DXC.technology

White Paper

Building value and strategic IT through the service portfolio

Service management

To adopt a service management approach to IT, organizations need to be more than mere order takers for hardware and software. We must become service providers focused on creating value for our customers. This strategic perspective can, and should, drive tactical and operational behaviors. The central artifact that enables this journey to the strategic is the service portfolio.

A service portfolio comprises the complete set of services managed by a provider, including the pipeline of services under development, the catalog of current IT services and also any retired services. It is a tool that ensures the service provider has a comprehensive view of what it does, whom it does it for, how it works and how much it is investing. In other words, the service portfolio allows for full control of the services being provided to customers.

For something so fundamental, however, it is remarkable how often organizations continue without a service portfolio or the perspective it brings. They simply act, without pausing to evaluate whether each action makes sense — for the service provider or the customer.

By taking a comprehensive view — i.e., a portfolio view — a service provider chooses to become a conscious and deliberate driver, actively navigating to thoughtfully selected destinations.

The value of a service portfolio must be well understood and clearly communicated — and it cannot be communicated only once. It must be part of an ongoing conversation about the nature of services and service providers. This conversation is necessary to support both new behaviors that reflect the evolving mind-set and, eventually, a true change of culture from a technical to a business focus.

The value of a service portfolio must be well understood and clearly communicated — and it cannot be communicated only once. It must be part of an ongoing conversation about the nature of services and service providers.

Defining IT's contribution as services

ITIL (Information Technology Infrastructure Library) defines a service as "a means of delivering value to customers by facilitating outcomes that customers want to achieve without the ownership of specific costs and risks." The focus is on customer outcomes — the tangible benefits a customer will achieve by using the services offered — and not on the internal issues of the provider organization.

A service should be designed to both facilitate valuable outcomes and make it easy for the customer to consume it. If a service does not either directly deliver or indirectly facilitate an outcome of value to customers, there is no market for the service. If the customer has to micromanage the provider or know every detail of how the service is provided, it will be too difficult for the customer to achieve the promised benefits.

When IT delivers a service instead of a collection of bits and pieces, it is focused on bringing its expertise to bear on solving a business problem, not an IT problem. The business may need to process sales transactions more rapidly or have better visibility into manufacturing costs. How can IT help solve those business problems by applying technological expertise, without expecting the business customer to understand the finer details of the technology?

When the service provider understands the nature of a service, many questions about how IT should behave answer themselves.

Remember, it is the customer, not the service provider, who gets to decide whether the outcomes facilitated by a service are valuable. When checking whether a description of service outcomes makes sense, you must ask, "Why would the customer care about that?"

Marketing campaign enablement

Supports product marketing campaigns by providing and maintaining campaign websites, deploying email campaigns, and managing campaign data and reports.

Incident management

Executing a process is not a service. It is a necessary activity for providing actual services. For example, if customers are receiving a service, they expect that restoring it if it fails is a necessary part of provisioning.

Employee productivity

Delivers all the basics needed by employees to be productive. Includes an appropriate PC or laptop, corporate accounts, image with basic software, telephone and email accounts, and ongoing maintenance and support

Patch a server

Routine activities that IT performs as part of ordinary due diligence are not services. In the same way that a hotel must maintain the pool in a clean and safe condition, IT needs to care for the infrastructure.

Why does it matter?

You might reasonably ask: Why should we bother? How will defining services help us? The answers speak to how important an organization believes it is to go beyond the operational view. An excessive focus on the operational can lead to:

- **Excessive internal focus**. Solutions to operational issues are usually closely tied to internal processes, tools and people. However, while important for cost control, too much focus on internal efficiency can create a disconnect from the business result that matters to customers.
- **Silo behavior**. Operations are coordinated by different groups in IT, but each group tends to focus on its own area of responsibility. When groups optimize their own activities, problems can occur elsewhere in the service chain, actually degrading the results delivered to the business.

- **Business unit isolation**. Different business units have similar requirements, such as project management, financial accounting or document management. However, decisions about solutions tend to be made business unit by business unit. Failing to view issues beyond immediate operational considerations deprives the organization of economies of scale and better overall business prioritization.

When a service portfolio is used, organizations pursue a more comprehensive, strategic approach, considering each decision relative to the needs of the business and customers, leading to:

- M**aximized transparency**. IT can communicate with customers in terms that make sense to the business, not just IT, and the associated costs can be articulated based on real business value.
- **Sound decision making**. By maintaining a comprehensive view of IT's commitments to the business, decisions related to spending, technology architecture, consolidation, etc., are no longer made in a vacuum. Consequences of each decision are well understood, with dependencies taken into consideration.
- **Business-driven prioritization**. Project spending and other decisions are prioritized with the needs of the whole business at the forefront, not in organizational silos. Technology is selected because it is right for the mission, not because it is the newest shiny thing.
- **Increased collaboration and coordination**. When the focus is on customer outcomes, IT teams must coordinate their efforts across silos and the service life cycle.

