

ITIL Service Offerings and Agreements

Contents

1 Introduction to service management.....	7
1.1 Best practice	7
1.2 The ITIL frame work.....	7
1.3 Service management.....	7
1.4 Processes and functions.....	8
1.5 Roles	8
1.5.1 Process owner	8
1.5.2 Process manager	9
1.5.3 Process practitioner	9
1.5.4 Service owner.....	9
1.5.5 The RACI model	10
1.6 Service offerings and agreements within the context of the service lifecycle	10
1.6.1 SOA within the service lifecycle	10
1.6.2 Strategy management for IT services.....	11
1.6.3 Design coordination	11
1.6.4 Identification of customer requirements.....	12
1.6.5 Customer perception of value, utility and warranty.....	14
2 Service portfolio management.....	15
2.1 Purpose and objectives	15
2.2 Scope	15
2.3 Value to the business	15
2.4 Policies, principles and basic concepts.....	15
2.4.1 Service portfolio	15
2.4.2 Service pipeline	16
2.4.3 Service catalogue	16
2.4.4 Retired services	16
2.4.5 Other areas.....	16
2.5 Process activities, methods and techniques	17

2.5.1 Process initiation	17
2.5.2 Define	17
2.5.3 Analyse	17
2.5.4 Approve	18
2.5.5 Charter.....	18
2.6 Triggers, inputs, outputs and interfaces	19
2.7 Information management.....	19
2.8 Critical success factors and key performance indicators	19
2.9 Challenges and risks	20
2.10 Roles and responsibilities.....	21
2.10.1 Service portfolio management process owner	21
2.10.2 Service portfolio management process manager	21
3 Service catalogue management	22
3.1 Purpose and objectives	22
3.2 Scope	22
3.3 Value to the business	22
3.4 Policies, principles and basic concepts.....	23
3.5 Process activities, methods and techniques	23
3.6 Triggers, inputs, outputs and interfaces	23
3.7 Information management.....	24
3.8 Critical success factors and key performance indicators	24
3.9 Challenges and risks	25
3.10 Roles and responsibilities.....	25
3.10.1 Service catalogue management process owner	25
3.10.2 Service catalogue management process manager	25
4 Service level management	26
4.1 Purpose and objectives	26
4.2 Scope	26
4.3 Value to the business	26
4.4 Policies, principles and basic concepts.....	27
4.5 Process activities, methods and techniques	28
4.5.1 Design SLA frameworks.....	28

4.5.2 Determining, documenting and agreeing requirements for new services and producing SLRs	28
4.5.3 Negotiating, documenting and agreeing SLAs for operational services	28
4.5.4 Monitoring service performance against SLA	29
4.5.5 Producing service reports	29
4.5.6 Conducting service reviews and instigating improvements within an overall SIP	29
4.5.7 Collate, measure and improve customer satisfaction	29
4.5.8 Review and revise SLAs, service scope, OLAs, contracts, and any other underpinning agreements	29
4.5.9 Develop and document contacts and relationships.....	29
4.5.10 Handling complaints and compliments.....	30
4.6 Triggers, inputs, outputs and interfaces	30
4.7 Information management	31
4.8 Critical success factors and key performance indicators	31
4.9 Challenges and risks	32
4.10 Roles and responsibilities.....	32
4.10.1 Service level management process owner.....	32
4.10.2 Service level management process manager.....	32
5 Demand management.....	34
5.1 Purpose and objectives	34
5.2 Scope	34
5.3 Value to the business	34
5.4 Policies, principles and basic concepts.....	34
5.5 Process activities, methods and techniques	35
5.5.1 Identify sources of demand forecasting.....	35
5.5.2 Patterns of business activity	35
5.5.3 User profiles	35
5.5.4 Activity-based demand management	35
5.5.5 Develop differentiated offerings.....	35
5.5.6 Management of operational demand.....	35
5.6 Triggers, inputs, outputs and interfaces	36
5.7 Information management	36

5.8 Critical success factors and key performance indicators	36
5.9 Challenges and risks	37
5.10 Roles and responsibilities.....	37
5.10.1 Demand management process owner	37
5.10.2 Demand management process manager	37
6 Supplier management	38
6.1 Purpose and objectives	38
6.2 Scope	38
6.3 Value to the business	38
6.4 Policies, principles and basic concepts.....	39
6.5 Process activities, methods and techniques	39
6.6 Triggers, inputs, outputs and interfaces	41
6.7 Information management.....	42
6.8 Critical success factors and key performance indicators	42
6.9 Challenges and risks	42
6.10 Roles and responsibilities.....	43
6.10.1 Supplier management process owner	43
6.10.2 Supplier management process manager	43
7 Financial management for IT services.....	44
7.1 Purpose and objectives	44
7.2 Scope	44
7.3 Value to the business	44
7.4 Policies, principles and basic concepts.....	45
7.4.1 Enterprise financial management policies	45
7.4.2 Funding.....	45
7.4.3 Financial management for IT services and value	46
7.4.4 Service economics	46
7.4.5 Compliance.....	47
7.5 Process activities, methods and techniques	47
7.5.1 Accounting.....	47
7.5.2 Budgeting	48
7.5.3 Charging	49

7.6 triggers, inputs, outputs and interfaces	50
7.7 Information management	51
7.8 Critical success factors and key performance indicators	51
7.9 Challenges and risks	52
7.10 Roles and responsibilities	52
7.10.1 FMITS process owner	52
7.10.2 FMITS process manager	52
7.10.3 Budget holders	53
8 Business relationship management	54
8.1 Purpose and objectives	54
8.2 Scope	54
8.3 Value to the business	54
8.4 Policies, principles and basic concepts	54
8.4.1 Business relationship management and the business relationship manager	54
8.4.2 Customer portfolio	55
8.4.3 Customer agreement portfolio	55
8.4.4 Customer satisfaction	55
8.4.5 Service requirements	55
8.4.6 Facilitator of strategic partnerships	55
8.5 Process activities, methods and techniques	55
8.5.1 Initiation by the customer	55
8.5.2 Initiation by service provider	56
8.5.3 Business relationship management process through the lifecycle	56
8.6 Triggers, inputs, outputs and interfaces	57
8.7 Information management	57
8.8 Critical success factors and key performance indicators	58
8.9 Challenges and risks	58
8.10 Roles and responsibilities	59
8.10.1 Business relationship management process owner	59
8.10.2 Business relationship management process manager:	59
9 Technology and implementation	60
9.1 Generic requirements for IT service management technology	60

9.2 Evaluation criteria for technology and tools	61
9.3 Practices for process implementation	61
9.3.1 Service level requirements	61
9.3.2 Risks to the services and processes	61
9.3.3 Implementing service design	61
9.4 Challenges, critical success factors and risks	62
9.4.1 Challenges	62
9.4.2 Critical success factors	63
9.4.3 Risks	64
9.5 Planning and implementing service management technologies	65

1 Introduction to service management

1.1 Best practice

Organizations operating in dynamic environments need to improve their performance and maintain competitive advantage. Adopting best practices in industry-wide use can help to improve capability. Sources:

- Public frameworks and standards
- Proprietary knowledge of organizations and individuals

1.2 The ITIL frame work

- Vendor-neutral
- Non-prescriptive
- Best practice.

ITIL is successful because it describes practices that enable organizations to deliver benefits, return on investment and sustained success.

1.3 Service management

A set of specialized organizational capabilities for providing value to customers in the form of services

IT service: A service provided by an IT service provider. An IT service is made up of a combination of information technology, people and processes. A customer-facing IT service directly supports the business processes of one or more customers and its service level targets should be defined in a service level agreement (SLA). Other IT services, called supporting services, are not directly used by the business but are required by the service provider to deliver customer-facing services.

The outcomes that customers want to achieve are the reason why they purchase or use a service. The value of the service to the customer is directly dependent on how well a service facilitates these outcomes.

Services can be classified as:

- Core services
- Enabling services
- Enhancing services

Service management enables service providers to:

- Understand the services they are providing
- Ensure that the services really do facilitate the outcomes their customers want to achieve

- Understand the value of the services to their customers
- Understand and manage all of the costs and risks associated with those services.

Service management is concerned with more than just delivering services. Each service, process or infrastructure component has a lifecycle, and service management considers the entire lifecycle from strategy through design and transition to operation and continual improvement.

IT service management (ITSM): The implementation and management of quality IT services that meet the needs of the business. IT service management is performed by IT service providers through an appropriate mix of people, process and information technology.

1.4 Processes and functions

Processes have the following characteristics:

- Measurability
- Specific results
- Customers
- Responsiveness to specific triggers

An organization needs to clearly define the roles and responsibilities required to undertake the processes and activities involved in each lifecycle stage. These roles are assigned to individuals within an organizational structure of teams, groups or functions

1.5 Roles

A role is a set of responsibilities, activities and authorities granted to a person or team. A role is defined in a process or function. One person or team may have multiple roles. Roles fall into two main categories

- generic roles
- specific roles

1.5.1 Process owner

The process owner role is accountable for ensuring that a process is fit for purpose, i.e. that it is capable of meeting its objectives; that it is performed according to the agreed and documented standard; and that it meets the aims of the process definition. This role may be assigned to the same person carrying out the process manager role. Key accountabilities include:

- Sponsoring, designing and change managing the process and its metrics
- Defining the process strategy, with periodic reviews to keep current, and assisting with process design
- Defining appropriate policies and standards for the process, with periodic auditing to ensure compliance
- Communicating process information or changes as appropriate to ensure awareness
- Providing process resources to support activities required throughout the service lifecycle

- Ensuring that process technicians understand their role and have the required knowledge to deliver the process
- Addressing issues with the running of the process
- Identifying enhancement and improvement opportunities and making improvements to the process.

1.5.2 Process manager

The process manager role is accountable for operational management of a process. There may, for example, be several process managers for one process in different locations. This role may be assigned to the same person carrying out the process owner role. Key accountabilities include:

- Working with the process owner to plan and coordinate all process activities
- Ensuring that all activities are carried out as required throughout the service lifecycle
- Appointing people to the required roles and managing assigned resources
- Working with service owners and other process managers to ensure the smooth running of services
- Monitoring and reporting on process performance
- Identifying opportunities for and making improvements to the process.

1.5.3 Process practitioner

A process practitioner is responsible for carrying out one or more process activities. This role may be assigned to the same person carrying the process manager role, if appropriate. Responsibilities typically include:

- Carrying out one or more activities of a process
- Understanding how his or her role contributes to the overall delivery of service and creation of value for the business
- Working with other stakeholders, such as line managers, co-workers, users and customers, to ensure that their contributions are effective
- Ensuring that the inputs, outputs and interfaces for his or her activities are correct
- Creating or updating records to show that activities have been carried out correctly.

1.5.4 Service owner

The service owner is responsible to the customer for the initiation, transition and ongoing maintenance and support of a particular service and is accountable to the IT director or service management director for the delivery of a specific IT service. The service owner's accountability for a specific service within an organization is independent of where the underpinning technology components, processes or professional capabilities reside. Service ownership is critical to service management and one person may fulfil the service owner role for more than one service. Key responsibilities include:

- Ensuring that the ongoing service delivery and support meet agreed customer requirements via effective service monitoring and performance

- Working with business relationship management to ensure that the service provider can meet customer requirements
- Ensuring consistent and appropriate communication with customers for service-related enquiries and issues
- Representing the service across the organization; for example, by attending change advisory board meetings
- Serving as the point of escalation (notification) for major incidents relating to the service
- Participating in internal and external service review meetings
- Participating in negotiating SLAs and operational level agreements (OLAs) relating to the service
- Identifying opportunities for, and making, improvements to the service.

