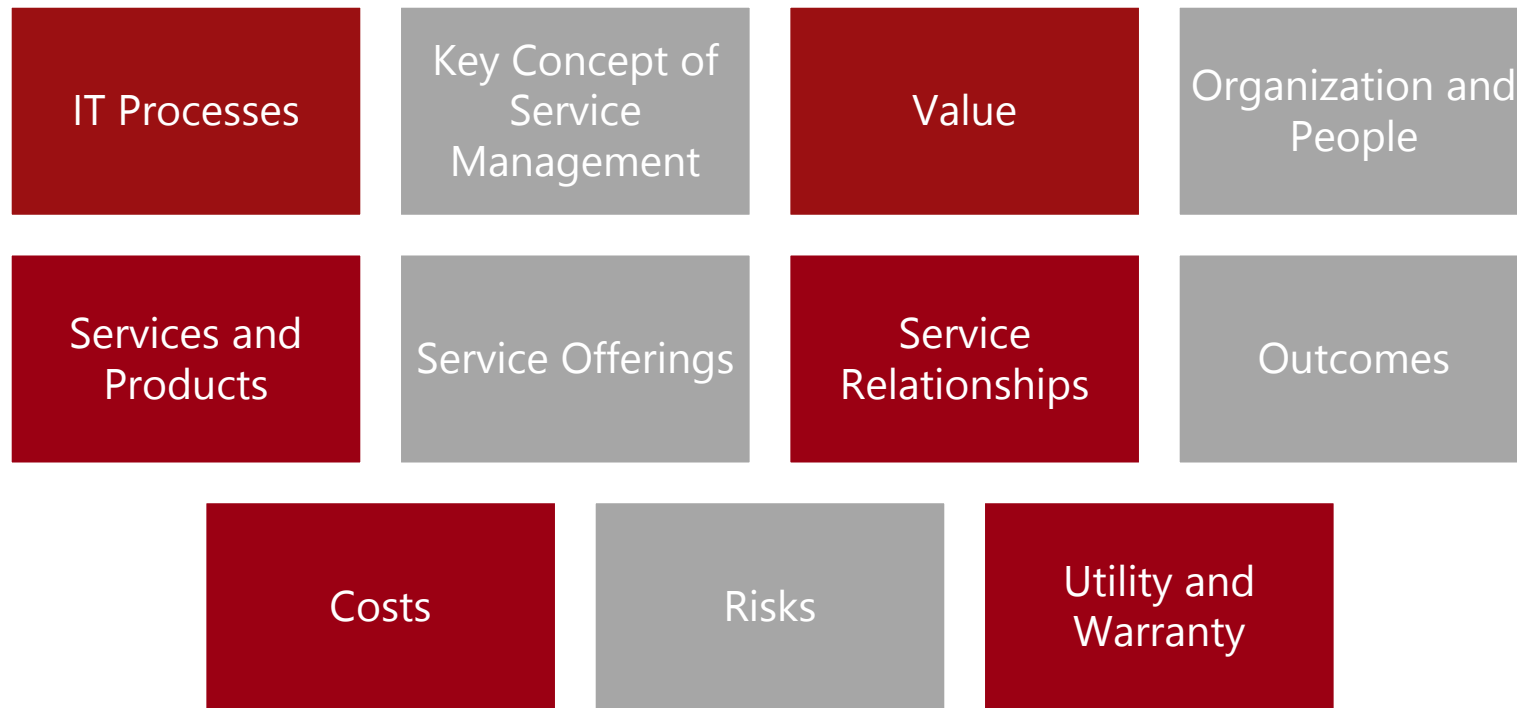


# SERVICE MANAGEMENT

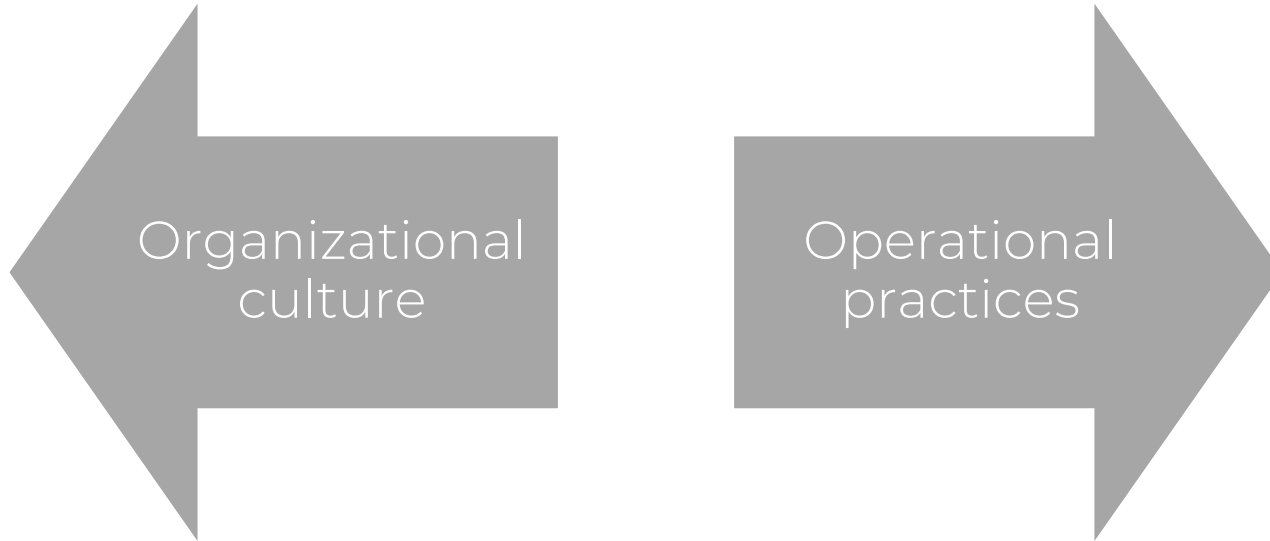
## Section 3

## SECTION 3: SERVICE MANAGEMENT > AGENDA



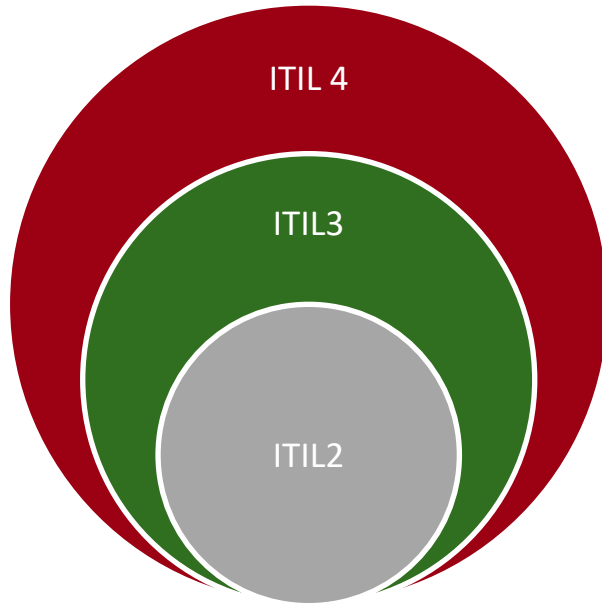
## SECTION 3: SERVICE MANAGEMENT

ITIL v4: expanded scope compared to previous versions



## SECTION 3: SERVICE MANAGEMENT

ITIL scope over the time: ever wider!



- Based on practices (34) grouped into 3 areas
- Beyond the IT and close to corporate governance
- Principle-centric

- Based on processes (26) and their relations
- Service Lifecycle
- Service-centric

- Based on processes (10)
- Service Support & Delivery
- CI-centric

Just a brief example of how organizational aspects impact the business

An improvement project failed to create the expected value because the team did not spend enough time thinking about how successful the solution would be.

What would have helped to prevent this failure?

- Kanban
- Risk management
- Measurement and reporting
- Cascading objectives

## SECTION 3: SERVICE MANAGEMENT

In order to fully understand the topics that we will cover during the course, it is necessary to create a common glossary, a glossary that I will explain to you in this lesson.

