and software.
    - Personnel that work to support or maintain a service.
    - Paid facilities.
    - Taxes, capital or interest charges.
    - Compliance costs.

*Service Valuation

- **Service value potential** - The value-adding component based on the customer's perception of value from the service or expected marginal utility and warranty from using the service.

Service value potential =

Service value in the eyes of customer (as provided by service provider) – Service provided based on customer's own assets

Activities

- **Service valuation**
  - During service valuation activities, the following decisions are made:
    - **Direct costs versus indirect costs**
      - Can costs be attributed directly to a specific service or are they shared by several services (indirect costs)?
    - **Labour costs**
      - Develop a system to calculate the labor costs for a certain service.
    - **Variable costs**
      - Include expenditures that are not fixed, but which vary depending on things such as the number of users or the number of running instances.

Activities

- **Service valuation**
  - During service valuation activities, the following decisions are made:
    - **Variable costs**
      - To predict variable costs, you can use:
      - Tiers – identifying price breaks where plateaus occur within a provider so that customers are encouraged to obtain scale efficiencies familiar to the provider.
      - Maximum costs – prescribing the cost of service based on the maximum level of variability.
      - Average costs – involves setting the cost of the service based on historical averaging of the variability.
    - **Translation of cost account data to service value**
   - Possible after costs are attributed to service.
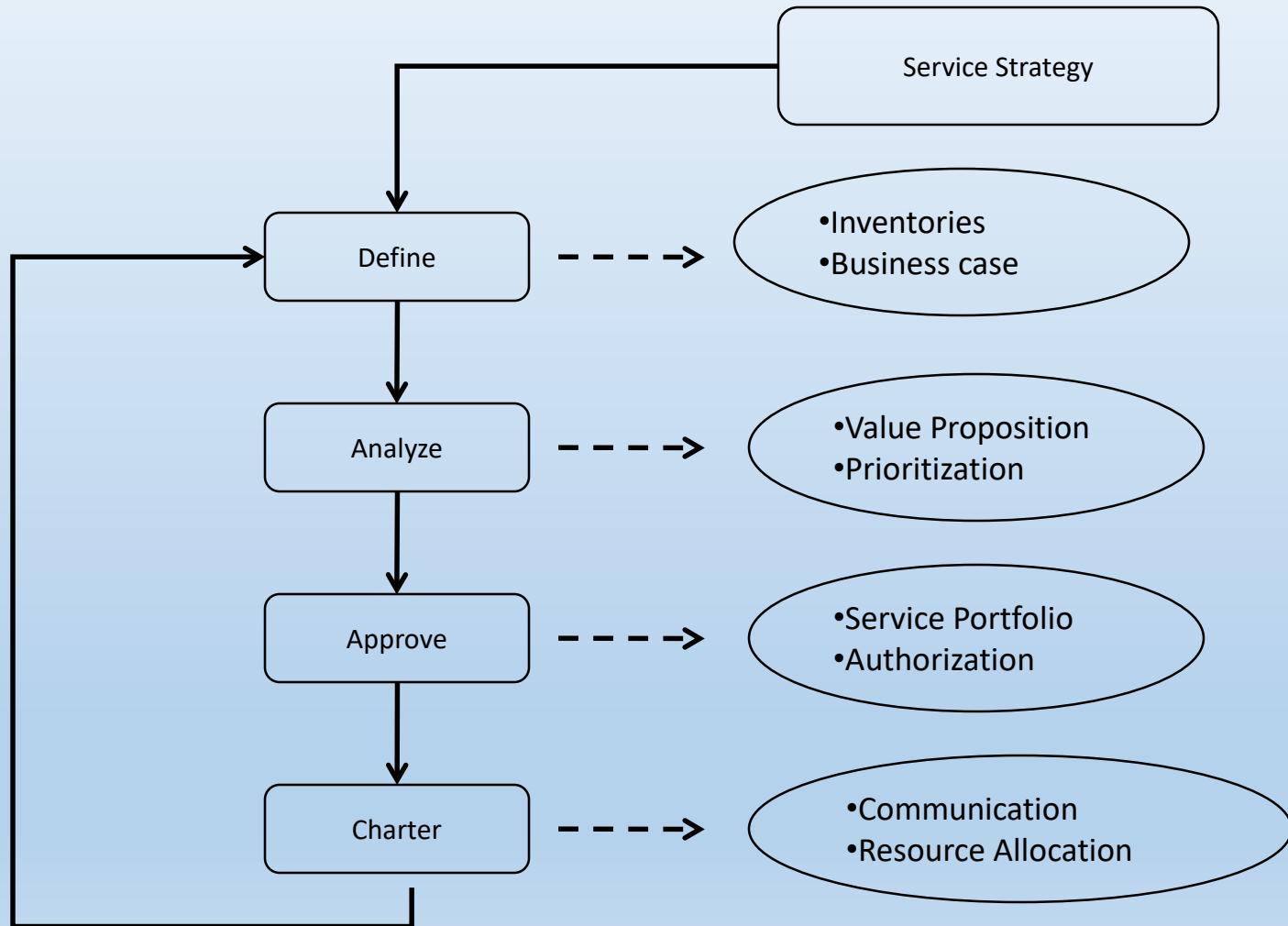
Methods