The service owner is responsible for continual improvement and the management of change affecting the service under their care. The service owner is a primary stakeholder in all of the underlying IT processes which enable or support the service they own.

1.5.5 The RACI model

The RACI model or 'authority matrix' can be used to define the roles and responsibilities in relation to processes and activities.

- Responsible
- Accountable
- Consulted
- Informed

Only one person should be accountable for any process or individual activity, although several people may be responsible for executing parts of the activity.

1.6 Service offerings and agreements within the context of the service lifecycle

1.6.1 SOA within the service lifecycle

It concentrates on processes within service strategy and service design, and the links required between these processes to ensure the provision of high-quality services which provide true value in support of business needs and outcomes.

The processes detailed in this publication in support of SOA are as follows:

- Service portfolio management
- Service catalogue management
- Service level management
- Demand management
- Supplier management
- Financial management for IT services

- Business relationship management.

1.6.2 Strategy management for IT services

1.6.2.1 Purpose

The purpose of strategy management for IT services is to provide details of how the service provider can help an organization to achieve business outcomes.

1.6.2.2 Objectives

- Analyse the internal and external environments in which the service provider exists
- Identify opportunities that will benefit the business
- Identify any constraints that may prevent business outcomes being achieved and define how these can be removed or reduced
- Agree on the service provider's perspective, then define a clear vision and mission for the service provider and review it regularly to ensure its continued relevance
- Establish the position of the service provider in relation to its customers and other service providers, including how to maintain a competitive advantage
- Produce and maintain strategic planning documents that are circulated to stakeholders and translated into tactical and operational plans to enable delivery of the strategy.

1.6.2.3 Scope

The main focus for the service provider is to ensure the IT strategy, tactics and operations support and validate the business strategy objectives.

- Service strategy
- ITSM strategy

1.6.2.4 Value to business

A well-defined and well-managed strategy ensures that resources and capabilities are aligned to achieve the business outcomes and that investments match the organization's intended development and growth.

For the service provider, strategy management ensures that the service portfolio contains a suitable set of services with a clearly defined and communicated purpose and roles.

For customers, strategy management allows them to clearly articulate their business priorities, enabling the service provider to make decisions on how they are best met, and to determine whether changes in IT strategy are needed.

1.6.3 Design coordination

1.6.3.1 Purpose

The purpose of design coordination is to ensure the goals and objectives of the service design stage are met by providing and maintaining a single point of coordination and control for all activities and processes within the service design lifecycle stage.

1.6.3.2 Objectives

- Ensure consistent design of appropriate services, service management information systems, architectures, technology and processes, aligned to meet current and evolving business outcomes
- Coordinate all design activities across projects, changes, suppliers and support teams, managing schedules, resources and conflicts as required
- Produce service design packages based on service charters and updates from change requests, and coordinate their handover to service transition
- Ensure the adoption of common frameworks, standards and re-usable design practices where appropriate, including service models and solutions that conform to all architectural, governance and strategic requirements
- Use service models and solutions to conform to the strategic requirements
- Monitor, plan, coordinate and manage the continual improvement and quality criteria for the service design lifecycle stages, including handover from service strategy, through service design activities and to service transition.

1.6.3.3 Scope

The design coordination process oversees design activity related to new and changed service solutions ready for transition into or retirement from the operational environment.

1.6.3.4 Value to business

Design coordination provides the desired business outcomes through the use of solution designs and service design packages to ensure consistent quality. Design coordination ensures that:

- The intended business value of services is achieved through design at acceptable risk and cost
- Rework and unplanned costs in later lifecycle stages are kept to a minimum by paying attention to design prior to development
- The design conforms to a consistent service architecture that facilitates integration and data exchange between services and systems
- Improved service value, confidence, quality and agility are achieved through a design focus on satisfaction and outcomes for customers, users and the business.

1.6.4 Identification of customer requirements

New or changed business requirements are managed by the service provider's design process whereby the service solution is formulated and developed to meet the documented business needs. There are five aspects of service design relating to new or changed services:

- Service solutions for new or changed services use the requirements detailed in the service portfolio. The solution is produced, validated and agreed against corporate and IT policies to ensure consistency with all existing services
- Management information systems and tools (including service portfolio) are reviewed to ensure they are capable of supporting the new or changed service

- Technology and management architectures are reviewed to ensure they are consistent and capable of maintaining and operating the new or changed service
- Processes are reviewed to ascertain whether the processes, roles, responsibilities and skills have the capability to operate, support and maintain the new or changed service; if not, they need to be enhanced
- Measurement methods and metrics are reviewed to ascertain whether existing approaches are suitable for the new or changed service, or whether new measurement methods and metrics need to be developed.

1.6.4.1 Requirements identification

A holistic approach should be adopted for the design of all elements of a new service, its constituent components and their inter-relationships to meet all business requirements, including:

- Service scalability to meet future business objectives
- Supported business processes and units
- IT service and business requirements for functionality (utility) and the service itself (warranty) as documented in service level requirements (SLRs) and SLAs
- Technology components to deploy and deliver the service
- Internal and external supporting services and their associated OLAs and underpinning contracts
- Service performance measurements and metrics
- Legislated and required security levels
- Sustainability requirements for the service.

There are four technology domains that support services and need to be assessed: infrastructure; environment; data and information; and applications.

1.6.4.2 Business requirements and drivers (identification and documentation)

Accurate information is essential for the service provider to be able to understand the required service quality and business drivers. Business information needs to be obtained and agreed in three main areas to maintain service alignment: existing, new, and retiring services. A formal approach to the collection of the business information includes:

- Creation of a project using project management methodology and the appointment of a project manager and team
- Identification of all stakeholders with details of their requirements and the anticipated benefits
- Requirements analysis, prioritization, agreement and documentation
- Determination and agreement of outline budget and business benefits
- Agreement of corporate requirements and resolution of any potential business unit conflicts
- Sign-off process and the agreed procedures to handle requirement changes to reduce 'scope creep'
- Development of a customer engagement plan.

1.6.5 Customer perception of value, utility and warranty

1.6.5.1 Value

The value of a service is driven by how it matches the customer's expectations and this influences what the customer is willing to pay irrespective of its cost. The characteristics of value are:

- Defined by customers
- Affordable mix of features
- Achieves objectives
- Changes over time and according to circumstances.

Services will be valued by an organization if their perceived worth outweighs the cost. In order to appreciate the value of IT, the customer should consider:

- What service(s) did IT provide?
- What did the service(s) achieve?
- How much did the service(s) cost or what price was charged?

The three areas that determine value are business outcomes, customer preferences and customer perceptions.

1.6.5.2 Utility and warranty

A combination of utility (fitness for purpose) and warranty (fitness for use) enables the delivery of services that provide value to the organization. Services must satisfy both utility and warranty requirements to deliver value and fulfil business objectives.

2 Service portfolio management

2.1 Purpose and objectives

The purpose of service portfolio management (SPM) is to ensure that the service provider has the right mix of services to balance the investment in IT with the ability to meet business outcomes. The objectives of SPM are to:

- Provide a process and mechanisms to enable an organization to investigate and decide on which services to provide
- Maintain the definitive portfolio of services provided, articulating the business needs each service meets and the business outcomes it supports
- Provide a mechanism for the organization to evaluate how services enable it to achieve its strategy, and respond to changes in its internal or external environments
- Control which services are offered, under what conditions and at what level of investment
- Track the investment in services throughout their lifecycle
- Analyse which services are no longer viable and when they should be retired.

2.2 Scope

The scope of SPM includes all services planned for the future, currently delivered and withdrawn from service. The primary concern is the value generated from the services, so SPM tracks investments in services and compares them with the desired business outcomes.

Internal service providers work with the organization's business units to link services to business outcomes and to compare investment with returns. External service providers use the revenue generated; when this is achieved efficiently it will facilitate profitability.

2.3 Value to the business

SPM enables the business to make sound decisions about investments. Services are implemented only if there is a good business case demonstrating a clear return on investment (ROI). SPM compares the customer's expected outcomes with the investment required to build and deliver the service.

2.4 Policies, principles and basic concepts

SPM ensures that the service provider has an understanding of all the services that it provides, including the investments, strategy, and objectives required for each service, before it makes tactical plans for how to manage those services. This approach serves two purposes:

- It prevents mis-steps, such as performing a tool selection before optimizing processes
- It ensures continuity between the high-level intent and the detailed-level execution.

2.4.1 Service portfolio

A service portfolio describes a provider's services in terms of business value, articulating business needs and the provider's response to those needs. As the basis for a decision framework, a service portfolio clarifies or helps to clarify the following strategic questions:

- Why should a customer buy these services?
- Why should a customer buy these services from us?
- What are the pricing or chargeback models?
- What are our strengths and weaknesses, priorities and risks?
- How should our resources and capabilities be allocated?

The service portfolio is divided into three phases: service pipeline (proposed or in development), service catalogue (live or available for deployment) and retired services. The service portfolio provides:

- The complete set of services managed by a service provider
- Identification of services at a conceptual stage (those that could be provided if resources, capabilities and funding are available)
- An understanding of the opportunity costs of the existing portfolio and better fiscal discipline
- Information for the service provider to assess what it should continue to do and where it should reallocate resources and capabilities.

2.4.2 Service pipeline

The service pipeline provides a business view of all services and investment opportunities that are under consideration or development, but are not yet available to customers.

When the service is moved from development to operational, it transfers from the service pipeline to the service catalogue.

2.4.3 Service catalogue

The service catalogue holds information on all live IT services and is the only part of the service portfolio that is published to the customers.

2.4.4 Retired services

Depending on the organization, services are designated as retired either when they are no longer available to new customers but are still being delivered to existing customers, or when the service is no longer being delivered.

2.4.5 Other areas

SPM relies on other areas, including:

- Configuration management system
- Application portfolio
- Customer portfolio
- Customer agreement portfolio
- Project portfolio
- Service models

SPM also contributes to market spaces and service growth by aligning service assets, services and business outcomes.

2.5 Process activities, methods and techniques

SPM consists of four main phases of activity:

- Define
- Analyse
- Approve
- Charter

2.5.1 Process initiation

Once the service portfolio has been created all new and changed services will go through a formal process of assessment and approval. A variety of sources provide information on the new and changed services. Therefore SPM needs to maintain a central record of all plans, request and suggestions.

2.5.2 Define

‘Define’ captures details of the desired business outcomes, opportunities, utility and warranty requirements and the services themselves together with the anticipated investment. At this stage the new or changed service is approved and enters the design stage. The areas to be considered during ‘define’ include:

- Strategy
- Requests from business
- Service improvement opportunities and plans
- Service suggestions
- Existing services
- Service, business and customer outcomes
- Service model
- Impact on service portfolio
- Impact on service model

2.5.3 Analyse

The analysis of each service moving through the SPM process is performed by linking it to the service strategy. Questions that help to translate the organization’s strategic intent for services include:

- What are the long-term goals of the service organization?
- What services are required to meet those goals?
- What capabilities and resources are required for the organization to achieve those services?
- How will we get there?

SPM articulates how the perspective, position, plan and patterns will be translated into actual services. The answers guide the analysis and the desired outcomes of SPM, and require the involvement of senior leaders and subject matter experts.

The analysis phase includes activities that review the service portfolio on an ongoing basis and work with financial management for IT services to quantify the investments and value for each service.

When prioritizing investments, service investments are normally split between three strategic categories:

- Run the business (RTB)
- Grow the business (GTB)
- Transform the business (TTB)

Investment categories are further divided into the following budget allocations:

- Venture
- Growth
- Discretionary
- Non-discretionary
- Core

On completion of the analysis the results are formatted and documented in a business case.