Some concepts and themes will then follow, which must remain clear in your mind.

## SECTION 3: SERVICE MANAGEMENT > IT PROCESSES

A process is a series of actions which are carried out in order to achieve a particular result



INPUT	=	well defined (enters garbage, comes out garbage)
THROUGH	=	standard procedure (warranty)
OUTPUT	=	granted

- In a process the objectives are clearly described as is the way in which they are to be achieved
- For each process the inputs and the outputs are defined
- An organization can function through any number of different processes. These can be monitored one by one, which is often simpler than overall monitoring
- People can become responsible for the efficiency, effectiveness and result of their process. This provides an organization's monitoring and control tool

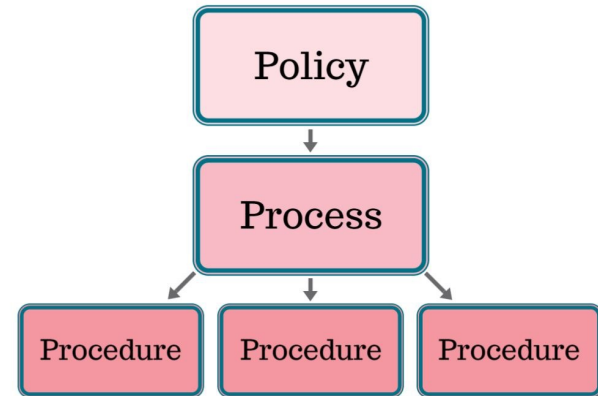


- Through the definition of clearer roles and responsibilities and their efficient and effective organization, it becomes easier to avoid conflicts of interest
- Activities that need to be carried out across multiple departments but are linked to a single result can be controlled more easily if they refer to a single process
- An organization can improve itself by setting the "norm» and then measuring the results against it



