



Best Management Practice

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Value, Risk and Service Management



Executive Briefing: The Benefits of ITIL®

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White Paper
September 2010

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1 About this white paper

This white paper is for senior executives, managers and decision makers whose businesses make use of information technology (IT).

It is relevant for any size or type of organization – whether small, medium or large; local or multinational; public sector, private sector or not-for-profit. It is essential reading for anyone who wants to maximize the value from their IT.

This white paper will explain:

- How IT services provide business value, and why good IT service management is essential in order to unlock this value
- How to recognize when IT service management is being practised well, and when it is in need of improvement
- Why ITIL enjoys worldwide recognition as the leading framework of good practice in IT service management
- How ITIL has enabled organizations across the globe to maximize value from their IT investments
- How ITIL can help your organization maximize its investment in IT
- What you need to do to find out more about ITIL and where to start.

2 IT service management – the key that unlocks the value from your IT investments

Most organizations today rely upon IT to enable them to achieve their company vision, business strategy and goals.

Organizations use IT to:

- Revolutionize the way they operate, communicate and do business
- Develop and innovate, gain market advantage and differentiate themselves to their end customers
- Drive increased productivity and efficiency, improve business processes, make cost savings, and increase sales and growth
- Communicate with a larger, more global marketplace.

The quality of an organization's IT is reflected in its reputation and brand, and has direct impact upon sales and revenue. The cost of IT is never insignificant – it is essential to get good value from IT investments, but often this value is not realized. For an IT investment to provide benefit, the resulting IT service must be well planned, well designed, well managed and well delivered. That is what the practice of IT service management is about.

IT service management is:

- The professional **practice** of planning, designing, developing, delivering and optimizing IT services that are both fit for purpose and fit for use, thereby providing best value and return on investment for the organization that uses them
- A specialized **discipline**, which includes the processes, methods, activities, functions and roles that a service provider needs in order to deliver IT services which provide business value for customers
- A growing **profession** of people, skilled and committed to delivering high-quality IT services which bring measurable value for businesses.

Good IT service management is essential to achieve business benefits from IT at an agreed and controlled cost. Without good IT service management, it is common for IT projects to fail or go well over budget at project stage, for ongoing IT costs of ownership to spiral out of control, and for businesses to fail to achieve the benefits they expected.

Good IT service management is the key that unlocks the value from your IT investments.

3 ITIL – global best-practice IT service management

ITIL is the most widely adopted guidance for IT service management worldwide. It is non-proprietary best practice that can be adapted for use in all business and organizational environments.

ITIL was created by experts who incorporated the learning experiences and practices of leading organizations, 'best-in-class' practitioners and IT service providers from around the world. Since its introduction in the early 1990s, ITIL has proved itself through the positive impact it has brought to businesses that adopt its practices.

ITIL provides an extensive body of knowledge, capabilities and skills. It is accessible through publications, training, qualifications and support tools, and is available in many languages.

ITIL's value proposition centres on the IT service provider (internal IT or external supplier) understanding a customer's business objectives and priorities, and the role that IT services play in enabling these objectives to be met. ITIL adopts a 'lifecycle' approach to IT services, focusing on practices for service strategy, service design, service transition, service operation and continual service improvement:

- **Service strategy:** collaboration between business strategists and IT to develop IT service strategies that support the business strategy

- **Service design:** designing the overarching IT architecture and each IT service to meet customers' business objectives by being both **fit for purpose** and **fit for use**
- **Service transition:** managing and controlling changes into the live IT operational environment, including the development and transition of new or changed IT services
- **Service operation:** delivering and supporting operational IT services in such a way that they meet business needs and expectations and deliver forecasted business benefits
- **Continual service improvement:** learning from experience and adopting an approach which ensures continual improvement of IT services.

4 The benefits of adopting ITIL

From a business perspective, the adoption of ITIL practices by IT service providers – whether in-house providers or external suppliers – ensures many benefits, including:

- IT services which align better with business priorities and objectives, meaning that the business achieves more in terms of its strategic objectives
- Known and manageable IT costs, ensuring the business better plans its finances
- Increased business productivity, efficiency and effectiveness, because IT services are more reliable and work better for the business users
- Financial savings from improved resource management and reduced rework
- More effective change management, enabling the business to keep pace with change and drive business change to its advantage
- Improved user and customer satisfaction with IT
- Improved end-customer perception and brand image.