Case study

A global networking provider was concerned that it might be spending too much on designing, delivering and maintaining services. Because it had many business units delivering many different services, it suspected there might be significant duplication and waste.

The company embarked on a service portfolio initiative, creating a comprehensive inventory of the services it was currently selling and those that were in development.

After analyzing the results, the company identified $3 million of waste in the form of:

- Operational services that were essentially the same being delivered by different business units under different names
- Services under development in one business unit, although the same service was already being offered by another business unit
- Services being maintained in marketing materials and delivery readiness even though they had not been sold in a year or more

Defining IT's contribution in the form of services has operational impacts as well. For example:

- **A new taxonomy for all activity**. Incidents, changes, problems and so forth will be associated not only with the specific pieces of technology involved, but also with the affected services.
- **New reporting**. To achieve tactical and strategic objectives, reporting must be available by service. This perspective allows the organization to see operational activity in relation to desired customer outcomes.
- **Measurement of the holistic performance of a service**. The performance of individual components of a system or service is no longer the only concern. Now the service provider seeks to understand the end-to-end performance of a service, which reflects users' experiences.
- **Better communication**. The failure of a single device or piece of software may affect many parts of a business. By understanding the full service impact of each activity or event, the service provider can involve the right people inside its organization and communicate effectively with those on the customer side.

Understanding how the service portfolio fits

A comprehensive service portfolio is the long-term goal, but the place to start is the full list of current services — the service catalog. This should not be confused with the catalog of service requests. **Figure 1** depicts the primary roles of the catalog of service requests, the service catalog and the service portfolio.

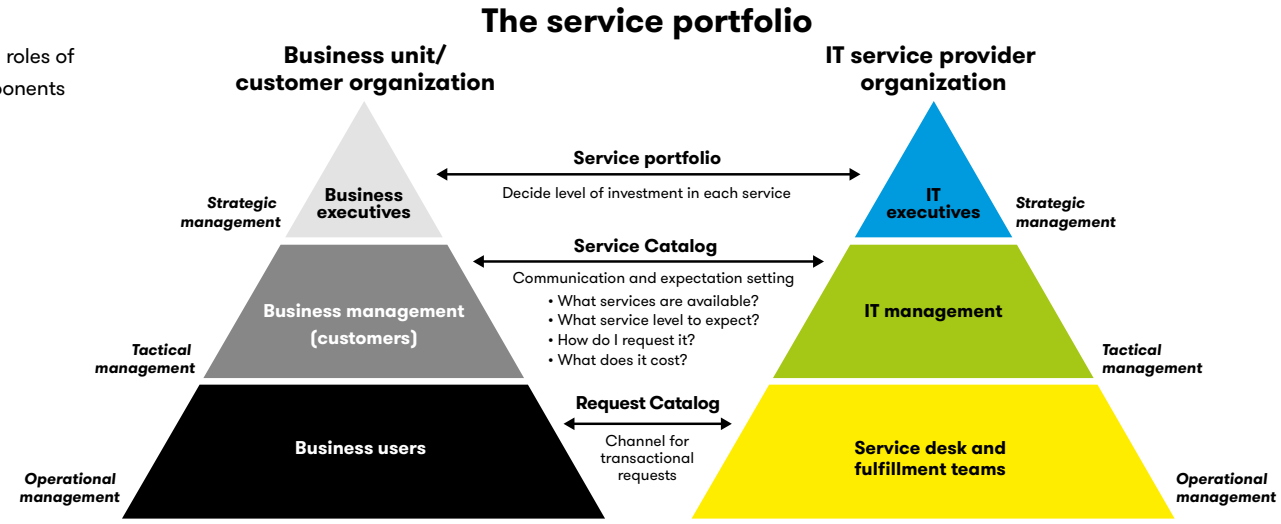

Figure 1. The roles of service components

Remember, the service portfolio comprises the complete set of services managed by a provider, including current IT services, services under development and those that have been retired. It is key at the strategic level, providing a comprehensive view of what the service provider offers to the enterprise and what it takes to provision those services.

The service catalog

The service catalog, with its focus on live services, is the logical first step in service definition before expanding to the full portfolio. The live services that are defined, based on the business outcomes they deliver, should clearly communicate what IT is currently doing to support the business and the business mission in terms that are meaningful to customers and the business as a whole.

These services can then be linked to the details of the applications and infrastructure used to deliver them, making the connections to related operational activity such as incidents, changes, events and even service requests. These services also allow IT to communicate at a high level what it does for the business and how this delivers value.

The request catalog should be presented to users in an easy-to-use format, creating an intuitive experience similar to online shopping on Amazon or eBay. It is used to ask for assistance from IT, even when everything is working correctly.