## Processes vs Procedures

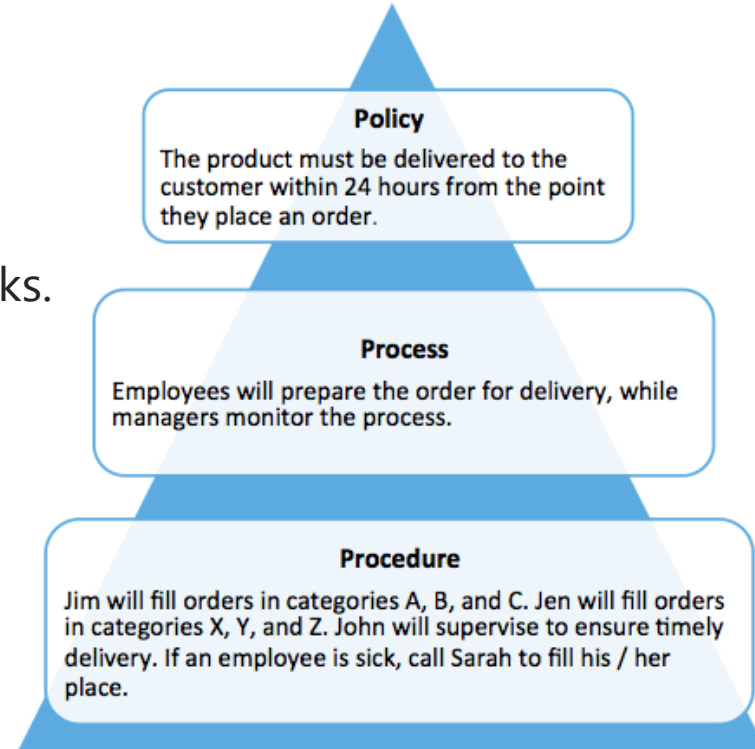
- Processes define activities at the highest level and often represent a standard for the entire organization

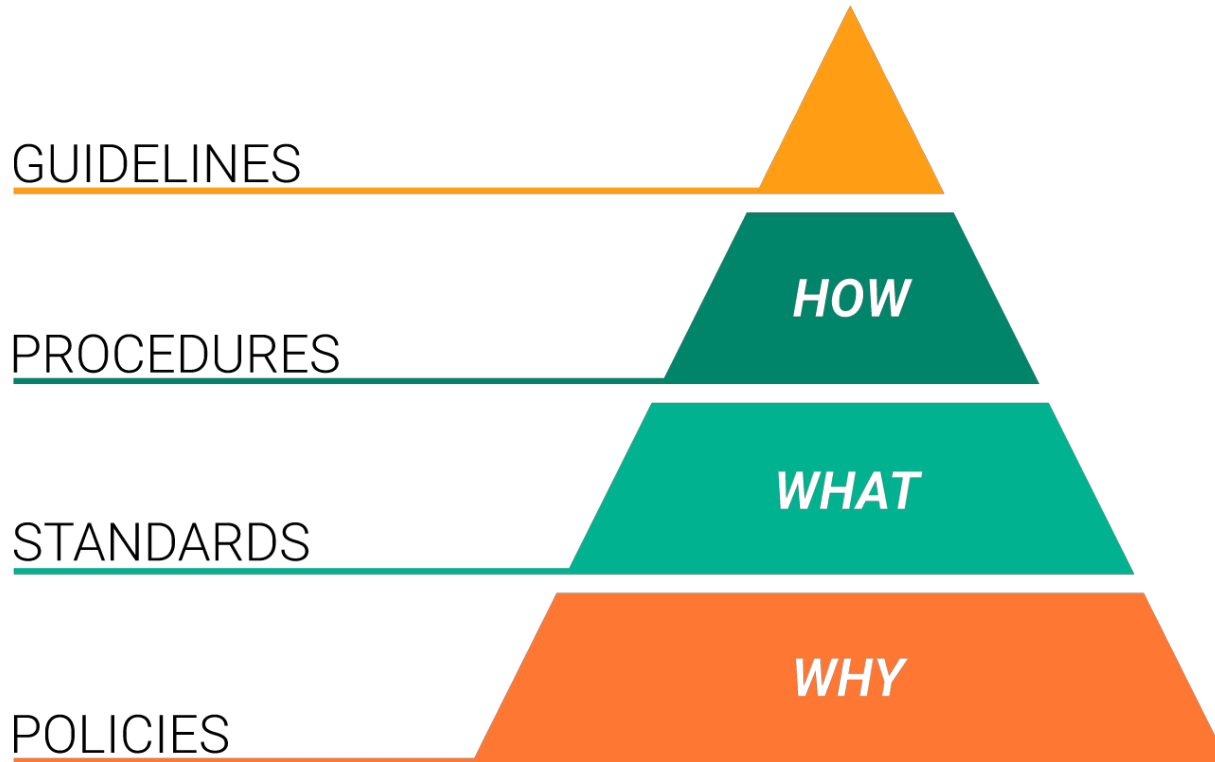


- The Procedures contain a greater level of detail and describe who performs certain activities within a process.

## Processes vs Procedures

- Procedures may change between the various departments or from one activity to another.
- Each process can be divided into a series of tasks.
- Each task will be performed by a role.
- Roles can be performed by a person or by an application.
- Each Process has a Process Owner.

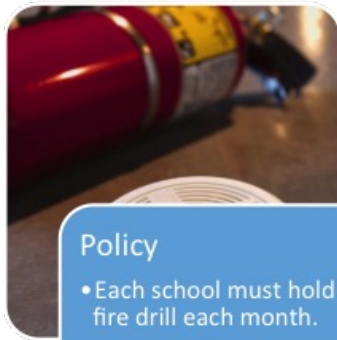




**Processes** are about  
**WHAT**  
needs to be done

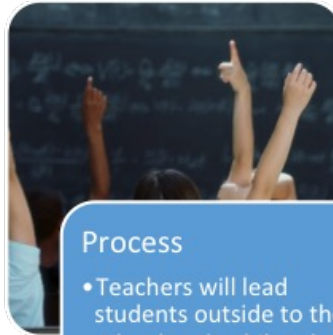
**Procedures** are about  
**HOW**  
to do it

## Example for Policy vs Processes vs Procedures



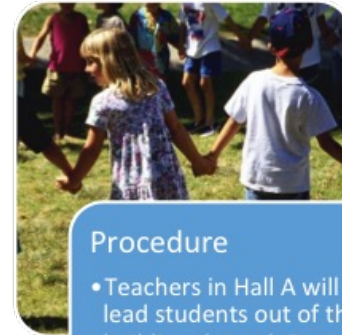
### Policy

- Each school must hold a fire drill each month.