2.5.4 Approve

In this phase approvals (with the corresponding authorization for new services and resources) or disapprovals of the future state take place. The decisions about how services can be progressed through the SPM process fall into six categories:

- Retain or build
- Replace
- Rationalize
- Refactor
- Renew
- Retire

2.5.5 Charter

The service charter ensures there is a common understanding of what will be built and the associated costs and timeframes. The contents of the charter cover an overview, the approach and project authority for the service.

2.6 Triggers, inputs, outputs and interfaces

The main triggers for SPM are changes to strategy and services (existing or new). Other triggers can include identified changes to estimates (design); failure to meet expected business outcomes (operation); cost escalation (design, operation); and service improvement initiatives.

Inputs include:

- Strategy plans and service improvement opportunities
- Financial reports
- Requests, suggestions or complaints from the business
- Project updates for services at charter stage.

Outputs include:

- Up-to-date service portfolio and service charters
- Status reports on new or changed services
- Reports on investment in services and ROI
- Change proposals and identified risks.

Interfaces include:

- Service catalogue management
- Strategy management for IT services
- Financial management for IT services
- Demand management
- Business relationship management
- Service design processes
- Service transition processes
- Continual service improvement

2.7 Information management

SPM uses databases or structured documents to manage the information required. These documents include the service portfolio, project portfolio, application portfolio, customer portfolio and customer agreement portfolio. Service models are used to understand the composition of proposed services and are supported by the use of a configuration management system. Information from the service strategy enables SPM to define the mix of services required to best meet the organization's strategic objectives.

2.8 Critical success factors and key performance indicators

- CSF Formal process to investigate and decide on which services to provide:
 - KPI A formal SPM process exists, owned by SPM process owner
 - KPI SPM is audited and reviewed annually and meets its objectives
- CSF Ability to document each service provided including its business needs and business outcomes:

- KPI An audited service portfolio of all services exists, used as a basis for deciding which services to offer
 - KPI A documented process for defining business need and outcome exists, owned by SPM process owner
 - KPI Each service in the service portfolio has at least one business outcome
- CSF Formal process to review whether services are enabling the organization to achieve its strategy:
 - KPI SPM provides regular and structured feedback to strategy management for IT services regarding the performance of each service and its ability to meet stated business outcomes
 - KPI An audit of strategy documents and the service portfolio shows that the business outcomes in the service portfolio are consistent with those stated in the relevant strategy
- CSF Ability to change services in response to changes in the internal and external environments:
 - KPI Every environmental change identified in strategy management for IT services has a service portfolio entry that has been evaluated and a decision has been made about the need for change to relevant services
 - KPI A review of the organization's strategy shows that services in the service portfolio continue to meet all changed business objectives and outcomes
 - KPI Customer surveys show continued high levels of satisfaction
- CSF Tools that enable the service provider to track the investment in services throughout their lifecycle:
 - KPI The investment in each service is quantified in the service portfolio
 - KPI Investment in each service is reported, starting with the initial investment, and followed by monthly, quarterly or annual reports on ongoing investment
 - KPI The investments made are consistent with the projected ROI forecasts.

2.9 Challenges and risks

Challenges include:

- Lack of access to customer and business information
- Lack of a formal project management approach
- Lack of a project portfolio
- Lack of a customer portfolio or customer agreement portfolio
- A service portfolio that is focused only on the service provider aspects of services
- Lack of a formal change management process

Risks include:

- Offering services without validated or complete information
- Offering services without defining how they will be measured

2.10 Roles and responsibilities

2.10.1 Service portfolio management process owner

- Carrying out the generic process owner role for SPM; working with other process owners to ensure there is an integrated approach to the design and implementation of SPM.

2.10.2 Service portfolio management process manager

- Carrying out the generic process manager role for SPM
- Managing and maintaining the organization's service portfolio
- Managing the surrounding processes for keeping the portfolio attractive to customers and up to date
- Marketing the portfolio, and in particular the service catalogue
- Helping to formulate service packages and associated options to meet customers' needs.

3 Service catalogue management

3.1 Purpose and objectives

The purpose of service catalogue management is to provide a single source of consistent information on all agreed services (either operational or in preparation to be run operationally) and to ensure that it is widely available to those who are approved to access it.

The main objective of service catalogue management is to manage the information contained within the service catalogue, ensuring it is accurate and reflects the current details, status, interfaces and dependencies of all services that are being run, or are being prepared to run, in the live environment. Other objectives are to ensure that the service catalogue information is available to support those with approved access, that it meets the evolving needs of all of the service management processes and that it includes the provision of interface and dependency information.

3.2 Scope

The scope of service catalogue management is to provide and maintain accurate information on all services that are being transitioned or have been transitioned into the live environment. Activities in scope include:

- Definition of services and service packages
- Development and maintenance of appropriate service and service package descriptions
- Production and maintenance of an accurate service catalogue
- Management of interfaces, dependencies and consistency between the service catalogue and service portfolio
- Management of interfaces and dependencies between all services and supporting services within the service catalogue and the configuration management system (CMS)
- Management of interfaces and dependencies between all services, and supporting components and configuration items (CIs) within the service catalogue and the CMS.

3.3 Value to the business

The service catalogue is a central source of information on the IT services delivered by the service provider organization, providing all areas of the business with an accurate, consistent view of the IT services, their details and status. It contains a customer-facing view of the IT services in use, how they are intended to be used, the business processes they enable, and the levels and quality of service the customer can expect for each service. Service catalogue management allows organizations to:

- Utilize the service catalogue to promote common understanding of the IT services and improve the relationship between the customer and service provider
- Provide a correlation between service provider activities and service assets, business outcomes and processes, improving the service provider focus on customer outcomes

- Use service catalogue information to improve efficiency and effectiveness of all service management processes
- Manage interfaces, dependencies and maintain consistency between the service catalogue and service portfolio.

3.4 Policies, principles and basic concepts

Once a service is 'chartered' (i.e. being developed for use by customers), service design produces the specifications for the service and development of the service catalogue entry begins. The service catalogue contains a summary of each service, its characteristics and details of its customers and maintainers.

A policy is required for both the portfolio and catalogue, stating the services to be recorded within them. Service details, together with the service status, are recorded for each service. The policy also details the responsibilities and scope for each constituent section of the portfolio. The organization needs to develop a policy stating what a service is and how it is defined and agreed internally.

There may be two layers of services in the service catalogue; one shows the customer-facing services while the other, which is not usually seen by the customer, shows the underpinning supporting services.

3.5 Process activities, methods and techniques

Key activities in the service catalogue management process include:

- Agreeing and documenting a service definition with all relevant parties
- Interfacing with service portfolio management (SPM) to agree the contents of the service portfolio and service catalogue
- Producing and maintaining a service catalogue, in conjunction with the service portfolio
- Interfacing with business and IT service continuity management to identify and manage the dependencies of business units and their business processes on the supporting IT services contained in the business service catalogue
- Interfacing with support teams, suppliers and service asset and configuration management to identify the interfaces and dependencies between IT services and supporting services, components and CIs in the service catalogue
- Interfacing with business relationship management and service level management to ensure that information is aligned with the business and business processes.

3.6 Triggers, inputs, outputs and interfaces

Triggers for service catalogue management are changes in business requirements and services. Therefore key triggers are requests for change (RFCs) and the change management process, including new services, changes to existing services or services being retired.

Inputs include:

- Business information from an organization's business and IT strategy, plans and financial plans, and information on its current and future requirements from the service portfolio
- Business impact analysis, providing information on the impact, priority and risk associated with each service or changes to requirements
- Details of any agreed, new or changed business requirements from the service portfolio
- Service portfolio and all related data and documents
- The CMS and RFCs
- Feedback from all other processes.

Outputs include:

- Documentation and agreement of a definition of the service
- Updates to the service portfolio, including current status of all services and requirements for services
- Updates to RFCs
- The service catalogue, including details, current status, interfaces and dependencies for all live services and those being transitioned into the live environment.

Interfaces include:

- SPM
- Business relationship management
- Demand management
- Service level management

3.7 Information management

The service catalogue is the main repository for information. It must therefore be accurate and updated through the change management process.

3.8 Critical success factors and key performance indicators

- CSF An accurate service catalogue:
 - KPI Increase in the number of services recorded and managed within the service catalogue as a percentage of those being delivered and transitioned into the live environment
 - KPI Percentage reduction in the number of variances detected between the information contained within the service catalogue and the 'real world' situation
- CSF Business users' awareness of the services being provided:
 - KPI Percentage increase in business user survey responses showing knowledge of services listed in the service catalogue
 - KPI Increase in measured business user access to intranetbased service catalogue
- CSF IT staff awareness of the technology-supporting services:
 - KPI Percentage increase in completeness of supporting services against IT components that make up those services

- KPI Increase in service desk and other IT staff having access to information to support all live services, measured by the percentage of incidents with the appropriate servicerelevant information.

3.9 Challenges and risks

The major challenge facing service catalogue management is maintaining an accurate service catalogue as part of a service portfolio, incorporating all catalogue views as part of an overall CMS and service knowledge management system (SKMS).

The risks associated with providing an accurate service catalogue include:

- Data in the catalogue being inaccurate and not under rigorous change control
- Poor acceptance of the service catalogue and its usage in all operational processes. The more active the catalogue is, the more likely it is to be accurate
- Inaccuracy of service information from the business, IT and service portfolio
- Lack of tools and resources required to maintain the information
- Poor access to accurate change management information and processes
- Poor access to, and support of, appropriate and up-to-date CMS and SKMS
- Circumvention of use of the service portfolio and service catalogue
- Information that is either too detailed to maintain accurately or too high-level to be of value.

3.10 Roles and responsibilities

3.10.1 Service catalogue management process owner

- Carrying out the generic process owner role for the service catalogue management process
- Working with other process owners to ensure an integrated approach to the design and implementation of service catalogue, service portfolio, service level, and business relationship management.

3.10.2 Service catalogue management process manager

- Carrying out the generic process manager role for the service catalogue management process
- Coordinating interfaces with other processes, including service asset and configuration management and release and deployment management
- Recording the services that are being prepared for operation and all operational services in the service catalogue, ensuring views are maintained and available
- Ensuring that all information in the catalogue is adequately protected, up to date and consistent with the service portfolio.

4 Service level management

Service level management (SLM) is a vital process, responsible for agreeing and documenting service level targets and responsibilities within service level agreements (SLAs) and service level requirements (SLRs) for every service and related activity within IT.

4.1 Purpose and objectives

The purpose of SLM is to ensure that all current and planned IT services are delivered to agreed organizational targets. The objectives of SLM are to:

- Define, document, agree, monitor, measure, report and review the level of IT services provided
- Provide and improve relationships and communication with the business and customers
- Ensure specific and measurable targets are developed for all IT services
- Monitor and improve customer satisfaction with the quality of services delivered
- Ensure IT and customers have a clear and unambiguous expectation of the level of service to be delivered
- Ensure proactive measures to improve levels of service delivered are implemented, wherever cost-justifiable.

4.2 Scope

SLM includes:

- Cooperation with the business relationship management process, including development of relationships with the business as needed to achieve the SLM process objectives
- Negotiation and agreement of current and future requirements and targets, and the documentation and management of SLRs and SLAs for all operational services
- Development and management of appropriate operational level agreements (OLAs), ensuring alignment with SLAs
- Review of underpinning supplier contracts and agreements with supplier management, ensuring alignment with SLAs
- Proactive prevention of service failures, reduction of service risks and improvements in service quality, in conjunction with all other processes
- Reporting on and management of services and review of SLA breaches and weaknesses
- Periodic review, renewal and/or revision of SLAs, service scope and OLAs as appropriate
- Identification, review, prioritization of improvement opportunities for inclusion in the continual service improvement (CSI) register
- Instigation and coordination of a service improvement plan (SIP) for the management, planning and implementation of all service and process improvements.