Real organizations have benefited from ITIL practices in a number of ways – for example:

- A nationwide retail organization made savings in excess of £600,000 per annum by adopting service strategy practices for its financial management.
- An organization identified that most of the cost of delivering IT support came from resolving customer issues. By adopting ITIL approaches to knowledge-based information and self-help, it was able to reduce costs of support by over 75% while at the same time increasing user satisfaction with the service, and improving user productivity.
- A medium-sized IT service organization invested €2.6m in a two-year programme to improve its IT service management. It recouped the investment within the first year, and achieved annual savings of €3.5m mainly through rationalizing unused

and under-used resources (people, software licences, IT hardware etc). It also reduced IT incident resolution times and improved customer satisfaction by over 11%.

- A large multinational company made annual savings of £5m by introducing ITIL service design practices to its IT supplier management.

5 Benefits and features associated with the ITIL lifecycle stages

Each of the five lifecycle stages has certain benefits and features associated with it (see Figure 5.1).

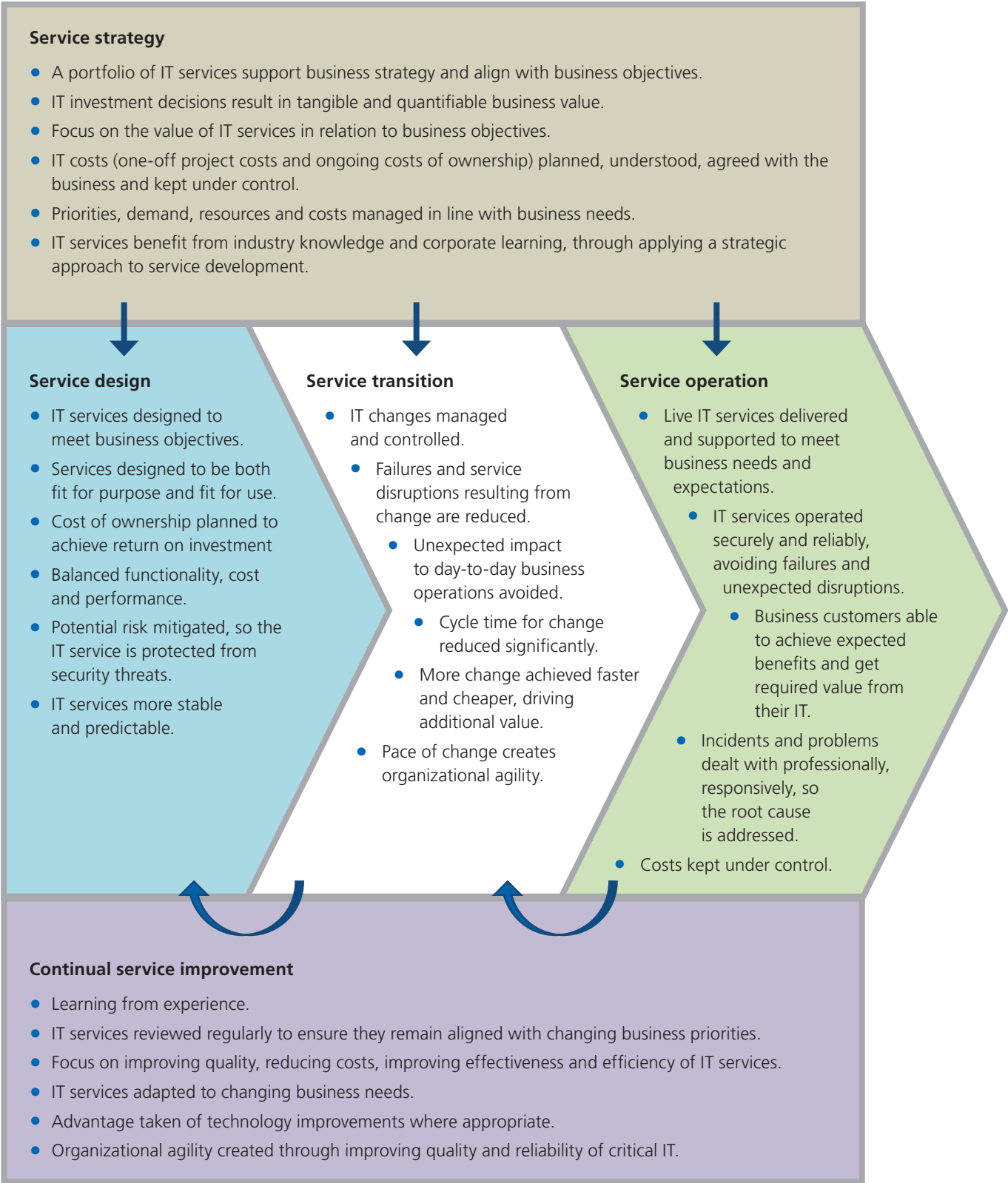


Figure 5.1 Benefits and features associated with the ITIL lifecycle stages

6 How to recognize good and bad IT service management

Does your IT really provide what your business needs? Do your IT projects always deliver what you expected, and at the right cost? Is your IT flexible enough to keep pace with business change?

If you answered 'no' to any of these questions, it could be the result of poor IT service management. Table 6.1 will help you recognize when IT service management is being practised well and when it is in need of improvement – in which case adopting ITIL best practices will help.

Table 6.1 Indicators of good and poor IT service management

Indicators of poor IT service management	Indicators of good IT service management
<p>Misalignment between IT and the business:</p> <ul style="list-style-type: none"> • It is unclear what IT services exist and what business purposes they serve • There is no service catalogue • IT priorities are not in line with business needs and priorities • Urgent business needs are not responded to in a timely manner • IT services seem focused on technology rather than business priorities. <p>This indicates poor service strategy practice.</p>	<p>Alignment between IT and the business:</p> <ul style="list-style-type: none"> • A close relationship between the IT service provider and business customers at all levels, which feels like a trusted partnership • A clear service catalogue explaining the services available and what business purposes they serve • IT services focus on the priorities and needs of the business • IT staff understand the importance of IT services, the value the business gets from each service and they react to requests, incidents and problems in a way that reflects this value.
<p>IT is generally considered poor value for money:</p> <ul style="list-style-type: none"> • IT is considered expensive and poor value for money • IT services cost more on a day-to-day basis than was expected • Costs appear to be uncontrolled. <p>This indicates insufficient focus on the ongoing operational cost during service design and development.</p>	<p>IT is generally considered good value for money:</p> <ul style="list-style-type: none"> • Both cost and value are understood by stakeholders • Each IT service's cost of ownership has been designed and agreed in advance by the business customer that pays for it • Changes to the cost of ownership are jointly planned and agreed between the service provider and the business customer.