### Process

- Teachers will lead students outside to the schoolyard, while school principals oversee the process.

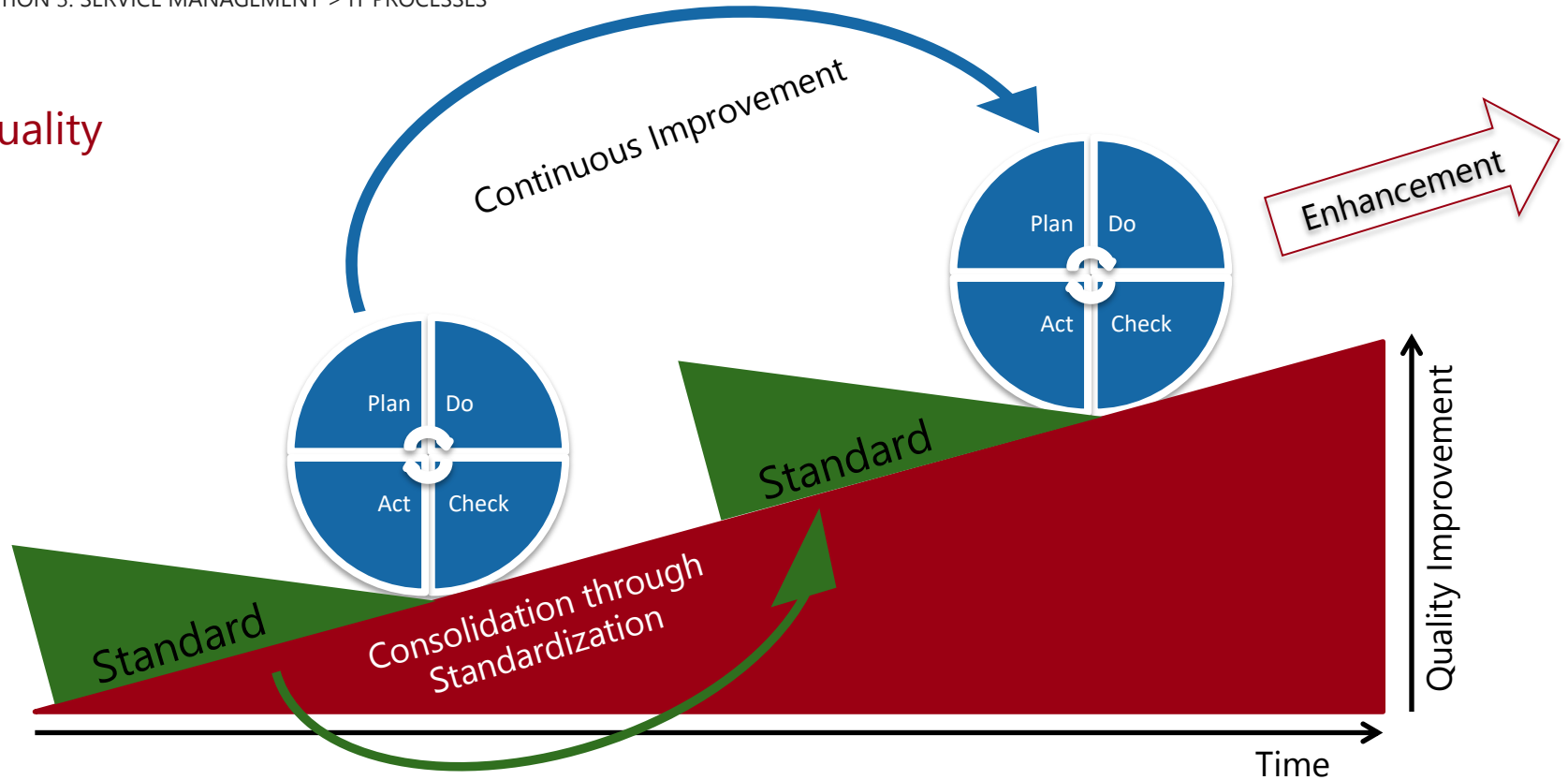


### Procedure

- Teachers in Hall A will lead students out of the building through Door A..
- Teachers in Hall B will lead students out of the building through Door B.

## SECTION 3: SERVICE MANAGEMENT > IT PROCESSES

Quality



## The Service Management problem

- One of the main problems for many organizations is that roles and responsibilities are not clearly defined
- Large amount of tasks - risk of confusion
- The advantage of introducing a good ITSM is that these situations can be controlled
- The concept of role: assigning responsibilities rather than creating a classic organization chart

The most important concepts of service management include:

the nature of value and value co-creation

organizations, service providers, service consumers, and other stakeholders

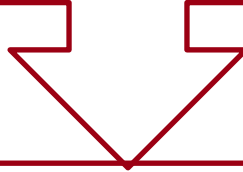
products and services

service relationships

**value:** outcomes, costs, and risks.



These concepts apply to all organizations and services



but the first thing that must be outlined is the most  
fundamental question of all:

What is '**Service Management**'?

