The Business of IT Service Provisioning

Bill Irvine
Transformation Strategist, Accelerate Innovation, VMware
billirvine@comcast.net

Session Description

This session provides a strategic view of the IT organization of the future, as well as the processes required to truly think, organize, and execute end-to-end services like a service provider. Attendees will focus on the service characteristics, service orientation, and how to run IT as a business, exploring the framework and integrated processes that must be considered when transitioning to a service-focused operating model that is as agile as it is elastic, available, and resilient. (Experience Level: Intermediate)

Speaker Background

Bill Irvine is a transformation strategist on the Accelerate Innovation team at VMware. Bill is a pragmatic strategic consultant with expertise in consulting, delivering, and managing services for some of the top Fortune 1000 companies. Bill has significant experience in the service management industry, including strategic, practical, and tactical ITSM consulting, as a speaker at global industry events, and as a contributor to the ITIL v3 refresh.
The Business of IT Service Provision

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Transformation Strategist
VMware Accelerate Advisory Services

Agenda

1. IT as a Service - A New IT Operating Model
2. Service Definition
4. Service Provider Process Framework
5. The Value of a Portfolio Approach
6. Service Based Costing & Pricing
7. Organizing for Service Fulfillment
8. Next Steps, Case Study & Roadmap
Mature Service Provider Organizations are...

- 37% more responsive to IT requests
- While saving 30% of both operations and development staff time
- Increasing revenues 26% due to new applications and IT services
- Investing 50% of their budgets in innovation
- Able to secure nearly 2/3 more budget than their less-mature counterparts

Source: VMware Journey Benchmark Survey, 4th Wave 2013

Some Challenges for Service Providers

- Can the business influence your IT spend? Do you understand their consumption?
- How can we commoditize and brand our IT services?
- Any guidance around how to sell, market, and promote IT services?
- How do we move from project to service based IT environment?
- My service managers are not educated enough about ITFM
- How do I make the CFO happy?
- I don’t know how to quantify IT value
- Any guidance around service based investment planning?
- How do we develop the Demand-Supply business aspect?
- How do I hear “IT is expensive” perception?
- I can’t view my costs by IT service
What is IT as a Service?
A new end-to-end IT Operating Model

IT as a Service

Run IT Like A Business

Service Oriented Approach

People | Process | Technology

SERVICE ORIENTED APPROACH
- Well-defined end-to-end service offerings
- Focused on customer / business outcomes
- Manages the full service lifecycle

Service Characteristics
- Quality of service is proactively managed
- Pay for what you use
- Highly available and resilient
- Rapid provisioning, maximizing automation
- Elastic capacity

PEOPLE
Organizational structure, roles & responsibilities, skills & staffing levels, organizational change

PROCESS
Service Management processes, governance, project management, systems development lifecycle

TECHNOLOGY
Software Defined Data Center, Hybrid Cloud, End User Computing
What is IT as a Service?
A new end-to-end IT Operating Model

RUN LIKE A BUSINESS
✓ IT delivers measurable business value as a specialized service provider, integrated with the business
✓ IT manages the financials with business discipline
✓ IT "right-sources" services and acts as a service broker

SERVICE ORIENTED APPROACH
✓ Well-defined end-to-end service offerings
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Service Characteristics
✓ Quality of service is proactively managed
✓ Rapid provisioning, maximizing automation
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✓ Elastic capacity
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TECHNOLOGY
Software Defined Data Center, Hybrid Cloud, End User Computing

Portfolios vs. Catalogs vs. Requests

Business Executives
IT Executives

Business Management (Customers)
IT Management

Business Users
Service Desk & Fulfillment Teams

Strategic Management
Tactical Management
Operational Management

Service Portfolio
Decision level of investment in each service

Service Catalog
Communication & expectation setting
- What services are available?
- What service level to expect?
- How do I request it?
- What does it cost?

Request Catalog
Channel for transactional requests
Services Classified By Business Need

Classify all services by user needs so business units can navigate the portfolio based on their business objectives.

- The classification system focuses business unit and IT leadership attention on the outcomes of the different types of services IT offers.

### Business Capability Aligned Services
- Commodity Services (e.g., Payroll Management)
- Competitive Advantage Services (e.g., Production Management)

### End-User Aligned Services
- End-User Services (e.g., Communication, Messaging)

### Internal IT Services
- Technical Services (e.g., Network Connectivity, IaaS)
- Support Services (e.g., Monitoring, Continuity Planning Support)

### Service Assets
(e.g., applications, hardware, information, people, processes)

Offered directly to business partners and end users; managed by service owners

Offered internally within IT; often to service owners of business-facing IT services

Not offered as services, but are capabilities that support the delivery of services

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Adoption of Integrated & End-to-End Services