4.3 Value to the business

SLM provides a consistent interface with the business for all service-related issues. Where targets are breached, SLM provides feedback on the cause and details the actions taken to prevent

recurrence. SLM provides a reliable communication channel and a trusted relationship with customer and business representatives.

4.4 Policies, principles and basic concepts

SLM includes the planning, coordinating, drafting, agreeing, monitoring and reporting of SLAs, and the ongoing review of service achievements to ensure that the required and cost justifiable service quality is maintained and gradually improved.

The service provider should establish clear policies for the SLM process; these include the minimum contents of the SLAs and OLAs, and how and when the agreements are renewed or renegotiated.

An SLA is a written agreement between an IT service provider and customer. It defines the key service targets and warranty elements and describes the utility and responsibilities of both parties. Details may include:

- Service description
- Scope of the agreement
- Service hours
- Service availability (warranty)
- Reliability
- Customer support
- Contact points and escalation
- Service performance and capacity (warranty)
- Change management
- Service continuity (warranty)
- Security (warranty)
- Charging (if applicable)
- Service reporting and reviewing.

SLM is responsible for ensuring that all targets and measures agreed in SLAs with the business are supported by underpinning OLAs or contracts with internal support units and external partners or suppliers.

An OLA is an agreement between an IT service provider and another part of the same organization that assists with service provision. An OLA contains targets that underpin those within an SLA to ensure that targets are not breached by failure of a supporting activity. An OLA typically comprises:

- Support service description
- Scope of the agreement
- Service hours
- Service targets
- Contact points and escalation
- Service desk and incident response times and responsibilities

- Problem response times and responsibilities
- Change management
- Release and deployment management
- Service asset and configuration management
- Information security management
- Availability management
- IT service continuity management
- Capacity management
- Supplier management.

SLRs are customer requirements for an aspect of an IT service. They are based on business objectives and are used to negotiate agreed service level targets.

4.5 Process activities, methods and techniques

4.5.1 Design SLA frameworks

Use the service catalogue to aid the design of an SLA structure. This ensures that all services and customers are covered to meet the organization's needs. Options include:

- Service-based SLA
- Customer-based SLA
- Combination of the above structures
- Multi-level SLAs

4.5.2 Determining, documenting and agreeing requirements for new services and producing SLRs

When the service catalogue has been produced and the SLA structure has been agreed, draft an initial SLR. Involve customers from the outset. Establish procedures for agreeing SLRs for new services being developed or procured.

For new services being introduced into the live environment, undertake the planning and formalization of the support arrangements for the service. Define specific responsibilities and add them to existing contracts and OLAs, or agree new ones.

4.5.3 Negotiating, documenting and agreeing SLAs for operational services

Before a new or changed service is accepted into live operation, an SLA is agreed, detailing the service level targets to be achieved and specifying the responsibilities of both the IT service provider and the customer.

If no existing SLAs are in place, monitoring, measuring and reporting on the current levels of service being delivered can provide information to inform negotiations with customers to establish acceptable targets.

The SLA is signed by the appropriate managers on the customer and IT service provider sides to give a firm commitment by both parties. Ensure awareness of SLAs and OLAs is cascaded to the service desk and other support groups.

4.5.4 Monitoring service performance against SLA

Only include items in an SLA that can be effectively monitored and measured at a commonly agreed point. Inclusion of items that cannot be effectively monitored often leads to disputes and loss of faith in SLM.

Existing monitoring capabilities need to be reviewed and upgraded as necessary, either before or in parallel with the drafting of SLAs, so that monitoring can help with the validation of proposed targets.

4.5.5 Producing service reports

SLA reporting mechanisms, intervals and report formats must be defined and agreed with the customers and synchronized with the reviewing cycle. Circulate reports in advance of the service level review meetings, so that any queries or disagreements can be resolved before the meeting.

4.5.6 Conducting service reviews and instigating improvements within an overall SIP

Periodic review meetings must be held on a regular basis with customers to review the service achievement in the last period and to preview any issues for the coming period. The frequency and format of service review meetings must be agreed with the customers. Regular intervals are recommended; for example, monthly or quarterly.

4.5.7 Collate, measure and improve customer satisfaction

Manage customers' expectations by setting appropriate targets in the first place, and manage their ongoing expectations.

Methods of monitoring customer perception include periodic questionnaires and customer surveys, feedback from service review meetings and post-implementation reviews, telephone perception surveys, user group or forum meetings and analysis of complaints and compliments.

4.5.8 Review and revise SLAs, service scope, OLAs, contracts, and any other underpinning agreements

All agreements and underpinning agreements must be reviewed periodically – at least annually – to ensure they remain current, comprehensive and aligned with business needs and strategy. Ensure the services covered and the targets for each are still relevant. Any changes need to be made under change management control.

4.5.9 Develop and document contacts and relationships

- Develop trust and respect with the business, especially with the key business contacts.
- Identify the stakeholders, customers and key business managers and service users.
- Assist with maintaining accurate information within the service portfolio and service catalogue.

- Ensure that the correct relationship processes are in place to achieve objectives and that they are subjected to continual improvement.
- Conduct and complete customer surveys, assist with the analysis of the completed surveys and ensure that actions are taken on the results.
- Act as an IT representative, organizing and attending user groups.
- Facilitate the development and negotiation of appropriate, achievable and realistic SLRs and SLAs between the business and IT.
- Ensure the business, customers and users understand their responsibilities and commitments to IT (i.e. IT dependencies).

4.5.10 Handling complaints and compliments

Develop, maintain and operate procedures for logging, acting on and resolving all complaints, and for logging and distributing compliments.

4.6 Triggers, inputs, outputs and interfaces

Triggers include:

- Changes in the strategy, policy or service portfolio, such as new or changed business requirements or new or changed services
- New or changed agreements, SLRs, SLAs, OLAs or contracts
- Service review meetings and actions and service breaches
- Periodic activities such as reviewing, reporting and customer satisfaction surveys, as well as compliments and complaints.

Inputs include:

- Business information from an organization's business strategy, plans and financial plans, and information on its current and future requirements
- Business impact analysis, providing information on the impact, priority, risk and number of users associated with each service
- Details of any agreed, new or changed business requirements
- Strategies, policies and constraints from service strategy, the service portfolio and service catalogue
- Customer and user feedback, complaints and compliments
- Other inputs include advice, information and input from any of the other processes (e.g. incident management, change management, capacity management and availability management), together with the configuration management system (CMS), the existing SLAs, SLRs, OLAs and underpinning contracts (UCs), and past service reports on the quality of service delivered.

Outputs include:

- Service reports based on SLAs, OLAs and UCs
- Service improvement opportunities for inclusion in the CSI register

- Service quality plan, documenting and planning the overall improvement of service quality
- Document templates, format and content for SLAs, SLRs and OLAs, aligned with corporate standards
- SLAs, SLRs and OLAs
- Minutes and actions of service review meeting, and minutes of SLA and service scope review meeting
- Revised contracts to align with changes to SLAs or new SLRs.

Key interfaces are:

- Business relationship management
- Service catalogue management
- Supplier management
- Financial management for IT services
- Availability, capacity, IT service continuity and information management

4.7 Information management

SLM provides key information on all operational services, their expected targets and the service achievements and breaches. It helps with management of the service catalogue and also provides information and trends on customer satisfaction, including complaints and compliments.

4.8 Critical success factors and key performance indicators

- CSF Manage the overall quality of IT service needed, both in the number and level of services provided and managed:
 - KPI Percentage reduction in SLA targets missed and threatened
 - KPI Percentage increase in customer perception and satisfaction of SLA achievements, via service reviews and customer satisfaction survey responses
 - KPI Percentage reduction in SLA breaches because of third-party support contracts (UCs)
 - KPI Percentage reduction in SLA breaches because internal OLAs are in place
- CSF Deliver the service as previously agreed at affordable costs:
 - KPI Total number and percentage increase in fully documented SLAs in place
 - KPI Percentage increase in SLAs agreed against operational services
 - KPI Percentage reduction in the costs associated with service provision
 - KPI Frequency of service review meetings
- CSF Manage the interface with the business and user:
 - KPI Percentage increase in services covered by SLAs
 - KPI Percentage increase in SLA reviews completed on time
 - KPI Percentage reduction in outstanding SLAs for annual renegotiation
 - KPI Percentage increase in the coverage of OLAs and third-party contracts in place, while possibly reducing the total number of agreements (through consolidation and centralization)

- KPI Reduction in the number and severity of SLA breaches
- KPI Effective review and follow-up of all SLA, OLA and UC breaches.

4.9 Challenges and risks

Challenges include:

- Identifying suitable customer representatives with whom to negotiate
- Lack of SLM experience; using draft SLAs and engaging with the more enthusiastic customer groups helps mitigate the risk of failure
- Ensuring all the appropriate and relevant customer requirements, at all levels, are identified and incorporated in SLAs, including targets that are realistic, achievable and affordable
- Getting the SLAs agreed and signed
- Underpinning the SLAs with OLAs and supplier contracts
- Publishing and communicating the agreed service levels to all stakeholders, including the service desk
- Establishing monitoring of service performance.

Risks include:

- A lack of accurate input, involvement and commitment from the business and customers
- Lack of the required tools and resources to agree, document, monitor, report and review agreements and service levels and access to an up-to-date CMS and SKMS
- Process becomes bureaucratic and administrative rather than proactive and delivering measurable benefit to the business
- Business and customer measurements are too difficult to measure and improve, so they are not recorded
- Inappropriate and poor business and customer contacts, communications and relationships are developed
- Customer expectations are high while perceptions of the services delivered are low.

4.10 Roles and responsibilities

4.10.1 Service level management process owner

- Carrying out the generic process owner role for the SLM process
- Liaising with the business relationship management process owner to ensure that there is coordination and communication between the two processes
- Working with other process owners to ensure that an integrated approach is taken to the design and implementation of the service catalogue, service portfolio, business relationship and SLM.

4.10.2 Service level management process manager

- Carrying out the generic process manager role for the SLM process

- Ensuring the current and future service requirements of customers are identified, understood and documented in the SLA and SLR documents
- Negotiating and agreeing the levels of service to be delivered with the customer (either internal or external); formally documenting these levels of service in SLAs, with underpinning OLAs and agreements
- Ensuring service reports are produced for each customer service and that any SLA breaches are highlighted, investigated and actions taken to prevent recurrence
- Ensuring service performance reviews are scheduled, regularly carried out and documented, with actions agreed, including identified improvement initiatives that are progressed and reported
- Reviewing service scope, SLAs, OLAs and other agreements on a regular basis (ideally at least annually)
- Ensuring all changes are assessed for their impact on service levels, including SLAs, OLAs and UCs, including attendance at change advisory board meetings if appropriate
- Developing relationships and communication with stakeholders, customers and key users, including managing complaints
- Measuring, recording, analysing and improving customer satisfaction
- Other roles include service owner and business relationship manager roles within SLM.