## Service Management definition

- **Service Management is a set of *specialized organization capabilities* for enabling value to customers in the form of service**
- IT Service Management (abbreviated to ITSM) is a discipline that deals with planning, designing and managing the Information Technology (IT) systems of an organization.
- The following is one of the classic statements we find in the literature when talking about ITSM:
  - IT service providers can no longer afford to focus only on technology, they must now consider the quality of the services they provide and focus on the relationship with the customer

How is the value co-created between Walmart and the customers?

- ☐ Customer has a party
- ☐ Customer walk into Walmart store
- ☐ Buy some supplies to cook a meal at night
- ☐ Walmart provided all supplies (provided output)
- ☐ Customer created excellent meal (provided output)
- ☐ The happiness at the party is the value co-created

## Service Management definition

Developing the *specialized organizational capabilities* mentioned in the definition requires an understanding of:

- the nature of value
  - the nature and scope of the stakeholders involved
  - how value creation is enabled through services.
- 
- *Organizational capabilities* refers to having both the capacity and the ability to perform the functions required.
  - The purpose of an organization is to create value for stakeholders.
  - Organize your people to best support the activities, practices and processes.

## Service Management definition

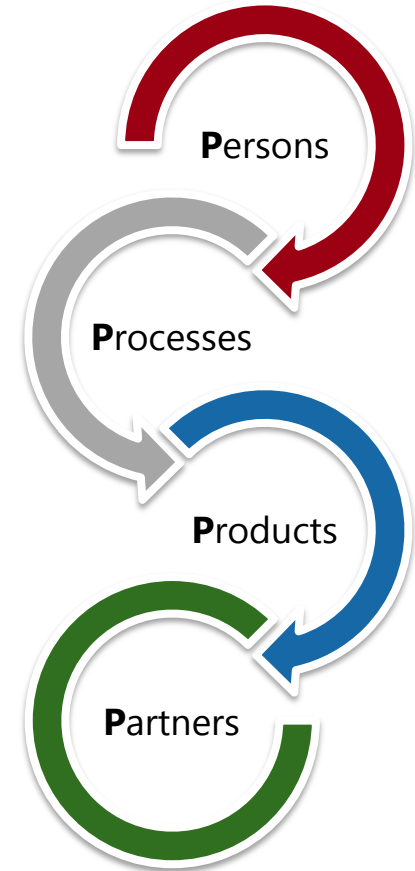
- The **provider** delivers the service, and the **consumer** receives value; the consumer plays no role in creating value for themselves.
- This was the old idea about delivering services by most organizations who self-identified as '**service providers**'.
- This fails to take into consideration the **highly complex** and interdependent **service relationships** that exist in reality.

## Service Management definition

- ITSM is process-centric and, in this sense, has common links and objectives with other disciplines, frameworks and methodologies focused on process improvement (eg. TQM, Six Sigma, Business Process Management, CMMI).
- The discipline is not interested in illustrating the details of a given product or the technical details of an information system. Instead, it is interested in providing a framework able to relate IT activities and the people involved in them with business, customers and users.

## Service Management philosophy

- The evolution of technology has meant that businesses today are totally dependent on IT
- What the quality, quantity and availability of the IT infrastructure involves directly impacts the quality, quantity and availability that the business can offer
- To achieve the key objectives of ITSM, ITIL processes must make use of the **4 Ps** in an effective, efficient and cost-effective way



## Service Management objectives

- Process-oriented approach to deliver customer focused IT services
- Reduce TCO by increasing the service level more and more
- React to continuous change, flexibility
- IT tasks need to be done in a less expensive way
- The intent during the implementation of ITIL processes is to support the business, not to impose an organization's business processes.



**Value:** the perceived benefits, usefulness, and importance of something

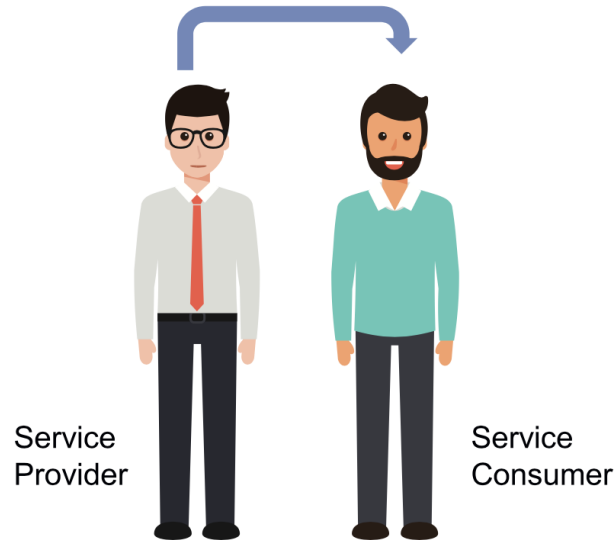
**Value** is based on the recipient's perception

