

May 2007



**Driving innovation: the expanding  
role of service management.**

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**Introduction: the evolving role of IT service management**

When it comes to service management, one thing is clear: Its role is evolving. In fact, over the past 25 years, the entire focus of service management has changed. It all began with the information systems management architecture documented in IBM's "Yellow Books," which set forth "a management system for the information business." This model and its associated educational offerings provided a basis for further development and industrywide adoption of accepted practices like the IT Infrastructure Library® (ITIL®), Control Objectives for Information Technology (COBIT), the International Organization for Standardization (ISO)/IEC 20000, and Carnegie Mellon University's eSourcing Capability Model (eSCM).

What's more, the usage of these practices has evolved over time. Although best practices were first applied to information technology (IT), they were soon extended to application management in the context of end-to-end services. Next, IT departments began using these same best practices to achieve greater business value through better integration and governance. Combined with carefully honed management disciplines and technologies, these common practices and standards have enabled the kind of service excellence that is prerequisite for most mission-critical business applications today.

Now, service management is taking on an even greater role: It is driving business innovation by encompassing the full service lifecycle, starting with the business of IT itself, and including IT operations and development. This broader focus is designed to bridge the disconnect that often exists between the business and the IT organization and between the development and operations management domains within IT. It provides the best practices for understanding business requirements and translating those requirements into corresponding IT objectives. This white paper describes this latest evolution in

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**Highlights**

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***So many business processes  
depend on IT these days that  
when a service problem arises,  
it's often headline news.***

the role of service management. It explains how a service-oriented governance framework can help ensure that IT decisions are consistent with business vision, values and strategies – and that IT delivers maximum value to the business.

**Taming today's exponential growth in IT complexity**

It's almost impossible to separate an IT service from a business process or business service. What business process or service is not dependent on some aspect of IT? Today IT is so critical to core business processes that, when a service problem arises, it's often headline news. Over the last few years, for example, lapses in IT service have:

- *Grounded airline flights*
- *Locked online traders out of their accounts*
- *Blocked customers from retail Web sites*
- *Cut off wireless service to an entire city.*

While the reality is that most flights do take off, most online trades do go through, most Web-based retailers are up almost 24x7 and most wireless customers enjoy reliable service, increased business dependency on IT has reduced the tolerance for IT service defects. This increasing business dependency on IT, in conjunction with increasing customer requirements and growing IT complexity, has driven more organizations to make service management best practices a business requirement. The IT landscape is constantly shifting as a result of new technologies, business realignments and growing regulatory requirements – not to mention the constant stream of threats from hackers and viruses. A typical enterprise might have more than 1,000 business services running over a heterogeneous infrastructure within a multisourced management environment marked by many silos.

***Shortening time to market with an  
automated, reusable infrastructure***

*When an IT support firm for an Italian roadside-assistance provider wanted to deliver innovative, value-added services to its customers, it created a standardized infrastructure that would encourage asset reuse and simplify the creation of new services through increased flexibility. As a result, the organization was able to reduce time to market for new services by 25 percent.*

Service management requires the integration and governance of people, processes, information and technologies across these silos. Development silos might include architecture groups, standards groups, build groups and test groups. On the operations side, network specialists, database specialists and server specialists are just a few of the groups involved. Silos are vertical by nature, but serving the customer requires a horizontal view. Thus, the continued presence of these management silos can have serious implications. For example:

- *Organizational silos cause friction among various service priorities.*
- *Process silos impede the integration inherent in best practices.*
- *Information silos restrict visibility into the data necessary to enable service excellence.*
- *Technology silos prevent the data integration required to achieve a service orientation and the automation necessary to drive quality up and costs down.*

The good news is that the evolution of service management practices, together with new service management technologies, now enables IT management and governance to serve customers at a lower cost and with better quality. Although traditional systems management is still required, it does not provide the end-to-end service orientation required in today's business environment.

While IT has performed heroically to keep up with the growth in IT complexity and criticality, this effort has had a price. IT operations are labor intensive and prone to human error. As a result, businesses have had to gradually shift much of their IT spending from development to operations. According to Forrester Research Vice President Jean-Pierre Garbani, "In a typical \$1B+ organization, 40 percent of the IT budget goes to labor, and at least 60 percent of the labor cost goes to IT operations."<sup>1</sup> However, overall IT budgets have typically remained flat. So, IT today has less time to focus on delivering innovation.

***Building a foundation for growth and diversification***

*Charged with implementing an ambitious plan to distribute content through new ventures, channels and programs, a major U.S. athletic organization decided to reinvent its systems and processes. Its new digital content management and distribution system streamlined the way it receives, stores, accesses and distributes its sports content.*

**Putting a premium on innovation**

CEOs view innovation as the lifeblood of thriving organizations. They see the integration of business and technology as essential to the success of innovative efforts designed to enable organizations to reach their highest potential.<sup>2</sup> IT's ability to control service quality and costs, and to enable increased innovation, is now a business imperative.