Indicators of poor IT service management	Indicators of good IT service management
<p>Lack of IT service skills involvement during development and transition:</p> <ul style="list-style-type: none"> • Projects focus on application development with little consideration for the end product – the IT service • IT service management practices and people are not used during design and development • The developers ‘handover’ the ‘service’ to operational staff in the expectation that it is ready, but the service initially fails to provide benefits • Additional work or rework is required before the IT service performs correctly. <p>This indicates poor service design and service transition practices.</p>	<p>IT service skills involved during development and transition, resulting in a well-designed IT service:</p> <ul style="list-style-type: none"> • People with IT service management skills are involved in the design and development of new IT services • When the service goes into operation it is ready to operate as a complete IT service • Any shortfalls in service design and development are picked up during service transition, and the service is not accepted into operation until it is ready • Developers provide early life support when the service first goes live to ensure that any issues are resolved quickly.
<p>Over-focus on functionality at the expense of usability:</p> <ul style="list-style-type: none"> • Unexpected IT service outages are frequent • When problems occur it takes longer than expected to recover the situation • The IT services perform badly and sometimes run out of data or processing capacity, leading to ‘panic’ purchases of hardware and software, often at inflated unexpected cost. <p>This indicates poor design of the IT service.</p>	<p>Focus on both functionality and usability:</p> <ul style="list-style-type: none"> • IT services are designed to work in operation, available when required, performing as expected • Security threats are dealt with quickly and effectively • Unexpected incidents are resolved effectively, ensuring business users are involved in decisions and always kept informed. <p>Capacity is monitored and any purchases to increase capacity are planned well in advance and budgeted.</p>
<p>Poor change management:</p> <ul style="list-style-type: none"> • Changes happen without users and support services being informed • New or changed IT services are fraught with problems, and often lead to unexpected issues with other services • Operational resources are distracted from day-to-day work by the problems caused by change. <p>This indicates poor service transition practice.</p>	<p>Good change management:</p> <ul style="list-style-type: none"> • Clearly communicated release schedules that identify the introduction of new and changed IT services • The risks and potential impacts of change are discussed with business users before the change takes place • Changes are agreed, well planned and implemented in a timely fashion with minimal disruption to the business.
<p>Too many incidents and problems:</p> <ul style="list-style-type: none"> • There are many failures and IT service disruptions • IT support staff appear to be always ‘firefighting’ (reacting to problems and failures) and do not have time to make progress in other areas • The failures have a disruptive impact on business functions. <p>This indicates poor service operation practice.</p>	<p>Incidents and problems under control:</p> <ul style="list-style-type: none"> • Failures sometimes occur, but they are resolved effectively and users are kept informed • A proactive approach is taken to problem solving, anticipating and preventing problems wherever possible • Lessons are learnt, problems are rarely repeated. <p>Users are confident that issues will be resolved before they adversely impact the business.</p>