The recipient determines the perceived value

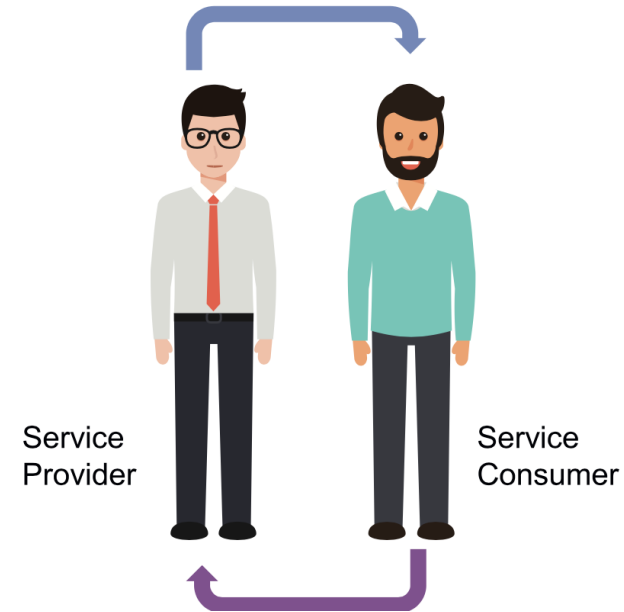
## SECTION 3: SERVICE MANAGEMENT > VALUE

### Co-creation of Value

There was a time when the relationship between the service provider and service consumer was considered to be mono-directional and distant.



Over the time, organizations recognized that value is co-created through an active collaboration between service providers and service consumers.



## SECTION 3: SERVICE MANAGEMENT > ORGANIZATION AND PEOPLE

### Organization

A person or a group of people that has its own functions, responsibilities, and relationships to achieve its objectives

### Service Provider

A role performed by an organization in a service relationship to provide services to consumers

### Services Consumer

A role performed by an organization in a relationship that uses (or consumes) those services

- **Organizations** vary in size, complexity, and in their legal structure.
- **Previously** “Delivering something is easy... delivering value is hard!”
- Instead in ITSM, Value is **co-created** by the service provider and the consumer.
- As **societies** and **economies** evolve, the relationships between and within organizations become more complex.
- Each **organization** depends on others in its operation and development.
- **Organizations** may hold different roles, depending on the perspective under discussion.

## SECTION 3: SERVICE MANAGEMENT > ORGANIZATION AND PEOPLE

- As a **supplier**, I can provide everything you need
- As a **consumer**, you must do your part to **co-create value**.
- **Service Relationships** are different and complicated
- You can be both a **supplier** and a **consumer** simultaneously



## USERS, CUSTOMERS and SPONSOR?

### USER

- A person who uses services

### CUSTOMER

- A person who defines the requirements for a service and takes responsibility for the outcomes of service consumption

### SPONSOR

- A person who authorizes the budget for service consumption

Our company decided to have an **ERP system**



Different departments need a way to talk to each other



Finance, HR, Sales and Purchasing Managers would like to have a consolidated system



Each department has number of employees



Meeting with top management is required

## SECTION 3: SERVICE MANAGEMENT > ORGANIZATION AND PEOPLE > OTHER STAKEHOLDERS





## Examples of value for different types of stakeholder

Stakeholder	Example of value for stakeholder
Service consumers	.....
Service provider	.....
Service provider employees	.....
Society and community	.....
Charity organizations	.....
Shareholders	.....



## Service

is a mean of enabling value co-creation by facilitating outcomes that customers want to achieve, without the customer having to manage specific costs and risks

## Product

is a configuration of an organization's resources designed to offer value for a consumer

## SECTION 3: SERVICE MANAGEMENT > SERVICES AND PRODUCTS

- A **Service Provider** cannot achieve outcomes for you
- **Services may be based on products**
- **Product:** configuration of resources created by the organization that will be potentially valuable for its customers
- **Resources** can be owned or managed by the organization
- A **Product combines** and simplifies the various services
  
- Each **product** that an organization offers is created with several target consumer groups in mind to meet the needs of these groups
- A **product** is not exclusive to one **consumer** group and can address the needs of several different groups
  - For example, a software service can be offered as a 'lite' version for individual users or a more comprehensive corporate version

## SECTION 3: SERVICE MANAGEMENT > SERVICES AND PRODUCTS

- **Products** are typically complex and are not fully visible to the consumer
- The portion of a **product** that the consumer actually sees does not always represent all of the components that comprise the product and support its delivery
- **Organizations** define which product components their consumers see and tailor them to suit their target consumer groups

## Service Offering

a formal description of one or more services designed to address the needs of a target consumer group.

Service offering can include goods, access to resources, and service actions

Goods

Access to  
resources

Service Actions

## SECTION 3: SERVICE MANAGEMENT > SERVICE OFFERINGS | EXERCISE

### Goods

- .....

### Access to resources

- .....

### Service Actions

- .....

## **Service Relationship**

A corporation between a service provider and service consumer, including service provision, service relationship management

## **Service Provision**

The activities performed by an organization to provide the services

## **Service consumption**

The activities performed by an organization to consume the services.

## What are **Service relationships**?

Service relationships are established between two or more organizations to co-create value. In a service relationship, organizations will take on the roles of service providers or service consumers. The two roles are not mutually exclusive, and organizations typically both provide and consume a number of services at any given time.