The answer to this dilemma is to apply service management best practices to the business of IT. To integrate the people, processes, technologies and information that service management requires, organizations need effective governance. This involves distributing decision rights and accountability with clarity and transparency. Effective governance promotes the desired behaviors and enables direction and control based on business objectives. As a result, IT can be better positioned to:

- *Create value by driving or responding to new project and service requests through timely, high-quality and on-budget delivery*
- *Manage value in real time with an agile, integrated infrastructure that runs efficiently and cost-effectively.*

Risk management, which seeks to strike a balance between the potential gains from opportunities and the potential vulnerabilities and losses arising from those same opportunities, is also an integral part of an expanded IT service management framework. The greatest risks faced by service organizations today are bad decisions and undesired behaviors that continue to reduce service quality and drive up service costs.

Doing the "right" things right

This evolution of service management goes beyond establishing processes and procedures that increase internal efficiency and effectiveness. Instead, it focuses on how to best serve the customer.

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***IT must get out of firefighting mode before it can focus on customer requirements.***

***By distributing decision rights and accountability, effective governance can help to ensure service-oriented decision making across silos.***

The fact is, IT often can't set priorities because it is constantly challenged with conflicting requests for increased service quality and new projects and with unplanned events. IT knows it must get out of firefighting mode before it can focus on satisfying customer requirements. By integrating silos of people, processes, information and technology through the employment of best practices, service management improves the ability to support complex infrastructures, IT services, business processes and business services. The result is better service value, reliability and quality.

Getting there from here

Effective governance distributes decision rights and accountability to ensure that desired behaviors and service-oriented decision making occur across management domains and organizational silos. The service management architecture provides the integration platform required to increase service visibility and context. The right service management architecture enables the integration of processes and services, and also:

- *Provides integrated information regarding configuration and change in order to improve service quality and enable the provisioning of a more resilient infrastructure*
- *Integrates IT and non-IT asset management to provide a consolidated view of all assets comprising a business service and to enable a standardized approach to asset management across all classes*
- *Provides an integration platform that enables significant advances in automation, thereby reducing costs and improving service quality*
- *Integrates discovery and relationship-mapping to automate the determination of configurations, dependencies, root causes of change, composite application troubleshooting measures and proper impact analysis.*

***Breaking down silos to improve  
service excellence***

*Faced with a 20-minute average call time for customers reporting an outage, a European cable company responded by integrating its trouble-ticketing system with its network infrastructure. By providing a service-centric view that expedited service repair, the company was able to dramatically reduce outage and resolution time and improve customer satisfaction.*

Organizations can create and manage value by:

- *Providing better insight into project and portfolio return on investment (ROI) and status, so IT can make better investment decisions*
- *Automating tasks to reduce costs and errors associated with human effort*
- *Providing the information that people and tools require when managing complex infrastructures, applications and services*
- *Aligning with best practices and the relative maturity of various capabilities.*

Using performance and outcome metrics that are accurate and relevant

IT organizations can only control and manage processes that they can measure. But metrics, in turn, are only useful if they are both accurate and relevant. It's possible to measure so much that metrics actually obscure the goals of the organization.

The right management system enables effective governance by providing the information required for service-oriented decision making. It's important to track all the information needed to know how well the organization is managing IT, and also to continually adjust to the current set of core metrics. In other words, effective decision making is enabled by an effective management system that provides the right information, to the right people, at the right time.

Lessons from the operations side

Service operations has evolved from focusing on infrastructure and process maturity to focusing on enhancing the range and depth of integrated service management capabilities across management domains. It's no longer enough to merely make applications available or establish new siloed processes. Today's IT organization must provide valued services that support well-conceived business processes and business services.

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***It's important to base decisions on the business perspective—rather than on the latest fad.***

***Managing a service desk is more than call tracking—it should provide a reliable, single point of contact for all service requests.***

The good news is that, as service operations management has evolved, organizations have learned some key things. For example, we've learned that islands of fragmented efforts without top-down support don't add business value—in fact, they drive up costs and cause friction that often drives service quality down. A better approach is to define the business objectives first, so that decisions can be made based on the business perspective rather than on the personal preferences of the most persuasive proponent of the latest fad. So, business-driven IT planning is the beginning of proper planning for any service management improvement.

We've also learned the value of integration between development and operations. For example, operations needs not only to know when new or updated software will be handed off—but it also needs to be integrated into the full development lifecycle. This can help to avoid operational service quality problems before they occur. In addition, operations needs to be integrated with test systems to leverage real-time operational information so that it can more quickly identify root causes of problems.

Integration between development and operations also involves the testing function. Infrastructure solutions, applications and services should all be fully tested in an environment that can identify potential operational problems. That is why the updated version of ITIL practices emphasizes the importance of testing within service management. Achieving real business objectives depends on well-governed and well-managed abilities to develop, test, transition and operate IT services.