Indicators of poor IT service management	Indicators of good IT service management
<p>Problems using external suppliers:</p> <ul style="list-style-type: none"> • IT issues are often blamed on third-party suppliers • There are additional unexpected charges from external suppliers and occasional contractual disputes • Internal service providers have little control over their third-party suppliers. <p>This indicates poor supplier management practices.</p>	<p>Good supplier management:</p> <ul style="list-style-type: none"> • The internal IT service provider owns problems with IT services even when a third-party supplier is involved • Contracts to deliver underpinning services and components are managed effectively and seamlessly by the service provider without needing to be brought to the attention of business customers. • Third-party costs are known and controlled.
<p>Poor communication between the business and IT:</p> <ul style="list-style-type: none"> • Communication is difficult between the service provider and business customers • IT services do not meet customer expectations • The business has a poor perception of IT services • Service providers use technical jargon to describe services and explain what is happening. <p>This indicates poor customer relationship practices.</p>	<p>Good communication between the business and IT:</p> <ul style="list-style-type: none"> • A catalogue of available IT services is written in terms the users understand, with prices (if users pay for IT services) or cost information (if not) • Judgements on value can be made about IT services and service levels • Service providers are concerned with customer perceptions and expectations • Service providers use language reflecting business processes and the value IT provides to the customer.

7 Some common mistakes

Designing and developing IT services that are fit for purpose but not fit for use:

- Focusing on system functionality but not the usability of the whole IT service will delay (or even prevent) delivery of business benefits
- Retro-fitting IT service design later is a high-risk strategy which will prove more costly and be fraught with problems.

A well-designed IT service provides both functionality that is **fit for purpose** to support business processes, and infrastructure, operations, processes, people and competencies to make it **fit for use**. The IT service needs to be easily accessible, available when required, performing as expected, with sufficient data and processing capacity, protected and secure from threat, robust and recoverable from failure, maintainable, capable of being enhanced when required, recoverable from disaster, and at an acceptable cost which is under the control of those who pay. The IT service must be capable of being de-commissioned when no longer required without punitive cost. The end product of a development project is an IT service, not merely a functional application system.

Focusing on the one-off project cost but not the ongoing operational service cost:

- Failure to take account of ongoing costs of ownership when developing a business case will lead to a poor financial decision and a failed return on investment

- Operational costs will continue beyond the project payback period, so cannot be offset against one-off savings.

For a well-designed IT service, the annual cost of ownership is fully understood and there is a clear distinction between the one-off project cost and the ongoing cost of ownership. Service design aims to minimize overall cost, not merely the one-off cost. Skimping on one-off development expenditure has a high risk of increasing annual operational costs.

Taking short-cuts to 'adopt ITIL':

- Adopting ITIL practices cannot be achieved merely by sending a few staff on Foundation-level training or purchasing some software tools which claim 'ITIL compliance'.

ITIL means changing the way the business does IT, so that IT services are developed and delivered in a way that is business focused and value driven. ITIL may require investment in people and tools, but more importantly it requires a service culture that should be introduced carefully and thoughtfully with support from senior management.