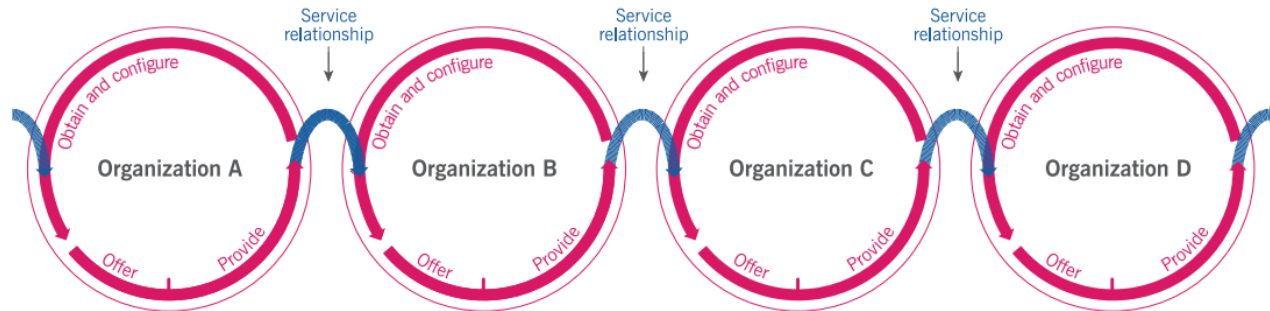
# SERVICE RELATIONSHIPS MODEL



## SECTION 3: SERVICE MANAGEMENT > SERVICE RELATIONSHIPS MODEL


When providers deliver services, they create new resources for service consumers or modify existing ones.

The **service consumer** can use its new or modified resources to create its products to address the needs of another target consumer group, thus becoming a service provider.



## SECTION 3: SERVICE MANAGEMENT > OUTCOMES

A service provider produces **outputs** that help its consumers to achieve certain **outcomes**.



"An **output** is a tangible or intangible deliverable of an activity."

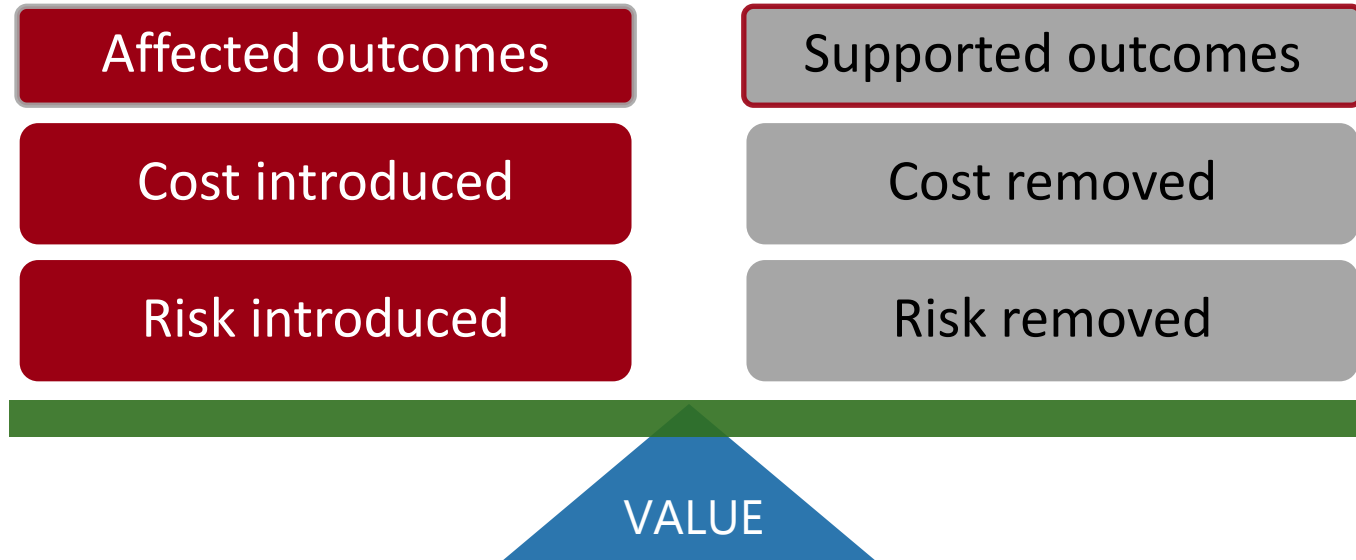
"An **outcome** is a result for a stakeholder enabled by one or more outputs."

## Output

a tangible or intangible deliverable of an activity

- Services facilitate **outcomes** through one or more **outputs**
- You should care more about the **outcome** than the output
- Create metrics that measure **outcomes** and not just **outputs**

**Outcome:** a result for a stakeholder, enabled by one or more outputs



If I use UBER APP:

No rental car

No parking

No gasoline

No insurance

- I am able to reduce costs
- **Because it is co-creating:** I have to have smart phone, battery, internet...etc.
- **But also, there are risks that being assumed like:** maybe I miss my meeting, maybe I cannot find UBER CARS in same area... etc.

## SECTION 3: SERVICE MANAGEMENT > OUTCOMES

- When the **value proposition** is good, a business agreement can be made
- **Value propositions** change when the factors change
- It can be difficult for the provider to fully understand the **outcomes** that the **consumer** wants to achieve
- In some cases, they will work together to define the desired **outcomes**

## Cost

the amount of money spent on a specific activity or resources



## Risk

A possible event that could cause harm or loss, or make it more difficult to achieve objectives. Can also be defined as uncertainty of outcome, and can be used in the context of measuring the probability of positive outcomes as well as negative outcomes.