- **Business Impact Analysis (BIA)**
  - To identify an organization's most critical business services through an analysis of outage severity translated into a financial value, coupled with operational risk.
  - The cost of service outage is a financial value placed on a specific service and is meant to reflect the value of lost productivity and revenue over a specific period of time.

*Service Portfolio Management

- The service portfolio functions as the basis for decision-making.

- It helps to answer the following :
  - Why should a customer buy these services?
  - Why should a customer buy these services *from us*?
  - What are the pricing and charge back models?
  - What are our strengths and weaknesses, our priorities and our risks?
  - How should our resources and capabilities be allocated.
  - A service portfolio strategy gives the organization the capability to anticipate changes, while maintaining its strategy and planning.

*Service Portfolio Process

*Demand Management

- **Challenges in managing service demand**
  - It aligns supply with demand and aims to predict demand as closely as possible and, if possible, even regulate it.
  - Badly managed demand represents a risk for service providers.
  - Too much capacity, results in costs that do not yield value.
  - Inadequate capacity, however, affects the service quality and limits service growth.

Demand Management

- **Developing a differentiated offering**
  - The packing of core and supporting services is an essential aspect of market strategy.
  - Service providers should thoroughly analyze the prevailing conditions in their business environment, the needs of the customer segments or types they serve, and the alternatives that are available to those customers.
  - The decisions are strategic because they hold a long-term view for maintaining value for customers even as industry practices, norms, technologies and regulation change.

Techniques

Se**rvice package** is a detailed description of an IT service deliverable to customers. A service package includes a Service Level Package (**SLP**) and one more core services and supporting services.

Service Level Package (SLP) is a defined level of utility and warranty for a particular Service Package. Each SLP is designed to meet the needs of a particular Pattern of Business Activity.

Core Service Package (CSP) is a detailed description of a core service that may be shared by two or more Service Level Package.

Line of Service (LOS) is a core service or supporting service that has multiple Service Level Packages. Package is designed to support a particular market segment.

F&P of Service Strategy (Review Questions)

Q1   What are the two vital value concepts for service   valuation?

Q2   What are the two decisions need to be made during service valuation ?

Q3   What is the aim of a Business Impact Analysis (BIA)?

Q4   List the key challenges in managing service demand.

Q5   Draw a diagram to highlight the 4 key steps in Service Portfolio management.

Revision MCQ

1   Service strategy consists of decisions made by _____.
A)   Top management
B)   Middle management
C)   Service helpdesk staff
D) Customers

2   Which is NOT a process within service strategy ?
A)   Financial management
B)   Demand management
C)   Supplier management
D) Service portfolio management