5 Demand management

5.1 Purpose and objectives

The purpose of demand management is to understand, anticipate and influence customer demand for services and the provision of capacity to meet these demands. The objectives of demand management are to:

- Identify and analyse patterns of business activity (PBA) to understand the levels of demand that will be placed on a service
- Define and analyse user profiles (UPs) and ensure that the services are designed to meet the PBA
- Work with capacity management to ensure that adequate resources are available at the appropriate levels of capacity to meet the demand for services
- Anticipate and prevent or manage situations where demand for a service exceeds the capacity to deliver it
- Gear the utilization of resources to meet the fluctuating demands for services.

5.2 Scope

The scope of the demand management process is to identify and analyse the PBA that initiate demand for services, and to identify and analyse how different types of user influence the demand for services.

5.3 Value to the business

The main value of demand management is to achieve a balance between the cost of a service and the value of the business outcome it supports.

5.4 Policies, principles and basic concepts

Strategically the main aim of demand management is to match supply to demand. Services are dynamic and demand for them is tightly coupled with the capacity needed to supply them. The cycle of demand and supply will only function effectively while service assets have available capacity. To balance supply and demand, service assets need to be geared to meet the dynamic patterns of demand.

The actions required to achieve this include service identification, quantifying PBA, specification of the appropriate architecture for demand, capacity and availability planning, and performance management tuning. Demand activities are required throughout all stages of the service lifecycle:

- Service strategy
- Service design
- Service transition
- Service operation
- Continual service improvement

5.5 Process activities, methods and techniques

5.5.1 Identify sources of demand forecasting

Information required for forecasting the future demand for services comes from various sources, including business plans, marketing plans and forecasts, production plans, sales forecasts and details of new product launches.

5.5.2 Patterns of business activity

Customer assets (e.g. people, processes and applications) undertake business activities that are performed in patterns. PBA define the dynamics of a business, including interactions with customers, suppliers, partners and other stakeholders. As PBA generate revenue, income and costs, they account for most business outcomes.

Each pattern of business activity identified is documented using a PBA profile which includes classification attributes (frequency, volume, location and duration), requirements (performance, security, privacy, latency and tolerance for delays) and service asset requirements. PBA can alter over time with changes and improvements in the business.

5.5.3 User profiles

UPs are based on roles and responsibilities within organizations. They can include processes and applications as well as staff, since processes may be automated and so consume services on their own. Therefore, both processes and applications can have UPs. Each UP can be associated with one or more predefined PBA, allowing for aggregation and relationships between diverse PBA to be made. PBA and UPs provide the basis for managing demand for the service by:

- Enabling customers to better understand their business activities and view those activities as consumers of services and producers of demand
- Giving service providers the information they need to sort and serve demand with appropriately matched services, service levels and service assets.

5.5.4 Activity-based demand management

Business processes are the primary source of demand for services. PBA influence service demand patterns. Therefore, customer business patterns need to be identified, analysed and codified to provide input to capacity management, and visualized in terms of demand for supporting services and underlying service assets.

5.5.5 Develop differentiated offerings

Since different levels of performance are required at different times, demand management works with SPM to define service packages that meet the variations in PBA.

5.5.6 Management of operational demand

During service operation, demand management has to manage or influence demand in the case of over-utilization of services or resources. This situation can occur as a result of inaccurate PBA, changes to the business environment and inaccuracies in the service provider's forecasts. Demand

management works with capacity management, service level management (SLM), SPM and financial management to influence demand.

5.6 Triggers, inputs, outputs and interfaces

Triggers include:

- Customer requests for new or changed services, or strategic initiatives via SPM
- Information on PBA or UPs required for definition of a service model
- Performance issues or potential SLA breaches due to utilization rates.

Inputs include:

- Initiatives to create a new service or change an existing service
- Service models for validation
- Customer, service and customer agreement portfolios containing information related to demand and supply
- Charging models and chargeable items
- Service improvement plans.

Outputs include:

- UPs and PBA (documented in service and customer portfolios)
- Policies for managing over- or under-utilization of resources and services
- Documentation of options for differentiated offerings used to create service packages.

Key interfaces include:

- SPM
- Financial management for IT services
- Business relationship management
- SLM
- Capacity management
- IT service continuity management and availability management

5.7 Information management

The main sources of information for demand management are the service, customer and project portfolios, together with minutes of meetings between business relationship management and the customer, SLAs and the configuration management system.

5.8 Critical success factors and key performance indicators

- CSF The service provider has identified and analysed PBA and is able to use these to understand the levels of service demand:
 - KPI PBA are defined for each relevant service
 - KPI PBA are translated into workload information by capacity management

- CSF The service provider has defined and analysed UPs and is able to use these to understand typical demand for services from different user types:
 - KPI UPs are defined containing service demand profiles for that user type
- CSF A process exists whereby services are designed to meet the PBA and business outcomes:
 - KPI Demand management activities are routinely included as part of defining the service portfolio.

5.9 Challenges and risks

Challenges include:

- The availability of information about business activity
- It can be difficult for customers to break down activities in a way that is meaningful to the service provider
- A lack of SPM and service portfolio would make it difficult to find information on business requirements, value and priority of services.

Risks include:

- Inaccurate or missing configuration management data could affect impact assessments of changes in demand on the infrastructure
- SLM could be unable to determine and agree utilization levels, and this could cause imbalances between supply and demand for services.

5.10 Roles and responsibilities

5.10.1 Demand management process owner

- Carrying out the generic process owner role for the demand management process
- Working with other process owners to ensure there is an integrated approach to the design and implementation of demand management.

5.10.2 Demand management process manager

- Carrying out the generic process manager role for the demand management process
- Identifying and analysing PBA to understand levels of service demand
- Defining and analysing UPs to understand demand from different user types
- Assisting in the design of services to meet PBA and business outcomes
- Maintaining a balance between the cost of service and the value it achieves by ensuring adequate resources and capacity are available
- Gearing utilization of resources to meet fluctuating demand levels and anticipating, preventing or managing situations where demand exceeds capacity.

6 Supplier management

6.1 Purpose and objectives

The purpose of supplier management is to obtain value for money from suppliers and to provide a seamless quality of IT service to the business, ensuring that all contracts and agreements with suppliers support the needs of the business and meet its contractual obligations. The primary objectives of supplier management are to:

- Obtain value for money from suppliers and contracts
- Ensure that contracts with suppliers are aligned with business needs, and support agreed targets in service level requirements (SLRs) and service level agreements (SLAs), in conjunction with SLM
- Manage relationships with suppliers
- Manage supplier performance
- Negotiate and agree contracts with suppliers and manage them through their lifecycle
- Maintain a supplier policy and a supporting supplier and contract management information system (SCMIS).

6.2 Scope

Supplier management includes the management of all suppliers and contracts needed to support the provision of IT services to the business. Supplier management includes:

- Implementation and enforcement of the supplier policy
- Maintenance of an SCMIS
- Supplier and contract categorization, evaluation, risk assessment and selection
- Development, negotiation and agreement of contracts
- Contract review, renewal, dispute resolution and termination
- Management of suppliers, sub-contracted suppliers and supplier performance
- Identification of improvement opportunities for inclusion in the CSI register and implementation of service and supplier improvement plans
- Maintenance of standard contracts, terms and conditions. Each supplier needs to be owned by a nominated person within the organization. A single individual may own the relationship for one or many suppliers.

6.3 Value to the business

Supplier management provides value to the business by ensuring that:

- Suppliers and contracts provide value for money
- All targets in underpinning supplier contracts and agreements are aligned with business needs and agreed targets within SLAs
- End-to-end, seamless, high-quality IT services that are aligned with the business' expectation are delivered to the business.

6.4 Policies, principles and basic concepts

A supplier strategy and policy drives all supplier management activities. Policies document management directions that guide supplier-related decisions and ensure execution of the strategy. They include methods of communication, allocation of roles, ownership of data, and supplier standards and guidelines relating to contracts and agreements.

6.5 Process activities, methods and techniques

For external service providers, or suppliers, a formal contract with defined, agreed and documented responsibilities and targets needs to be established and managed, from the identification of the business need to the operation and cessation of the contract. New supplier and contract requirements are defined as follows:

- Produce a statement of requirements and/or invitation to tender
- Ensure conformance to strategy or policy
- Prepare the initial business case, including options (internal and external), costs, timescales, targets, benefits and risk assessment.

New suppliers and contracts are evaluated as follows:

- Determine the approach to sourcing; for example, single provider, multi-sourced or partnering (partnering relationships are characterized by strategic alignment, integration, information flow, openness, collective responsibility, and shared risk and reward)
- Establish the evaluation criteria; for example, the importance and impact of the service on the business, supplier capability (both personnel and organizational), quality, risks and cost
- Evaluate alternative supplier options and select supplier(s)
- Negotiate contracts, targets and the terms and conditions, including service description and standards, workload ranges, management information to be reported, responsibilities and dependencies
- Agree and award the contract: formal contracts are appropriate for external supplier agreements where an enforceable commitment is required. For internal service providers an underpinning agreement such as an operational level agreement (OLA) formalizes the arrangement via service level management (SLM).

Supplier and contract categorization and maintenance of the SCMS are carried out as follows:

- Assess or reassess the supplier and contract; for example, based on the risk and impact of using a supplier against the value and importance of the supplied service to the business
- Categorize the supplier:
 - Categorize suppliers as 'strategic', 'tactical', 'operational' or 'commodity' to ensure that appropriate levels of time and effort are spent managing the supplier relationship

- Categorization can be based on contract price, business value (contribution to the business value chain), or level of service customization (increasing business value but also dependencies, risk and cost)
- Business services may depend on a mix of internal and external suppliers of different categorizations. Supply chain analysis can be used to identify the mapping between business services and suppliers. Supply chain management can then ensure clarity of requirements for each supplier to ensure overall business service levels are achieved
- Update the SCMIS, containing supplier details, service and product summaries, ordering details and contract details.

Establish new suppliers and contracts:

- Set up the supplier service and contract, within the SCMIS and any other associated corporate systems via change management
- Establish risk management activities for the supplier; for example, operational risk assessments and/or business impact analysis. This needs to be ongoing, reflecting changes to business needs, the contract or the operational environment
- Undertake transition of new supplier and contract into operational service
- Establish contacts, relationships and reviews, and add them to the SCMIS.

Manage supplier and contract performance:

- Nomination of a single individual who is accountable for all aspects of each supplier relationship
- Management and control of the operation and delivery of the service or products, including integrated processes and systems, and escalation
- Service and supplier performance reports and reviews – these should be more frequent and more extensive for the more important suppliers, and should include any improvement activities that are required or in progress
- Governance of the supplier, contracts and the relationship (communication, risks, changes, failures, improvements, contacts, interfaces)
- Control of major service improvements through service improvement plans (SIPs)
- Ongoing maintenance of the SCMIS
- Service, service scope and contract reviews, at least annually, considering overall performance, original and current business needs, delivery of value for money, business satisfaction and benefits realization.

Contract renewal and/or termination:

- Contract review to ensure that the contract continues to meet business needs. Consider aspects such as contract delivery and governance, relevance to future needs, changes required, performance and pricing against benchmarks or market assessments
- Assess the impact, risks, costs (including exit costs), legal implications and benefits for any proposed change of supplier

- Renegotiate and renew or terminate and/or transfer contract and service.

6.6 Triggers, inputs, outputs and interfaces

Triggers include:

- New or changed business and IT strategies, policies or plans
- New or changed business needs, services or requirements within agreements; for example, SLAs
- Periodic activities such as reviewing, revising or reporting, including review and revision of supplier management policies, reports and plans
- Requests from other areas, particularly SLM and security management, for assistance with supplier issues
- Requirements for new contracts, contract renewal or contract termination
- Recategorization of suppliers and/or contracts.