8 Achieving quick wins

It is not always necessary to embark on a major project in order to improve your IT service management. Sometimes a change of mindset is the most important thing that is needed, and some 'quick wins' can help achieve this:

- Send key IT development staff on ITIL training, focusing on service design and service transition practices. They will better understand how to design IT services which are both fit for purpose and fit for use – meaning fewer failures when the services go live, and a better understanding and control of operational costs. This may not resolve current operational IT issues, but it will prevent future operational problems from being created.
- Rotate IT development staff into front-line operational roles, so that they get first-hand experience of the consequences of poor service design and can bring back ideas for improvement of service design practices. Send front-line operational staff into business areas so that they better understand the business impact of poor service operation.
- Send key IT service management staff to work in another organization or department, which practises IT service management well, for a short period of time. They may learn more about service culture by being immersed in it for a few weeks than they would on a training course. The experience can be followed up and consolidated with theoretical training later.
- Carry out a high-level assessment of your IT service management practices in order to identify those areas which cause most pain, and which will give the greatest benefit if they are improved. The 80:20 rule will often apply – improving 20% of processes most in need of attention will bring 80% of the required improvement in terms of business benefit.
- Undertake an analysis of operational IT costs by IT service – in other words, find out the cost of ownership of each IT service. Allocate overhead costs between IT services in a logical way. Then track costs of ownership through time, to see how projects and other changes affect these costs. This will highlight whether the savings promised by business cases are actually delivered, and will provide insight into what causes costs of ownership to rise or fall. It will inform decisions on service strategies and business cases for new IT services. Understanding cost of ownership of each IT service is essential for making business decisions about IT investment.

9 How to access ITIL and where to start

You can find out more about ITIL through the following publications (TSO, 2007):

- *Introduction to the ITIL Service Lifecycle*
- *Service Strategy*
- *Service Design*
- *Service Transition*
- *Service Operation*
- *Continual Service Improvement.*

Introduction to the ITIL Service Lifecycle gives an introduction to IT service management practices and an overview of the following five publications, which cover the stages of the service lifecycle in depth. Complementary publications add breadth and depth focusing on specific topics and audiences.

You can build skills and knowledge in IT service management and invest in people through ITIL training and the ITIL qualification scheme. Hundreds of thousands of IT practitioners across the world have already gained ITIL professional qualifications. The scheme is supported by accredited training from a global network of training providers, and examinations run by accredited institutes. There are qualifications at Foundation, Intermediate and Expert levels with an advanced diploma for the most experienced IT service management professionals. An excellent way to start adopting good practices is by training key staff or hiring staff who are already qualified. Training development staff in IT service management will ensure they focus on developing IT services.

The Institute of Service Management (ISM) in the UK and linked institutes in other countries provide professional recognition for IT service management practitioners, and BCS, the Chartered Institute for IT, recognizes IT service management as a key skill for IT professionals. Universities and business schools offer IT service management topics in their IT-related first degree courses and masters degrees in IT service management.

ISO/IEC 20000 is the international standard for IT service management, which was developed based upon ITIL processes. Adopting ITIL practices can help organizations achieve the ISO/IEC 20000 standard and provide evidence that they are practising good IT service management. ITIL also aligns with other management frameworks and standards, including COBIT, ISACA's framework for IT governance and ISO/IEC 27001, the international standard for information security.

The IT Service Management Forum (itSMF) is a not-for-profit membership body which supports a vibrant international community of practitioners and professionals, operating in over 50 countries. Its members include many small, large and multinational companies across all industry sectors. It offers opportunities to network, share experiences and best practices with IT service management practitioners and experts across the globe.

IT service management as a professional practice is here to stay, because it makes sense for businesses. ITIL has already proved its place in the world and, as more organizations better understand its value, ITIL adoption will continue to increase. If you want to help your organization to get more value from its IT investments, then ITIL is a good place to start.

About the author

Maggie Kneller is an IT and business consultant, with 30 years' experience as an IT practitioner and manager in major organizations in both the public and private sectors. She has extensive management experience of all areas of the service lifecycle and has also managed a successful medium-sized IT business. Recent roles include UK Head of IT Services at AXA and interim Chief Executive of itsSMF UK and International.

An ITIL expert, Maggie has been an ITIL examiner since 1996, and chaired the ISEB Service Management Board until 2003. Maggie won the class prize for her IT Hybrid MBA at Henley Management College. She is a fellow of the Institute of Service Management, a fellow of the Chartered Institute for IT, a chartered engineer and an assessor for Chartered IT Professional.

Reviewers

TSO would like to thank Eddie Potts (Pink Elephant) and Stuart Rance (HP) who carried out a review of the paper on behalf of OGC, TSO and itsSMF UK.

The author would like to thank the following people, who provided very helpful review comments:

Ms Denise Plumpton, independent consultant

Mr Dave Colquitt, interim Business Change Manager at E.on

Mr Mark Jones, independent consultant

Acknowledgements

Sourced by TSO and published on www.best-management-practice.com

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