<table>
<thead>
<tr>
<th>Year</th>
<th>IT Is Delivered Within Business Services</th>
<th>End-to-End IT Services</th>
<th>Infrastructure and Applications Serviced Separately</th>
<th>Applications Services Only</th>
<th>Infrastructure Services Only</th>
<th>No Defined Services</th>
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<tbody>
<tr>
<td>2012</td>
<td>6%</td>
<td>6%</td>
<td>5%</td>
<td>15%</td>
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<td>2013</td>
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<td>2014</td>
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<td>2015</td>
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n = 150

Source: CIO 2012-2014 IT Budget Benchmarking Survey.
Service Provider - Best Practice Principles

<table>
<thead>
<tr>
<th>Service Provider - Best Practice Principles</th>
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<tbody>
<tr>
<td><strong>Business Relevance</strong></td>
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<tr>
<td>Define the service taxonomy in terms of the services customers demand, rather than the assets managed.</td>
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<td><strong>Financial Transparency</strong></td>
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<tr>
<td>Create cost transparency with stakeholders to enable an effective conversation about demand management and effectively manage service lifecycle.</td>
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<td><strong>Customer Experience</strong></td>
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<td>Define services from the consumer’s perspective, and deploy mechanisms that enable customers to make appropriate service selections and to control costs.</td>
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<td><strong>Ownership</strong></td>
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<td>Centralize service accountability with service managers who act as “owners” of service design, cost, and performance.</td>
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<td><strong>Business Centric Measurement</strong></td>
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<td>Measure and report service performance in a way that surfaces the business/mission impact of service performance, and helps optimize service consumption.</td>
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<tr>
<td><strong>Culture</strong></td>
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<tr>
<td>Create a service culture among all staff that promotes continuous service improvements aligned with business and IT goals.</td>
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Adapted from Infrastructure Leadership Council

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Service Provider - Transformation Framework

![Service Provider - Transformation Framework Diagram](image-url)
Service Provisioning Processes in Context

Service Portfolio
- Service Category
- Service Category

Request Fulfillment
- Request
- Request Package
- Request
- Request Package
- Request

Service Catalog
- Service
- Service
- Service

IT Financial Management
- Service-based Cost
- Consumption-based Cost
- Transparency

Service Level Management
- SLAs based on Services (not on applications or technology components)
- End-to-end Service-Based Reports

Configuration Management
- Apps, Servers, Databases, Network, etc.

Incident/Problem/Change Management
- Categorize Incidents, Problems, and Changes according to Service

Service is the lens used for all ITSM processes

Demand - Capacity - Request Management Lifecycle

Demand Management
- Analyze
- Plan
- Execute
- Control
- Optimize

Service Portfolio
- Service Category
- Service Category

Request Fulfillment
- Request
- Request Package
- Request
- Request Package
- Request

Service Catalog
- Service
- Service
- Service

Capacity Management
- Analyze
- Plan
- Execute
- Control
- Optimize

Service is the lens used for all ITSM processes.
Demand Management Funnel

A streamlined IT project demand management process ensures that only those projects that meet defined criteria throughout all of the stage-gates will ultimately receive funding from the Executive Funding Committee.

Capacity Management Sub-Processes

Business Capacity Management
- Translates business needs into requirements for service and IT infrastructure

Service Capacity Management
- Focuses on the end-to-end service capacity
- Done for live/operational services
- Includes monitoring and measuring

Component Capacity Management
- Focuses on capacity of individual components
- Includes monitoring and measuring
Portfolio Value Management™

Define
- Start by identifying Business Processes
- Define High-level End-to-End Services
- Determine Service dependencies
- Define value measurement framework
- Rank services
- Value top services
- Calculate economic impact of loss of service

Value
- Calculate service-based costs
- Apply ServeQual framework
- Compare with Service Level Reports
- Create recommendations and improvement plans

Evaluate
- Develop business case
- Integrate with Service Portfolio governance
- Manage execution of improvement plan

Improve
- Develop business case
- Integrate with Service Portfolio governance
- Manage execution of improvement plan

Service Provider Business Management

- Define value measurement framework
- Rank services
- Value top services
- Calculate economic impact of loss of service
- Calculate service-based costs
- Apply ServeQual framework
- Compare with Service Level Reports
- Create recommendations and improvement plans
- Develop business case
- Integrate with Service Portfolio governance
- Manage execution of improvement plan

Cloud Business Strategy
Cloud Services Definition
Volume consumption drives supply & rates
Apply rates for Showback
Cloud Services Pricing
Promotions
Cloud Services Marketing

Supply and demand
Consumer behavior influence
Economics workload
Demand forecasting
Economics workload
Volume drives rates
SLAs & OLAs
Consumption & Chargesback

Cloud Business Manager

Consumers

Produced by iSMF USA & HDI #SMFUSION15
IT Business Management Office (ITBMO)

Role: Consultative and Supportive

Mission – A committee of champions that acts as an advisory body to guide and mentor service owners/managers and IT leaders on how to run IT like a business and bring more alignment and integration, improve faster time-to-value and time-to-market, and formalize the “business” presence within IT.