The catalog of service requests

Think of service requests as transactions to fulfill basic, previously anticipated needs of users. Fulfilling service requests allows users to interact with IT to meet their immediate needs — frequently but not always in relation to the services listed in the service catalog. Examples include requests for new devices, access to applications, password resets, installation of software and more complex requests, such as onboarding of new hires.

The request catalog should be presented to users in an easy-to-use format, creating an intuitive experience similar to online shopping on Amazon or eBay. It is used to ask for assistance from IT, even when everything is working correctly. Fulfillment of service requests should be highly automated whenever possible to drive efficiency.

Relationships among them

The service portfolio deals with decision making and strategic management. The service catalog deals with marketing and communication. The request catalog deals with action.

Because the request catalog and the service catalog are usually accessible through the same interface, organizations frequently make the mistake of treating them as the same thing or assuming they must be directly linked. Users don't need to know the difference, but IT does.

When defining the contents of the service portfolio, the first services defined will be those that are currently being delivered — those that are in the part of the portfolio known as the service catalog. Getting this right, based on the organization's needs, will deliver real value, even if the provider never gets beyond the catalog to the portfolio.

Setting goals

Nothing can be accomplished without clearly defining the what and the why. The following are a few common goals supported by the use of a service portfolio.

Goal	Role of Portfolio	Essential Actions
Better alignment of IT to business needs	Defining services based on business outcomes focuses IT's attention on business alignment.	Track business-oriented service achievements to ensure that services are meeting the needs of the business.
Improved cost transparency	Linking services to associated costs allows transparency around how well aligned spending is with business priorities.	Develop cost models that provide comprehensive cost data that can be allocated realistically to services.
Reduction of waste and duplicated efforts	The comprehensive view of what is being done and where investment is being made can identify potential economies of scale, duplication of services and activities without value.	Develop a service valuation model that can be used to balance the portfolio. Evaluate the applications supporting the services to identify unnecessary duplication.
Improved decision making on projects and spending	When new services and projects are proposed, the service portfolio can be used to ensure that the need is new and cannot be accommodated via an existing offering.	Develop and deploy a formal service portfolio management process to define, analyze, approve and charter new and changed services.
Improved service quality	Linking services to associated configuration items and operational data allows a comprehensive understanding of the performance and quality of each service and the identification of opportunities for improvement.	Leverage data to identify quality issues and plan and execute improvements based on highest business value.

Key stakeholders in the service portfolio include business relationship managers, service owners, financial team members, service level managers and business leaders.

Critical dependencies

The role of service owners

Services need owners. The service owner is central to the shift to a strategic, more long-term view. A person may function as the service owner for more than one service, but each service should have only one service owner. This person is responsible to the customer for the initiation, transition and ongoing maintenance and support of the service he or she owns, and this person is also accountable to IT leadership for the delivery of that service.

The service owner should understand the service in the context of the overall portfolio, as well as understanding the architecture of the service. This may not be difficult for a simple service that is delivered in the same way to all users using the same application, but it will not be as straightforward for complex services.

Remember that although the service owner is accountable for the delivery of the end-to-end service, the components of the service — such as applications and infrastructure — will have owners of their own. Providing successful service is a collaborative effort.

Complexity of relationships

Finally, as an organization builds its service portfolio, it may attempt to line up each service with a single business unit or other individual element, probably to have simple lines of association for reporting and financial tracking. However, this type of rigid hierarchy is unrealistic.

Service relationships are many-to-many relationships, not one-to-one or one-to-many. A single service is usually used by more than one customer community. Multiple services are typically dependent upon the same infrastructure. Operationally, a single incident may affect more than one service, which in turn could affect more than one business unit.

Keep the mappings and relationships as simple as possible, but don't simplify them to the point where they no longer accurately represent reality. The act of documenting these complex relationships can uncover opportunities for improvement and result in consolidation initiatives that provide significant benefits.

Moving forward requires discipline and patience. Remember:

- Don't try to go directly from a completely technology-focused approach to the most mature model. Align the approach with the level of maturity of the IT service management (ITSM) culture and move them forward together.
- Don't let the effort be a purely academic exercise. Integrate the service portfolio with all levels of effort, from operational to tactical to the truly strategic.
- Let your people and their roles mature along with the service portfolio. Developing service owners' skills is a critical success factor.
- Bring the organization along. Communicate, market, socialize and collaborate.
- Don't give up. The pull of operational concerns is powerful, but don't let it delay this important work.

While the challenges are many, defining and using a service portfolio provides critical benefits that are worth the effort.

Learn more at www.dxc.technology/servicenow

About the author

Lou Hunnebeck, an ITIL expert and Service Design 2011 author, is a principal advisor for the DXC Fruition practice.

MD_8460a-19. June 2018