Key inputs include:

- Business information, business strategy and plans, financial plans, and current and future requirements
- Supplier and contracts strategy, sourcing policy and types of suppliers and contracts used
- Supplier plans and strategies, supplier business plans and strategies, technology developments and plans, current financial status and projected business viability
- Supplier contracts, agreements and targets, and performance information, including performance issues, incidents and problems relating to poor contract or supplier performance
- Financial information, including the cost of supplier services and supplier failure and the cost of contracts
- Service information, including details of services in the service portfolio and service catalogue, service level targets within SLAs and SLRs, and the actual service performance.

Outputs include:

- SCMIS: this holds the information needed by all sub-processes within supplier management
- Supplier and contract performance information and reports
- Supplier and contract review meeting minutes
- Supplier SIPs
- Supplier survey reports.

Key interfaces include:

- IT service continuity management
- SLM
- ISM

- Financial management for IT services
- Service portfolio management (SPM)

6.7 Information management

All the information needed by supplier management should be contained in the SCMIS. This includes information relating to suppliers, contracts, and the operation of supporting services provided by suppliers. Supporting service details and their relationships with other services and components should also be in the service portfolio and aligned with the CMS.

6.8 Critical success factors and key performance indicators

- CSF The business is protected against poor supplier performance or disruption:
 - KPI Increase in the number of suppliers meeting contracted targets
 - KPI Reduction in the number of breaches of contracted targets
- CSF Supporting services and targets align with business needs and targets:
 - KPI Increase in the number of service and contractual reviews held with suppliers
 - KPI Increase in the number of supplier and contractual targets aligned with SLR and SLA targets
- CSF Availability of services is not compromised by supplier performance:
 - KPI Reduction in the number of service breaches caused by suppliers
 - KPI Reduction in the number of potential service breaches caused by suppliers
- CSF There is ownership and awareness of supplier and contractual issues:
 - KPI Increase in the number of suppliers with nominated supplier managers
 - KPI Increase in the number of contracts with nominated contract managers.

6.9 Challenges and risks

Challenges include:

- Continually changing business and IT needs and managing significant change in parallel with delivering existing service
- Working with an imposed non-ideal contract; for example, with poor targets or terms and conditions
- Insufficient expertise retained within the organization, or personality conflicts
- Being tied into long-term contracts with no possibility of improvement, which have punitive penalty charges for early exit
- Supplier dependencies on the organization in fulfilling the service delivery (e.g. for a data feed) leading to accountability issues for poor service performance
- Disputes over charges
- Communication – not interacting often enough or quickly enough or not focusing on the right issues.

Major risks include:

- Lack of commitment from the business and senior management

- Legacy of badly written and agreed contracts that do not underpin or support business needs or SLR/SLA targets
- Suppliers agree to targets and service levels within contracts that are impossible to meet, or suppliers fail or are incapable of meeting the terms and conditions of the contract
- Supplier's personnel or organizational culture is not aligned with that of the service provider or the business
- Lack of clarity and integration by supplier with service providers' service management processes, policies and procedures
- Suppliers are not cooperative or willing to participate in the supplier management process
- Suppliers are taken over and relationships, personnel and contracts are changed
- Poor corporate financial processes, such as procurement and purchasing, that do not support good supplier management.

6.10 Roles and responsibilities

6.10.1 Supplier management process owner

- Carrying out the generic process owner role for the supplier management process
- Working with business and other processes (including SLM, and corporate vendor management) to ensure coordination, communication and an integrated approach to design and implementation.

6.10.2 Supplier management process manager

- Carrying out the generic process manager role for the supplier management process
- Supporting the development and review (at least annually) of SLAs, contracts and agreements for suppliers, ensuring they are aligned with the requirements of the business and delivering value for money
- Maintaining and reviewing an SCMIS
- Reviewing and carrying out a risk analysis of all suppliers and contracts on a regular basis
- Ensuring that all supporting services are scoped and documented and that interfaces and dependencies between suppliers, supporting services and supplier processes are agreed and documented
- Updating contracts or SLAs when required, ensuring that the change management process is followed
- Monitoring, reporting and regularly reviewing supplier performance against targets, identifying improvement actions as appropriate and ensuring these actions are implemented
- Ensuring changes are assessed for their impact on suppliers, supporting services and contracts and attending change advisory board meetings when appropriate
- Coordinating and supporting IT supplier and contract managers, ensuring that each supplier and contract has a nominated owner within the service provider organization.

7 Financial management for IT services

7.1 Purpose and objectives

Financial management enables an organization to manage and use its resources to meet its business objectives. More specifically, financial management for IT services (FMITS) manages the IT service provider's budgeting, accounting and charging requirements. It is also the process that is used to quantify the value that IT services contribute to the business.

The purpose of FMITS is to secure the appropriate level of funding to design, develop and deliver services that meet the strategy of the organization, while ensuring that the service provider does not commit to services that it is not able to provide. It helps identify the balance between the cost and quality of service whilst maintaining the balance of supply and demand.

Financial management is applicable to all three service provider types: internal service provider, shared service unit and external service provider. The objectives of FMITS include:

- Provide frameworks to identify, manage and communicate the cost of providing services and, where appropriate, cost recovery from the customer
- Evaluate the financial impact of new or changed strategies on the service provider
- Secure funding to manage the provision of services
- Facilitate good stewardship of service and customer assets
- Manage and report service expenditure on behalf of stakeholders
- Execute the financial policies and practices in the provision of services
- Account for money spent on the creation, delivery and support of services
- Forecast current and future financial requirements.

7.2 Scope

FMITS is a specialized area that requires an understanding of the world of finance, business and also technology. It is often a separate function, reporting either to the chief information officer or the chief financial officer.

In organizations with internal service providers, financial management plays a translational role between corporate financial systems and service management.

7.3 Value to the business

The business benefits from the operational visibility, insights and improved decision-making that are enabled by having good financial management and financial data. Specific benefits to the business include:

- The business is conducted in a financially responsible manner, operates legally and thereby reduces the risk of penalties for non-compliance
- Budgeting is accurate and covers the cost of service
- Understanding the cost of IT to each business unit allows cost recovery and (for Type III service providers) provides the ability to maintain profitability

- Matching IT services to business results in appropriate and controllable spending models and more predictable profitability
- Sound business decisions can be made regarding the use of and investment in IT.

7.4 Policies, principles and basic concepts

7.4.1 Enterprise financial management policies

The enterprise financial management policies provide a framework within which IT must work.

Policies that impact an IT service provider include:

- The level of financial expenditure that needs to be tracked (e.g. cost per desktop device or the total cost of all desktops)
- Configuration items (CIs) to record as financial assets and their classification
- Depreciation of fixed assets
- Management of taxes (e.g. an IT service that is sold externally is reported differently from one only used internally)
- Reporting of costs, whether the cost of services is accounted for individually or as an overall cost which is allocated back to the business units
- How revenue is accounted for (and linked to IT services)
- Compliance with legislative or other regulatory requirements.

An important policy decision is whether IT should be a cost or profit centre:

- Cost centre
- Profit centre

A Type III service provider is a profit centre, since it is a business in its own right. However, the different units within the company (HR, sales, marketing) may be seen as either cost or profit centres.

7.4.2 Funding

Funding is the sourcing and allocation of money for a specific purpose. Funding refers to the means whereby an IT service provider obtains financial resources that pay for the design, transition, operation and improvement of IT services. Funding can be external (from revenue received from selling services to external customers), or internal (from other business units within the same organization). Funding models can be used to define how and when the IT service provider will be funded. These include:

- Rolling plan funding
- Trigger-based funding
- Zero-based funding

7.4.3 Financial management for IT services and value

To calculate the value of IT services it is necessary to have clearly defined and properly executed practices for FMITS. The service provider and customer must have appropriate financial models and practices in place since the calculation of value is a joint responsibility.

7.4.4 Service economics

Return on investment (ROI) is used, together with service portfolio management and FMITS, to build healthy service economics for the service provider's organization:

- ROI is a concept for quantifying the value of an investment
- Customer perception is subjective and intangible factors can make it difficult to quantify the value of service management
- While ROI can be helpful in indicating the success of a service or service management implementation, a number of factors must be taken into account when using ROI calculations. These include:
 - ROI is focused only on financial metrics; it does not indicate the full potential return
 - ROI calculations should include measures to indicate whether the service, or service management project, has moved the organization closer to achieving its strategy
 - ROI that is only based on cost savings for the service provider will not be perceived by the business as a return on its investment
 - ROI calculations that focus only on the short-term results will often yield negative figures.

A key challenge when trying to fund ITIL projects is identifying a specific business imperative that depends on service management. Three techniques to support this are:

- Business case
- Pre-programme ROI
- Post-programme ROI

7.4.4.1 Business case

A business case is a decision support and planning tool. Its structure varies, but it should always include detailed analysis, typically financial, of the business impact or benefits. Business impact is linked to business objectives; for example, the reason for considering a service management initiative. A typical business case structure includes:

- Introduction
- Methods and assumptions
- Business impacts
- Risks and contingencies
- Recommendations

7.4.5 Compliance

Compliance is the ability to demonstrate that proper and consistent accounting methods are being used. Areas covered include financial asset valuation, capitalization practices, revenue recognition, and access and security controls.

Recent regulatory and standard-related changes have been introduced that impact financial management. These include:

- Public frameworks and standards (COBIT, ISO/IEC 20000, Management of Risk (M_o_R®))
- Regulations (Basel II, Sarbanes–Oxley, industry-specific regulations).

7.5 Process activities, methods and techniques

7.5.1 Accounting

Through accounting the service provider can:

- Track actual costs against budget
- Support the development of a sound investment strategy
- Provide cost targets for service performance and delivery
- Make decisions being aware of the cost implications, reducing risk
- Support the introduction of charging
- Review the financial consequences of previous strategic decisions.

7.5.1.1 Cost model

A cost model is a framework that is used to determine the cost of service provision and facilitates assessments of costs and impacts of the proposed changes to the services provided. Cost models are used to:

- Link expenditure to specific services
- Support the development of a sound investment strategy
- Enable fair division of shared service costs and form a basis for charging and pricing
- Communicate the value of IT and enable the business to influence its IT investment.

Cost models used by IT service providers include cost by IT organization, cost by service, cost by customer, cost by location, and hybrid.

7.5.1.2 Cost centres and cost units

A cost centre is anything to which a cost can be allocated – for example, a service, location, department or business unit. A cost unit is a category within a cost centre that enables a service provider to break down the high-level costs of the cost centre into more specific terms. This increases the accuracy of forecasting and the linking of costs to items that customers actually use.

7.5.1.3 Cost types and cost elements

There are at least two levels of category used to define costs, cost types and cost elements.

7.5.1.4 Cost classification

- Capital or operational costs
 - Capital
 - Operational
- Direct or indirect costs
 - Direct
 - Indirect
- Fixed or variable costs
 - Fixed
 - Variable
- Depreciation

7.5.1.5 Analysis, reporting and action plans

The aims of analysis and reporting in FMITS include:

- Building an organization-wide understanding of the service provider's income, expenses and investments
- Communicating the cost of services to all stakeholders
- Providing a basis for controlling expenditure
- Ensuring funding of the service provider is adequate
- Ensuring each service is properly priced, competitive and the service provider is able to retain value for funding
- Helping customers calculate the value of services in terms of ROI
- Reviewing strategic decisions to ensure that the predicted financial outcomes were actually realized.

7.5.2 Budgeting

Budgeting is the activity of predicting and controlling the spending of money. Budgeting consists of a periodic negotiation cycle to set future budgets (usually annual) and the routine monitoring and adjusting of current budgets.