## SECTION 3: SERVICE MANAGEMENT > RISKS

### **Avoid**

**Risk avoidance** involved removing risks from the service

### **Accept**

**Risk acceptance** is used when the risk or cost is considered low

### **Transfer**

Risk transfer is often used when you insure against a risk

### **Mitigate**

Risk mitigation is used when you implement technology or processes to reduce the risk

# COST AND RISKS | EXERCISE



## SECTION 3: SERVICE MANAGEMENT > COST AND RISKS | EXERCISE

<b>Costs removed</b>	<b>Costs imposed</b>	<b>Risks removed</b>	<b>Risks imposed</b>

In a team, list down some examples for the costs and risks from your work or real life as per the above figure

Value is created from UTILITY and WARRANTY

## Utility

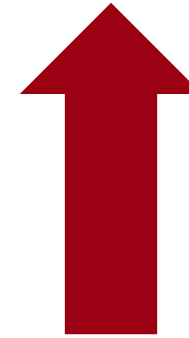
Functionality offered by a product or service to meet a particular need

- What a service does?

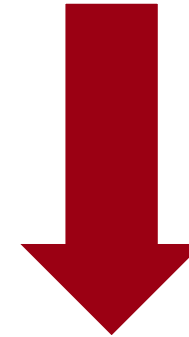
## Warranty

assurance that a product or service will meet agreed requirements

- How the service performs?



Utility is what something does

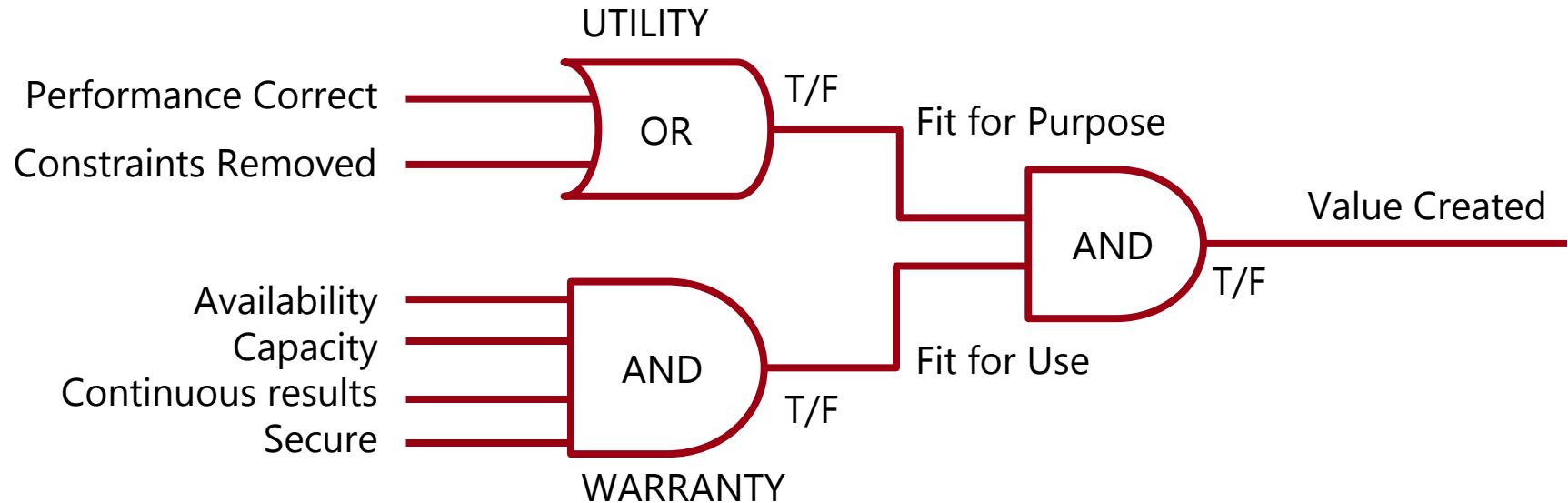


Warrant is how well it does it

## SECTION 3: SERVICE MANAGEMENT > UTILITY AND WARRANTY

- The **assessment** of service must consider the impact of costs and risks on utility and warranty to generate a complete picture of the viability of a service.
- Both **utility** and **warranty** are essential for a service to facilitate its desired outcomes and therefore help create value.

## Value creation



## SECTION 3: SERVICE MANAGEMENT > UTILITY AND WARRANTY - CREATE VALUE

- A service should have both **utility** and **warranty**
- **Warranty** requires that a service has defined and agreed-upon conditions that are met
- **Utility** requires that a service support the performance or remove constraints from the consumer
- **Warranty** addresses areas such as availability, capacity, security levels, and continuity
- **Utility** is concerned with fit for propose

Fill in the blank. A [?] is a means of value co-creation by facilitating outcomes that customers want to achieve, without the customer having to manage specific costs and risks

1. Warranty
2. Outcome
3. Service
4. Service offering

Which describes outcomes?

1. Tangible or intangible deliverables
2. Results for a stakeholder
3. Functionality offered by a product or service
4. Configuration of an organization's resources



What term best describes a service that is 'fit for use'?

1. Utility
2. Value
3. Outcome
4. Warranty

What term best describes a person or a group of people that has its own functions with responsibilities, authorities, and relationships to achieve its objectives

1. Organization
2. Customer
3. Service Provider
4. Consumer

List 10 ways in which ITSM will help your Organization

- Think about problem you have currently in your work – such as poor communications