Mode: Service-Oriented and Consumer-Centric

Mode: Service-Oriented and Consumer-Centric

Supported Functions

- Service Management Office
- Project Management Office
- IT Finance & Cost Optimization
- Service Sales and Marketing
- Business/IT Alignment
- Governance, Risk, and Compliance

Roles and Skillsets

Both Modified and New to Support Process and Technology Change

Cloud Infrastructure Ops

- Cloud Leader
- Cloud Architect
- Cloud Engineer
- Cloud Administrator
- Cloud Developer
- Cloud Capacity Analyst

Tenant / Service Ops

- Service Owner (shared)
- Service Architect
- Service Developer
- Service Analyst
- Service Administrator
- Service QA
- Tenant Administrator
- Customer Relationship Manager
- Cloud Services Portfolio Manager
- Service Policy/Process Manager
- Financial Analyst (shared)
- Product Manager
Provider Operations & LOB Relationships

Example - Roadmap & Phasing Strategy

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<tbody>
<tr>
<td>Define portfolio and related services</td>
<td>Define the service owners</td>
<td>Populate CMDB (focus on Top 5 services)</td>
<td>Adopt a service-oriented approach to Incident, Problem and Change</td>
<td>Align Service Central with service catalog</td>
<td>Service owner program</td>
<td>Define service level targets and create mechanism to measure</td>
<td>Publish the service catalog</td>
<td>Initial Service Portfolio Management</td>
<td>BRM engagement model</td>
</tr>
<tr>
<td>Service-based cost transparency</td>
<td>IaaS / DBaaS Pilot / Implementation</td>
<td>Expand into PaaS / pilot service costing</td>
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Service Provider Focus Areas

<table>
<thead>
<tr>
<th>Value Drivers</th>
<th>Description</th>
<th>Business Impacts</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>On-Demand services</td>
<td>Service and Request catalogues with standardized offerings and tiered SLAs, actively managed and governed throughout its lifecycle, and with end-user access via a self-service portal</td>
</tr>
<tr>
<td>2</td>
<td>Automated provisioning</td>
<td>Automated provisioning, release and deployment of infrastructure, platform and end-user compute services</td>
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<tr>
<td>3</td>
<td>Policy-based compliance</td>
<td>Security, compliance, and risk management policies embedded into standard configurations enabling policy-aware applications and automation of security, audit, and risk management processes</td>
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<tr>
<td>4</td>
<td>Consumption-based financial management</td>
<td>IT cost transparency and service-level usage-based 'show backs' or 'charge backs' using automated metering and billing tools</td>
</tr>
<tr>
<td>5</td>
<td>Proactive operations</td>
<td>Monitoring and filtering of events, automatic incident resolution, and problem diagnosis. Proactively decommissioning of under utilized or released resources to better manage the overall pool of resources</td>
</tr>
</tbody>
</table>

Transformation Outcomes

- **Service Focused Culture**
  - Focus on customer needs and requirements
  - Increased customer satisfaction
  - Internal IT works better across silos to meet Customer needs

- **Service Definition & Ownership**
  - Clear ownership of end-to-end service life-cycle
  - Reduction in hand-offs and touch points
  - Clear expectations to customer in terms of "what's available"

- **Financial Transparency**
  - Able to better affect customer behavior
  - Better internal management of resources (physical, virtual, people etc.)

- **SLA & OLA Structure**
  - Formal, documented agreements providing a good quality of service to end-user
  - Reduction in cross-departmental inefficiencies due to commitments to OLAs
  - Better customer experience

- **Provisioning Time Reduction**
  - Better customer experience; predictable outcomes
  - Cost reduction
Insurance Company Case Study

**Challenges**

- Provisioning processes: Processes were disjointed and lacked information exchange between related activities.
- Request fulfillment: Request fulfillment was “bogged down” with endless “touches” before fulfillment could be even started.
- Mismatch between services: Mismatch between services offered by the IT and the evolving requirements of the business development teams.
- Teams focused on siloed activities: Teams were focused on siloed activities and lacked understanding / transparency of the “bigger” picture and upstream / down stream functions.
- Lack of staff expertise: Lack of staff expertise and bandwidth threatened success of data center consolidation and ability to complete the project on time.

**Solution & Results**

- Developed *end to end* processes with activities, inputs and outputs and integration points at each stage in the fulfillment lifecycle.
- Engineered the process to enable immediate fulfillment with demand, capacity and associated service utilization reporting as post fulfillment administration & costing – with *light* approval and governance.
- Instigated focus on Business Relationship Management with standardized meetings to discuss current and future services and associated demand planning.
- Introduced new operating model, roles and responsibilities and associated education to take advantage of streamlined processes.

**Thank you for attending this session.**

Please don’t forget to complete an evaluation form!