Budget planning usually begins least one quarter before the current financial year end. Budgeting answers fundamental business questions, and then goes on to ensure that the answers are properly executed. Typical questions include:

- Does the organization have the resources needed to meet the objectives?
- Where will those resources come from?
- How many or how much of the resources will be needed and when?
- What commitment can be expected from every business unit to meet these objectives?
- Each month and quarter, where should the organization be in meeting its objectives?
- Where should costs be increased to keep up with performance that is better than expected?
- Where should costs be cut if performance is worse than expected?

The budgeting process, policies and documents are defined and managed by enterprise financial management. Budgeting activities include:

- Analysis of previous budget
- Assessment of plans within IT, which include: the organization's strategy; project plans; plans relating to customer environment changes; new services; technology updates; IT capacity and availability plans; service improvement plans; and services to be retired
- Specification of changes to funding and spending
- Cost and income estimation
- Production of a budget documenting the items of expenditure, indicating when that expenditure is due to take place. Budgets typically consist of:
 - Expenses listed according to the categories in the chart of accounts, usually grouped by department
 - An indication of which service the item supports
 - Items for operational expenses and capital expense listed separately
 - Projects, listed separately with description and purpose
 - Expected income and sources of the income
 - Record of the planned income and expenditure, and the actual income and expenditure, for each month and quarter.

7.5.3 Charging

Charging is the activity whereby payment is required for services delivered. For internal service providers charging is optional and the IT service provider is treated as a cost centre, with charging referred to as 'chargeback', as it does not require a profit. The arguments in favour of charging include:

- Charging places the customer in control of its IT spend
- Charging for services provides more accurate information, allowing more informed business decisions on the use of technology
- IT is able to operate with greater transparency and accountability
- Customers can compare the costs of the services with the business outcomes, increasing their appreciation of service value that is achieved
- Charging can encourage better or different use of IT services to support business outcomes at optimal cost
- Charging ensures that the financial implications of each request for a particular type or level of service are understood
- Charging can result in changes in behaviour; for example, ensuring that users use high-demand services at off-peak times.

The arguments against charging include:

- Charging can be a complex and bureaucratic process, involving expensive accounting tools

- Charging could change the politics of the organization negatively, especially if IT is the only department charging for its services
- Where financial reporting adequately represents the costs of providing services in business terms, there is less need for charging.

Typical areas that need to be determined are:

- Charging policies
- Level of cost recovery
- Chargeable items
- Pricing
 - Cost price
 - Cost plus price
 - Going rate
 - Market price
 - Fixed price
 - Tiered subscription
 - Differential charging
- Billing
 - No billing
 - Informational billing
 - Billing and collection

7.6 triggers, inputs, outputs and interfaces

Triggers include:

- Monthly, quarterly and annual reporting cycles, which form part of standard financial management
- Actions to accounting, budgeting or charging process that are required as a result of audits
- Financial information requests from other service management processes
- Investigation into new service opportunities
- Introduction of charging for IT services
- Financial information required for cost and impact assessment for RFC.

Inputs include:

- Regulatory requirements: financial management is subject to legislation and requirements from other statutory bodies
- Enterprise financial management policies, which form a basis for financial management for IT services
- Service management processes providing details of how money is spent and commitments to customers
- Information from service, contract, customer, application and project portfolios

- The service knowledge management system (SKMS) provides specific information about service assets and related investments.

Outputs include:

- Service valuation: the cost of the service relative to its business value
- Service investment analysis: the value of investment in a service can be determined using information and history provided by FMITS
- Compliance with financial regulation
- Business impact analysis: the effect on the business if the service is not available
- Planning confidence: the level of confidence that service stakeholders have in the service provider being able to accurately forecast costs and returns.

Key interfaces include:

- Strategy management for IT services
- Service portfolio management (SPM)
- Business relationship management
- Capacity and availability management
- Change management and continual service improvement
- Service asset and configuration management
- All other service management processes

7.7 Information management

The main sources required for information management include: financial management systems such as accounting, budgeting and charging; financial management policies; financial reporting structures; templates; spreadsheets; the organization's chart of accounts; and SKMS (of which financial management for IT services is an integral part).

7.8 Critical success factors and key performance indicators

- CSF FMITS is a key component of evaluating strategies:
 - KPI All strategies have a comprehensive analysis of investment and returns based on information provided by FMITS
 - KPI A review of strategies indicates an accurate financial forecast within an acceptable percentage
 - KPI Timely and accurate provision of financial information for SPM analysis
- CSF Funding is available to support provision of the service:
 - KPI Internal service providers receive the required funding to deliver the agreed services and can break even at the end of the accounting period
 - KPI External service providers can sell services at the required levels of profitability
 - KPI Funding is available for research and development of new or improved services
- CSF The service provider must be able to account for the money spent on the creation, delivery and support of the services:

- KPI The service provider uses an accounting system, configured to report costs by service
- KPI Regular reports are provided on the cost of services in design, transition and operation.

7.9 Challenges and risks

Challenges include:

- Financial reporting and cost models are not focused on the total cost of the service, leading to difficulties in demonstrating value to the customer
- Ensuring the chart of accounts and reporting is appropriate to the service provider as well as conforming to the enterprise standards
- Initially FMITS may find it difficult to locate financial data
- An organizational focus on cost-saving and cost-cutting, leading to reduced customer perception of service provider value
- Internal service providers experiencing difficulty in introducing charging
- External providers experiencing difficulty in pricing the services in such a way that there is a balance between the cost of delivery and value to the customer.

Risks include:

- Lack of a dedicated FMITS may result in poor investment decisions relating to services offered to the business
- Without FMITS organizations may find themselves more exposed to penalties for non-compliance with legislative or regulatory requirements
- Lack of staff with an understanding of both of IT service provision and cost accounting.

7.10 Roles and responsibilities

7.10.1 FMITS process owner

- Carrying out the generic process owner role for the financial management for IT process
- Working with other process owners to ensure an integrated approach to the design and implementation of FMITS.

7.10.2 FMITS process manager

- Carrying out the generic process manager role for the financial management for IT services process
- Compiling and formulating the annual IT budgets and submitting them for scrutiny and approval by the IT steering group
- Managing the IT budgets on a daily, monthly and annual basis; initiating corrective actions to balance income and expenditure in line with the budgets
- Producing regular statements of accounts for management information, thereby allowing managers to manage their own areas of the budgets
- Formulating and managing any recharging systems for IT customers

- Examining and reporting on value for money of all major activities, projects and proposed expenditure items within IT.

7.10.3 Budget holders

Various IT managers may be nominated as budget holders, to estimate, negotiate, agree, manage and report on the budgets for their own particular areas.

8 Business relationship management

8.1 Purpose and objectives

The purpose of business relationship management is twofold:

- To establish and maintain a business relationship between the service provider and the customer, based on an understanding of customer and business needs
- To ensure that the customer's expectations do not exceed its ability to pay and the service provider is able to meet these expectations before agreement is made.

The objectives of business relationship management include:

- Ensure that service providers understand the customer perspective and business drivers of the services
- Identify and determine the impact of any changes to the customer environment and technology on services
- Establish and articulate the business requirements for services
- Ensure that service providers meet the business needs of the customer and deliver value
- Provide a formal complaints process and escalation procedure for customers.

8.2 Scope

The scope can vary depending on whether the service provider is internal or external. The focus of business relationship management is to meet customer requirements by delivering appropriate services. This is achieved by understanding and communicating:

- The business outcomes that the customer wants to achieve
- The current service offerings to the customer; their use, agreed levels of service, quality, anticipated changes, how they can be optimized for the future and the potential impact of technology changes
- The levels of customer satisfaction and any plans required to mitigate the causes of dissatisfaction.

8.3 Value to the business

Business relationship management creates a forum for structured communication with customers, which leads to the achievement of current business outcomes and better alignment and integration of services in the future.

The focus on customer satisfaction promotes better understanding of whether the business objectives have been met and the associated value this brings.

8.4 Policies, principles and basic concepts

8.4.1 Business relationship management and the business relationship manager

The role that a business relationship manager (BRM) undertakes often includes activities from other processes (e.g. project management, SLM) as they form the initial communication link

between the service provider and customer. However, these actual activities are not part of the business relationship management process.

8.4.2 Customer portfolio

Business relationship management defines the customer portfolio where details of customers receiving services are maintained, enabling the service provider to quantify its commitments, investments and risk.

8.4.3 Customer agreement portfolio

Although the customer agreement portfolio is defined and maintained by SLM it is an important tool used by business relationship management.

8.4.4 Customer satisfaction

A key responsibility for business relationship management is to ensure that the customers are satisfied with the services they receive. Customer satisfaction measures can be used by business relationship management to compare them with the service provider performance, customer satisfaction targets and previous scores.

8.4.5 Service requirements

Defining and clarifying requirements is an essential part of business relationship management as customers find it difficult to articulate their requirements in a way that enables the service provider to design and build the service.

8.4.6 Facilitator of strategic partnerships

Business relationship management facilitates when service providers need to be included in strategic discussions relating to the customer's business, ensuring that the correct people are involved, and that any relevant information is fed back to the appropriate processes.

8.5 Process activities, methods and techniques

The two main activities are:

- Representing the service provider to its customers
- Working with service portfolio management (SPM) and design coordination to ensure the service provider responds appropriately to the customer's requirements.

8.5.1 Initiation by the customer

Business relationship management is used by the customer to communicate to the service provider its needs, opportunities and requirements in a formal, organized manner. There are many ways in which business relationship management helps the customer, including:

- Defining opportunities either from a request for help or raised during regular review meetings
- Completing and submitting requests for change (RFC) and the appropriate documentation
- Exploiting new opportunities or technology
- Handling complaints:

- Relating to specific incidents
- Not relating to specific incidents
- Handling compliments or unsolicited positive feedback relating to the quality of service.

8.5.2 Initiation by service provider

Business relationship management can be used when the service provider needs to engage with the customer, to discuss the business implications of a new or changed service, or when extra information is required on any future patterns of business activity (PBA).

8.5.3 Business relationship management process through the lifecycle

Service strategy

- IT strategy policies and plans
- SPM
- Demand management
- Financial management for IT services

Service design

- Project management
- Financial management for IT services
- SLM
- Demand management
- Service catalogue management
- Availability management
- Capacity management
- IT service continuity management

Service transition

- Change management
- Knowledge management
- Service testing and validation
- Release and deployment management

Service operation

- Request fulfilment
- Incident management

Continual service improvement

- SLM
- Seven-step improvement process
- Service reporting

8.6 Triggers, inputs, outputs and interfaces

Triggers include:

- Initiation of a new service or changes to existing services
- Strategic initiatives or identification of new opportunities
- Services that have been chartered by SPM
- Customer requests, suggestions or complaints
- Scheduled customer meetings and customer satisfaction surveys.

Inputs include:

- Customer requirements, requests, complaints, escalations and compliments
- Service and customer strategies
- Service and project portfolios
- RFCs, SLAs and PBA.

Outputs include:

- Stakeholder definitions
- Defined business outcomes
- Agreement to fund (internal) or pay for (external) services
- Customer portfolio
- Service requirements for strategy, design and transition
- Customer satisfaction surveys, including results
- Schedules of customer activity in various service management process activities
- Schedule of training and awareness events
- Reports on customers' perceptions of service performance.

Interfaces include:

- Strategy management for IT services
- SPM
- FMITS
- Demand management
- Design processes including SLM, service catalogue, capacity, availability and IT service continuity management
- Change management and release and deployment
- Continual service improvement

8.7 Information management

The main sources of information and documentation required by business relationship management include portfolios (service project, application, customer and customer agreement), and information gathered as a result of customer satisfaction surveys. The service catalogue is also

used to communicate the quality and performance of services and requirements for changes to existing services.