Another common pitfall is to view service management as comprising only a limited set of concepts. For example, some view service desk management as playing a minor role in service management. However, we believe that the service desk should be managed as a vital business asset that can improve productivity while enabling proper usage of IT resources and services throughout

***Increasing business flexibility***

*How can an organization accelerate its response to regulatory requirements and marketplace opportunities—and still ensure the security and privacy of customer and financial data? The answer for one United Kingdom banking group was to create a centralized identity-management model that not only protects financial and customer information, but also reduces the time and cost of security management. The banking group improved its ability to rapidly respond to new regulations and opportunities and also saved US\$11 million annually through process efficiencies.*

the enterprise. This cannot be done with old architecture styles and management practices. Instead, organizations need an integrated service-oriented architecture (SOA)-type of service management integration platform. Managing a service desk involves far more than mere “call tracking.” It must provide users with a reliable, single point of contact for all service requests. This requires a business-oriented view of the management disciplines the service desk relies upon. No service desk can deliver on its promise of value without full integration into the IT management processes on which it depends.

**Reaping the benefits of effective IT governance**

Most organizations that deploy service management and improved governance enjoy key benefits. They can respond to customer requests for specific services, specific levels of service, new projects and other service requests on time, within budget and according to expectations. That, in turn, can translate into increased innovation and responsiveness, greater efficiency and faster time to market. These organizations can manage value effectively and at a reasonable cost. This adds up to greater ROI, an ability to meet or exceed service level agreements, and faster time to value.

**How to know when you’ve arrived**

How will you know when your organization has good service management? The key is to look at the business of IT from the IT customer’s perspective. Here are some things to look for:

- *The customer of IT no longer feels compelled to “dig in” to what is happening inside IT. Customers don’t want to know how IT works—until there is a service problem. When your customers ask probing questions about internal operations, you know you have a service problem.*
- *IT is viewed as a strategic and highly valued partner, rather than as a speed bump.*

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***Service excellence means more than continual process improvement—it means continually improving and adding value to the customer.***

- *Services are visible from an end-to-end business perspective (as opposed to a series of people, process, information and technology silos).*
- *Governance is clear and transparent.*
- *IT people and tools have access to reliable information including real-time integrated digital dashboards—as opposed to hundreds of monitors across the enterprise.*

When you meet these criteria in your organization, you know you've finally established a service management capability to be proud of. Of course, the marketplace reality is that service excellence is the minimum effort required to earn your customers' business again tomorrow. Service strategies must build on continual improvement and added value rather than on the old management approaches that focused on customer control. With service management, your organization can begin to see the following results:

- *IT provides a resilient infrastructure as the basis for service management.*
- *Service-provision costs are under control.*
- *Service quality is driven by conscious, business-driven service-level decision making.*
- *IT projects are delivered on time and on budget, and meet or exceed expectations.*
- *Audit deficiencies are identified on a timely basis.*
- *Success is defined by achieving service agreements, rather than by measuring the time elapsed since the most recent major negative event.*
- *Security breaches are automatically dealt with according to policy.*
- *IT is responsive to line-of-business requests based on agreed-to service levels.*

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***IBM has not only supported the development of standards and practices, it has also put them to work for clients worldwide.***

***IBM believes that service management is so crucial to business success that it is driving the emergence of services science as an academic curriculum.***

**Conclusion: flexible, modular services from IBM to help with the journey**

Over the last 25 years, IBM has actively supported the development of accepted standards and practices, including ITIL, COBIT, ISO/IEC 20000 and eSCM. We've also collaborated with many organizations in many marketplaces, geographies and industries to help them achieve robust service management results and to progress to increasingly advanced levels of service management capability.

No one knows better than IBM that experience can be a great teacher. But sometimes experience teaches us more about what not to do. This is why we also support formal instruction in service management and are driving a top-level initiative to develop services science within academic curricula. This initiative, called Services Sciences, Management and Engineering (SSME), is a follow-on to our efforts during the 1950s to promote computer science and the understanding and use of computing technology as a business asset.

IBM believes that services science is just as critical to today's global economy, national prosperity and corporate vitality as computer science was to the improvements made over the previous five decades. In support of the SSME initiative, the University of California, Berkeley, began teaching the first explicitly named "Service Science" course in the spring of 2006. And in the fall of 2006, the University of North Carolina was the first university to launch a master's-level curriculum in SSME.



The experience, intellectual capital, products and services we've developed over the past decades as leaders in the service management evolution are available to help you with the challenges you face right now. We've not only faced these same complex challenges within our own organization, but have also helped our clients around the world face theirs. Service management is challenging, and IBM can work with you to determine the right approach to meet your service management objectives.

**For more information**

To learn more about IBM's views and capabilities regarding service management, contact your IBM representative or visit:

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05-07  
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1 mValent, Inc., mValent Analyst Series:  
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