8.8 Critical success factors and key performance indicators

- CSF Ability to document and understand the customer's requirements of services, and associated business outcomes
 - KPI Customer requirements and business outcomes are documented and signed off by the customer (input to SPM and design)
- CSF Ability to measure customer satisfaction levels and knowing how to action the results
 - KPI Customer satisfaction levels are consistently high and are used as feedback to SPM and strategy management for IT services. Investigation of the causes and corrective actions are taken whenever scores are lower than the defined level
- CSF Ability to identify any changes to the customer environment that impact on the type, level or utilization of services provided
 - KPI Customer satisfaction and retention rates are consistently high
 - KPI Business relationship management provides input about changes to the customer environment that ultimately lead to improved customer satisfaction scores
- CSF Business relationship management must be able to measure whether the service provider is meeting the business needs of the customer
 - KPI The service provider is consistently rated above the minimum level in customer satisfaction surveys
 - KPI Service performance matches the business outcomes and is reported to the customer. Any deviations from expected achievements are documented and logged as an improvement opportunity on the CSI register
- CSF Formal complaints and escalation processes are available to customers
 - KPI The number of complaints and escalations is measured and trended over time by customer.

8.9 Challenges and risks

Challenges include:

- Promoting the use of business relationship management beyond the customer-friendly image that relates only to measuring levels of customer satisfaction
- A lack of credibility because of poor past service performance may affect the willingness of the customer to share the information required for the success of the process
- Confusion between the extended role of a business relationship manager and the scope of the business relationship management process.

Risks include:

- Confusion relating to the boundaries of business relationship management and other processes may lead to duplication of or missing activities

- A disconnect between customer-facing processes and technical processes may mean the service provider may become ineffectual.

8.10 Roles and responsibilities

8.10.1 Business relationship management process owner

- Carrying out the generic process owner role for the business relationship management process
- Ensuring interaction with other process owners to provide an integrated approach to the design and implementation of business relationship management.

8.10.2 Business relationship management process manager:

- Carrying out the generic process manager role for the business relationship management process
- Identifying customers' needs and ensuring that these can be met by providing an appropriate catalogue of services
- Ensuring that customer expectations do not exceed what they are willing to pay for and that the service provider is able to meet the expectations before agreement is reached
- Ensuring high levels of customer satisfaction
- Establishing and maintaining a constructive relationship between the service provider and customer
- Identifying any changes in customer environment and technology trends
- Establishing and articulating the business requirements for new or changed services
- Mediating whenever there are cases of conflicting requirements for services from different business units.

9 Technology and implementation

9.1 Generic requirements for IT service management technology

There are many tools and techniques that can be used to help with the design of services. They enable the following:

- Hardware design
- Software design
- Environmental design
- Process design
- Data design.

The tools and techniques are useful in:

- Speeding up the design process
- Ensuring standards are followed
- Prototyping, modelling and simulation
- Enabling 'What if?' analysis
- Enabling interfaces and dependencies to be checked
- Validating designs before development starts.

Developing service designs can be simplified by the use of tools that provide graphical views of the service and its constituent components. They can also be linked to auto-discovery tools to make the capture and maintenance of the relationships between all of the service components more efficient and accurate.

There is an opportunity to extend the use of these tools into day-to-day operation and, by linking to financial information, metrics and key performance indicators, they can be used to monitor and manage the service through all stages of its lifecycle.

The following generic activities are required to implement such an approach:

- Establish the generic lifecycle for IT assets (requirements, design and develop, build, test, deploy, operate and optimize, dispose) and define the principal processes, policies, activities and technologies within each stage of the lifecycle for each type of asset
- Formalize the relationships between different types of IT asset, and the relationships between IT asset acquisition and management and other IT disciplines
- Define all roles and responsibilities involved in IT asset activities
- Establish measures for understanding the (total) cost of ownership of an IT service
- Establish policies for the re-use of IT assets across services (e.g. at the corporate level)
- Define a strategy for the acquisition and management of IT assets, including how it should be aligned with other IT and business strategies.

9.2 Evaluation criteria for technology and tools

Some generic points that organizations should consider when selecting any service management tool include:

- Data handling, integration, import, export and conversion
- Data backup, control and security
- Ability to integrate multi-vendor components, existing and into the future
- Conformity with international open standards
- Usability, scalability and flexibility of implementation and usage
- Support options provided by the vendor, and credibility of the vendor and tool
- The platform the tool will run on and how this fits the IT strategy
- Training and other requirements for customizing, deploying and using the tool
- Costs: initial and ongoing.

It is generally best to select a fully integrated tool, but this must support the processes used by the organization, and extensive tool customization should be avoided.

Tool requirements should be categorized using MoSCoW analysis:

- M – MUST have this
- S – SHOULD have this if at all possible
- C – COULD have this if it does not affect anything else
- W – WON'T have this, but WOULD like in the future.

9.3 Practices for process implementation

9.3.1 Service level requirements

As part of service level management, the service level requirements (SLRs) for all services will be ascertained and the ability to deliver against these requirements will be assessed. Finally the SLRs will be agreed in a formal service level agreement (SLA). For new services, the requirements must be ascertained at the start of the development process, not after completion. Building the service with SLRs uppermost in mind is essential from a service design perspective.

9.3.2 Risks to the services and processes

When implementing service design and IT service management (ITSM) processes, business-as-usual practices must not be adversely affected. This aspect must be considered during the production and selection of the preferred solution to ensure that disruption to operational services is minimized. This assessment of risk should then be considered in detail in the service transition activities as part of the implementation process.

9.3.3 Implementing service design

The process, policy and architecture for the design of IT services will need to be documented and utilized to ensure that appropriate innovative IT services can be designed and implemented to meet current and future agreed business requirements.

Implementation priorities should be set against the goals of a service improvement plan (SIP). Establish a formal process and method for implementation and improvement of service design, with the appropriate governance in place. This formal process should be based on the six-stage continual service improvement model:

- Step 1 What is the vision? Understand the vision by ascertaining the high-level business objectives. The 'vision-setting' should set and align business and IT strategies.
- Step 2 Where are we now? Assess the current situation to identify strengths that can be built on and weaknesses that need to be addressed. Perform an analysis of the current position in terms of the business, organization, people and process.
- Step 3 Where do we want to be? Develop the principles defined in the vision-setting and agree the priorities for improvement.
- Step 4 How do we get there? Detail the SIP to achieve higher-quality service provision.
- Step 5 Did we get there? Put in place measurements and metrics to show that the milestones have been achieved and that the business objectives and business priorities have been met.
- Step 6 How do we keep the momentum going? Ensure that the momentum for quality improvement is maintained.

The following are key elements for successful alignment of IT with business objectives:

- Vision and leadership in setting and maintaining strategic direction, clear goals, and measurement of goal realization in terms of strategic direction
- Acceptance of innovation and new ways of working
- A thorough understanding of the business, its stakeholders and its environment
- IT staff understanding the needs of the business
- The business understanding the potential of IT
- Information and communication available and accessible to everyone who needs them
- Separately allocated time for people to become familiar with the material
- Continuous tracking of technologies to identify opportunities for the business.

9.4 Challenges, critical success factors and risks

9.4.1 Challenges

9.4.1.1 Service design

- Dealing with unclear or changing requirements from the business
- Clarifying business requirements and targets for services
- Poor relationships, communications or lack of cooperation between the IT service provider and the business
- Lack of information, monitoring and measurements
- Unreasonable targets and timescales previously agreed in SLAs and OLAs
- Poor supplier management and/or poor supplier performance

- Cost and budgetary constraints
- Determining ROI and the realization of business benefit.

9.4.1.2 Service transition

- Managing contacts, interfaces and relationships across a large customer and stakeholder group
- Lack of harmonization and integration of the supporting processes and disciplines; for example, finance, engineering and human resources
- Developing standard performance measures and measurement methods across projects and suppliers
- Ensuring that the quality of delivery and support matches the business use of new technology
- Creating an environment that fosters standardization, simplification and knowledge-sharing
- Being able to assess, understand the balance and manage risk to IT and risk to the business.

9.4.1.3 Service operation

- Lack of engagement with development and project staff
- Justifying funding on what are often seen as infrastructure costs
- Ensuring that the potential impact across all operational services is taken into account in each individual service design and transition
- Ensuring that a realistic assessment of true ongoing running costs, after transition, is taken into account in service design
- Ensuring service transition is effective in managing the transition from design to operation
- Understanding what and how to measure to demonstrate good performance
- Being increasingly involved in virtual or matrix teams can lead to confusion over who is accountable for ensuring specific activities are carried out.

9.4.2 Critical success factors

9.4.2.1 Service design

- Understanding business requirements and priorities and that they are taken into account when designing processes and services
- Ensuring good, ongoing communications with the affected individuals
- Involving as many people as possible in the design
- Gaining commitment from senior management as well as from all levels of staff.

9.4.2.2 Service transition

- Understanding the different stakeholder perspectives that underpin effective risk management and maintaining commitment
- Maintaining contact and managing all relationships
- Integrating with other lifecycle stages, processes and disciplines that impact service transition

- Maintaining new and updated knowledge in a format that can be found and used
- Building a thorough understanding of risks that have impacted or may impact successful service transition of services in the service portfolio.

9.4.2.3 Service operation

- Ensuring senior management support; this is critical for maintaining the required funding and resources, as is visible support when new initiatives are launched
- Ensuring business units understand the role they play in adhering to policies, processes and procedures
- Training service management staff to an appropriate level of understanding of the business, processes and tools
- Ensuring the suitability of and ongoing funding for tools
- Clearly defining how things will be measured and reported

9.4.3 Risks

9.4.3.1 Service design

- If any of the CSFs are not met, service design will not be successful
- Business requirements are not clear to IT staff
- An incorrect balance is struck between innovation, risk and cost while seeking a competitive edge, where desired by the business
- Business timescales do not allow sufficient time for proper service design
- The fit between infrastructure, customers and partners is not sufficient to meet overall business requirements
- A coordinated interface is not available between IT planners and business planners
- Policies and strategies are not available or are not clearly understood
- Insufficient resources and budget are available for service design activities.

9.4.3.2 Service transition

- Changes in accountabilities, responsibilities and practices of existing projects that demotivate the workforce
- Alienation of some key support and operations staff
- Additional, unplanned costs to services in transition
- Resistance to change and circumvention of the processes due to perceived bureaucracy
- Poor integration between processes causing process isolation and a 'silo' approach to delivering ITSM
- Loss of productive hours, higher costs, loss of revenue or perhaps even business failure as a result of poor service transition processes.

9.4.3.3 Service operation

- The ultimate risk to the business is the loss of critical IT services, with a subsequent adverse impact on employees, customers and finances
- If the initial design is faulty, a successful implementation will never give the required results, and redesign will ultimately be necessary

- Inadequate funding and resources available to maintain the infrastructure in a condition to guarantee ongoing service delivery
- Loss of momentum in the implementation of service management caused by day-to-day operational tasks taking priority
- Resistance to change caused by a reluctance to take new things on board
- Service management being viewed with suspicion by either IT or business
- Differing customer expectations.

9.5 Planning and implementing service management technologies

There are a number of factors to consider when deploying and implementing ITSM support tools:

- Licences
 - Dedicated licences
 - Shared licences
 - Web licences
 - Service on demand
- Deployment
- Capacity checks
- Timing of technology deployment
- Type of introduction